

Microsoft Dynamics® AX 2009

Financial training

DynamicsAXTraining.com

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This training is intended for professionals who are involved in the implementation and support of the Financial module at a customer site, as well as for those who need to advise customers, or make modifications within the area. The paper offers an overview of the principles used within the Financial module of Microsoft Dynamics® AX 2009.

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1. Basic concepts

1. Basic concepts

In this training lesson, we will study what accounting is, what its main principles are, its terminology, and how accounting is used in a company. The accountingcoach.com is a very good site with clear and concise explanation of Accounting.

Let's assume that Taras goes into the pizza business – namely, cooking and selling pizza. The name of the new company is *The Tastiest*. Taras will start his business by putting some of his personal savings into it. In effect, he is buying shares of The Tastiest's common stock. This is the first initial transaction – the company receives cash but at the same time the company has a debt. Try to illustrate this transaction.

First Transaction

Imagine a circle which represents the whole company, its left side is the Assets and its right side is the Liabilities. Assets are the things that the company owns and are sometimes referred to as the resources of the company. Liabilities are obligations of the company; they are amounts owed to others. What the company owes the outsiders call Liabilities and what it owes the owner calls Owner's Equity. So, the right side is Liabilities and Owner's Equity (the type of Liabilities).

At the beginning the circle looks like a dot, because the company doesn't have any Assets and Liabilities. When Taras invests some of his personal money, the following occurs: the company gets cash (which is the Assets), but the company owes the money to Taras. Let's assume that Taras invests 10 000\$ into his business. The circle will look as follows:

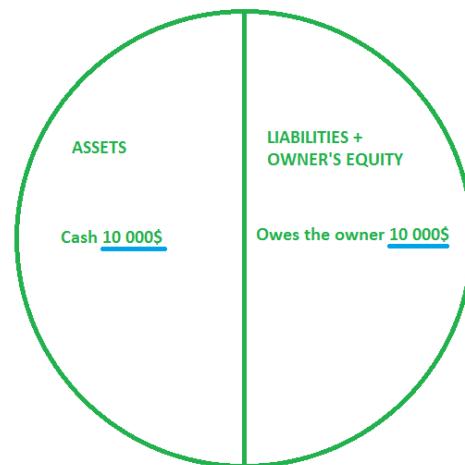


Figure 1.1 Company balances after investment

1. Basic concepts

The circle demonstrates the basic accounting equation: Assets = Liabilities + Owner's Equity. The accounting equation should always be in balance. It guarantees that the money cannot appear from anywhere. In our case the company cash (Assets) was given by the owner (Liabilities).

The field of accounting—both the older manual systems and the today's basic accounting software—is based on the 500-year-old accounting procedure known as double entry. Double entry is a simple yet powerful concept: each and every one of a company's transactions will result in an amount recorded into at least two of the accounts in the accounting system. In our case, the first transaction records the amount to the "Cash" and "Owes the owner" accounts.

Owe the owner => \$10 000 => Cash

The transaction could be recorded in the following manner:

Cash	Owe the owner
------	---------------

10 000 \$	10 000 \$
-----------	-----------

The dual form of transaction is caused by natural law. Nothing is lost in the universe, it is only changed. You can transfer an apple from one hand to another and you can also observe it separately: for the 1st hand –minus one apple, for the 2nd hand – plus one apple.

The accounting equation is in balance: \$10 000 (Cash) = \$0 (Liabilities) + \$10 000(Owner's Equity).

Purchase Vehicle for Cash

The Company decides to purchase a used delivery car which costs 1200 \$ by writing a check for \$ 1 200. In this case, the new account which is called Vehicles (or Delivery equipment) is required. Vehicles is an Asset account.

The list of all company accounts is named the **Chart of Accounts**. The chart of accounts is a listing of the account names that a company has identified and made available for recording financial transactions. A company has the flexibility to tailor its chart of accounts to best suit its needs, including adding accounts as needed.

This transaction records the amount to the Cash and Vehicles accounts.

Cash => \$ 1 200 => Vehicles

The transaction could be recorded in the following manner:

Cash	Vehicles
------	----------

\$1 200	\$1 200
---------	---------

According to the Double entry procedure, one amount is used for the two accounts. Because the amount cannot be taken from anywhere. In our case it is \$1 200.

1. Basic concepts

But in this case, the accounting equation is not in balance: \$10 000 (Cash) + \$1 200 (Cash) + \$1 200 (Vehicles) \neq \$0 (Liabilities) + \$10 000 (Owner's Equity).

It is logical that Cash is decreased, but according to the double entry procedure, it is impossible to create the following transactions:

Cash	Vehicles
-\$1 200	\$1 200

How was this problem solved by the middle ages accountants? They decided to divide all accounts into two parts. In one part, they recorded all amounts that increased the account amount, in the other part, they recorded all amounts that decreased the account amount. They called these parts as **Debit** and **Credit**. For example, if the Cash increases, the amount is recorded into the Debit part, if the Cash decreases, the amount is recorded into the Credit part. The total Cash amount is calculated in the following manner Debit – Credit.

In our case, the accounts will have the following view after the two transactions:

Cash		Owe the owner		Vehicles		
Debit	Credit	Debit	Credit	Debit	Credit	
\$10 000			\$10 000			First transaction
	\$1 200			\$1 200		Second transaction

Note that if the amount is debited in one account, the same amount should be credited in another account, because the money cannot be taken from anywhere. So one account is Debited and the other account is Credited, and vice versa. It is impossible that in one transaction both accounts are Credited (or Debited). When we sum all Debit amounts from all accounts and sum all Credit amount, they will be the same, i.e. **Debit = Credit**.

Let's check the accounting equation. In the accounting equation, the total account amount is used without debit or credit parts.

Total "Cash" amount is \$10 000 (Debit) – \$1 200 (Credit) = \$8 800.

Total "Owe the owner" amount is \$0 (Debit) – \$10 000 (Credit) = – \$10 000.

Total Vehicles amount is \$1 200 (Debit) – \$0 (Credit) = \$1 200

\$8 800 (Cash) + \$1 200 (Vehicles) \neq \$0 (Liabilities) – \$10 000 (Owner's Equity).

Something is wrong again, the amount is correct but the sign is different. We have made one mistake, because we assumed that the Debit part contained the amount that increased the total account amount, the following formula was used Debit – Credit. But, for the Liabilities and Owner's Equity accounts it is not true. Look at the first transaction, both accounts are increased! The "Owe the owner" account was increased by \$10 000 with the help of Credit part. So, the total "Owe the owner" amount should be calculated in the following manner: \$10 000 (Credit) – \$0 (Debit) = \$10 000. Remember the total

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account amount for Liabilities and Owner's Equity accounts is calculated in the following manner:
Credit – Debit.

Remember that any **Debited** account is “**good** for a company”, and any **Credited** account is “**bad** for a company”. For example, when the Cash account is **debited** it is good because the company’s cash is increased. When the Cash account is **credited** it is bad because the company’s **cash is decreased**. When the “Owes the owner” account is **credited**, it is bad because the company’s debt to the owner is **increased**. Note that in both cases the amount is entered in the Credit part, the cash is decreased, but the debt is increased and in both cases it is bad for the company.

Look at our circle after the second transaction. The circle has almost not changed. The money was moved from one asset account to another. Note that all accounts contain the total amount. For the asset accounts the total amount is Debit – Credit, for the Liabilities and Owner’s Equity accounts, it is Credit – Debit.

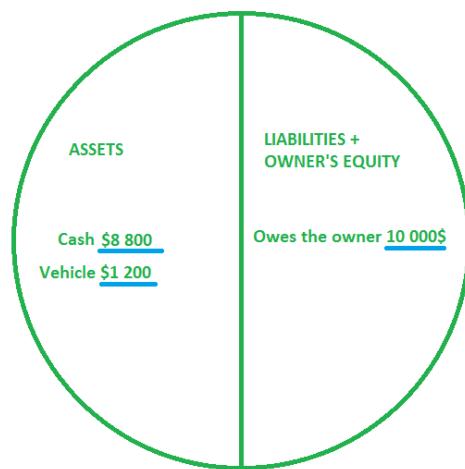


Figure 1.2 Company balances after purchase

Purchasing Pizza Ingredients

To prepare pizzas, the Company decides to purchase, for example, the following ingredients:

- 50 kg of cheese for \$500
- 300 bases for pizza for \$10
- 25 kg of salami for \$300
- 5 kg of olives for \$40

Taras contacts the supermarket administrator and agrees to pay for these ingredients within 30 days. When he brings all the ingredients to the company store, he decides to record a purchase transaction. First of all he creates the Cheese, Pizza bases, Salami, and Olives accounts to record the amounts spent

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for these ingredients and the Super Market account to record the liabilities for the Super Market vendor.

The purchase operation has the following transactions:

Super Market		Cheese		Pizza basis		Salami		Olives	
Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
	\$500+\$10+\$300+\$40=\$850	\$500		\$10		\$300		\$40	

The Super Market total amount is increased. Since Super Market belongs to the Liabilities accounts, the amount is recorded in the Credit part (Account amount = Credit – Debit). The other explanation – since the liabilities are increased, it is bad for the company, so the amount is recorded to the Credit part. The Cheese and other ingredients accounts are also increased. Since they belong to the Assets accounts, the amount is recorded to the Debit part (Account amount = Debit – Credit). The other explanation – since the assets are increased, it is good for the company, so the amount is recorded to the Debit part.

The circle is increased and will look as follows:

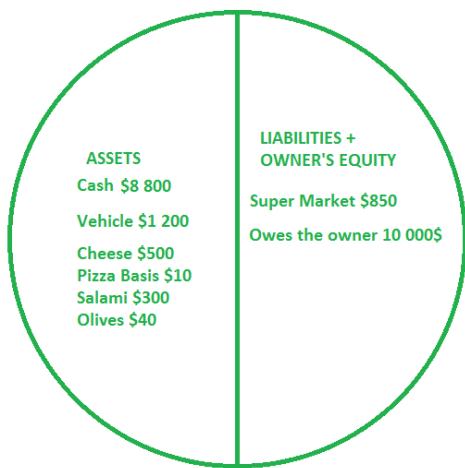


Figure 1.3 Company balances after second purchase

Note that all accounts in the circle contain the total amount, for the assets it is Debit – Credit, for the liabilities and owner's equity, it is Credit – Debit.

The circle is increased because someone has lent the money to our company. In this case, it is the Super Market. In the first transaction, the circle is increased, because Taras lends (invests) money to the company. Note that for the company doesn't care who lends the money the Vendor or the Owner, this money is company liabilities.

Let's check the accounting equation:

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$\$8\ 800 \text{ (Cash)} + \$1\ 200 \text{ (Vehicles)} + \$500 \text{ (Cheese)} + \$10 \text{ (Pizza base)} + \$300 \text{ (Salami)} + \$40 \text{ (Olives)}$
= $\$850 \text{ (Liabilities)} + \$10\ 000 \text{ (Owner's Equity)}$.

When Taras pays for the ingredients, the circle will be decreased. The transaction will have the following view:

Cash		Super Market	
Debit	Credit	Debit	Credit
	\$850	\$850	

The company's Cash is decreased, since the Cash amount is Debit – Credit, the Credit part should be increased. The other explanation – the company's Cash is decreased, it is bad for the company, so the Credit part is used, the debt to the Super market is decreased, it is good for the company, so the Debit part is used.

The circle is decreased and will have the following view:

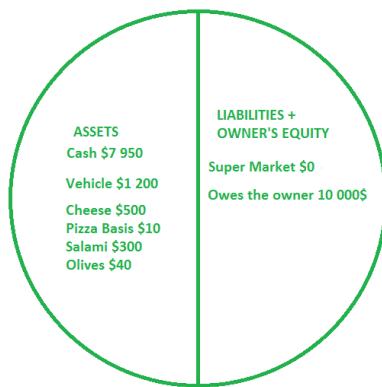


Figure 1.4 Company balances after payment

The circle shows the current snapshots of the accounts totals. The transaction information must be stored separately for each account, if we look, for example, at the Cash account, we can get the following information:

Cash	
Debit	Credit
\$10 000	
	\$1 200
	\$850

In this case, we can understand why our company has only \$7 950 cash. You can note that it is not clear why the Cash was increased by \$10 000 or decreased by \$850 and you will be right. To understand what happened, we should look at all accounts that were involved in one transaction. For

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For these purposes, a voucher is used. A voucher is an identification which is assigned to all amounts recorded in scope of one transaction. For example, the last transaction uses the “Voucher_4” identification. The transaction will look as follows:

Cash		Super Market	
Debit	Credit	Debit	Credit
	\$850 (Voucher_4)	\$850 (Voucher_4)	

When we look at the Cash account, we can get the following information:

Cash	
Debit	Credit
\$10 000	
	\$1 200
	\$850 (Voucher_4)

So now, to answer the question why our cash account was decreased by \$850, we should search through all the accounts and find where the Voucher_4 identification is available. In our case, it is the Super Market account. On the basis of the voucher identification, we restore the following transaction: Cash => \$850 => Super Market. So, the cash account is decreased because the company paid to the Super Market vendor.

Selling Pizza

Let's look how the company sells. Taras receives the first order for 1 pizza which costs \$15. Let us assume that Taras has already purchased an electric oven for \$1000. The updated circle will look as follows (the transaction is similar to the vehicle purchase):

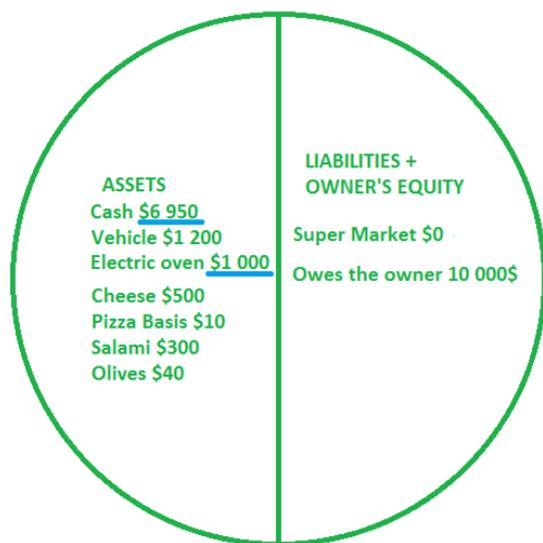


Figure 1.5 Company balances after purchase

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For one pizza, Taras uses 1 pizza base for \$0.03 ($\$10 * 1/300$), 0.3 kg of cheese for \$3 ($\$500 * 0.3/50$), 0.2 kg of salami for \$2.4 ($\$300 * 0.2/25$), and 0.15 kg of olives for \$1.2 ($\$40 * 0.15/5$). He notes that for making one pizza, the electric oven uses electric energy for \$0.2. He has decided not to take into account the electric energy and personal labor. Taras also pays \$1 for the express services. Let's calculate the total cost of goods sold: $\$0.03 + \$3 + \$2.4 + \$1.2 = \$6.63$

The sales operation will have the following transactions:

Customer		Sales							
Debit	Credit	Debit	Credit						
\$15			\$15						
Cheese		Pizza basis		Salami		Olives		Cost of goods sold	
Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
	\$3		\$0.03		\$2.4		\$1.2	6.63	
Cash		Delivery Expense							
Debit	Credit	Debit	Credit						
	\$1		\$1						

Let's analyze the Debit and Credit parts of accounts. Note that the new accounts were used. They are Customer, Sales, Cost of goods sold, and Delivery Expense.

In the first transaction, we use the Customer and Sales accounts. The Customer account is the company's Asset, because this account contains the amount that the Customer must pay to the Company. Since this Asset is increased by \$15 the Debit part is used. We already know that in one transaction, the Debit part should be equal to the Credit part. So, for the Sales account, the Credit part is used. At first sight, the Sales is the Asset account, because it contains the amount of money that the company earns. But, it is not the Asset. Because the company should give all profit to the owners. The Sales account contains the amount that must be returned to the company owners, in other words, Sales is similar to Liabilities.

In the second transaction, we use the Cost of goods sold account. The Cheese, Pizza basis, Salami, and Olives account are the Assets accounts. For the Assets account, the account amount is Debit – Credit. Since the account amount is decreased, the Credit part is used. In other words, the quantity of ingredients decreased in the stock – it is bad for the company, the Credit part is used. Since in one transaction, Debit = Credit, the Debit part is used for the Cost of goods sold account. Cost of goods sold is similar to the company Assets account.

The Sales and Cost of goods sold accounts answer the question whether the Company makes profit. If Sales plus Cost of goods sold are more than zero, the company is profitable. These accounts are named the Profit & Loss accounts. All Profit & Loss accounts are located on the right side of the circle. Because the Company makes profit, then this profit should be returned to the owner. In other words, the company's profit is the liabilities.

Since the Profit&Loss accounts belong to the Liabilities, the total Profit & Loss amount is Credit – Debit (of all Profit&Loss accounts). Note that the Sales total amount is positive and the Cost of goods sold total amount is negative.

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The circle will look as follows:

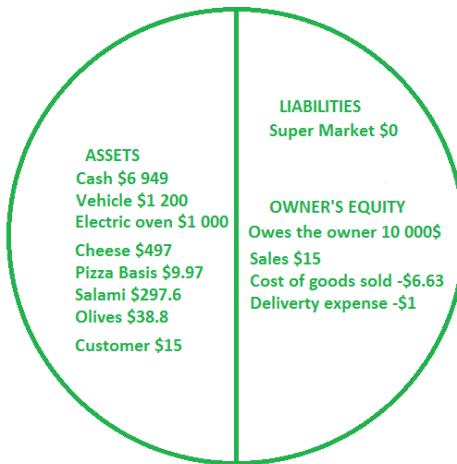


Figure 1.6 Company balances after sales

Note that the circle contains the total account amount, for the Assets, it is Debit – Credit, for the Liabilities and Owner's Equity, it is Credit – Debit. For example, for the Sales account, it is \$15(Credit) – \$0 (Debit) = \$15, for the Cost of goods sold account, it is \$0 (Credit) – \$6.63 (Debit) = - \$6.63.

You may note that Delivery Expense is also the Profit&Loss account.

Let's check the accounting equation: \$6 949 (Cash) + \$1 200 (Vehicle) + \$1 000 (Electric oven) + \$497 (Cheese) + \$9.97 (Pizza Basis) + \$297.6 (Salami) + \$38.8 (Olives) + \$15 (Customer) = \$0 (Liabilities) + \$10 000 (Owes the owner) + \$15 (Sales) – \$6.63 (Cost of goods sold) – \$1 (Delivery expense).

$$10\ 007.37 = 10\ 007.37$$

The company's profit equals the total Profit&Loss amount. Taras's Company earns \$7.37. Note that the company's circle increased by \$7.37. The total Assets amount is 10 007.37, the total Liabilities amount is 10 007.37. If the circle increased, then the company's Assets and the company's Liabilities are increased. In other words, the company's cost or value increases. But, remember that the Liabilities divided to Owner's Equity and other Liabilities. It is very good if the Owner's Equity increases and it is not very good if other Liabilities increase. In the first case, the company owes the money to the owner, in the second case, the company owes the money to other(s).

In this example, the Customer hasn't paid for the pizza yet. When the Customer pays for the pizza, the following transaction should be recorded:

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Cash		Customer	
Debit	Credit	Debit	Credit
\$15			\$15

The debit part for the Cash account is used, because the company's cash is increased (it is "good" for the company). The credit part for the Customer account is used, because the Customer has decreased his debt to the company (it is "bad" for the company, because the Customer's debt is decreased).

If we look at the Customer account, we can see the following:

Customer	
Debit	Credit
\$15	
	\$15

We can see that the Customer amount is zero (\$15 (Debit) – \$15 (Credit)). In other words, the Customer pays for the items, and has no debt to our company.

In real life, we receive the money for the pizza the same time when we deliver it. In this case, the payment transaction is included in the sales operation. But, when the company sells items to other companies, the payment occurs during the payment period. It can be 2 weeks, 1 month, or even 3 months after the items are delivered, in other words, during any time period.

Remember that the revenues are recognized as soon as a product has been sold, regardless of when the money is actually received. It is the **accrual basis of accounting** the type of revenue recognition principle. Note that in our example, we calculate the revenue before the payment operation. It doesn't matter when the payment occurs, because we assume that the money already belongs to us.

Chart of Accounts

You can ask how many accounts there can exist. Each company has its own set of accounts. An account contains information about the amount of money that is used. One company sells books and has the Books account, another company sells cars and has individual accounts for each car brand (Fiat, ZAZ, Daewoo, Mercedes, etc). For convenience, the smart accountants who lived several centuries ago classified all accounts by groups.

The main groups of accounts are:

1. Assets:
 - Current asset: Cash, Accounts receivable, Inventory
 - Property, Plant, and Equipment: Land, Buildings, Equipment, Vehicles
2. Liabilities:
 - Current liabilities: Accounts payable
3. Owner's equity
4. Profit & Loss: Operating revenues (Sales), Cost of goods sold, Expenses

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The accounts used in this training belong to the following groups:

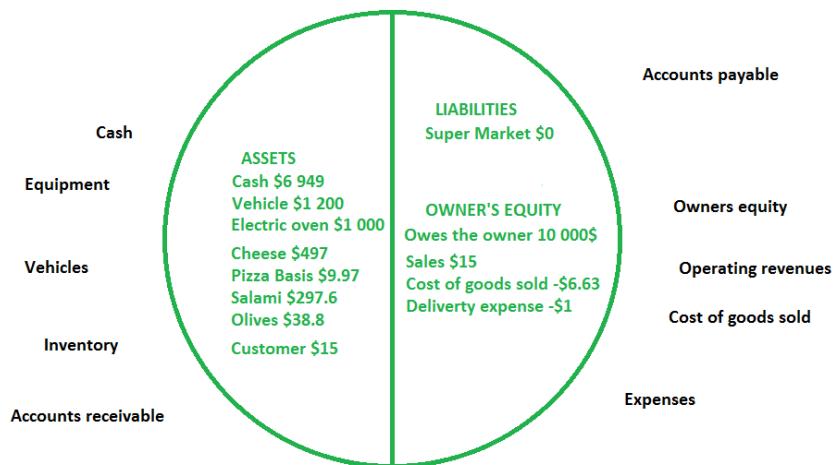


Figure 1.7 Account groups

A **chart of accounts** is a listing of the account names that a company has identified. In Microsoft Dynamics AX, the chart of accounts can be opened under **General ledger > Common Forms > Chart of Account Details**.

The screenshot shows the Microsoft Dynamics AX Chart of Accounts window. The main area displays a grid of ledger accounts categorized by balance sheet section (BALANCE SHEET, CURRENT ASSETS, CASH & CASH EQUIVALENTS, etc.) and various asset and liability types. The right side of the window features a ribbon of buttons for managing transactions, balances, and other financial statements.

Ledger account	Account name	Search name	Account type	Ledger account category	Locked in journal	Balance
100000	BALANCE SHEET	BALANCE SHEET	Page header			0.00
100500	ASSETS	ASSETS	Header			0.00
110000	CURRENT ASSETS	CURRENT ASSE...	Header			0.00
110100	CASH & CASH EQUIVALENTS	CASH & CASH ...	Header			0.00
110110	Bank Account - USD	Bank Account ...	Balance	CASH	<input checked="" type="checkbox"/>	0.00
110120	Bank Account - CNY	Bank Account ...	Balance	CASH	<input checked="" type="checkbox"/>	0.00
110130	Bank Account - EUR	Bank Account ...	Balance	CASH	<input checked="" type="checkbox"/>	0.00
110140	Bank Account - MXN	Bank Account ...	Balance	CASH	<input checked="" type="checkbox"/>	0.00
110150	Bank Account - GBP	Bank Account ...	Balance	CASH	<input checked="" type="checkbox"/>	0.00
110160	Payroll checking account	Payroll checkin...	Balance	CASH	<input type="checkbox"/>	0.00
110170	Cash in bank - US (Fixed asset purch)	Cash in bank - ...	Balance	CASH	<input type="checkbox"/>	0.00
110180	Petty cash account	Petty cash acc...	Balance	CASH	<input type="checkbox"/>	0.00
119000	TOTAL CASH & CASH EQUIVALENTS	TOTAL CASH ...	Total			0.00
120000	SECURITIES	SECURITIES	Header			0.00
120100	Bonds	Bonds	Balance	SHORTTERMINVEST	<input checked="" type="checkbox"/>	0.00
120200	Other marketable securities	Other marketa...	Balance	SHORTTERMINVEST	<input checked="" type="checkbox"/>	0.00
120300	Bill of Exchange (BOE)	Bill of Exchang...	Balance	CASHEQUIV	<input checked="" type="checkbox"/>	0.00
120400	BOE Remitted for Collection	BOE Remitted f...	Balance	CASHEQUIV	<input checked="" type="checkbox"/>	0.00
120500	BOE Remitted for Discount	BOE Remitted f...	Balance	CASHEQUIV	<input checked="" type="checkbox"/>	0.00
120600	Protested BOE	Protested BOE	Balance	CASHEQUIV	<input checked="" type="checkbox"/>	0.00
129900	TOTAL SECURI...	TOTAL SECURI...	Total			0.00

Figure 1.8 Chart of accounts

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I use the [demo data](#) which contains a good example of the chart of accounts.

There are the following accounts:

1. Assets are all accounts from 100500 till 199990
 - o Cash and cash equivalents are from 110100 till 119000
 - o Accounts receivable are from 130000 till 130900
 - o Inventory accounts are from 140000 till 150990
2. Liabilities are all accounts from 200000 till 250990
 - o Accounts payable are from 211000 till 212990
3. Owner's Equity are all accounts from 300000 till 309900
4. Profit and Loss are all accounts from 400000 till 899990
 - o Sales accounts are from 401000 till 401990
 - o Cost of goods sold accounts are from 500000 till 519900
 - o Expense accounts are from 600000 till 699900

Note that the header and total accounts are available in the **Chart of accounts** form. The Header accounts are just a label and is used in reports and inquiries. The total account contains the sum of all accounts that are assigned to it. The header and total accounts are not used in a transaction and do not influence the accounting equation. They are used for convenience. For example the 119000 (TOTAL CASH & CASH EQUIVALENTS) account shows the total amount for the accounts from 110100 till 119000 (select the total account and click **Setup > Totals** button to verify this) – it is not necessary to manually sum all accounts to know how much cash the company has.

We will use some of these accounts when analyzing the purchase and sales transactions in Microsoft Dynamics AX.

Financial Statements – Balance Sheet, Income Statement, and Cash Flow Statement

When we purchase or sell, we use the circle to analyze the current financial situation in the company. The circle answers the questions how many assets or liabilities there are in the company for the current moment. In other word, the circle is a snapshot of the company's financials. In accounting, instead of the circle the Balance sheet is used.

The accounting balance sheet is one of the major financial statements used by accountants and business owners. The balance sheet presents a company's financial position at the end of a specified date. Because the balance sheet informs the reader of a company's financial position as of one moment in time, it allows someone—like a creditor—to see what a company owns as well as what it owes to other parties as of the date indicated in the heading. This is valuable information to the banker who wants to determine whether or not a company qualifies for additional credit or loans. Others who would be interested in the balance sheet include current investors, potential investors, company management, suppliers, some customers, competitors, government agencies, and labor unions. [Example of a Balance Sheet](#).

We already know how to answer the questions whether our company is profitable or not. To know this, it is required to sum the amounts of all profit and loss accounts. In our example, we have the Sales,

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Cost of goods sold, and Delivery expense profit and loss accounts. Accountants use the Income statement to see whether a company is profitable. The income statement is sometimes referred to as the profit and loss statement (P&L).

The income statement is important because it shows the profitability of a company during the time interval specified in its heading. The period of time that the statement covers is chosen by the business and will vary (for the month, quarter, year). Keep in mind that the income statement shows revenues, expenses, gains, and losses; it does not show cash receipts (money you receive) nor cash disbursements (money you pay out).

People pay attention to the profitability of a company for many reasons. For example, if a company was not able to operate profitably—the bottom line of the income statement indicates a net loss—a banker/lender/creditor may be hesitant to extend additional credit to the company. On the other hand, a company that has operated profitably—the bottom line of the income statement indicates a net income—demonstrated its ability to use borrowed and invested funds in a successful manner. A company's ability to operate profitably is important to current lenders and investors, potential lenders and investors, company management, competitors, government agencies, labor unions, and others.

Profit and loss contains the following elements: Revenues and Gains, and Expenses and Losses.

[Example of Income statement.](#)

Note that we prompt about the revenue when a product has been sold, regardless of when the money is actually received. But the Customer could not pay for our pizza for some reason. Similarly, the expenses reported on the income statement might not have been paid. You could review the balance sheet changes to determine the facts, but the Cash flow statement has already integrated all that information. As a result, savvy business people and investors utilize this important financial statement. We don't analyze this statement.

The Balance sheet, Income statement, and Cash flow statement are the major financial statements used by accountants and business owners.

To know more about a Financial statement, I recommend you these articles: [Balance sheet](#), [Income statement](#), [Cash flow statement](#).

In Microsoft Dynamics AX, all statements are set up manually. The user defines the rows, columns, ranges etc. Our [demo data](#) already contains the setup for Balance sheet, Income statement, and Cash flow statement.

To view the statement, do the following:

1. Click **General ledger > Reports > Transactions > Periodic > Financial statement**. The **Financial statement** form opens.

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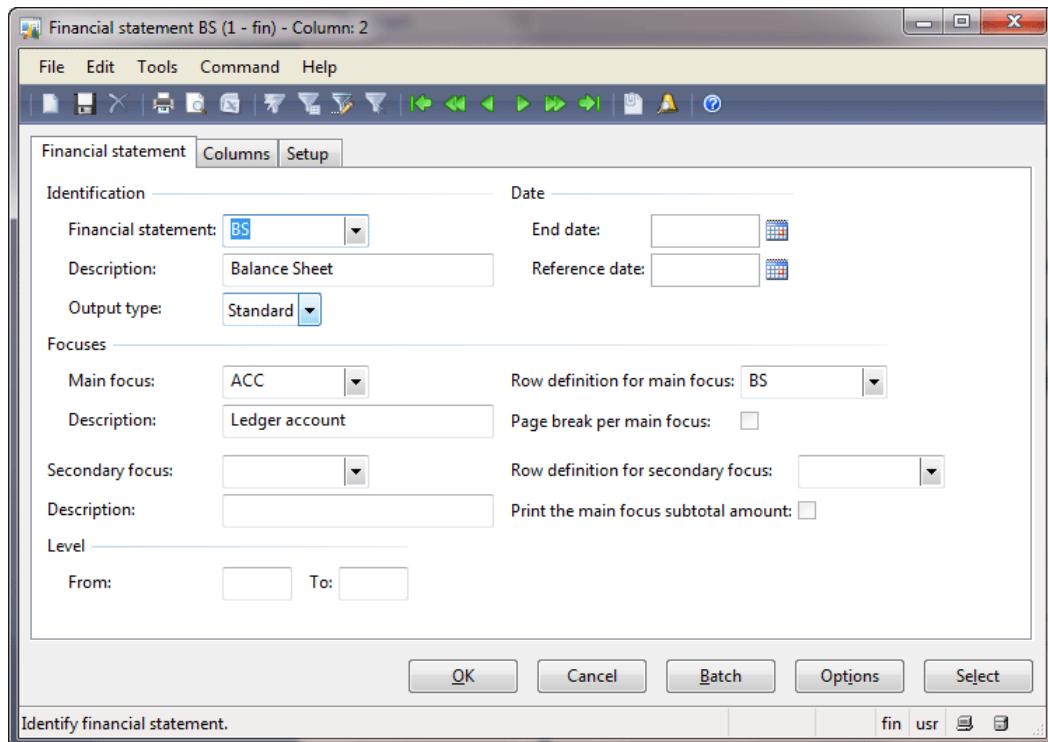


Figure 1.9 Financial statement form

2. In the **Financial statement** field, select the BS (Balance sheet) option. Click **OK**.
3. In my company where some transactions are already available, the Balance sheet looks as follows:

1. Basic concepts

The screenshot shows a Microsoft Dynamics AX application window titled "Balance Sheet - Report". The menu bar includes File, Edit, Tools, Command, and Help. The toolbar has standard icons for file operations. The main area displays a balance sheet for "Contoso Entertainment Systems". The table has three columns: Account, Current year 7/1/2011, and Prior year 7/1/2010. The data is organized by asset and liability categories.

Account	Current year 7/1/2011	Prior year 7/1/2010
ASSETS		
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS		
Bank Account - USD	0	18
CASH AND CASH EQUIVALENTS	0	18
SECURITIES		
ACCOUNTS RECEIVABLE		
OTHER CURRENT ASSETS		
CURRENT ASSETS	0	18
PROJECT		
INVENTORY		
DVD player receipts	0	10
DVD player issues	0	-9
INVENTORY	0	1
FIXED ASSETS		
ASSETS	0	19
LIABILITIES		
ACCOUNTS PAYABLE		
ACCRUALS		
Accounts Payable - US	0	-10
ACCOUNTS PAYABLE	0	-10
TAXES PAYABLE		
OTHER LIABILITIES		
LONG TERM LIABILITIES		
LIABILITIES	0	-10
SHAREHOLDERS' EQUITY		
NET INCOME		

Figure 1.10 Balance sheet

In this example, the ASSETS, CURRENT ASSETS, CASH AND CASH EQUIVALENTS are the header accounts. The “Bank account – USD” is an account. The CASH AND CASH EQUIVALENTS is the Total account.

The total Asset amount is \$19 (note that the report contains 2 pages, to view the next page click the **Page Down** button). Check the accounting equation: Assets = Liabilities + Shareholder's equity.

Note that for a sole proprietorship company, the difference between the Assets and Liabilities is called Owner's Equity, for a corporation – Shareholder's equity.

On the second page, the total amount for Liabilities and Shareholder's equity is -\$19. According to the accounting equation, the Liabilities and Shareholder's equity should be \$19. In Microsoft Dynamics AX, the Balance sheet shows the total amount that is calculated as Debit – Credit for the Asset and Liabilities accounts! The accounting equation for the Balance sheet in Microsoft Dynamics AX looks as follows: Asset + Liabilities + Shareholder's equity = 0.

1. Basic concepts

Note that in Microsoft Dynamics AX, the amount that is placed in the Credit part is shown as negative amount, the amount in the Debit part is shown as positive amount for all accounts (Assets and Liabilities).

To view the Income statement, open the **Financial statement** form again, select IS (Income statement) in the **Financial statement** field, and click **OK**. The report looks as follows:

The screenshot shows the 'Income Statement - Report' window. The title bar says 'Income Statement - Report'. The menu bar includes File, Edit, Tools, Command, and Help. Below the menu is a toolbar with various icons. The main area displays the 'Income Statement' for 'Contoso Entertainment Systems'. The report is organized into sections: OPERATING INCOME, PROJECT REVENUE, COST OF GOODS SOLD, PROJECT COST OF GOODS SOLD, OPERATING EXPENSES, and INTEREST EXPENSES. It compares 'Current year 7/1/2011 -' with 'Prior year 7/1/2010 -'. The data table is as follows:

Account	Current year 7/1/2011 -	Prior year 7/1/2010 -
OPERATING INCOME		
SALES REVENUE		
401110 - Sales - DVD Players	0	-18
402000 - SALES INTERNAL		
OTHER INCOME		
SALES REVENUE	0	-18
PROJECT REVENUE		
420000 - PROJECT ACCRUED REVI		
COST OF GOODS SOLD		
510110 - COGS - DVD players	0	9
COST OF GOODS SOLD - COST OF	0	9
PROJECT COST OF GOODS SOLD		
COST OF GOODS SOLD	0	9
GROSS PROFIT	0	-9
OPERATING EXPENSES		
MANUFACTURING EXPENSES		
SELLING AND AD EXPENSES		
PERSONNEL EXPENSES		
603000 - PROJECT PAYROLL ALLOC		
VEHICLE EXPENSES		
BUILDING AND MAIN EXPENSES		
ADMINISTRATION EXPENSES		
DEPRECIATION EXPENSES		
TAX EXPENSES		
OTHER EXPENSES		
INTEREST EXPENSES		

At the bottom left, it says 'Page 1/2'. At the bottom right, there are buttons for fin, usr, and other system icons.

Figure 1.11 Income statement

In this example the OPERATING INCOME and SALES REVENUE are the header accounts. The “401110” and “402000” are the accounts. The OTHER INCOME is the header account. The Sales revenue is the Total account, etc.

We can see that the Sales revenue is 18 in the Credit part and Cost of goods sold is 9 in the Debit part. The company's profit is the sum of all P&L account totals. In this case, the Sales revenue total is Credit

1. Basic concepts

– Debit = 18 – 0 = 19. The Cost of goods sold total is Credit – Debit = 0 – 9 = -9. The company's profit is 18 + (-9) = 9.

We have already discussed that the company's incoming are the liabilities because they should be returned to the company's owners. The summarized P&L earning account contains 9 in the Credit part. In Microsoft Dynamics AX, the Credit part always shows negative values. If we look at the second page of the Income statement, we can find that the incoming equal -9.

Accounting Cycle

We already know that some company operations (purchase, sales) should be recorded as transactions (that move amounts from one accounts to others). In this paragraph, we will learn all the steps from the business operation till the financial statement. This flow is called the accounting cycle. This is what an accountant does.

The accounting cycle is the sequence of procedures used to keep track of what has happened in the business and to report the financial effect of those things. The following is a depiction of the steps in the accounting cycle and a brief description of each.

1. **Some operation occurs.** For example a purchase.
2. **Business paper or computer record.** Usually, the accounting department is not where the transaction takes place. It is necessary that a paper or a computer record be prepared at the point-of-sale so that the accounting department is aware that a transaction occurred (for different operations different transactions occurred).
3. **Analyze.** The personnel in accounting analyze the business papers. The goal is to write correct transactions. It is necessary to determine the following:
 - o “What happened?” What kind of business took place? Did we charge our customer for something, get money for something, buy something, etc.?
 - o “What accounts will change?” Asset, Liability, Owner’s Equity.
 - o “How will they change?” Will the accounts increase or decrease?
 - o “Do they get a Debit or Credit?” Debits and Credits were discussed in detail in the previous paragraph. Debit is “good” for the company, Credit is “bad” for the company.
4. **Journalize.** The main journal for an accountant is the General Journal. General Journal is used to write transactions to it. In this step, the accountant writes transactions to the General Journal.
5. **Post.** Post the journal (or posting) is the act of transferring the information in the journal to the appropriate accounts. In the previous step, the Accountant wrote the transactions in the journal, and in this step, the transactions are posted – amounts are transferred from one account to another.
6. **Trial Balance.** A trial balance is a list of all accounts and their balances. It is a written view of the financial circle. The accountant checks the accounting equation: Assets = Liabilities + Owner’s Equity.
7. **Adjustments.** Generally speaking, adjusting entries are made at the end of a period to ensure that Revenues are reported when earned and Expenses are reported when incurred. We will study this step in detail in the future lesson.
8. **Adjusted Trail Balance.** The accountant checks the accounting equation after adjustments.

1. Basic concepts

9. **Prepare Financial Statements.** Financial Statements are used to report the financial position and results of operating a business. They are the Balance Sheet, Income Statement, and Cash Flow Statement.
10. **Close.** The accountant prepares closing entries for the temporary Owner's Equity accounts such as the Revenue and Expense accounts. The closing entries are recorded after the financial statements for the accounting year are prepared. The reason for the closing entries is to ensure that each revenue and expense account will begin the next accounting year with a zero balance.
11. **Post-closing Trial Balance.** The accountant checks the accounting equituation after the close.

Summary

Let's recall what have been studied in this training lesson:

- Accounting equation: Assets = Liabilities + Owner's Equity
- Double entry system: Debit = Credit
- Purchase process analyses
- Sales process analyses. Accrual basis of accounting
- Chart of accounts
- Financial statements – Balance sheet, Income statement
- Accounting cycle

In the next training lessons, we will make a purchase in Microsoft Dynamics AX and analyze the results

2. Purchase

2. Purchase

In this training lesson, we will purchase some items, analyze financial transactions, and run Financial statements.

The same [demo data](#) will be used. Let's assume that the company decides to purchase 10 items of 1003 (Plasma Television Model 01) from the 1002 (Wind Televisions) vendor.

Creating a Purchase Order

First of all, a purchase order should be created. Open the **Purchase order** form by navigating to **Accounts payable > Common Forms > Purchase Order Details**. The **Purchase order** form opens. (Click the **Advanced** button to have the advanced form layout.)

Item number	Configuration	Size	Color	Site	Warehouse	Quantity	Unit	Unit price	Discount	Disc. pct.	Net amount	Item name	Quality order status
0001				2	22	10.00	Pcs				0.00	Back	

Figure 2.1 Purchase order form

Create a purchase order for the vendor 1002. In the **Purchase order** form, create a new line. The **Create purchase order** form opens. Select the vendor 1002 in the **Vendor account** field. The **Transfer vendor information** box opens, click **Yes**.

2. Purchase

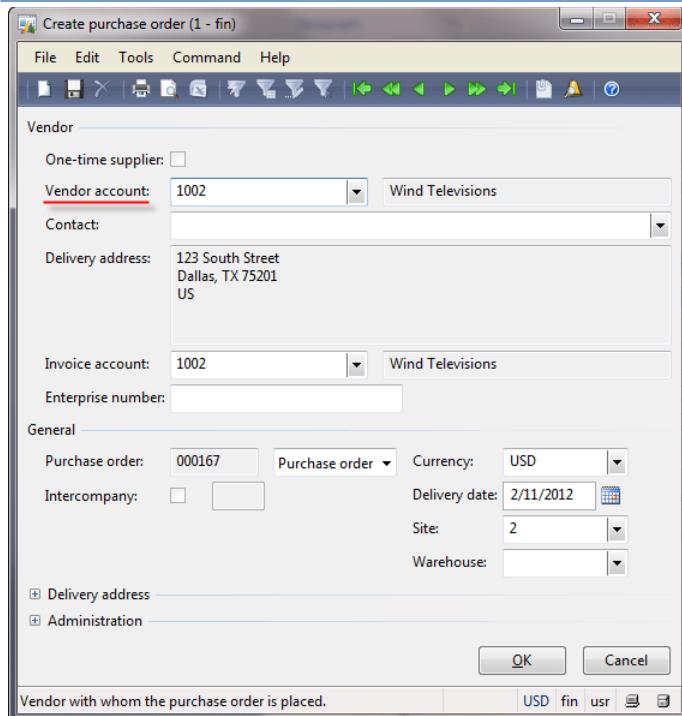


Figure 2.2 Create purchase order form

Click **OK** in the **Create purchase order** form. The new purchase order will be created.

Create a purchase order line in the purchase order for 10 items. In the **Purchase order** form in the Lines area, create a new line. Select the item 1003 in the **Item number** field. Select “HD” in the **Configuration** field, “42” in the **Size** field, and “01” (Black) in the **Color** field. Save the line (Ctrl+S).

The **Site**, **Warehouse**, **Quantity**, **Unit**, and **Unit price** fields will be filled in automatically. The default parameters are set up here:

- Site, Quantity, Unit: the **Items** form (**Inventory management > Common Forms > Item details**) > find item 1003 > **Setup** menu button > **Default order settings** button > **Purchase order** tab > **Purchase Unit**, **Purchase site**, and **Min. order quantity** fields.
- Warehouse: the **Items** form (**Inventory management > Common Forms > Item details**) > find item 1003 > **Setup** menu button > **Site specific order settings** button > find Site 2 > **Purchase order** tab > **Purchase warehouse** field.
- Price: **Items** form (**Inventory management > Common Forms > Item details**) > find item 1003 > **Setup** menu button > **Item dimension combinations** button > find HD + 42 + 01 combination > **Price** button > find 2 Site > **Price** field.

2. Purchase

The **Purchase order** form will look as follows:

The screenshot shows the Microsoft Dynamics AX 2009 Purchase Order form. The top navigation bar includes File, Edit, Tools, Command, and Help. Below the menu is a toolbar with various icons. The main window has two tabs: 'General' and 'Lines'. The 'General' tab displays a grid of purchase order details with columns for Purchase order, Vendor account, Invoice account, Purchase type, Status, Currency, Project, Blanket order, and Quality order status. The 'Lines' tab displays a grid of item details with columns for Item number, Configuration, Size, Color, Site, Warehouse, Quantity, Unit, Unit price, Discount, Disc. pct., Net amount, Item name, and Quality order status. A message bar at the bottom indicates 'Item number included in the line.' On the right side, there is a vertical stack of buttons for different functions: Simple, Posting, Pro forma, Setup, Functions, Inquiries, Trade agrmt., Intercompany, Setup (b), Functions (j), Inquiries (k), Calculation (v), Inventory (z), and Intercompany (l). At the bottom right are buttons for USD, fin, usr, and other system controls.

Figure 2.3 Purchase order form

The purchase process consists of the following steps:

- Confirmation
- Arrival
- Registration
- Packing slip
- Invoice

We will go through these steps with the attention to the financial results. To know more about the purchase process, read [this training lesson](#).

Confirmation

The Purchase Manager agrees with the vendor all purchase details and confirms them. To record in the system that the purchase order is confirmed, the confirmation step is used. This step does not generate transactions, because it does not influence the company's assets or liabilities.

The Purchase Manager opens the **Purchase order** form and clicks the **Posting > Purchase order** button. The **Posting purchase order** form opens. Click **OK**.

2. Purchase

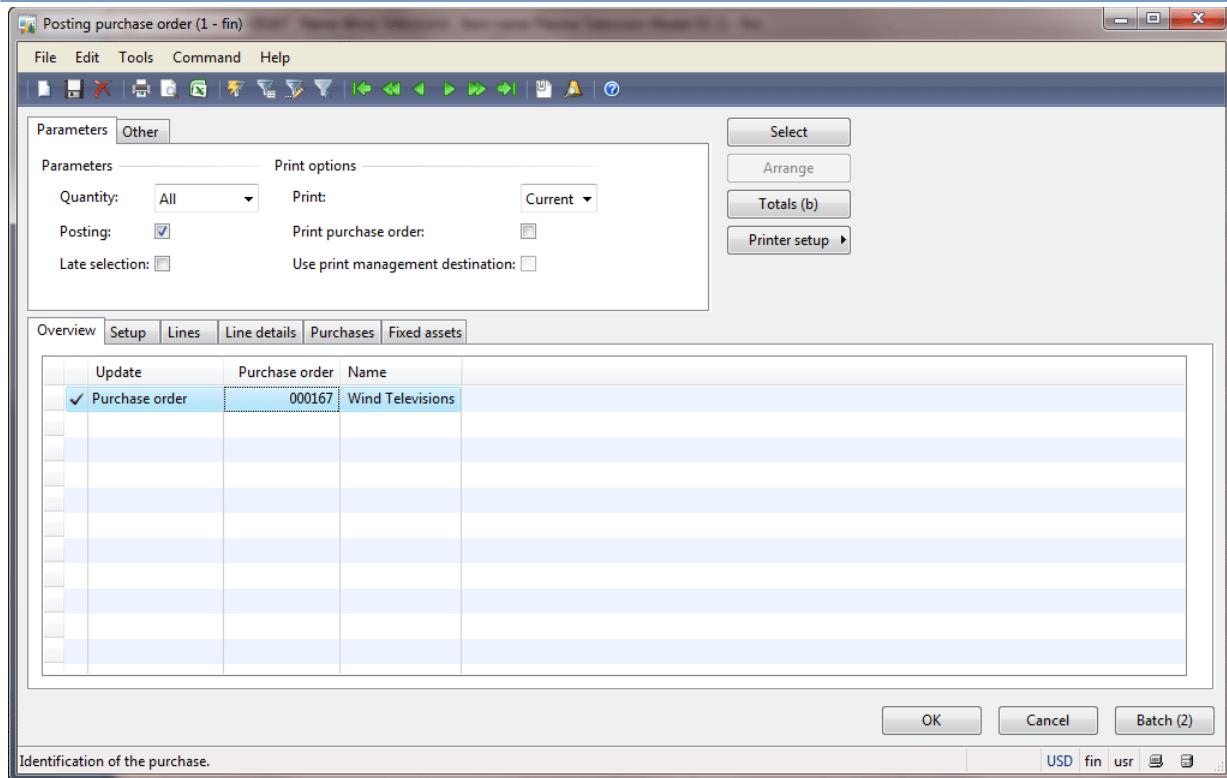


Figure 2.4 Posting purchase order form

In the **Purchase order** form, click **Inquiries > Purchase order** to review the posting results. The **Purchase order journal** form opens.

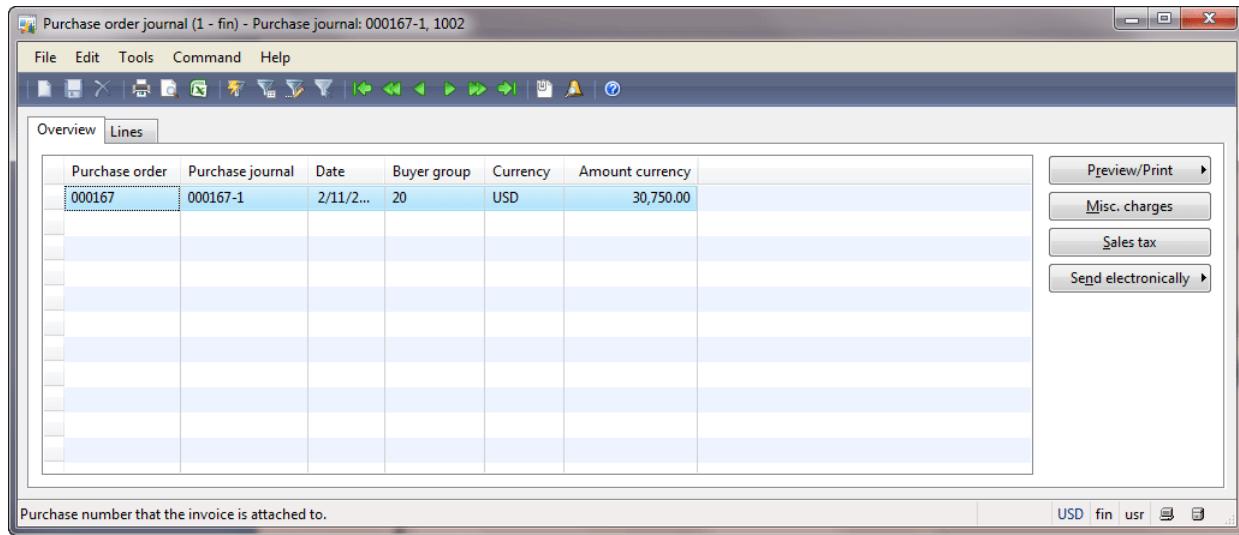


Figure 2.5 Purchase order journal form

The form contains the result of confirmation operation. We can see that the purchase journal “000167-1” is created with one line and is posted. This operation has no influence on accounts. The **Purchase order journal** form doesn’t have the **Voucher** button. A voucher is used to group all transactions

2. Purchase

generated for one operation. Since the **Purchase order journal** form doesn't have the **Voucher** button, the confirmation operation never generates transactions.

Arrival and Registration

Arrival and registration steps are used when the Warehouse management is enabled for the item. This step is used to track items that arrived into the warehouse and the places where the items were stored in the warehouse. This process is described in more detail in the [Item arrival and registration lesson](#) from the Trade and Logistics training.

The Warehouse management consists of the item arrival and registration steps during purchase and the picking and shipping steps during sales. The item 1003 doesn't use the Warehouse management, because it doesn't have the location and pallet dimensions (see the item Dimension group) and the Registration and Picking steps are not mandatory (see the item Inventory model group). Both groups are set up in the **Items** form.

This step is used to record that items arrived. Note that the item is not the company's property yet. Since the item is not the company's property, the operation does not influence the company's assets or liabilities. Transactions are not generated.

To record that the items arrived and are registered, do the following (for the items that do not use the Warehouse management only). In the **Purchase order** form, click the **Posting > Receipt list** button. The **Posting receipt list** form opens. On the **Lines** tab, you can make sure that all items will be registered. Click **OK**.

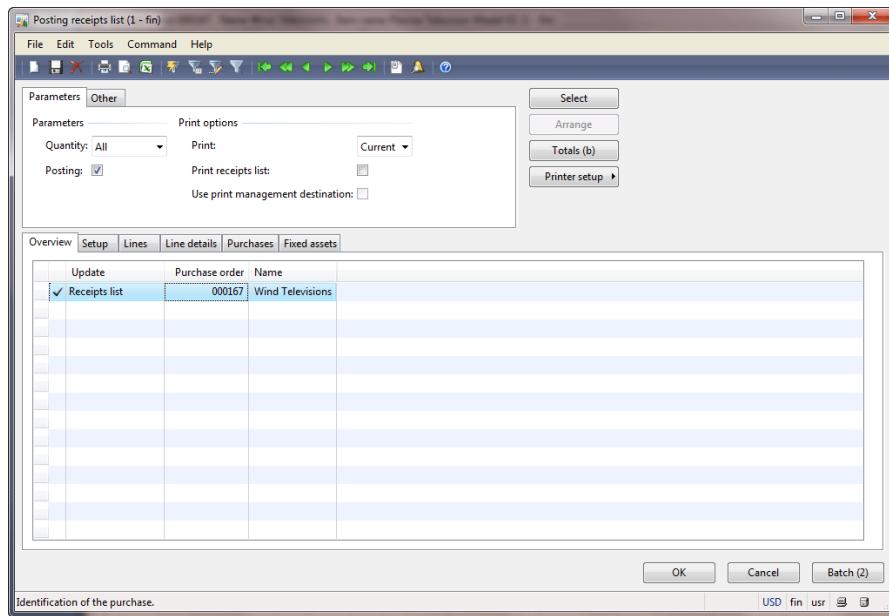


Figure 2.6 Posting receipt list form

To review the posting results in the **Purchase order** form, click the **Inquiries > Receipts list** button. The **Receipts list journal** form opens.

2. Purchase

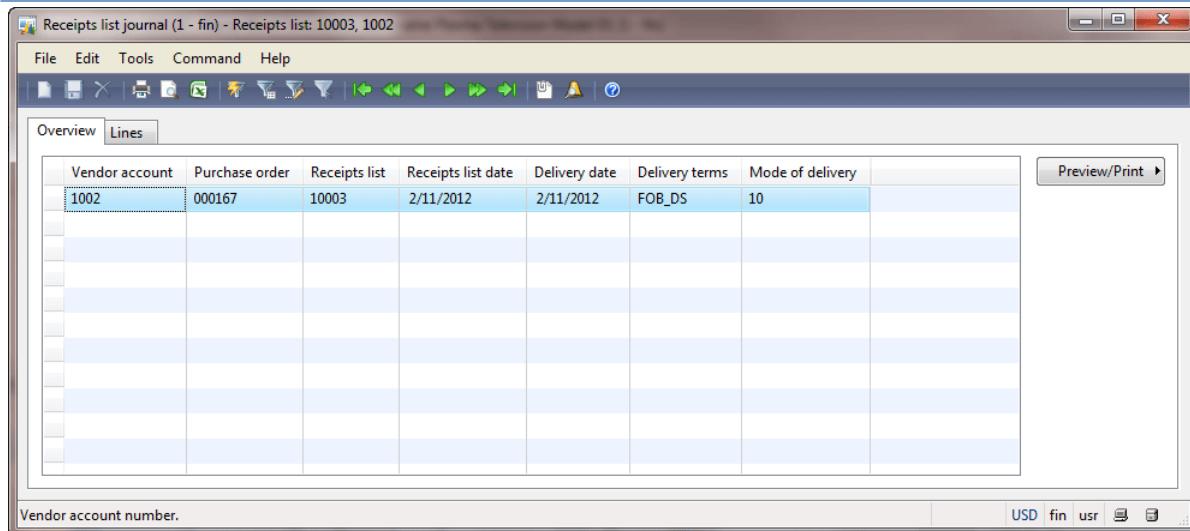


Figure 2.7 Receipts list journal form

We can see that the receipt list journal is created. But the **Receipts list journal** form also doesn't have the **Voucher** button, because this operation never generates transactions.

Packing Slip

The packing slip step is used to record that the items are delivered and become the company's property. Since the items become the company's property, the company assets and liabilities change, because the company's inventory is increased. This operation generates transactions.

The inventory increases and the vendor liabilities also increase. Inventory is the company's asset, so when the asset account is increased, the debit part is used (Debit is "good" for the company). The Vendor or Accounts payable are the company liabilities; when liabilities increase, the credit part is used (Credit is "bad" for the company). In the previous training lesson, we analyzed the same transaction when purchasing the pizza ingredients. The transaction will look as follows:

Inventory		Accounts payable	
Debit	Credit	Debit	Credit
\$30 750			\$30 750

Let's post the packing slip in Microsoft Dynamics AX and check the results. In the **Purchase order** form, click the **Posting > Packing slip** button. The **Posting packing slip** form opens. Enter any value in the **Packing slip** field, for example "Packing slip 1" and click **OK**.

2. Purchase

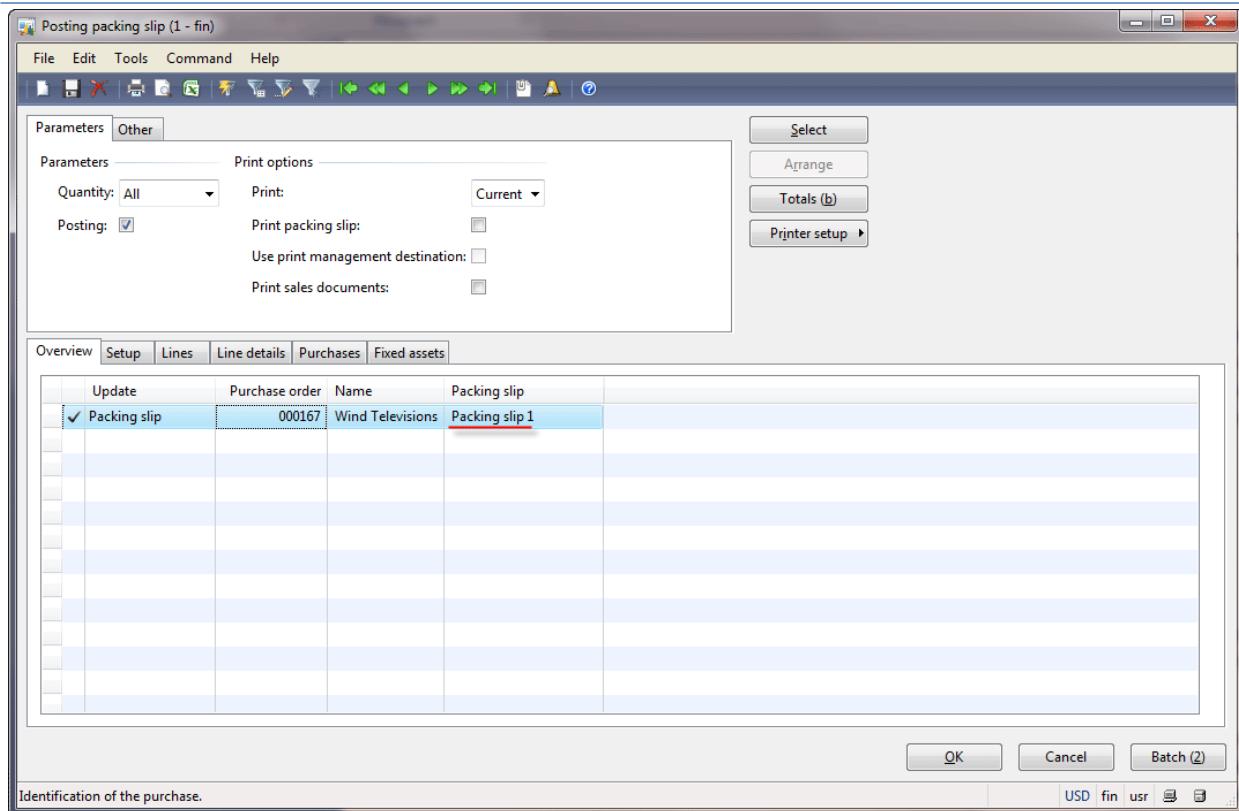


Figure 2.8 Posting packing slip form

The “Period 2/11/2012 is not open” error message appears. It is because Microsoft Dynamics AX is trying to generate transactions but cannot find an open fiscal period for the current date. We must set up periods for the current year:

1. Go to General ledgers > Setup > Periods > Periods. The Periods form opens.
2. Click the Create fiscal year button. The Create new fiscal year form opens. Fill in 1 in the Desired length of period field and Month in the Unit field. Click OK.

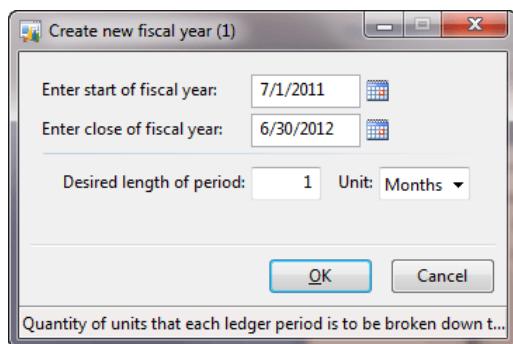


Figure 2.9 Create new fiscal year form

The Periods form will look as follows:

2. Purchase

Start	Period code	End	Status	Comments
6/30/2010	Closing	6/30/2011	Stopped	
7/1/2011	Opening	7/1/2011	Closed	
7/1/2011	Normal	7/31/2011	Open	
8/1/2011	Normal	8/31/2011	Open	
9/1/2011	Normal	9/30/2011	Open	
10/1/2011	Normal	10/31/2011	Open	
11/1/2011	Normal	11/30/2011	Open	
12/1/2011	Normal	12/31/2011	Open	
1/1/2012	Normal	1/31/2012	Open	
2/1/2012	Normal	2/29/2012	Open	
3/1/2012	Normal	3/31/2012	Open	
4/1/2012	Normal	4/30/2012	Open	
5/1/2012	Normal	5/31/2012	Open	
6/1/2012	Normal	6/30/2012	Open	
6/30/2012	Closing	6/30/2012	Stopped	
7/1/2012	Opening	7/1/2012	Closed	

Figure 2.10 Periods form

Post the packing slip again. Don't forget to select the "Packing slip 1" value in the **Packing slip** field. The packing slip is posted successfully.

Note that the purchase order status changed from *Open order* to *Received*. To review the posting results in the **Purchase order** form click the **Inquiries > Packing slip** button. The **Packing slip journal** form opens.

Purchase order	Packing slip	Date	Voucher	Terms	Mode of delivery	Company	Sales order	Voucher	Posted via intercompany
000167	Packing slip 1	2/11/2...	PSV-100279	FOB_DS	10				<input type="checkbox"/>

Figure 2.11 Packing slip journal form

We can see that the packing slip journal is generated. The **Packing slip journal** form contains the **Voucher** button. To view the transactions that are generated for this step click the **Voucher** button. The

2. Purchase

voucher contains all transactions that were generated for one posting. The **Voucher transactions** form opens.

Figure 2.12 Voucher transactions form (Packing slip)

The form contains two lines – one line for each account. The following accounts were used:

142100		211250	
Debit	Credit	Debit	Credit
\$30 750			\$30 750

This transaction is similar to the one that we have assumed. Let's find the information about these accounts.

All accounts are listed in the Chart of accounts. Go to **General ledger > Common Forms > Chart of Account Details**. The **Chart of accounts** form opens. Find the 142100 account.

2. Purchase

The screenshot shows the 'Chart of accounts (1 - fin) - Ledger account: 142100, Inventory Clearing - Received, un-invoiced' window. The main grid displays various ledger accounts with their details. On the right side, there is a vertical toolbar with several buttons: Transactions, Balance, Period balances, Setup, Inquiry, Account statement, Ledger budget, Validation list, Cost category, and Send electronically. The bottom of the window has tabs for USD, fin, usr, and a search bar.

Ledger account	Account name	Search name	Account type	Ledger account category	Locked in journal	Balance
141170	Services returns	Services returns	Balance	INV	<input checked="" type="checkbox"/>	0.00
141250	Misc. receipts/issues	Misc. receipts/i...	Balance	INV	<input checked="" type="checkbox"/>	0.00
141270	Misc. returns	Misc. returns	Balance	INV	<input checked="" type="checkbox"/>	0.00
142100	Inventory Clearing - Received, un-i...	Inventory Clear...	Balance	INV	<input checked="" type="checkbox"/>	0.00
142200	Inventory Clearing - Received, un-i...	Inventory Clear...	Balance	INV	<input checked="" type="checkbox"/>	0.00
142300	Inventory Clearing - Shipped, un-in...	Inventory Clear...	Balance	INV	<input checked="" type="checkbox"/>	0.00
142400	Inventory Clearing - Shipped, un-in...	Inventory Clear...	Balance	INV	<input checked="" type="checkbox"/>	0.00
142500	Deferred expense	Deferred expense	Balance	OTHERASSET	<input type="checkbox"/>	0.00
142600	Deferred expense - Intercompany	Deferred expen...	Balance	OTHERASSET	<input type="checkbox"/>	0.00
149990	TOTAL PHYSICAL INVENTORY	TOTAL PHYSIC...	Total		<input type="checkbox"/>	0.00
150000	INVENTORY PRODUCTION - WIP	INVENTORY PR...	Header		<input type="checkbox"/>	0.00
150100	Inventory - WIP	Inventory - WIP	Balance	WIP	<input checked="" type="checkbox"/>	0.00
150150	Inventory - WIP Production Materials	Inventory - WI...	Balance	WIP	<input checked="" type="checkbox"/>	0.00
150200	Inventory - WIP Production Labor a...	Inventory - WI...	Balance	WIP	<input checked="" type="checkbox"/>	0.00
150250	Inventory - WIP Production Report...	Inventory - WI...	Balance	WIP	<input checked="" type="checkbox"/>	0.00
150900	TOTAL INVENTORY PRODUCTION	TOTAL INVENT...	Total		<input type="checkbox"/>	0.00
150990	TOTAL INVENTORY	TOTAL INVENT...	Total		<input type="checkbox"/>	0.00
160000	PROJECT WIP COST VALUE	PROJECT WIP ...	Header		<input type="checkbox"/>	0.00
160100	WIP - Hour Costs	WIP - Hour Co...	Balance	WIP	<input type="checkbox"/>	0.00
160200	WIP - Item Costs	WIP - Item Costs	Balance	WIP	<input type="checkbox"/>	0.00
160300	WIP - Expense Costs	WIP - Expense ...	Balance	WIP	<input type="checkbox"/>	0.00

Figure 2.13 Chart of accounts form

We can see that the account 142100 is called “Inventory Clearing – Received, un-invoiced”. The header account for this account is 140000 (INVENTORY). So, this account is one of the Inventory accounts that is used to store the money equivalent of items that were delivered but not invoiced.

Find the account 211250 in the **Chart of accounts** form. We can see that the account 211250 is called “Accounts Payable – Clearing”. The header account for this account is 211000 (ACCOUNTS PAYABLE). So, this account is one of the Accounts Payable accounts that is used to store the un-invoiced liability.

So, we make sure that Microsoft Dynamics AX generates the same transaction as we have assumed.

Invoice

The final and the main step in the purchase process is the Invoice. This step is used to record that the company agrees to pay for the delivered items. Until the invoice step is performed, the company could not pay for the delivered items. The vendor sends the Invoice document with the amount to pay. If the Company agrees to pay this amount for the delivered items, the Invoice is registered (in other words is posted) in the system.

This process changes the financial situation in the company, because the packing slip transaction should be reversed and a transaction with the inventory and accounts payable accounts must be generated.

The transactions will look as follows:

2. Purchase

Inventory un-invoiced		Accounts payable – Clearing		Reverse the amount from packing slip step
Debit	Credit	Debit	Credit	
	\$30 750	\$30 750		
Inventory		Accounts payable		
Debit	Credit	Debit	Credit	
\$30 750			\$30 750	

The first transaction reverses the amount on the accounts that were used in the packing slip step. After this the inventory uninvoiced total amount will be zero (Debit – Credit):

Inventory uninvoiced		
Debit	Credit	
\$30 750		Packing slip transaction
	\$30 750	Reverse transaction

The Accounts payable – Clearing account will also have the zero amount. This means that the company doesn't have the un-invoiced inventory and the accounts payable that are not yet approved.

Let's post the invoice in Microsoft Dynamics AX and check the results. In the **Purchase order** form, click the **Posting > Invoice** button. The **Posting Invoice** form opens. Enter any value in the **Invoice** field, for example "Invoice 1", and click **OK**.

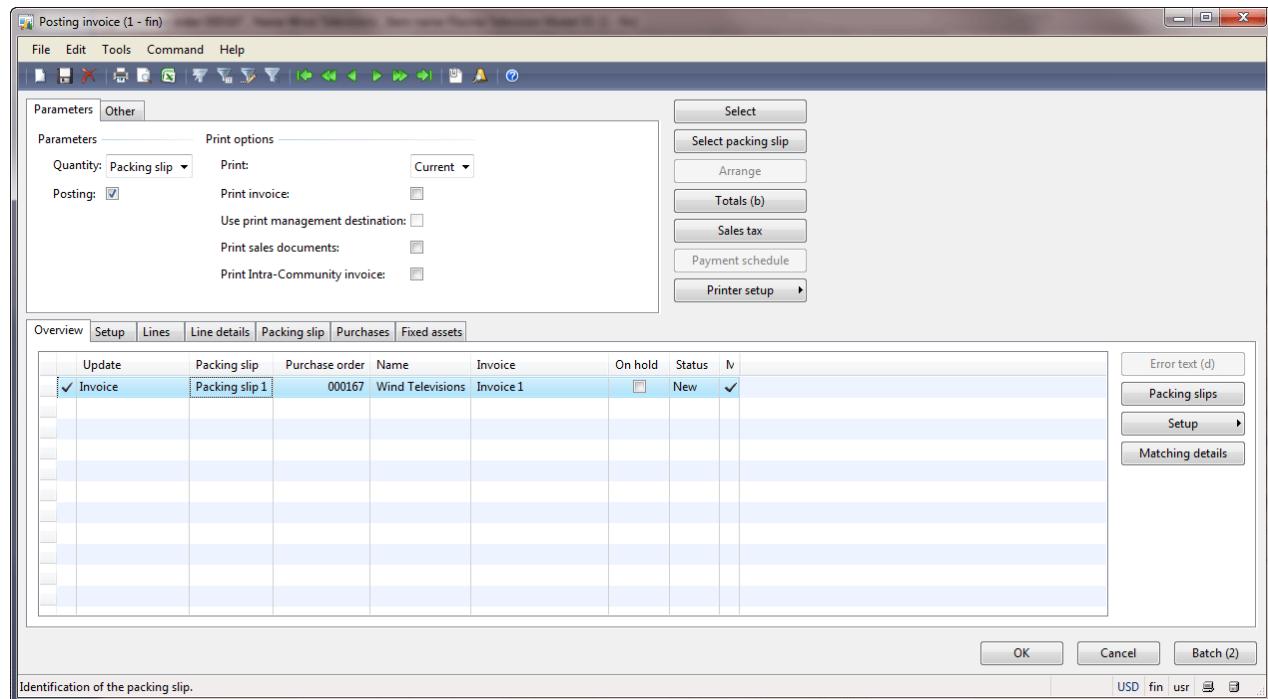


Figure 2.14 Posting Invoice form

Note that the purchase order status changes from *Received* to *Invoiced*. To review the posting results in the **Purchase order** form, click the **Inquiries > Invoice** button. The **Invoice journal** form opens.

2. Purchase

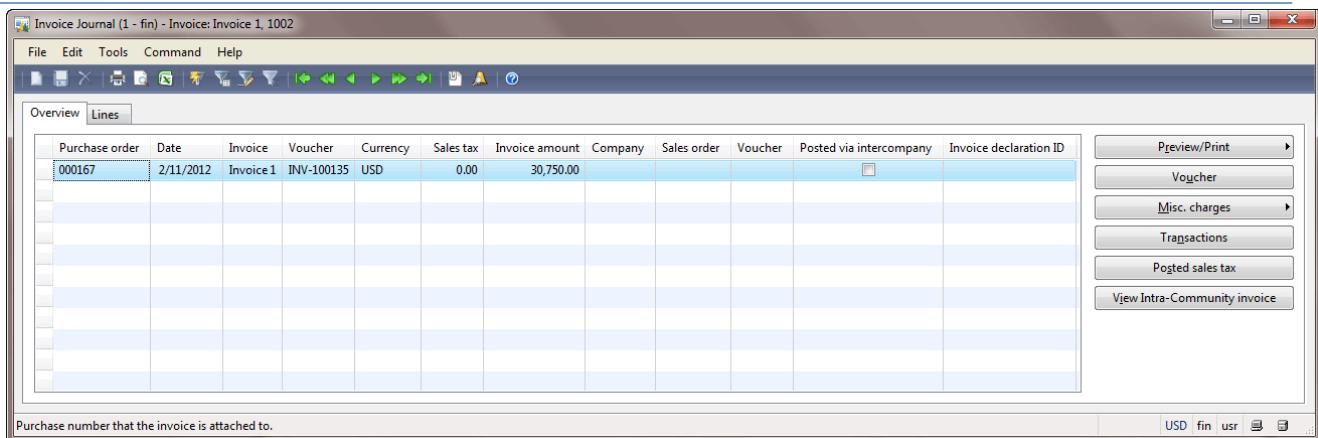


Figure 2.15 Invoice journal form

We can see that the invoice journal is generated. The **Invoice journal** form contains the **Voucher** button. To view the transactions that are generated for this step, click the **Voucher** button. The voucher contains all transactions that were generated for one posting. The **Voucher transactions** form opens.

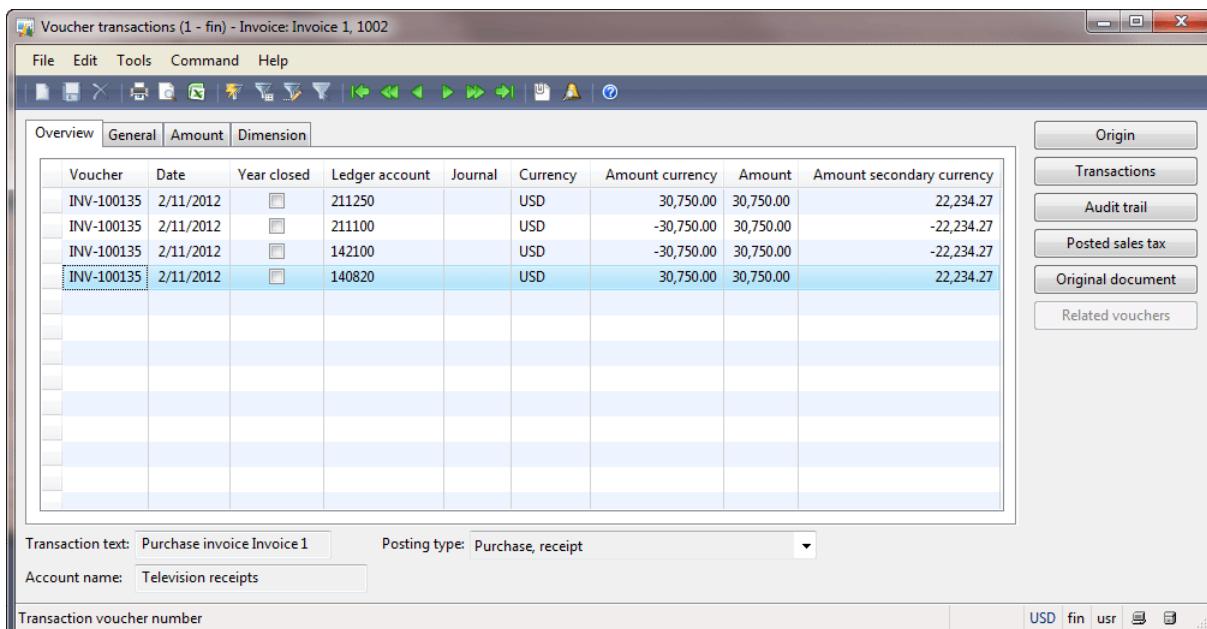


Figure 2.16 Voucher transactions form

The form contains four lines – one line for each account. The following accounts were used:

142100		211250	
Debit	Credit	Debit	Credit
	\$30 750	\$30 750	
140820		211100	
Debit	Credit	Debit	Credit
\$30 750			\$30 750

2. Purchase

The first transaction reverses the amount on the 142100 (Inventory clearing – received, un-invoiced) and 2110250 (Accounts Payable – Clearing) accounts.

Let's find information about the accounts from the second transaction. Open the **Chart of accounts** form by navigating to **General ledger > Common Forms > Chart of Accounts Details**. Find the account 140820. The account is called “Television receipts”. The header account is 140000 (INVENTORY). So 140820 is one of the Inventory accounts. This account is used to store the money equivalent of the television items that the company has.

Find the account 211100 in the **Chart of accounts** form. The account is called “Accounts payable – US”. The header account is 211000 (ACCOUNTS PAYABLE). So, 211100 is one of the Accounts payable accounts. We make sure that Microsoft Dynamics AX generates the same transactions as we have assumed.

Let's check what transactions are recorded to the 142100 (Inventory un-invoiced) account and the account balance.

Open the **Chart of accounts** form and find the 142100 account. Click the **Transactions** button, the **Account transactions** form opens.

Voucher	Date	Year closed	Period code	Currency	Amount currency	Amount	Amount secondary currency
PSV-100266	4/7/2010		Normal	USD	92,300.00	92,300.00	66,738.97
PSV-100267	4/7/2010		Normal	USD	-13,845.00	13,845.00	-10,010.85
PSV-100268	4/7/2010		Normal	USD	92,300.00	92,300.00	66,738.97
PSV-100269	4/7/2010		Normal	USD	-15,691.00	15,691.00	-11,345.63
PSV-100270	4/7/2010		Normal	USD	83,070.00	83,070.00	60,065.08
PSV-100271	4/7/2010		Normal	USD	-15,691.00	15,691.00	-11,345.63
PSV-100272	4/7/2010		Normal	USD	25,036.00	25,036.00	18,102.68
PSV-100273	4/7/2010		Normal	USD	2,276.00	2,276.00	1,645.70
PSV-100274	4/7/2010		Normal	USD	10,380.00	10,380.00	7,505.42
PSV-100275	4/7/2010		Normal	USD	10,380.00	10,380.00	7,505.43
PSV-100276	4/7/2010		Normal	USD	10,380.00	10,380.00	7,505.42
INV-100131	5/28/2010		Normal	USD	-57,500.00	57,500.00	-41,576.25
PSV-100277	5/28/2010		Normal	USD	57,500.00	57,500.00	41,576.25
INV-100135	2/11/2012		Normal	USD	-30,750.00	30,750.00	-22,234.27
PSV-100279	2/11/2012		Normal	USD	30,750.00	30,750.00	22,234.27

Figure 2.17 Account transactions form

Our demo data already has a lot of transactions on this account. But, according to the date, only two transactions were generated for this account during the purchase process. Both transactions have different voucher numbers, so they were initiated from different operations. To view all transactions associated with the voucher number, click the **Voucher** button. The **Voucher number** form opens. On the **General** tab, in the **Document** field we can find the document number for which the transaction

2. Purchase

was generated. The first transaction was generated for the packing slip operation, and the second for the invoice operation.

The total amount (or the account balance) is the sum of all transaction amounts. To view the account balance, click the **Balance > Balance** button in the **Chart of accounts** form. The **Balance** form opens.

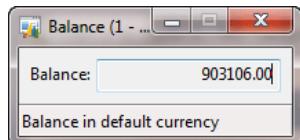


Figure 2.18 Balance form

We can see that the account has some balance. But, if we sum the transactions from the packing slip and the invoice operations, the sum will be zero.

Note that the account transactions could not be created for the Packing slip step, because it is an optional step. The company employees record the information to the accounts during the packing slip step if they want to track the un-invoiced items.

The Inventory model group is used to enable or disable the creation of account transactions during the packing slip step. Let's check the inventory model group of the item 1003. Go to **Inventory management > Common Forms > Item details** > find 1003 item > **General** tab > **Groups** field group > **Inventory model group** field. The 1003 item uses the "Std Cost" inventory model group.

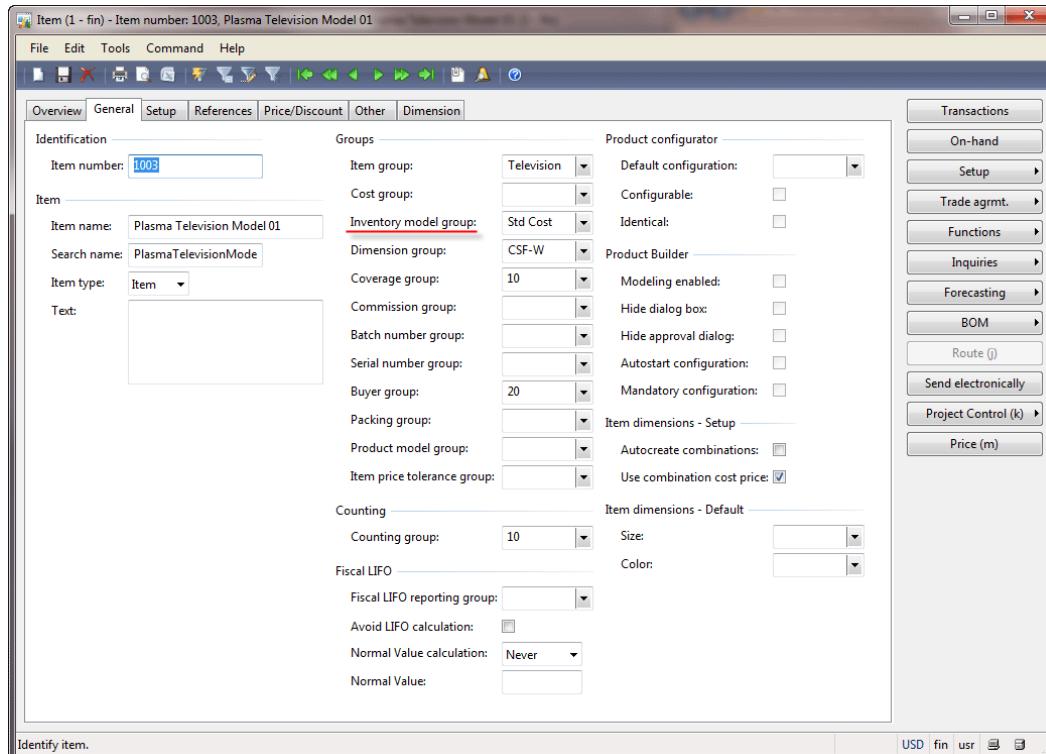


Figure 2.19 Item form, General tab

2. Purchase

Let's find out what setup this group has. Go to **Inventory management > Setup > Inventory > Inventory model groups** > find the “Std Cost” group > **Setup** tab.

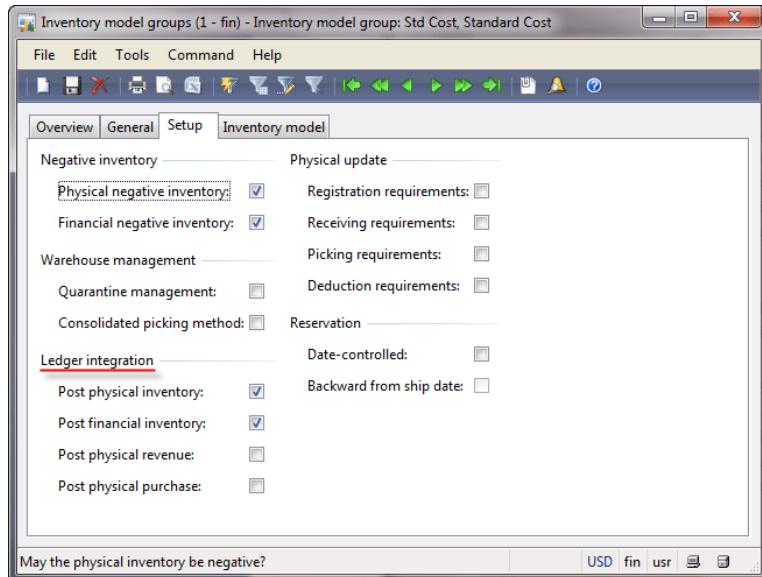


Figure 2.20 Inventory model groups form

The **Ledger integration** field group contains the settings which will allow generating transactions during the packing slip step (the **Post physical inventory** check box), or even during the invoice step (the **Post financial inventory** check box).

We make sure that for the 1003 item, the transaction is generated during the packing slip step. But, during the invoice step this transaction is reversed and a new transaction for the correct accounts is created.

Posting Profiles

How does Microsoft Dynamics AX know what accounts should be used instead of the Inventory and Accounts Receivable accounts in different operations? For example, why does Microsoft Dynamics AX use the 211100 account as the Accounts Payable during the Invoice posting, and the 211250 account as the Accounts Payable un-invoiced during the Packing slip posting?

All information about accounts is stored in posting profiles. Microsoft Dynamics AX has a customer, vendor, and inventory posting profiles.

The vendor posting profile answers the question what account should be used for a specific vendor. Let's find the vendor posting profile that is used in our demo data. Go to **Accounts payable > Setup > Parameters**. The **Accounts payable parameters** form opens. Go to the **Ledger and sales tax** tab, the **Posting** field group has the **Posting profile** field. In our case, the vendor posting profile is “GEN”.

2. Purchase

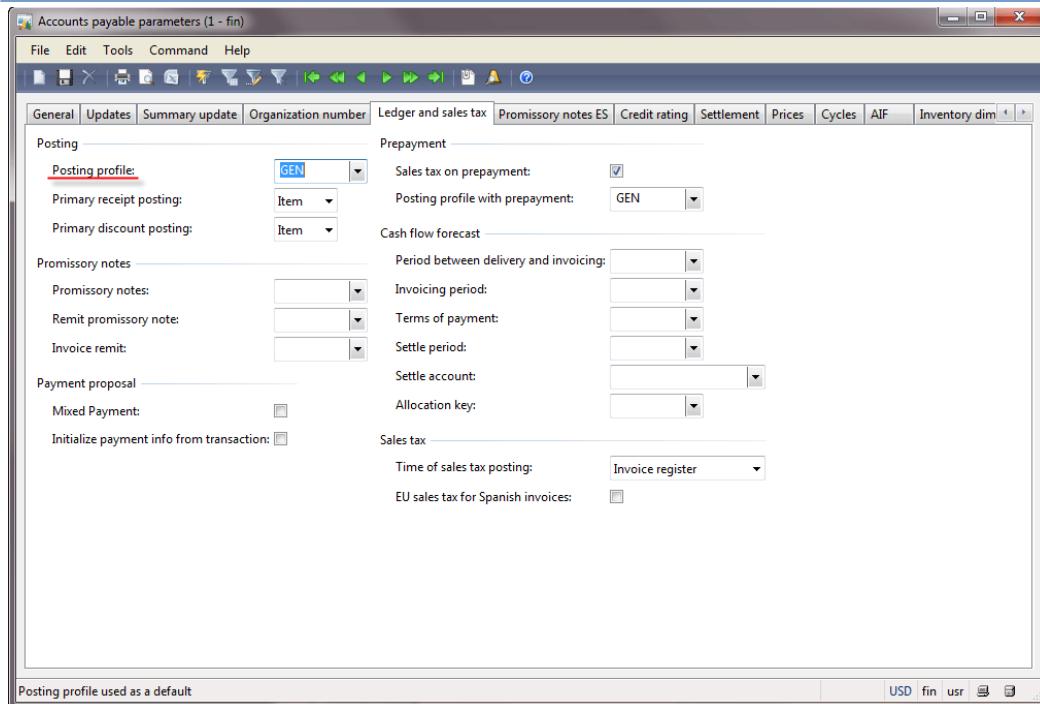


Figure 2.21 Accounts payable parameters form

Let's check what setup the "GEN" vendor posting profile has. We hope to find the 211100 and 211250 accounts because they are used in our transactions instead of the Accounts Payable accounts. Go to **Accounts payable > Setup > Posting profiles**. The **Vendor posting profile** form opens. Select the "GEN" posting profile and go to the **Setup** tab.

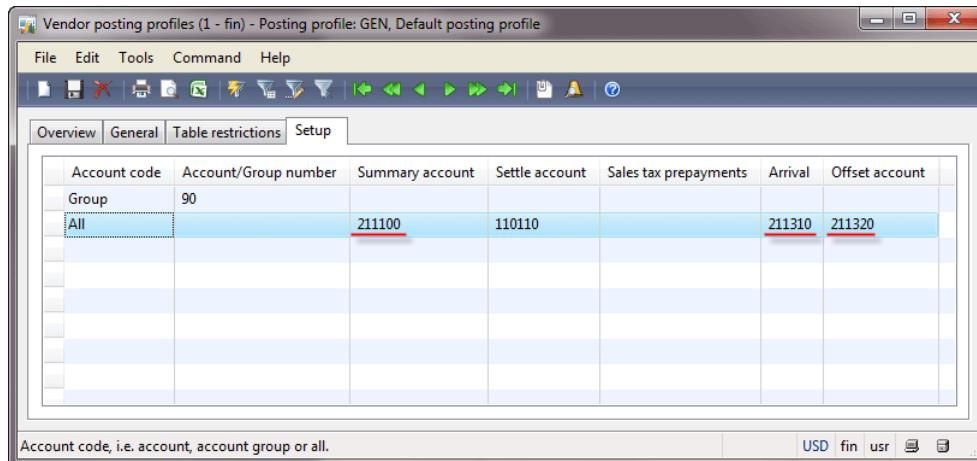


Figure 2.22 Vendor posting profile form

We can see that there are two kinds of setup – one for the vendor that belongs to the "90" (Intercompany vendors) vendor group and the other for all vendors. We should find out to what vendor group the 1002 vendor belongs. Go to **Accounts payable > Common Forms > Vendor Details**. The **Vendors** form opens.

2. Purchase

The screenshot shows the Microsoft Dynamics AX Vendors form. The main grid displays vendor records with columns for Vendor account, Address book type, Name, Search name, Invoice account, Group, and Currency. The vendor 'Wind Televisions' (Vendor account 1002) is selected, highlighted in blue. The 'Group' column for this vendor contains the value '10'. To the right of the grid is a vertical toolbar with buttons for Activity Details, Transactions, Balance, Setup, Trade agrmt., Functions, Inquiry, and Forecast (g). At the bottom of the screen, there is a status bar with buttons for USD, fin, usr, and a magnifying glass icon.

A	Vendor account	Address book type	Name	Search name	Invoice account	Group	Currency
1000	Organization	Big Bottle	Big Bottle		1001	10	USD
1001	Organization	Earth Televisions	Earth Televisions		1001	10	USD
1002	Organization	Wind Televisions	Wind Televisions	Wind Televisions	1002	10	USD
1003	Organization	Fire Televisions	International - CNY	1003		10	CNY
1101	Organization	Rain Projectors	Rain Projectors	1101		10	USD
1102	Organization	Snow Projectors	Snow Projectors	1102		10	USD
1103	Organization	Fog Projectors	CEU&CEE	1103		10	USD
1201	Organization	Topaz Electronics	Topaz Electronics	1201		10	USD
1202	Organization	Ruby Electronics	International - MXN	1202		10	MXN
1203	Organization	Opal Electronics	CEU&CEE	1203		10	USD
2001	Organization	Datum Receivers	Datum Receivers	2001		20	USD
2002	Organization	Coho Receivers	Coho Receivers	2002		20	USD
2003	Organization	Wingtip Receivers	International - EUR	2003		20	EUR
2101	Organization	Humongous Audio	Humongous Audio	2101		20	USD
2102	Organization	Woodgrove Audio	CEU&CEE	2102		20	USD
2103	Organization	Woodpecker Audio	International - CAD	2103		20	CAD
3001	Organization	Adventure Services	Adventure Services	3001		30	USD
3002	Organization	Sapphire Services	Sapphire Services	3002		30	USD
3003	Organization	Diamond Services	Diamond Services	3003		30	USD
3004	Organization	City Power & Light	City Power & Light	3004		30	USD
4001	Organization	Litware Electronics	Litware Electronics	4001		40	USD
4002	Organization	Rock Component...	Rock Component ...	4002		40	USD
4003	Organization	Smoke Supplier	International - CAD	4003		40	CAD
4101	Organization	Excalibur Suppliers	Excalibur Suppliers	4101		40	USD

Figure 2.23 Vendors form

We can see that the 1002 vendor belongs to the 10 (Video vendors) group. Since the “GEN” profile doesn’t have an individual setup for the “10” vendor group, the setup for all vendors is used.

Return to the **Vendor posting profile** form. On the **Setup** tab, we can see that for all vendors (except the intercompany vendors), the 211100 account should be used as Accounts Payable. We make sure that during the invoice posting, the 211100 account was used as Accounts Payable. We can see that the setup doesn’t have the 211250 account. This account is used in the Packing slip step as the Accounts Payable un-invoiced (in the Invoice step, it is only reversed, i.e. the account is taken from the Packing slip step). The Microsoft Dynamics AX architects decided to place the setup for the Accounts Payable un-invoiced in the inventory posting profile.

Let’s look at the inventory posting profile. We hope to find the 142100 and 140820 accounts because they are used as the Inventory un-invoiced and Inventory accounts. And, also the 211250 account because it is used as the Accounts payable un-invoiced account.

Go to **Inventory management > Setup > Posting > Posting**. The **Inventory posting** form opens, go to the **Purchase order** tab.

2. Purchase

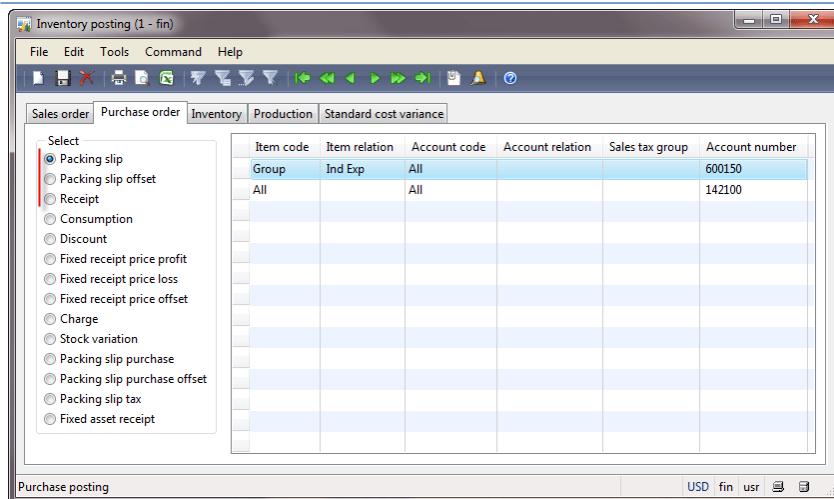


Figure 2.24 Inventory posting form

During the packing slip step, the accounts from the *Packing slip* and *Packing slip offset* setup are used. During the Invoice step, the accounts from the *Receipt* setup are used.

The *Packing slip* setup is used for the Inventory un-invoiced accounts. The *Packing slip offset* setup is used for the Accounts payable un-invoiced accounts. The *Receipt* setup is used for the Inventory accounts.

Select the **Packing slip** radio button. There are two setup lines – one for the “Ind Exp” (Indirect purchase expense) items, another for the rest of items. Let’s find out the item group that the 1003 item belongs to. Go to **Inventory management > Common Forms > Item details**. The **Item** form opens, find the 1003 item and go to the **General** tab. On the **General** tab, find the **Item group** field. The 1003 item belongs to the “Television” group.

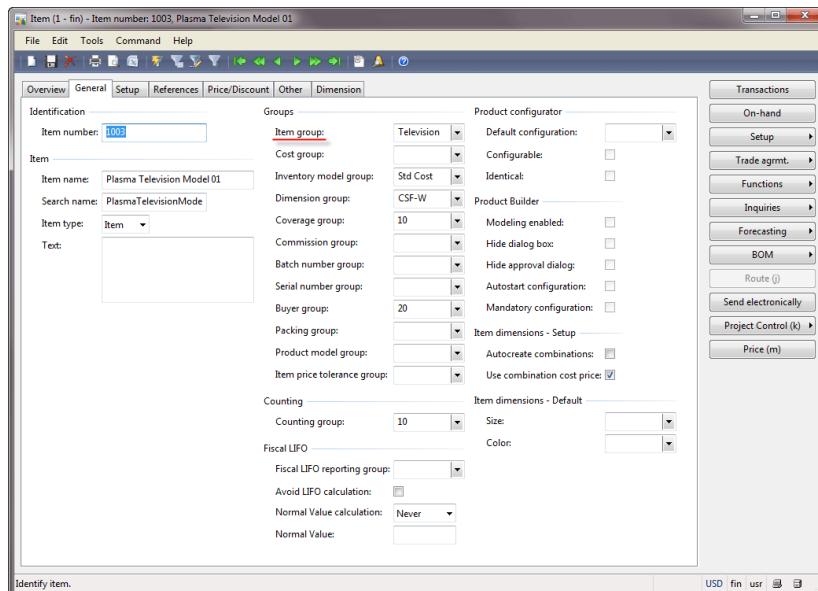


Figure 2.25 Item form, General tab

2. Purchase

Return to the **Inventory posting** form. Since there is no individual setup for the “Television” item group, the setup for all items will be used. Since the **Packing slip** option is used for inventory un-invoiced accounts, we make sure that for the 1003 item, the 142100 account is used as the Inventory un-invoiced account.

Select the **Packing slip offset** radio button. The grid contains the setup for the Accounts payable un-invoiced accounts. We can see that for the 1003 item, the 211250 account is used as the Accounts payable un-invoiced account.

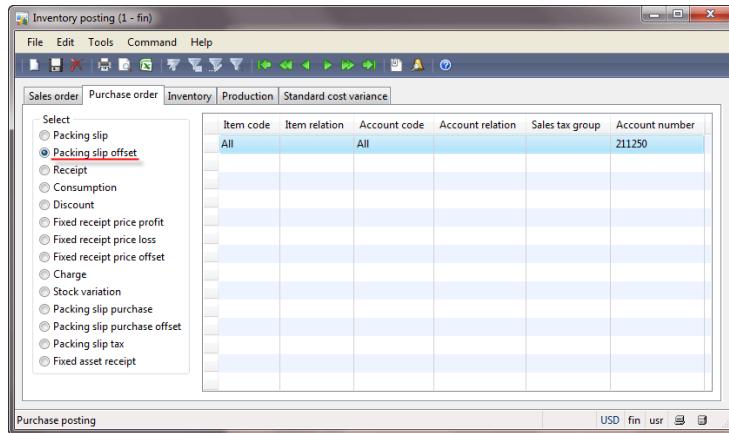


Figure 2.26 Inventory posting form

Select the **Receipt** radio button. The setup for the Inventory accounts becomes available. Find the setup for the “Television” items. Make sure that for the 1003 item, the 140820 account is used as the Inventory account.

Besides the customer, vendor, and inventory posting profiles, Microsoft Dynamics AX has the setup for the system accounts and sales taxes:

- System accounts setup is available under **General ledger > Setup > Posting > System accounts**.

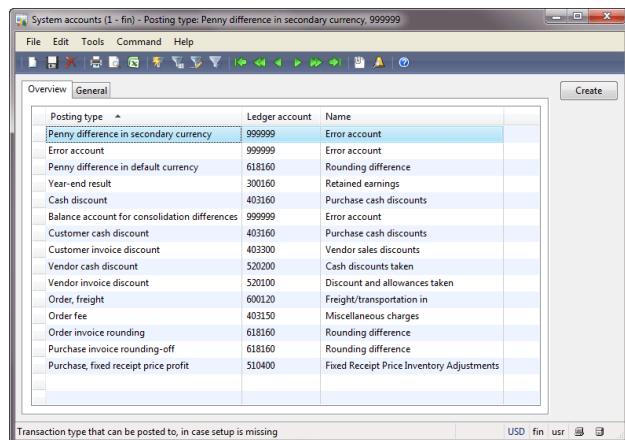


Figure 2.27 System accounts form

2. Purchase

- Accounts setup for sales tax posting is available under **General ledger > Setup > Sales tax > Ledger posting groups**.

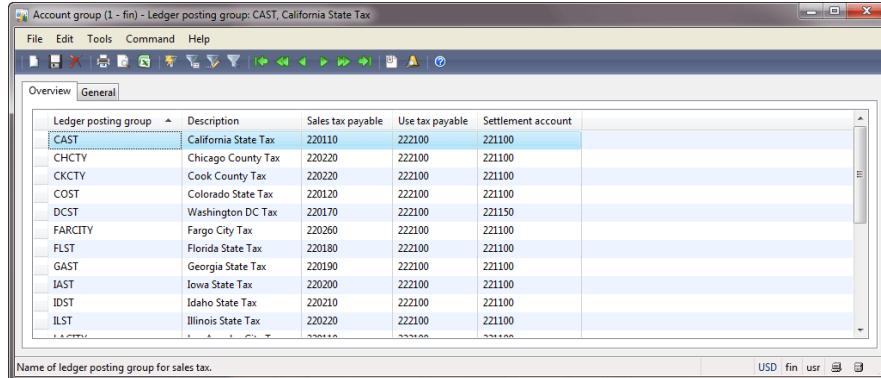


Figure 2.28 Ledger posting groups form

Accounting Equation

After we have purchased the 1003 item, the Assets and the Accounts payable increased. Let's run the Balance sheet report and check the accounting equation: Asset = Liabilities + Owner's Equity.

Go to **General ledger > Reports > Transactions > Periodic > Financial statement**. The **Financial statement** form opens. Select BS (Balance sheet) in the **Financial statement** field and click **OK**.

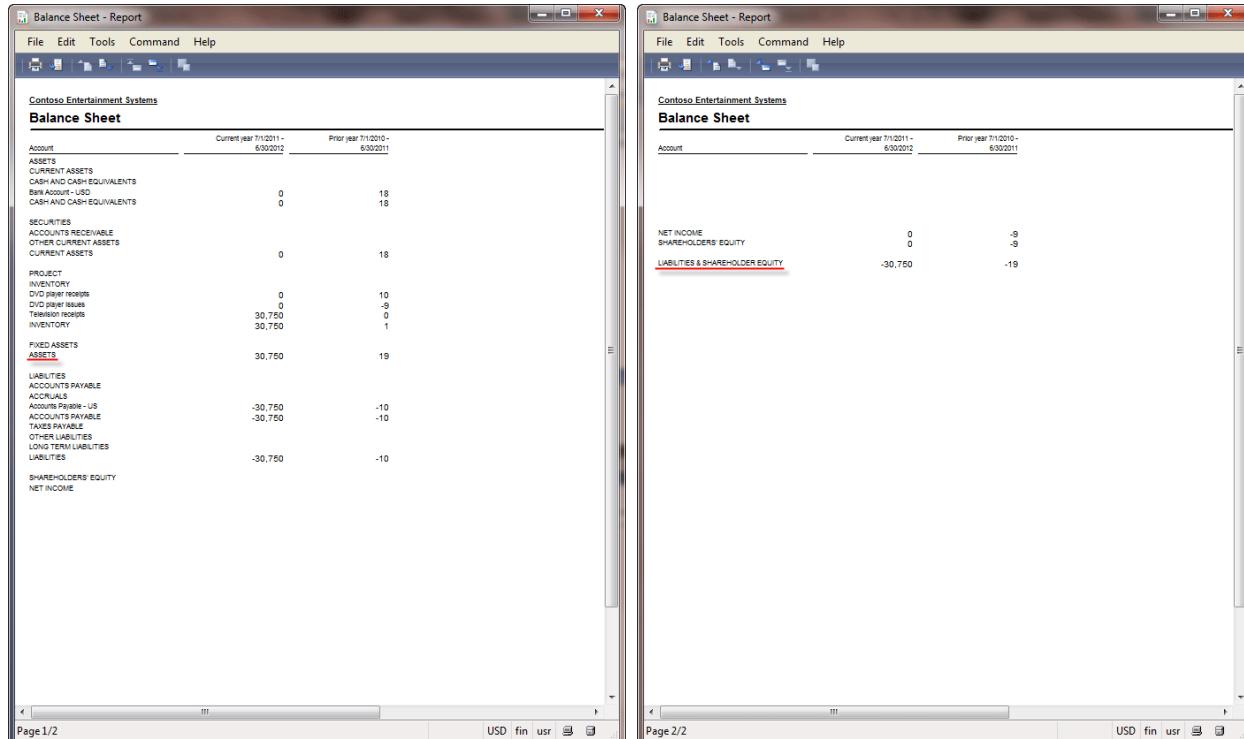


Figure 2.29 Balance sheet

2. Purchase

We can see that for the current year the total Asset is \$30 750 and the total Liabilities is \$30 750. So, the accounting equation is correct: \$30 750 (Asset) = \$30 750(Liabilities) + 0 (Owner's equity).

We can also check whether the company is profitable, but we don't sell any items. In this case, the company's profit equals zero. To check whether the company is profitable, we will run the Income statement report. Profit is the difference between the Income and the Expenses.

Go to **General ledger > Reports > Transactions > Periodic > Financial statement**. The **Financial statement** form opens. Select IS (Income statement) in the **Financial statement** field and click **OK**.

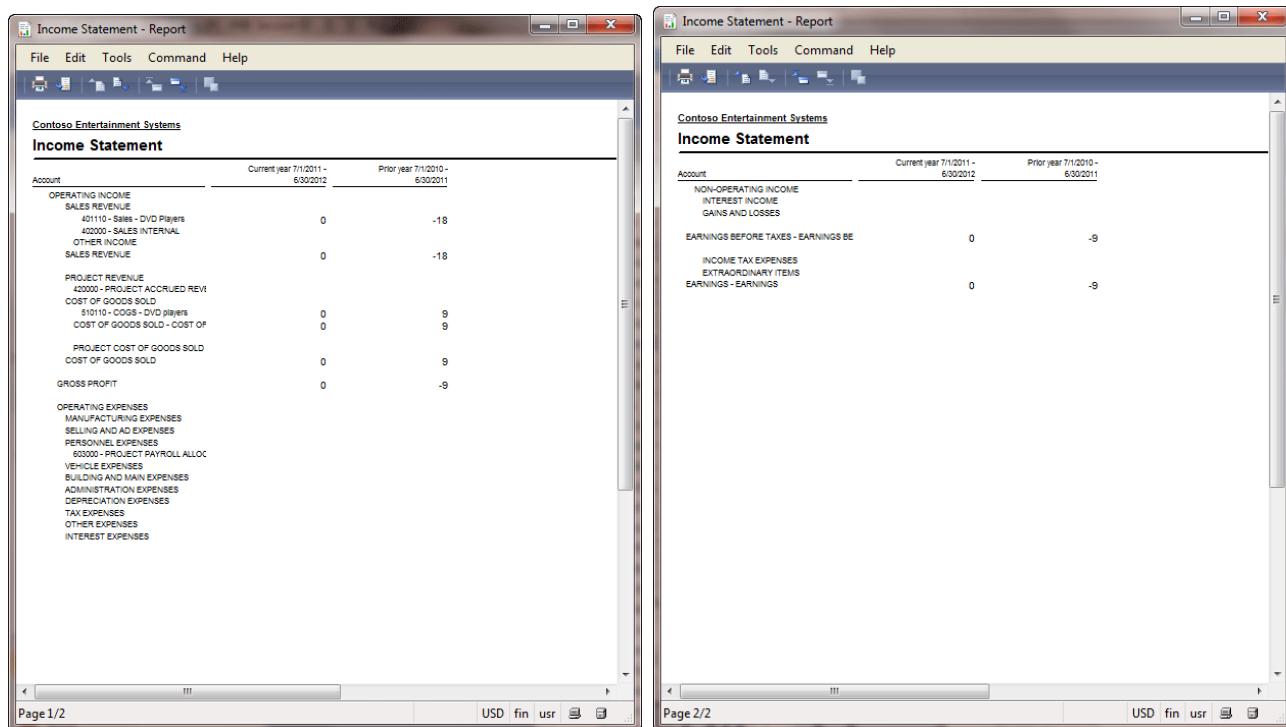


Figure 2.31 Income statement

We can see that the income and the expenses for the current period equal zero.

General Journal

Remember in the previous training lesson we have studied the Accounting cycle. The accounting cycle shows the steps of the accountant work. With the help of the purchase order and the posting profiles, some steps are performed automatically to simplify the accountant's work.

But, all processes that influence the financial situation of the company can be recorded with the help of the General journal. The General journal is the most basic of journals. Since Microsoft Dynamics AX has the Purchase order, Sales order, Production order, and other forms, the general journal is almost not

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used. But, not all operations are handled with the help of special forms, among these are bad debts, sale of an asset, etc. To record these operations, the general journal is used.

Let's record the purchase operation with the help of the general journal and go through the accounting cycle steps (open the accounting cycle paragraph from the first lesson to recall).

1. Some operation occurs. In our case the first step is when the Purchase Manager initiates purchasing the items and signs the Invoice document for \$30 750.
2. Then the Purchase Manager brings the Invoice document to the accounting department.
3. The accounting personnel analyze the business papers. It is necessary to determine the following:
 - o “What happened?” Answer – The company buys items.
 - o “What accounts will change?” Answer – Inventory (Asset) and Accounts payable (Liabilities). The accountant decides to use the 140820 account as the television receipts and the 211100 account as the accounts payable.
 - o “How will they change?” – Answer – Inventory increases and the Accounts payable increase as well.
 - o “Do they get a Debit or Credit?” – Answer – If the assets increase, the debit part is used, if the liabilities increase, the credit part is used. Debit is “good” for the company, Credit is “bad” for the company.
4. The Accountant writes the following transactions to the general journal:

140820 (Inventory)		211100 (Accounts payable)	
Debit	Credit	Debit	Credit
\$30 750			\$30 750

To create a new journal, take the following steps:

1. Go to **General ledger > Journals > General journal**. The **Journal** form opens. Create a new journal by clicking Ctrl +N.
2. Select “GenJrn” in the **Name** field.

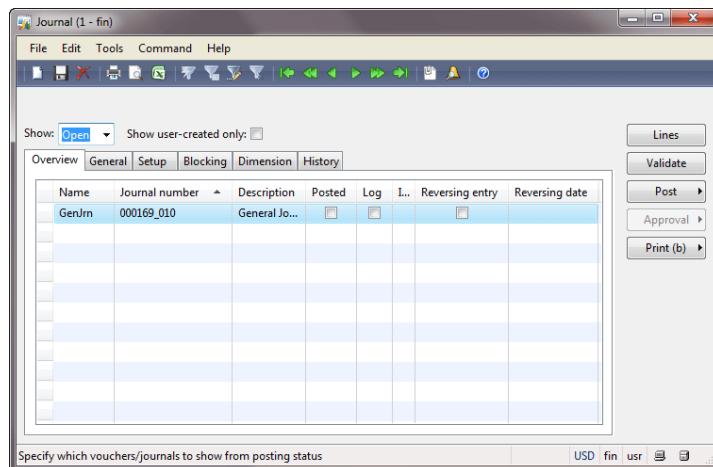


Figure 2.33 Journal form

2. Purchase

3. Click the **Lines** button. The **Journal voucher** form opens.
4. Create a new line. Select the 140820 (Television receipts) account in the **Account** field. The “Ledger account 140820 is locked” message appears. Each account has the setup that enables or disables posting with the help of a general journal. Enable journal posting for both accounts:
 - o Go to **General ledger > Common Forms > Chart of Account Details** > Find the 140820 account > Clear the **Locked in journal** check box. Perform the same steps for the 211100 account.
5. Return to the **Journal voucher** form. Select 140820 in the **Account** field.
6. Fill in \$30 750 in the **Debit** field. Save the line.
7. Create a new line. Select 211100 in the **Account** field.
8. Fill in \$30 750 in the **Credit** field. Save the line.

Figure 2.34 Journal voucher form

9. Note that for each operation the Debit part should be equal to the Credit part.
10. Click the **Validate > Validate** button. The “Journal is Ok” message appears.
11. It is also possible to record the same transactions in one line with the help of the offset account. The amount will be recorded to the offset account in the differ part. For example, if the amount is recorded to the credit part for the account, then for the offset account, the amount will be recorded to the debit part. In other words, we can write the same transactions in the following way:

2. Purchase

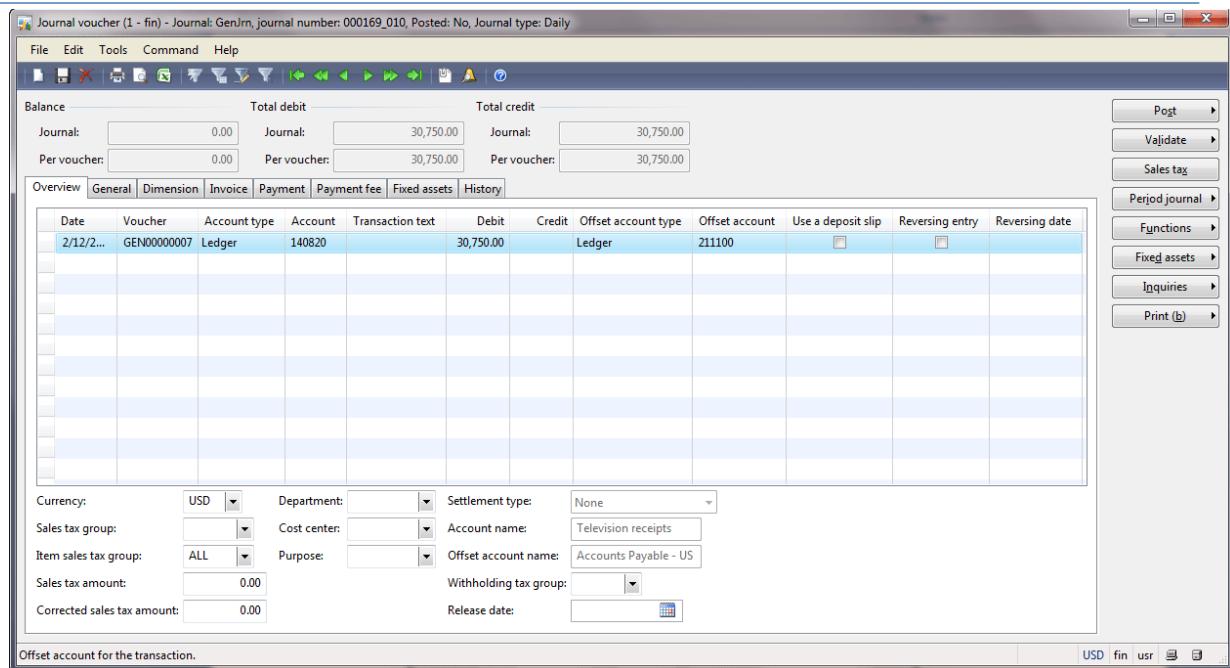


Figure 2.35 Journal voucher form

The journal is also valid.

12. Posting a journal is the act of transferring the journal information (i.e. the amount) to the appropriate accounts. To do this, click the **Post > Post** button. The “Number of vouchers posted to the journal: 1” message appears. It means that the journal is posted successfully.
13. The accountant checks the posting results with the help of the Trial balance. A Trial balance is process of checking the accounting equation: Assets = Liabilities + Owner’s Equity. For this purpose, the list of accounts and their balances is required. We can check all balances in the **Chart of accounts** form. Or, we can run the Balance sheet statement. In the previous paragraph, we have already checked the Trial balance with the help of the Balance sheet.

All the other steps are performed at the end of the period or the fiscal year and will be discussed later in this training.

General Ledger

You may ask why the General ledger name is given to the module in Microsoft Dynamics AX. The General ledger consists of the chart of accounts and account transactions. Let’s understand what the difference between the Chart of accounts, General journal, and General ledger is. How did the Accountant record operations in the past when there were no computers? According to the accounting cycle, the Accountant receives a document and then analyzes what account should be used for this operation from the Chart of accounts. Then, he records the transactions in the General journal. Then, the Accountant “posts” the transactions by adding the amounts to the debit or credit parts of the account in the General ledger. So, the Accountant uses four documents: an operation document, the Chart of Accounts, the General journal, and the General ledger. The chart of accounts is a list of

2. Purchase

accounts, the General journal is used to record transactions, the General ledger contains the results of posting.

The balance sheet and the income statement are built on basis of the general ledger. The general ledger is built up by posting transactions recorded in the general journal, purchase order, sales order, production order, etc. The general ledger should include the date, description, and the balance or the total amount for each account. It is usually divided into at least seven main categories. These categories generally include the assets, liabilities, owner's equity, revenue, expenses, gains, and losses. The general ledger should always be in balance, thus maintaining the accounting equation: Assets = Liabilities + Owner's Equity.

In Microsoft Dynamics AX, the General ledger is the Chart of accounts plus the Account transaction forms or, in other words, or the place where all information about the accounts and their transactions is stored.

Note that the account transactions are often called general ledger transactions, and the accounts are usually called general ledger accounts.

Sub Ledgers

We have purchased 50 items in whole. The first purchase of 25 items was recorded with the help of the purchase order, the second purchase was recorded with the help of the general journal. What have we missed when recording the purchase with the help of the general journal? We haven't entered the information about the vendor and the item.

If we look at the account and its transactions, we can't answer the question what item and from whom was purchased. For example, we can only find that the account 211100 has \$30 750 in the credit part, which means that the company owes \$30 750 to some vendor. The ledger transactions don't have the information about the vendor, so it is impossible to find out from who the items were purchased.

To record the information about the vendor, the special vendor ledger is used. Instead of accounts, this ledger contains the vendor accounts. The vendor ledger contains a separate account for each vendor and tracks vendor balances separately. When the company purchases items from the vendor, a vendor transaction is created. This transaction contains the vendor information and the amount to be paid. The vendor accounts can then be summed and compared with their controlling account to ensure the accuracy as part of the process of preparing a trial balance. In our case, all vendor accounts, except Intercompany vendors (see the vendor posting profile), have the 211100 controlling account.

The "chart of accounts" for the Vendor ledger is a list of vendors. Let's find the 1002 vendor and check the transactions for it. The **Vendor** form is located under **Accounts payable > Common Forms > Vendor details**. Find the 1002 vendor and click the **Transactions** button. The **Vendor transactions** form opens.

2. Purchase

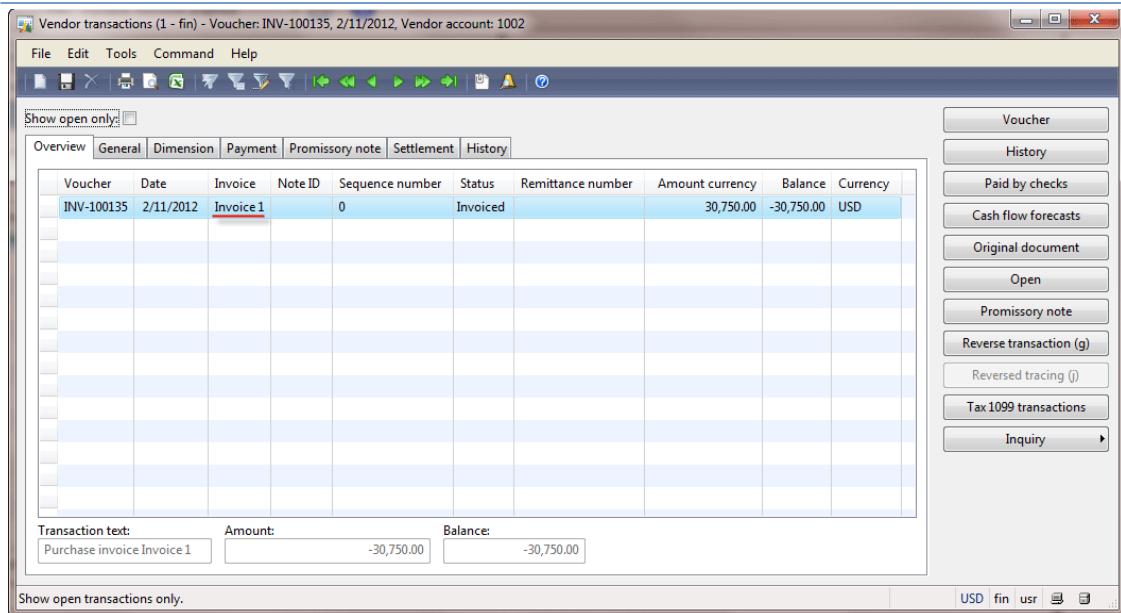


Figure 2.36 Vendor transactions form

We can see that the vendor has only one vendor transaction. This transaction was generated when we purchases items with the help of the **Purchase order** form. The “Invoice 1” document number was used when we posted the Invoice with the help of the **Purchase order** form. To verify this, click the **Original document** > **Show** button > the **Purchase order** field.

When we click the **Voucher** button in the **Vendor transactions** form, we can see the general ledger transactions.

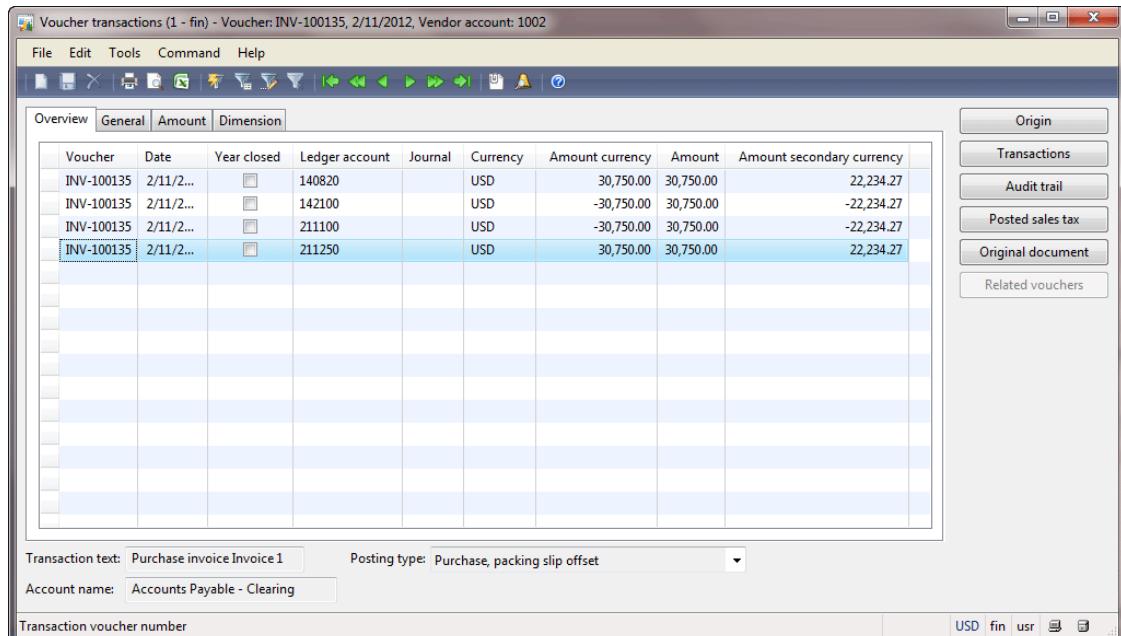


Figure 2.37 Voucher transactions form

2. Purchase

When we click the **Origin** button in the **Voucher transactions** form, we can see all transactions for all ledgers that were generated during the invoice posting. Among them, we can find the general ledger, vendor, and item transactions. Note that all transactions are grouped in one voucher with the INV-100135 number.

Module	Voucher	Date	Number	Text	Currency	Amount currency	Amount	Dimension	Number
Ledger	INV-100135	2/11/2012	140820	Purchase invoice Invoice 1	USD	30,750.00	30,750.00		
Ledger	INV-100135	2/11/2012	142100	Purchase invoice Invoice 1	USD	-30,750.00	-30,750.00		
Ledger	INV-100135	2/11/2012	211100	Purchase invoice Invoice 1	USD	-30,750.00	-30,750.00		
Ledger	INV-100135	2/11/2012	211250	Purchase invoice Invoice 1	USD	30,750.00	30,750.00		
Vendor	INV-100135	2/11/2012	1002	Purchase invoice Invoice 1	USD	-30,750.00	-30,750.00		
Inventory	INV-100135	2/11/2012	1003	Financial	USD	30,750.00	30,750.00		

Figure 2.38 Transaction origin form

By analogy with the Vendor ledger, the Inventory ledger is used to record the item transactions. This information is used to find out what items were purchased. The Inventory ledger contains a separate account for each item. When the company purchases items, an item transaction is created. This transaction contains the item name and the item cost. The item accounts can then be summed and compared with their controlling account to ensure the accuracy as part of the process of preparing a trial balance. The controlling account is set up in the **Inventory posting** form located under **Inventory management > Setup > Posting > Posting**. In our case, the 1003 item has the 140820 controlling account.

The “chart of accounts” for the Item ledger is a list of items located under **Inventory management > Common Forms > Item details**. Find the 1003 (Plasma Television Model 01) item and click the **Transactions** button.

2. Purchase

The screenshot shows the 'Transactions on item (1 - fin) - Reference: Purchase order, 000167, Item number: 1003' window. The main grid displays a single row of data:

Configuration	Size	Color	Site	Warehouse	Physical date	Financial date	Reference	Number	Receipt	Issue	Quantity	Cost amount
HD	42	01	2	21	2/11/2012	2/11/2012	Purchase order	000167	Purchased		25.00	30,750.00

On the right side, there is a vertical toolbar with buttons for 'Inventory', 'Ledger', 'Functions', and 'Configuration details'. At the bottom, there are buttons for 'Show related transactions in the inventory.', 'USD', 'fin', 'usr', and icons for print and close.

Figure 2.39 Transactions on item form

We can see that only one purchase transaction for 25 items exists. If we click the **Ledger > Financial voucher** button, the **Voucher transactions** form opens. We can see all ledger transactions that were generated.

The screenshot shows the 'Voucher transactions (1 - fin) - Reference: Purchase order, 000167, Item number: 1003' window. The main grid displays four rows of ledger transactions:

Voucher	Date	Year closed	Ledger account	Journal	Currency	Amount currency	Amount	Amount secondary currency
INV-100135	2/11/2...		211250		USD	30,750.00	30,750.00	22,234.27
INV-100135	2/11/2...		211100		USD	-30,750.00	30,750.00	-22,234.27
INV-100135	2/11/2...		142100		USD	-30,750.00	30,750.00	-22,234.27
INV-100135	2/11/2...		140820		USD	30,750.00	30,750.00	22,234.27

On the right side, there is a vertical toolbar with buttons for 'Origin', 'Transactions', 'Audit trail', 'Posted sales tax', 'Original document', and 'Related vouchers'. At the bottom, there are fields for 'Transaction text: Purchase invoice Invoice 1', 'Posting type: Purchase, receipt', 'Account name: Television receipts', 'Transaction voucher number', and buttons for 'USD', 'fin', 'usr', and icons for print and close.

Figure 2.40 Voucher transactions form

Note that these are the same general ledger transactions that we have seen when opening the **Voucher transactions** form from the **Vendor transactions** form.

2. Purchase

If we click the **Origin** button, the **Transaction origin** form opens.

The screenshot shows the 'Transaction origin' window with the title 'Transaction origin (1 - fin) - Module: Inventory, 1003'. The window has a toolbar with various icons. Below the toolbar are three tabs: 'Overview' (selected), 'General', and 'Dimension'. The main area is a grid table with the following columns: Module, Voucher, Date, Number, Text, Currency, Amount currency, Amount, Dimension, and Number. The data in the grid is as follows:

Module	Voucher	Date	Number	Text	Currency	Amount currency	Amount	Dimension	Number
Ledger	INV-100135	2/11/2012	140820	Purchase invoice Invoice 1	USD	30,750.00	30,750.00		
Ledger	INV-100135	2/11/2012	142100	Purchase invoice Invoice 1	USD	-30,750.00	-30,750.00		
Ledger	INV-100135	2/11/2012	211100	Purchase invoice Invoice 1	USD	-30,750.00	-30,750.00		
Ledger	INV-100135	2/11/2012	211250	Purchase invoice Invoice 1	USD	30,750.00	30,750.00		
Vendor	INV-100135	2/11/2012	1002	Purchase invoice Invoice 1	USD	-30,750.00	-30,750.00		
Inventory	INV-100135	2/11/2012	1003	Financial	USD	30,750.00	30,750.00		

Below the grid, there are two input fields: 'Name: Plasma Television Model 01' and 'Table: Inventory transaction posting'. At the bottom, there is a 'Application modules' section with buttons for 'USD', 'fin', 'usr', and other icons.

Figure 2.41 Transaction origin form

This form contains the information about all transactions for all ledgers that were generated. Note that they have the same INV-100135 voucher number, so these are the same transactions, but opened from a different location.

Note that the **Transaction origin** form shows the transactions for all ledgers (general ledger, vendor ledger, inventory ledger). All ledgers, except general ledger, are called Sub-ledgers or subsidiary ledgers.

Remember we have studied that all company operations can be recorded with the help of the general journal. This is not totally true. In the previous paragraph, we have posted a purchase operation without two the transactions – vendor and item transactions. Let's create a new general journal and try to post the following transaction:

1003 (Item)		1002 (Vendor)	
Debit	Credit	Debit	Credit
\$30 750			\$30 750

1. Go to **General ledger > Journals > General journal**. The **Journal** form opens.
2. Create a new line. Select “GenJrn” in the **Name** field.
3. Click the **Lines** button. The **Journal voucher** form opens.
4. In the **Account type** field, select “Inventory”. But, there is no Inventory type.
5. Fill in \$30 750 in the **Debit** field.
6. In the **Offset account** type field, select “Vendor”. In the **Account** field, select 1002.

2. Purchase

The screenshot shows the 'Journal voucher (1 - fin)' window. At the top, there are fields for 'Balance' and 'Total debit' (0.00), 'Total credit' (0.00), and 'Journal' (0.00). Below this is a toolbar with icons for file operations like Open, Save, Print, and a magnifying glass. A menu bar includes File, Edit, Tools, Command, and Help.

The main area is a grid for entering journal entries. The first row shows a transaction with a date of 2/12/2010, a Voucher number of GEN00000008, and an Account type of 'Ledger'. The Debit amount is 30,750.00, and the Credit amount is 0.00. The Account field contains '1003' with a red arrow pointing to it. The Transaction text is 'Inventory'.

Below the grid are several input fields: Currency (USD), Department, Settlement type (Open transactions), Sales tax group (No-Tax), Cost center, Account name, Item sales tax group, Purpose, Offset account name (Wind Televisions), Sales tax amount (0.00), Corrected sales tax amount (0.00), Withholding tax group, Release date, and Release time.

On the right side of the window, there is a vertical toolbar with buttons for 'Post', 'Validate', 'Sales tax', 'Period journal', 'Functions', 'Fixed assets', 'Inquiries', and 'Print (b)'. At the bottom, there are buttons for USD, fin, usr, and a print icon.

Figure 2.42 Journal voucher form

If we check the voucher (click the **Validate > Validate** button), the “Account number must be specified” message appears. So, it is impossible to record the Inventory transactions with the help of the general journal. What about the Vendor transaction? If we select Vendor in the **Account type** field and 1002 in the **Account** field, move the amount from the **Debit** to **Credit** field, remove the offset account and validate the journal. The “The transactions on voucher GEN00000008 do not balance” message appears. The voucher should be balanced, i.e. Debit part = Credit part. Since we can't select the inventory account, we can't post the vendor transaction.

I try to add the insufficient vendor and inventory transactions with the help of other journals – Invoice and Movement journals.

The Invoice journal is located under **Accounts payable > Journals > Invoices > Invoice journal**. This is the same general ledger journal, so it is impossible to select the Inventory account type.

The Movement journal is located under **Inventory management > Journals > Item transaction > Movement**. In this journal, we can select the item but can't select the vendor account type (only the ledger account type).

So, to post all purchase transactions correctly to all ledgers in Microsoft Dynamics AX, the **Purchase order** form is used. With the help of the general ledger, you couldn't post the item transaction.

Now, the following situation happens in the company. All Vendors balance (except the intercompany vendors) is \$30 750, but the 211100 control account (Accounts payable) balance for the current year is \$61 500. And, we can't enter the vendor transaction to correct this situation. To prevent this situation, the **Locked in journal** check box is used for all controlling accounts (in the **Chart of accounts** form). Because of this, the 211100 and 140820 accounts were blocked to be used in the journal.

2. Purchase

The purchase operation is posted with the help of the **Purchase order** form, the sales operation – with the **Sales order** form, the production operation – with the **Production orders** form. With the help of the **General journal**, we can post all operations that do not include the Item transactions: payments, bad debts, sale of an asset.

Invoice Journal

Imagine the following situation – the vendor sends us an Invoice for some service. We should record this information to the general and vendor ledgers. But, we don't have the item number for this service. In this case, we can't use the **Purchase order** form. You can answer that we can use the general journal, because this operation does not generate an inventory transaction. And, you will be right. The general journal can be used to post the Invoice from the vendor if an item transaction is not required. But, for convenience in Microsoft Dynamics AX, the Invoice journal is available. The Invoice journal is used for posting vendor invoices when the purchased items or services are not recorded to the Inventory ledger.

We assume that the vendor sends us an Invoice for \$20 for some service. The Accountant analyzes the received Invoice and enters the following transaction for this operation:

Accounts payable		Service Expense	
Debit	Credit	Debit	Credit
	\$20	\$20	

Accounts payable is the Liabilities account, the amount on this account increases, so the Credit part is used (Credit is “bad” for the company). The Expense is also the Liabilities and the amount is also increased but the Debit part is used. It is because the increase of the Expense is “good” for the company. In this case, the net income decreases, as we know that the net income is the company's liability and should be returned to the Owners.

We should record this information in the Invoice journal, post the Invoice, and analyze the results.

1. Open the **Journal** form by clicking **Accounts payable > Journals > Invoices > Invoice journal**. The **Journal** form opens.
2. Create a new line. Select “APIInv” in the **Name** field.
3. Click the **Lines** button. The **Journal voucher** form opens.
4. In the **Account** field, select the 1002 vendor and fill in \$20 in the **Credit** field.
5. Fill in the Invoice number that is printed on the document. For example, fill in the “Invoice journal 1” in the **Invoice** field.
6. The Accountant decides to use the 803200 (Extraordinary expense) account for the Sales Expense. Fill in 803200 in the **Offset account** field.

2. Purchase

The screenshot shows the 'Journal voucher (1 - fin) - Journal: APIInv, journal number: 000171_010, Posted: No, Journal type: Vendor invoice recording' window. The 'Balance' section shows a debit of 20.00 and a credit of 20.00. The main grid displays a single row for a vendor invoice journal entry:

Date	Voucher	Account type	Account	Invoice	Transaction text	Debit	Credit	Offset account type	Offset account
2/12/2012	API00000028	Vendor	1002	Invoice journal1		20.00		Ledger	803200

Below the grid, the 'Invoice' section includes fields for Terms of payment (N030), Due date (3/13/2012), Payment ID, Tax exempt number, Enterprise number, and Currency (USD). The 'Sales tax' section includes Sales tax group (No-Tax), Item sales tax group (ALL), Sales tax amount (0.00), Corrected sales tax amount (0.00), and Cash discount (1%D15). The 'Document' section includes Document and Document date fields. The 'Dimensions' section includes Department and Cost center. The 'Purpose' field is empty. The 'Account name' field is set to 'Wind Televisions'. The 'Offset account name' field is set to 'Extraordinary expense'.

Figure 2.43 Journal voucher form

Pay attention to the following information:

- We have used different account types in one transaction (the **Account type** and **Offset account type** fields).
- The **Terms of payment** field defines the terms of payment, i.e. when the company should pay to the vendor. In our case, the term of payment is N030 (during 30 days). Microsoft Dynamics AX automatically defines the Due date.
- The **Cash discount** field defines the cash discount. In our case, the cash discount is 2%D10 (2% discount for 10 days). If the company pays during the first 10 days, it receives the 2% discount. In the next training lesson, we will pay this Invoice and check whether the cash discount is applied.

Since the transaction is balanced, i.e. Debit part = Credit part, we can validate and post the journal. Note that this transaction can be written in the [following way](#).

1. In the **Journal voucher** form, click the **Validate > Validate** button. The “Journal is Ok” message appears.
2. Click the **Post > Post** button. The “Number of vouchers posted to the journal: 1” message appears. It means that the journal is posted.

2. Purchase

Let's check the general ledger transaction that was generated. In the **Journal voucher** form, click the **Inquiries > Voucher** button. The **Voucher transactions** form opens.

The screenshot shows the 'Voucher transactions' form with the following details:

Voucher	Date	Year closed	Ledger account	Journal	Currency	Amount currency	Amount	Amount secondary currency
API00000028	2/12/2012		803200		USD	20.00	20.00	14.46
API00000028	2/12/2012		211100		USD	-20.00	20.00	-14.46

Below the table, there are fields for Transaction text (empty), Posting type (Vendor balance), Account name (Accounts Payable - US), and Transaction voucher number (empty). On the right side, there is a vertical stack of buttons: Origin, Transactions, Audit trail, Posted sales tax, Original document, and Related vouchers.

Figure 2.44 Voucher transactions form

We make sure that the 211100 account (Accounts Payable) was credited for \$20 and the 803200 account (Services Expense) was debited. We can check the accounting equation with the help of the Balance sheet report (**General ledger > Reports > Transactions > Periodic > Financial statement**).

Let's check whether the vendor transaction was generated. In the **Voucher transaction** form, click the **Origin** button to view all transactions for all ledgers. The **Transaction origin** form opens.

The screenshot shows the 'Transaction origin' form with the following details:

Module	Voucher	Date	Number	Text	Currency	Amount currency	Amount	Dimension	Number
Ledger	API00000028	2/12/2012	211100		USD	-20.00	-20.00		
Ledger	API00000028	2/12/2012	803200		USD	20.00	20.00		
Vendor	API00000028	2/12/2012	1002		USD	-20.00	-20.00		

Below the table, there are fields for Name (Wind Televisions), Table (Vendor transactions), and Application modules (empty). On the right side, there is a vertical stack of buttons: USD, fin, usr, and a file icon.

Figure 2.45 Transaction origin form

2. Purchase

We can see that the Vendor transaction is created. Go to the **Vendors** form (**Accounts payable > Common Forms > Vendor Details**), find the 1002 vendor and click the **Transactions** button to make sure that the transaction exists.

The screenshot shows the 'Vendor transactions' window with the title bar 'Vendor transactions (1 - fin) - Voucher: API00000028, 2/12/2012, Vendor account: 1002'. The menu bar includes File, Edit, Tools, Command, and Help. The toolbar has various icons for file operations. A 'Show open only' checkbox is checked. Below the toolbar is a tab bar with Overview, General, Dimension, Payment, Promissory note, Settlement, and History. The General tab is selected. The main area is a grid table with columns: Voucher, Date, Invoice, Note ID, Sequence number, Status, Remittance number, Amount currency, Balance, and Currency. Two rows are visible:

Voucher	Date	Invoice	Note ID	Sequence number	Status	Remittance number	Amount currency	Balance	Currency
INV-100135	2/11/2012	Invoice 1		0	Invoiced		30,750.00	-30,750.00	USD
API00000028	2/12/2012	Invoice journal 1		0	Invoiced		20.00	-20.00	USD

Below the grid, there are input fields for Transaction text, Amount (-20.00), and Balance (-20.00). On the right side, a vertical toolbar lists various actions: Voucher, History, Paid by checks, Cash flow forecasts, Original document, Open, Promissory note, Reverse transaction (g), Reversed tracing (j), Tax 1099 transactions, and Inquiry. At the bottom, there are buttons for USD, fin, usr, and a close button.

Figure 2.46 Vendor transactions form

Usually the company doesn't trust the employees who work in the purchase department, because the purchase agents can increase the price of the purchased items. For this purpose, the Invoice register and the Invoice approval journals are available. The Invoice register journal is used by all purchase managers. The Invoice approval journal is used by the senior purchase manager.

Let's create and post one more Invoice for \$20 for some vendor service:

1. Go to **Accounts Payable > Journals > Invoices > Invoice register**. The **Journal** form opens.
2. Create a new line. Select "APIInvReg" in the **Name** field.
3. Click the **Lines** button. The **Journal voucher** form opens.
4. It is similar to the previous form. In the **Account** field, select the 1002 vendor.
5. Fill in the invoice number. For example "Invoice reg & appr 1".
6. Fill in 20 in the **Credit** field.
7. There is no offset account. Click the **Validate > Validate** button. The "Employee to approve the line is not specified" message appears. Fill in the **Approved by** field.

2. Purchase

Figure 2.47 Journal voucher form

8. Click the **Validate > Validate** button again. The journal is valid now.
9. Click the **Post > Post** button. The “Voucher is posted and transferred to the pool” message appears.

Check what general ledger transaction was created. In the **Journal voucher** form, click the **Inquiries > Voucher** button. The **Voucher transactions** form opens.

Figure 2.48 Voucher transactions form

2. Purchase

The following accounts were used: 211320 was Debited and 211310 was Credited. 211310 is the “Invoice pending approval” account. This account belongs to Accounts payable. 211320 is the “Offset Invoice pending approval” account. This account belongs to the Accounts payable accounts. This is the trick when two accounts from one category are used. It helps post the intermediate values. From the accounting equation point of view nothing is changed, because the transaction has the following view:

Accounts payable		Accounts payable	
Debit	Credit	Debit	Credit
	\$20		\$20

Let's check the other transactions from the other ledgers. In the **Voucher transactions** form, click the **Origin** button. The **Transaction origin** form opens.

Figure 2.49 Transaction origin form

We can see that the Vendor transaction was created.

The Senior Purchase Manager works with the Invoice approval journal:

1. Go to **Accounts Payable > Journals > Invoices > Invoice approval journal**. The **Journal** form opens.
2. Create a new line. Select “APInvApp” in the **Name** field.
3. Click the **Lines** button. The **Journal voucher** form opens.
4. Click the **Fetch vouchers** button. The **Fetch vouchers** form opens. The form contains the voucher that was posted in the Invoice registration journal.

2. Purchase

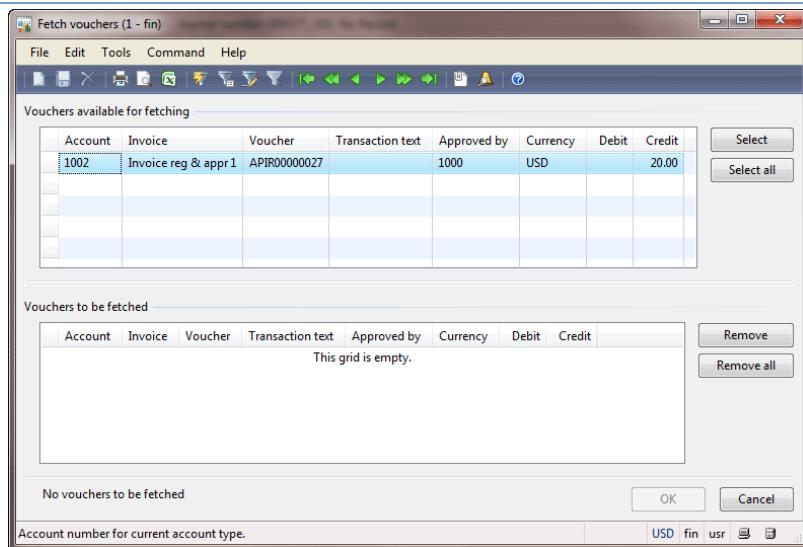


Figure 2.50 Fetch vouchers form

5. Click the **Select** button and then click **OK**.
6. The **Journal voucher** form will look as follows:

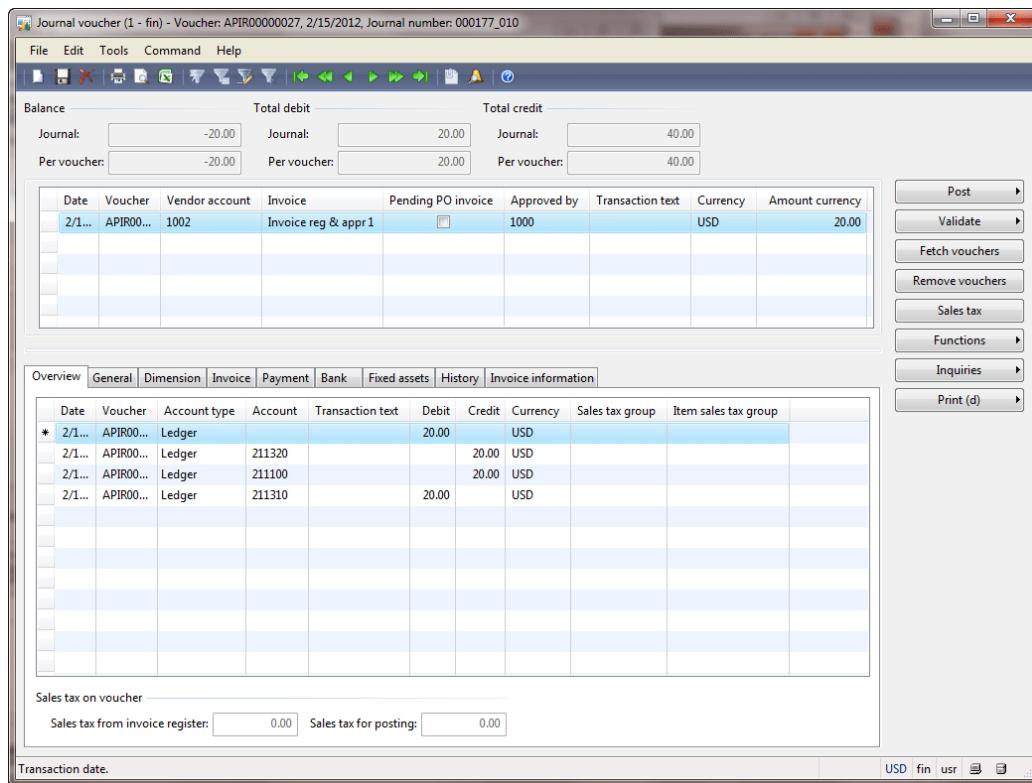


Figure 2.51 Journal voucher form

The 211320 and 211310 accounts were used in the invoice registration posting, we can see that these accounts will be reversed. So, after the posting, the total amount (Credit – Debit) will

2. Purchase

equal zero. The 211100 (Accounts payable) account will be credited for \$20. The Senior Purchase Manager checks the amounts and specifies the offset account. We have specified 803200 (Extraordinary expense) as the offset account. Fill in 803200 in the **Account** field.

7. Click the **Validate > Validate** button. The “Journal is OK” message appears.
8. Click the **Post > Post** button. The journal will be posted.
9. Click the **Inquiries > Voucher** button to check the general ledger transaction that was generated.

The screenshot shows the 'Voucher transactions' window. At the top, it displays the journal number: 000177_010, APIR00000027, Voucher: APIR00000027, Journal number: 000177_010. Below the header, there are tabs for Overview, General, Amount, and Dimension. The General tab is selected, showing a table of ledger transactions:

Voucher	Date	Year closed	Ledger account	Journal	Currency	Amount currency	Amount	Amount secondary currency
APIR00000027	2/15/2012		211310		USD	-20.00	20.00	-14.46
APIR00000027	2/15/2012		211320		USD	20.00	20.00	14.46
APIR00000027	2/15/2012		211100		USD	-20.00	20.00	-14.46
APIR00000027	2/15/2012		211310		USD	20.00	20.00	14.46
APIR00000027	2/15/2012		211320		USD	-20.00	20.00	-14.46
APIR00000027	2/15/2012		803200		USD	20.00	20.00	14.46

Below the table, there are fields for Transaction text (empty), Posting type (set to Ledger journal), Account name (Extraordinary expense), and Transaction voucher number (empty). On the right side, there is a vertical toolbar with buttons for Origin, Transactions, Audit trail, Posted sales tax, Original document, and Related vouchers.

Figure 2.52 Voucher transactions form

We can see that the same voucher number is used for the invoice registration journal and the invoice approval journal, because the general ledger transactions from both journals are available.

10. Click the **Origin** button to see all transactions for all ledgers.

The screenshot shows the 'Transaction origin' window. At the top, it displays the module: Vendor, 1002. Below the header, there are tabs for Overview, General, and Dimension. The General tab is selected, showing a table of ledger transactions:

Module	Voucher	Date	Number	Text	Currency	Amount currency	Amount	Dimension	Number
Ledger	APIR00000027	2/15/2012	211310		USD	-20.00	-20.00		
Ledger	APIR00000027	2/15/2012	211320		USD	20.00	20.00		
Ledger	APIR00000027	2/15/2012	211100		USD	-20.00	-20.00		
Ledger	APIR00000027	2/15/2012	211310		USD	20.00	20.00		
Ledger	APIR00000027	2/15/2012	211320		USD	-20.00	-20.00		
Ledger	APIR00000027	2/15/2012	803200		USD	20.00	20.00		
Vendor	APIR00000027	2/15/2012	1002		USD	-20.00	-20.00		

Below the table, there are fields for Name (Wind Televisions), Table (Vendor transactions), and Application modules (empty). On the right side, there is a toolbar with buttons for USD, fin, usr, and other icons.

Figure 2.53 Transaction origin form

2. Purchase

As a result, one vendor transaction was generated, i.e. the vendor balance was changed. Balances of the 211100 and 803200 accounts are changed. Balances of the 211320 and 211310 accounts remain unchanged. The same result was when the Invoice was posted in one step with the help of the Invoice journal.

Only one question is left. Why were the 211310 (as Invoice pending approval), 211310 (as Invoice pending approval offset), and 211100 (as Accounts payable) accounts used?

All these accounts are set up in the vendor posting profile under **Accounts payable > Setup > Posting profiles**. We already define that “GEN” is used as a default. Go to the **Setup** tab:

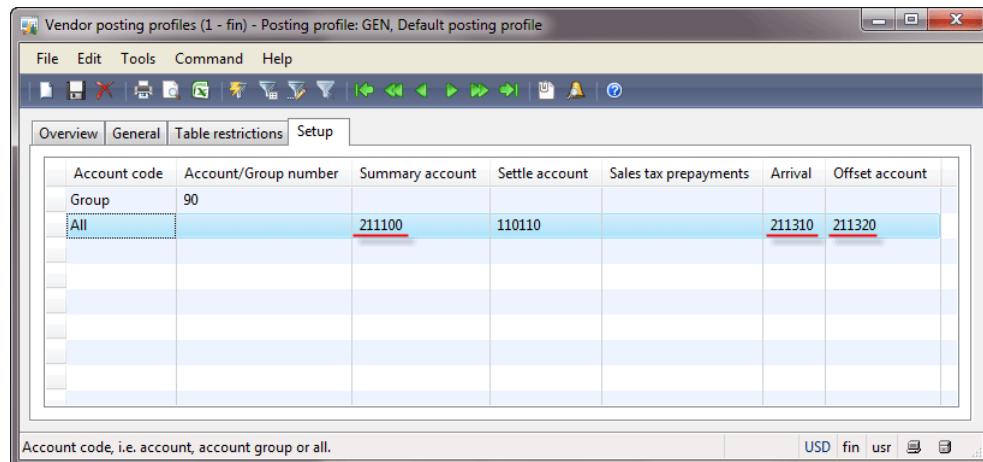


Figure 2.54 Vendor posting profiles

For all vendors (except “90” – the intercompany vendors), the 211100 account is used as Accounts payable (or the summary), the 211310 account – as Invoice pending approval, and 211320 – as Offset Invoice pending approval.

In the next training lesson, we will pay for the delivered items and services, i.e. we will study the payment process.

3. Paying a Vendor

Hi again! In this training lesson, we will study the payment process. Payment is a standalone process that does not influence the company profit or loss. This is because the company recognizes the profit or loss when an invoice is posted. After the invoice posting, the posted amount is recorded as the liabilities. The payment process is used to pay the vendor what the company owes.

The payment process generates the following transaction:

Bank		Accounts payable	
Debit	Credit	Debit	Credit
	\$Amount	\$Amount	

Remember in the [first lesson](#), we have studied that if the Assets increase, the Debit part is used, and if they decrease, the Credit part is used. For the Liabilities is the vice versa. But always Debit is “good” and Credit is “bad” for the company. The Bank account is the Assets account that contains the amount of money that the company has in the bank. The money in the bank decrease, so the Credit part is used. In other words, when the money decrease, it is “bad” for the company. The Accounts payable is the Liabilities account that contains the amounts of money that the company owes to others. The Accounts payable amount decreases, so the Debit part is used. In other words, when debts decrease, it is “good” for the company.

The company can pay for the delivered goods or services in different ways: by checks, electronic payments, cash, promissory notes, etc. The payment method and other payment parameters are set up per vendor under **Accounts payable > Common Forms > Vendor Details > Payment tab > Terms of payment, Method of payment, Cash discount, Bank account** fields. These parameters are used as default ones when the Invoice is created, but can be changed.

The list of methods of payments is located under **Accounts payable > Setup > Payment > Methods of payment**.

3. Paying a Vendor

Method of payment	Period	Description	Days of grace	Payment status	Payment type
BRIDGING	Invoice	Bridging payment	0	None	Other
PROMISSORY	Invoice	Promissory Note	0	None	Other
USA_CHKTOT	Total	Check payment - USD - Total Method	0	None	Other
USA_EL	Invoice	Electronic Payment - USD	0	None	Other
USAUSD_CHK	Invoice	Check payment - USD	0	None	Other
USAUSD_REF	Invoice	Check Refund - USD	0	None	Other

Figure 3.1 Methods of payment form

The method of payment is set up for an Invoice, but can be changed when the company pays. In the previous training lesson, the “USAUSD_CHK” payment method was set up for the Invoice.

The Invoice also contains information about the terms of payment and the cash discount. The terms of payment is used to define the due date (the last date when the company should pay to the vendor). If the company doesn’t pay to the vendor before or on the due date, the vendor will send the collection letter. We will learn collection letters in the next training lesson when we sell items to the customer, and the customer will not pay. We have used the “N030” terms of payment in invoices. The terms of payment is set up under **Accounts payable > Setup > Payment > Terms of payment**. The “N030” terms of payment has the following setup – the due date is the current date + 30 days.

The Cash discount is used to encourage the company to pay the vendor as quickly as possible. We have used the 1%D15 cash discount in all invoices. The cash discount is set up under **Accounts payable > Setup > Payment > Cash discounts**. The 1%D15 cash discount has the following setup – the discount for 1% is applied if the company pays to the vendor during 15 days.

Payment Steps

The Payment Manager performs the following steps (the payment process):

1. Find what invoices should be paid on basis of due dates or cash discount dates.
2. Create payments in the payment journal.
3. Generate a payment document: a check, a file for electronic payment, a promissory note, etc.
4. Send the payment document to the vendor.

3. Paying a Vendor

5. Receive an answer from the vendor.
6. Record in the system that the company has to pay to the vendor, i.e. to post the payment.

Let's go through all these steps in Microsoft Dynamics AX.

1. Go to **Accounts payable > Journals > Payments > Payment journal**. The **Journal** form opens.
2. Create a new line and select “APPay” in the **Name** field. Save the line.
3. Click the **Lines** button. The **Journal voucher** form opens.
4. Microsoft Dynamics AX allows automatically creating payments on basis of unpaid invoices. Click the **Payment proposal > Create payment proposal** button in the **Journal voucher** form. The **Vendor payment proposal** form opens. Select “Due date & cash discount” in the **Proposal type** field. Click **OK**.
5. The **Vendor payment proposal** form opens.

The screenshot shows the Microsoft Dynamics AX 'Vendor payment proposal' window. The 'Open transactions' pane displays a table of invoices with columns: Vendor account, Invoice, Company accounts, Due date, Method of payment, Payment amount, Invoice currency, Payment amount, and Vendor bank account. One invoice is selected for vendor account 1002. The 'Payment proposal' pane below it shows a table of proposed payments with columns: Company accounts, Account number, Date, Method of payment, Amount currency, Currency, Amount, Discount amount, Third party bank account, and Account type. Several entries are listed for different dates and amounts. A 'Link' checkbox is checked at the bottom left of the proposal pane. On the right side of the window, there are several buttons: Transfer, Multiple change, Balance control, and Payment distribution. At the bottom right, there are buttons for Print, USD, fin, usr, and a currency converter.

Figure 3.2 Vendor payment proposal form

The **Payment proposal** pane contains the payments that are proposed to be paid by the company. The **Open transactions** pane contains the invoice for which the payment was proposed. If we select another payment in the **Payment proposal** pane, the information in the **Open transactions** pane changes. To view all invoices for which payments were proposed clear the **Link** check box. We can see that there are both invoices that were posted in the previous training lessons and a number of other ones. Select the “222”, “111”, and “485211188” invoices in the **Open transactions** pane and delete them from the grid (Alt+F9). The **Open transactions** pane will have only the following invoices:

3. Paying a Vendor

- o “Invoice 1” (was generated with the help of the **Purchase order** form)
- o “Invoice journal 1” (was generated with the help of the Invoice journal)
- o “Invoice reg & appr 1” (was generated with the help of the Invoice registration and approval journals).

We can see that Microsoft Dynamics AX proposes to pay these invoices later on the last day when the cash discount is valid.

The screenshot shows the Microsoft Dynamics AX Vendor payment proposal form. The top section, "Open transactions", displays a grid of invoices with columns for Vendor account, Invoice, Company accounts, Due date, Method of payment, Payment amount, Invoice currency, Payment amount, and Vendor bank account. The invoices listed are "Invoice1", "Invoice journal 1", and "Invoice reg & appr 1". Below this grid are several input fields: Disc. date (2/26/2012), Invoice remainder (30,750.00), Payment specification dropdown, Discount amount (-307.50), Voucher (INV-100135), Name (Wind Televisions), Discount amount to take (-307.50), Date (2/11/2012), and Payment ID. To the right of these fields are four buttons: Transfer, Multiple change, Balance control, and Payment distribution. The bottom section, "Payment proposal", shows a grid of payment details with columns for Company accounts, Account number, Date, Method of payment, Amount currency, Currency, Amount, Discount amount, Third party bank account, Account type, and Pa. The grid contains three rows corresponding to the invoices in the top section. At the bottom of the form are buttons for Print and a note about the invoice number being attached to the transaction.

Figure 3.3 Vendor payment proposal form

Let's assume that the Company decides to pay today for the “Invoice journal 1” invoice. Delete the invoices “Invoice 1” and “Invoice reg & appr 1” from the **Open transactions** pane.

6. Click the **Transfer** button. The **Transfer payment proposal** box appears. Click **OK**.
7. The **Journal voucher** form will look as follows:

3. Paying a Vendor

The screenshot shows the 'Journal voucher (1 - fin) - Journal: APPay, journal number: 000175_010, Posted: No, Journal type: Vendor disbursement' window. The main area displays a table with one row of data:

Date	Company accounts	Account	Transaction text	Debit	Credit	Offset account type	Offset account	Payment status
2/27/2012	fin	1002	Vendor payment Invoice journal 1	19.80		Bank	USA OPER	None

Below the table, there are several input fields:

- Voucher: APP000231
- Method of payment: USAUSD_CHK
- Document: (empty)
- Currency: USD
- Payment specification: (empty)
- Document date: 2/27/2012
- Account name: Wind Televisions
- Payment ID: (empty)
- Withholding tax group: (empty)
- Offset account name: Bank of USA Operating
- Settlement type: Designated transactions
- Check number: (empty)

On the right side of the window, there is a vertical list of buttons under the heading 'Functions': Post, Validate, Sales tag, Functions, Payment status, Payment proposal, Inquiries, Print, Send electronically, and NACHA IAT information (b).

Figure 3.4 Journal voucher form

We can see that one payment line is created. The “1002” vendor account is debited (for the Liabilities, it means – decreased). The “USA OPER” bank account is credited (for the Assets, it means – decreased). As a result the following transactions will be generated:

- One vendor transaction for the 1002 vendor
- One bank transaction for the USA OPER bank account
- Two general ledger transactions for the controlling accounts.

The 1002 vendor has the 211100 general ledger controlling account (set up in the vendor posting profile). Note that for the bank account, the controlling account is set up under **Bank > Common Forms > Bank Account Details** > find the “USA OPER” bank account > **Ledger account** field. In our demo data, the controlling account for the bank account is 110110 (Bank account – USD). (This account belongs to the CASH&CASH EQUIVALENTS and Asset accounts). The **Currency**, **Method of payments** fields are filled in automatically from the invoice. The USA OPER bank account is taken from the method of payment under **Accounts payable > Setup > Payment > Methods of payment** > find UASUSD_CHK > **General tab > Posting** field group > **Payment account** field. We make sure that this field contains the USA OPER bank account. Note that the **Transaction text** field in the **Journal voucher** form contains the “Vendor payment Invoice journal 1” text that is also generated automatically on basis of the invoice name.

8. When the payment proposal is used, Microsoft Dynamics AX automatically settles payments and invoices. This is required because the company should know what exactly invoices were paid. To view settlement, click the **Function > Settlement** button. The **Cancel settlement** box appears, click **NO**. The **Open transaction editing** form appears. This form contains all “open” invoices (i.e. unpaid invoices). We can see that the “Invoice journal 1” invoice is marked, i.e. settled with the payment line. Note that we could manually change the settlement.

3. Paying a Vendor

The screenshot shows the 'Open transaction editing (1 - fin) - Voucher: INV-100135, 2/11/2012, Approved: Yes, Vendor account: 1002' window. It displays financial details like total amount (-30,750.00), cash discount (0.20), and transferred amount (19.80). The main grid lists three invoices with their respective details: INV-100135, APIR0000028, and APIR0000027. The bottom section contains fields for discount date (3/12/2012), discount amount (0.00), and transaction text (Purchase invoice Inv01).

Figure 3.5 Open transaction editing form

9. The Payment Manager checks all payment details. Since all information is correct, a payment check can be generated. In the **Journal voucher** form, click the **Functions > Generate payments** button. The **Generate payments** form opens. Select “USAUSD_CHK” in the **Method of payment** field, “USA OPER” in the **Bank account** field, and then select the **Show format dialog** check box. Click **OK**.

The 'Generate payments (1)' dialog box is shown. Under 'Payment method', 'Method of payment' is set to 'USAUSD_CHK'. Under 'Selection', 'Bank account' is set to 'USA OPER' and 'Show format dialog' is checked. On the right, 'Journal lines' fields include 'Journal number: 000175_010', 'Account type: Vendor', and 'Payment status: None, Rejected'. Buttons for 'Select', 'Dialog', 'OK', and 'Cancel' are visible.

Figure 3.6 Generate payments form

10. The **Payment by check** form opens.

3. Paying a Vendor

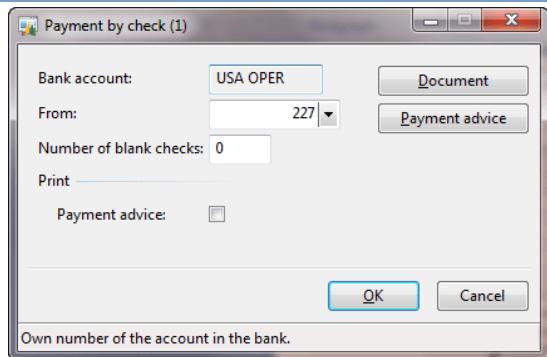


Figure 3.7 Payment by check form

11. Print the check to the screen. By default, checks are printed but we will change this setup to Screen by clicking the **Document** button. The **Printer setup** form opens. Select *Screen* and click **OK**. In the **Payment by check** form, click **OK**.
12. The check will be shown.

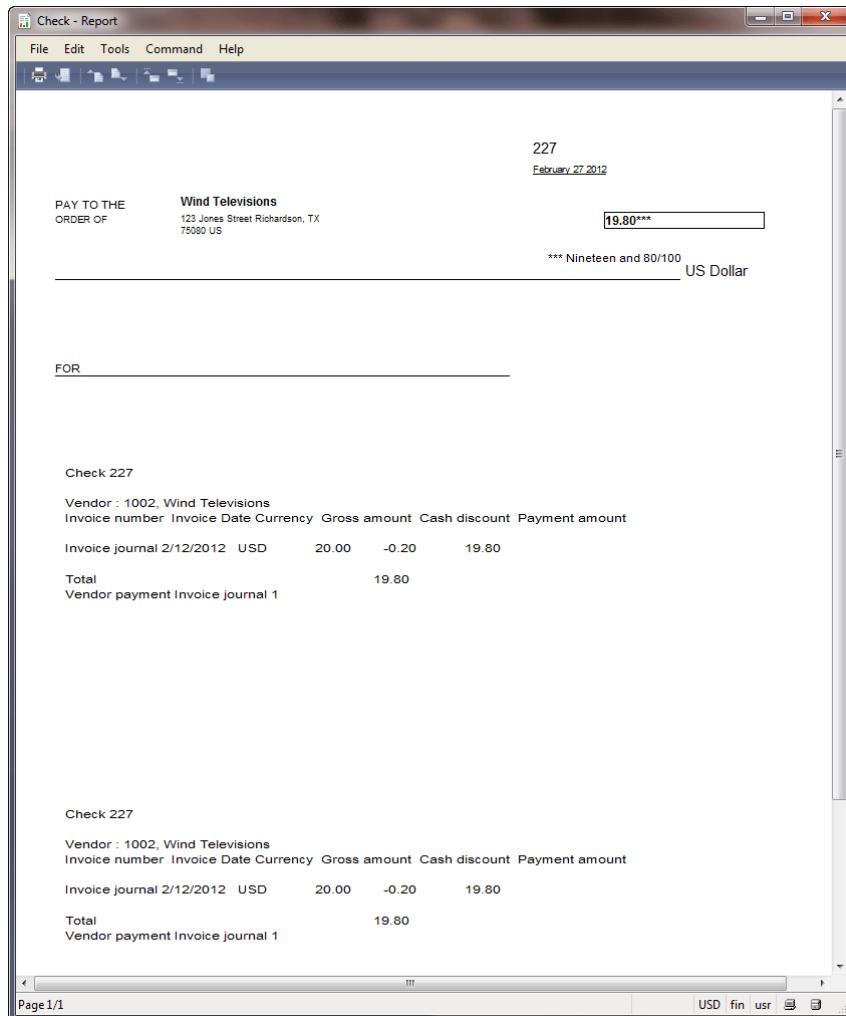


Figure 3.8 Check report

3. Paying a Vendor

13. Return to the **Journal voucher** form. The value of the **Payment status** field is changed from *None* to *Sent*. It means that the payment is sent to the Vendor (checks, money, electronic transfer, etc.) but not yet received by the vendor.
 14. For convenience, all sent payments are displayed in a separate journal under **Accounts payable > Journals > Payments > Payment transfer**. In this case, the Payment Manager can send all necessary payments during the day and then register the received status at the end of the day.

Figure 3.9 Payment transfer form

We assume that the Payment Manager calls the vendor to ensure that the check is received. If the electronic payment method is used, the return file is generated when the vendor receives the payment. In this case, the return file is loaded with the help of the **Return file-Vendor** button, validated, and the status is changed to Received automatically. In our case, we change the payment status from *Sent* to *Received* manually. Click the **Payment status > Received** button. The payment status is changed to *Received*. Note that this step is optional.

15. Close the **Payment transfer** form and return to the **Journal voucher** form (click F5 to refresh data). Make sure that the payment status is *Received*. Since the payment is received, the Payment Manager posts the payment. Click the **Post > Post** button. The voucher is posted successfully.

Posting Results

Let's analyze the posting results. The general ledger, vendor, and bank transactions should be created. In the previous paragraph, we have found out that the 1101100 ledger account is the controlling account for the USA OPER bank account and the 211100 ledger account is the controlling account for the 1002 vendor account. We assume to find the following transactions:

3. Paying a Vendor

General ledger:

110110 (Bank)		211100 (Accounts payable)	
Debit	Credit	Debit	Credit
	19.80	19.80	

Subledgers (the Vendor and the Bank ledgers):

USA OPER (Bank account)		1002 (Vendor)	
Debit	Credit	Debit	Credit
	19.80	19.80	

In the **Journal** voucher form, click the **Inquiries > Voucher** button. The **Voucher transactions** form opens. This form contains the general ledger transactions.

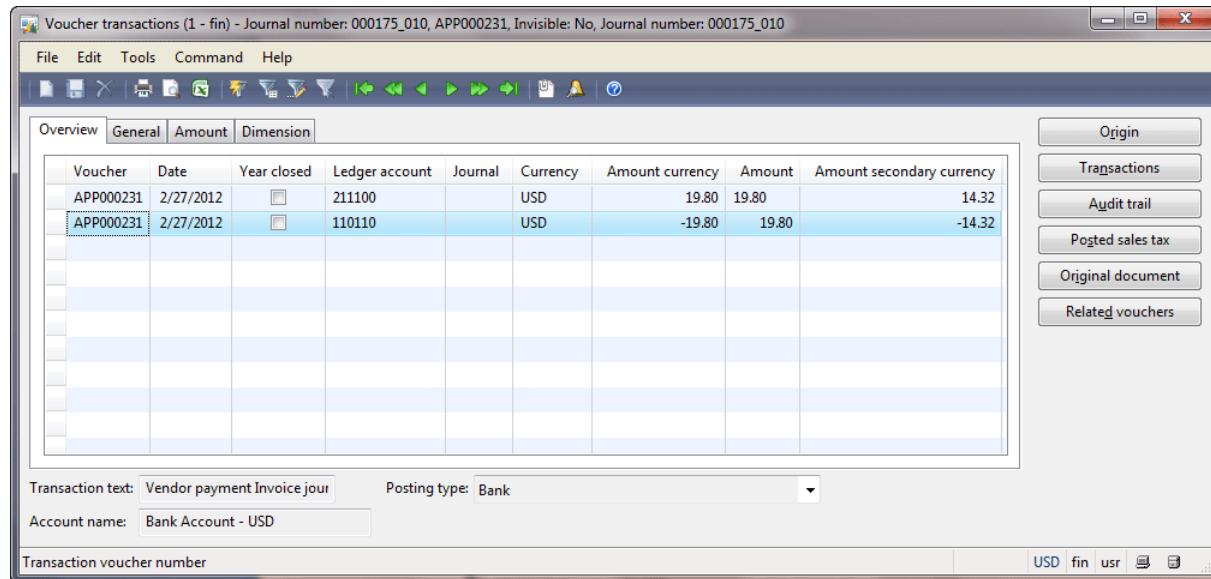


Figure 3.10 Voucher transactions form

Click the **Origin** button to view all transactions for all ledgers. We can see that except ledger transactions one vendor and one bank transactions are generated.

3. Paying a Vendor

Figure 3.11 Transaction origin form

Let's analyze the general ledger transactions. Return to the **Voucher transactions** form. The 211100 account is the controlling account for the 1002 vendor. The 110110 account is the controlling account for the USA OPER bank account. We make sure that the general ledger transaction looks as follows:

Cash & Cash equivalents (110110)		Accounts payable (211100)	
Debit	Credit	Debit	Credit
	\$19.80	\$19.80	

What about \$0.2? If you remember when we have performed a purchase, the sum of \$20 was recorded to the Credit part of the 211100 account, but after the payment, only \$19.80 was recorded to the Debit part. So the balance for the 211100 account is \$0.2. It means that the company owes \$0.2 to the vendor. But this is not true because the company receives the cash discount. The cash discount should generate the following transaction:

Sales		Accounts payable (211100)	
Debit	Credit	Debit	Credit
	\$0.2	\$0.2	

The Accounts payable account is decreased (since it is the Liabilities account, the Debit part is used). The Sales account is used because the company pays less for the purchased items. This item will be sold or used in production, as a result the company receives more profit, because the cost of item is less than it was assumed. The Sales account is increased, because company save money and their profit will increase. All the company's profit should be returned to the Company Owners. The Sales account is like the Liabilities, so the Credit part is used.

3. Paying a Vendor

This transaction was generated. In the **Voucher transactions** form, click the **Related voucher** button. The **Related ledger transaction voucher** form opens. Click the **Voucher** button. The **Voucher** form opens.

Voucher	Date	Year closed	Ledger account	Journal	Currency	Amount currency	Amount	Amount secondary currency
VPY-10005	2/27/2012		403160		USD	-0.20	0.20	-0.14
VPY-10005	2/27/2012		211100		USD	0.20	0.20	0.14

Figure 3.12 Voucher form

We can see the following transaction:

403160		211100	
Debit	Credit	Debit	Credit
	0.2	0.2	

The 211100 account is one of the accounts payable accounts. If we go to the **Chart of accounts** form, we find that the 403160 account has the “Purchase cash discount” name and belongs to the Sales accounts.

You can ask why the 403160 account was used as the Sales account. The ledger account for this operation is set up in the **Cash discounts** form located under **Accounts payable > Setup > Payment > Cash discounts >** find “1%D15” cash discount > **Setup tab > Account received** field.

With the help of these two vouchers, the 211100 ledger account will contain the correct value. In other words, the company does not owe to the vendor \$0.2 for the “Invoice journal 1” invoice.

Check the 211100 account transactions under **General ledger > Common Forms > Chart of Account Details >** find 211100 ledger > **Transactions** button. On the screenshot, only the last 3 transactions are available.

3. Paying a Vendor

The screenshot shows the 'Account transactions (1 - fin) - Ledger account: 211100, Accounts Payable - US' window. The main grid displays three payment transactions:

Voucher	Date	Year closed	Period code	Currency	Amount currency	Amount	Amount secondary currency
APIR00000027	2/15/2012		Normal	USD	-20.00	20.00	-14.46
APP000231	2/27/2012		Normal	USD	19.80	19.80	14.32
VPY-10005	2/27/2012		Normal	USD	0.20	0.20	0.14

Below the grid, the 'Ledger account' is set to 211100 and the 'Account name' is Accounts Payable - US. The 'Transaction text' field contains 'Discount Invoice journal 1'. On the right side, there are several buttons for different actions: Voucher, Origin, Audit trail, Posted sales tax, Original document, Ledger settlements, Reverse transaction, and Reversed tracing.

Figure 3.13 Account transactions form

So we make sure that the invoice for \$20 will be paid with the cash discount (\$19.80) and the accounts payable account contains the correct value.

Now, we will check the vendor transactions to make sure that the company doesn't owe for the "Invoice journal 1" invoice in the Vendor ledger. Go to **Accounts payable > Common Forms > Vendor Details**. The **Vendors** form opens. Find the 1002 vendor and click the **Transactions** button. The **Vendor transactions** form opens.

The screenshot shows the 'Vendor transactions (1 - fin) - Voucher: VPY-10005, 2/27/2012, Vendor account: 1002' window. The main grid displays five vendor transactions:

Voucher	Date	Invoice	Note ID	Sequence number	Status	Remittance number	Amount currency	Balance	Currency
INV-100135	2/11/2012	Invoice 1		0	Invoiced		30,750.00	-30,750.00	USD
API00000028	2/12/2012	Invoice journal 1		0	Invoiced		20.00	0.00	USD
APIR00000027	2/15/2012	Invoice reg & appr 1		0	Invoiced		20.00	-20.00	USD
APP000231	2/27/2012			0	Invoiced		19.80	0.00	USD
VPY-10005	2/27/2012			0	None		0.20	0.00	USD

Below the grid, the 'Transaction text' is 'Discount Invoice journal 1', 'Amount' is 0.20, and 'Balance' is 0.00. On the right side, there are buttons for Voucher, History, Paid by checks, Cash flow forecasts, Original document, Open, Promissory note, Reverse transaction (g), Reversed tracing (j), Tag 1099 transactions, and Inquiry.

Figure 3.14 Vendor transactions form

The first three transactions are generated from the purchase order, invoice journal, and invoice approval journal correspondingly. The transaction with the sum of \$19.80 was generated when the payment journal was posted. The last transaction was generated for the cash discount. So we make sure that after

3. Paying a Vendor

the payment the vendor account was debited for $\$19.8 + \$0.2 = \$20$. In the **Vendor transactions** form, we can see that the “Invoice journal 1” transaction has the zero balance.

If we create the payment journal again and run the payment proposal, the “Invoice journal 1” invoice will not be shown. That is because this invoice was closed (i.e. paid). Microsoft Dynamics AX knows what invoice was paid based on the settlement.

If we click the **Show open only** check box in the **Vendor transactions** form, the “Invoice journal 1” and the payment with the discount lines disappear.

Settlement

The user can make the settlement manually. For example, the payment line can be created manually (without the payment proposal) and posted. In this case, the settlement is not created.

In the **Vendors** form, click the **Function > Open transaction editing** button. The **Open transaction editing** form opens. To settle the transactions, select the **Mark** check box. We can't settle the invoice transactions because there have been no payments.

I.	P	Mark	Use cash discount	Voucher	Account	Company accounts	Date	Due date	Invoice	Amount	Currency	Cross rate	Amount to settle
		<input type="checkbox"/>	Normal	INV-100135	1002	fin	2/11/20...	3/12/20...	Invoice 1	30,750.00	USD	0.0000	-30,442.50
		<input checked="" type="checkbox"/>	Normal	APIR00000027	1002	fin	2/15/20...	3/16/20...	Invoice reg & appr 1	20.00	USD	0.0000	-19.80

Figure 3.15 Open transaction editing form

Let's assume that the Payment Manager made a mistake and the payment was made for the “Invoice reg & appr 1” invoice. Since the Payment Manager settled the payment against the “Invoice journal 1” invoice, he or she should reverse this settlement and make a new one between the payment and the “Invoice reg & appr 1” invoice. Let's do this.

In the **Vendors** form, click the **Functions > Closed transaction editing** button. The **Closed transaction editing in several currencies** form opens.

3. Paying a Vendor

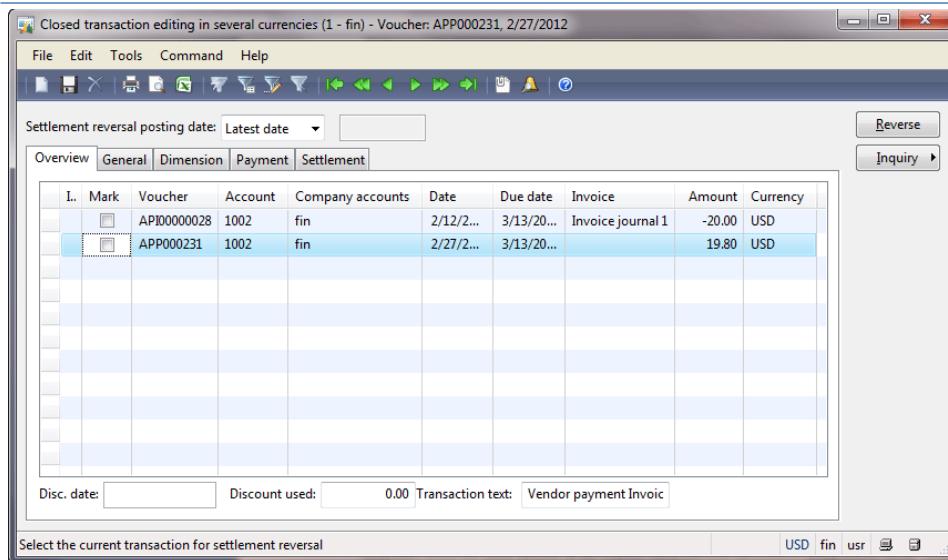


Figure 3.16 Closed transaction editing in several currencies form

Note that this form doesn't contain the vendor transaction for \$0.2 that was generated for the cash discount. Select the **Mark** check box for "Invoice journal 1". The **Mark** check box for the payment will be selected automatically. Click the **Reverse** button. The settlement will be reversed and both transactions disappear from the form. Now, these transactions are open. Close the form.

As a result, the transactions appeared in the **Open transaction editing** form and a new voucher with the reversed cash discount transactions was generated. In the **Vendors** form, click the **Transactions** button to make sure. The **Vendor transactions** form looks as follows:

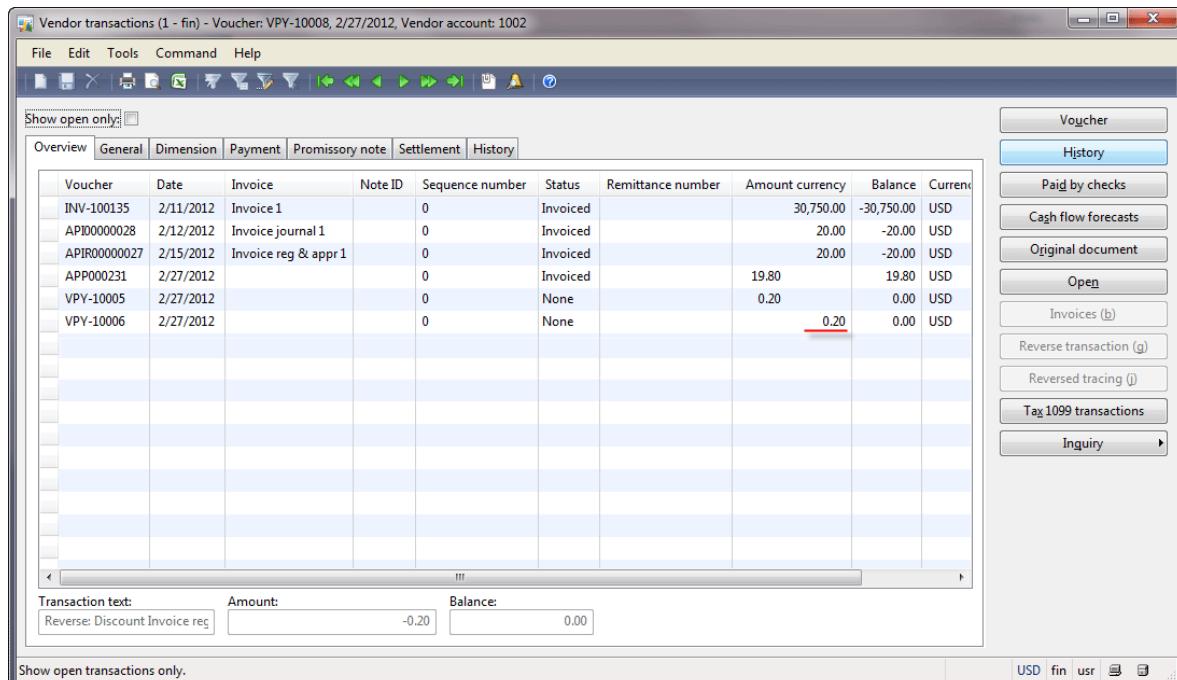


Figure 3.17 Vendor transactions form

3. Paying a Vendor

It means that the system removes the cash discount, because Microsoft Dynamics AX doesn't know for which invoice the payment is created. If the payment is created for the old invoice that was posted 1 month ago, then the cash discount is not applied. When we create a new settlement between the payment and the "Invoice reg & appr 1" invoice, the cash discount is applied again because the invoice and the payment date are in cash discount interval.

Make a new settlement. In the **Vendors** form, click the **Function > Open transaction editing** button. The **Open transaction editing** form opens. Make a new settlement – select the **Mark** check box in "Invoice reg & appr 1" and payment line.

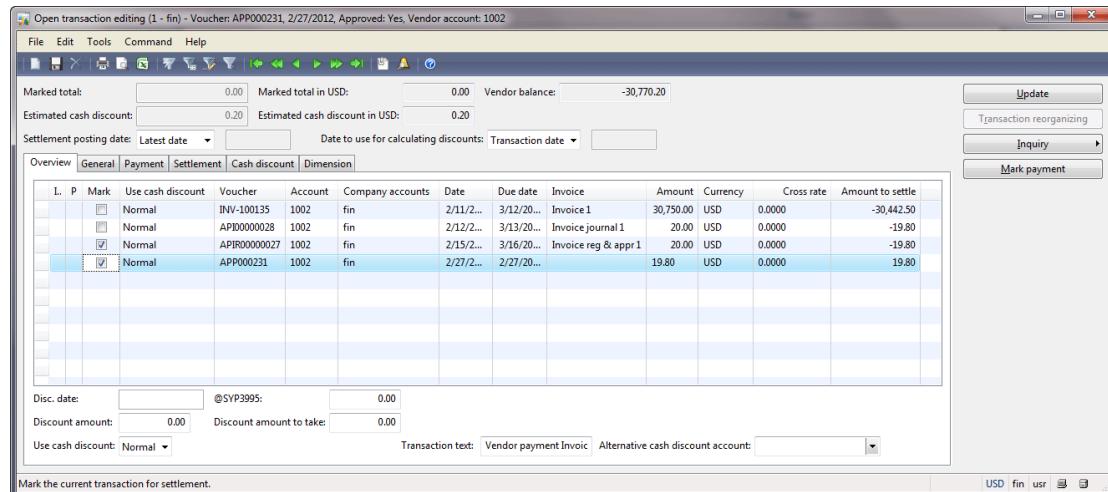


Figure 3.18 Open transaction editing form

Note that **Marked total** amount is zero. Click the **Update** button. The new settlement will be created. As a result, the transactions disappear from the **Open transaction editing** form. Make sure that the transactions appear in the **Closed transaction editing** form. If we click the **Transactions** button in the **Vendors** form, the **Vendor transaction** form looks as follows:

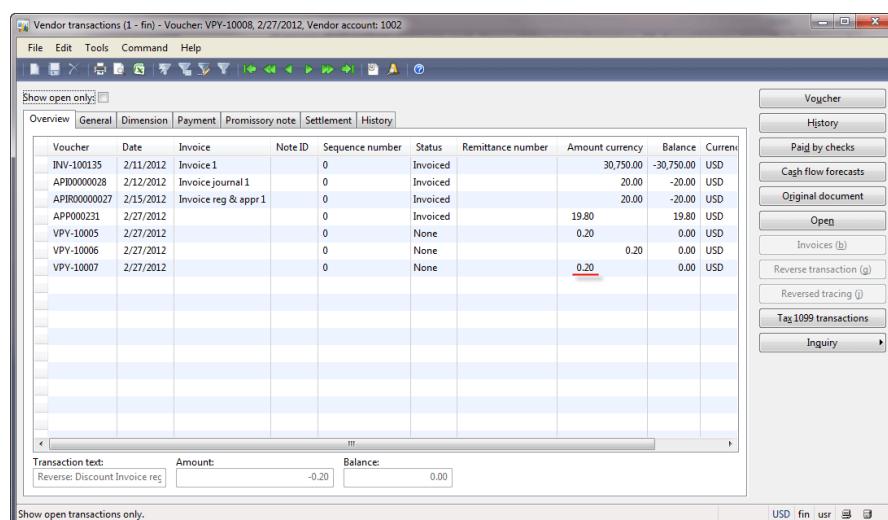


Figure 3.19 Vendor transactions form

3. Paying a Vendor

When the discount amount is applied or reversed, the vendor transactions are generated. Note that the general ledger transaction is also generated. To view this transaction, select the VPY-10007 voucher and click the **Voucher** button in the **Vendor transactions** form.

When the payment is created manually and posted, Microsoft Dynamics AX automatically settles it to some invoice. If the invoice amount is greater than the payment amount, the vendor invoice transaction is split to the two parts. One of these parts becomes settled, the other does not. It means that the invoice is partially paid.

Try it yourself. We have an invoice for the sum of \$30 750. Create the payment for \$2 000 and make sure that the vendor invoice transaction is split to \$28 750 and \$2 000. And the last one is closed.

The automatic settlement can be disabled under **Accounts payable > Setup > Parameters > Settlement tab > Settlement field group > Automatic settlement field**.

Summary

In this training lesson, we have studied the following:

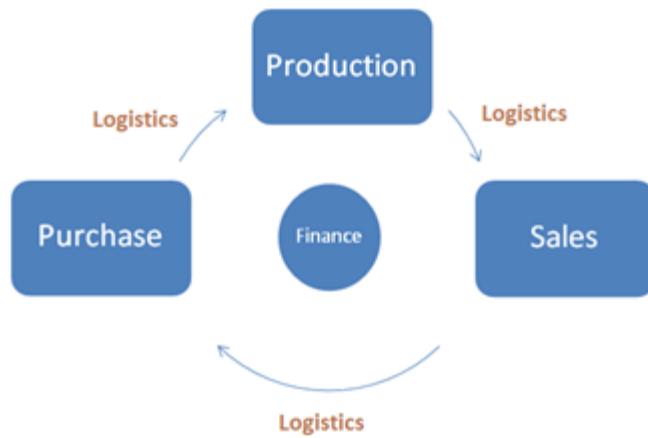
1. The payment process which includes the following:
 - o Finding invoices.
 - o Creating payments.
 - o Sending the money or the money equivalent to the vendor.
 - o Receiving the notification from the vendor.
 - o Posting the payment.
2. Analyses of how the payment is posted in the system (i.e. the payment results).
3. The open and closed vendor transactions.

In the next training lesson, we will go through the sales process.

4. Sales

Hi! In this training lesson, we will study in detail the sales process, sales taxes, posting results, prepayment, payment, bank reconciliation, collection letters, and interests. Let's begin.

The company business cycle can be described in the following way:



What is the first step in this cycle? As you may know, the first step in business is finding a Customer and signing a contract. A lot of companies are launched after the Customer is found and the contract is signed. So, the first step in the business cycle is Sales, all other steps serve the Sales step.

The flow of the sales process is similar to the purchase flow:

1. Quotation
2. Confirmation
3. Picking and Shipment
4. Packing slip
5. Invoice

The sales process is described in the [Trade and Logistics training](#), with the focus on the Picking and Shipment steps.

We assume that the Sales Manager finds the Customer who wants to buy 10 items of 1003 (Plasma Television Model 01) for the price of \$ 1 600. Let's go through the sales steps and analyze the results.

Quotation

First of all, the Sales Manager finds the Customer. There are a lot of techniques to do this: exhibition, e-mail spam, advertisements, etc. For this purposes Microsoft Dynamics AX provides a separate CRM module. CRM is an abbreviation for client relationship management. If you open the CRM module in Microsoft Dynamics AX, you can find the **Sales quotation** form. A Sales quotation is created when the

4. Sales

Sales Manager makes a proposal to the business relation (a possible customer). The sales quotation can either be canceled or confirmed.

A Quotation is used to record the possible Sales order and the Customer. If the sales quotation is confirmed, the sales order is created on basis of the confirmed quotation and the customer record is created on basis of the business relation. The Quotation confirmation step is used to record in the system that the customer agrees to make an order.

The quotation step is optional. The Sales Manager can create the sales order without the quotation. The Quotation step does not generate any financial transaction.

To create a sales quotation, do the following:

1. Go to **Accounts receivable > Common Forms > Sales Quotation Details**. The **Quotation** form opens.
2. Create a new line. The **Create quotation** form opens. Select, for example, the “000125_139” value in the **Business account** field. Click **OK**.
3. The quotation header is created.
4. Create a new line with the following values:
 - o Item number = 1003
 - o Configuration = HD
 - o Size = 42
 - o Color = 01
 - o Quantity = 10
5. Save the line.

The **Quotation** form looks as follows:

Quotation	Business account	Customer account	Sales responsible	Quotation status	Currency	Expiry date	Sales order	D
QA-100027	000125_139		7210	Created	USD	3/27/2012		

Item number	Configuration	Size	Color	Site	Warehouse	Batch number	Serial number	Quantity	Unit	Unit price	Discount	Disc. pct.	Net amount	Item name
1003	HD	42	01	2	21			10.00	ea	1,600.00	0.00	0.00	16,000.00	Plasma Te...

4. Sales

Note that the **Site**, **Warehouse**, **Unit**, and **Unit price** fields are automatically filled in. The values for the **Site**, **Warehouse**, and **Unit** fields are filled in by analogy with the purchase line. In the [purchase lesson](#) you can find how the values are filled out.

The **Unit price** field contains the value of 1600. How does Microsoft Dynamics AX know the price? If we go to the **Items** form under **Inventory management > Common Forms > Item details** > find the 1003 item > **Price/Discount** tab > **Base sales price** field group, we see that the sales price is zero. If we go to the **Item dimension combination** form (the **Items** form > find 1003 item > **Setup** menu button > **Item dimensions combination** button > find the line with Configuration = HD, Size = 42, and Color = 01 > **Price** button), we see that only the cost price is set up. The sales price is taken from the trade agreement (the **Items** form > find the 1003 item > **Trade agrmt.** menu button > **Sales price** button). The **Price (sales)** form opens. We can see that the price for our configuration is \$1600.

Currency	Account code	Account selection	Configuration	Size	Color	Site	Warehouse	Unit	From date	To date	Quantity	Price	Find next	
USD	All		NHD	42	01			ea			1.00	635.00	<input checked="" type="checkbox"/>	X
USD	All		HD	50	01			ea			1.00	2,500.00	<input checked="" type="checkbox"/>	X
USD	All		NHD	50	01			ea			1.00	1,161.00	<input checked="" type="checkbox"/>	X
USD	All		HD	42	02			ea			1.00	1,620.00	<input checked="" type="checkbox"/>	X
USD	All		NHD	42	02			ea			1.00	646.00	<input checked="" type="checkbox"/>	X
USD	All		HD	50	02			ea			1.00	2,525.00	<input checked="" type="checkbox"/>	X
USD	All		NHD	50	02			ea			1.00	1,177.00	<input checked="" type="checkbox"/>	X
USD	All		HD	60	01			ea			1.00	3,800.00	<input checked="" type="checkbox"/>	X
USD	All		NHD	60	01			ea			1.00	1,654.00	<input checked="" type="checkbox"/>	X
USD	All		HD	60	02			ea			1.00	3,830.00	<input checked="" type="checkbox"/>	X
USD	All		NHD	60	02			ea			1.00	1,673.00	<input checked="" type="checkbox"/>	X
USD	All		HD	42	01			ea			1.00	1,600.00	<input checked="" type="checkbox"/>	X

Confirm the sales quotation taking the following:

1. Now the Sales Manager prints the quotation and sends it to the possible customer. In the **Quotation** form, click the **Update > Quotation** button. The **Send quotation** form opens. Select the **Print Quotation** check box, click the **Options** button, and select the **Screen** option, click **OK**. Click **OK** in the **Send quotation** form. The quotation is [printed](#) and can be sent to the possible customer.
2. When the Sales Manager receives a positive answer, the business relation should turn to the customer and the quotation should turn to the sales order. In the **Quotation** form, click the **Function > Convert to Customer** button. The **Convert to customer** dialog box appears, click **Yes**. In the **Customer account number** form that opens, enter, for example, the 000500 number for the new customer. Fill in 000500 in the **Customer account** field, click **OK**.
3. The **Customer** form with the new 000500 (Corner restaurant) customer record opens. All customer information is transferred from the business relation. So, we make sure that the new customer record is created.

4. Sales

4. Now, the Sales Manager clicks the **Updates > Confirmation** button. The **Confirmation quotation** form opens. The confirmation document can be printed and then sent to the customer (select the **Print confirmation** check box and set the **Screen** option). Click **OK**. The **Confirmation document** is shown and the sales order is created. The “Field Mode of delivery must be filled in” message appears, we will fill the delivery mode in the sales order a bit later.

Go to **Accounts receivable > Common forms > Sales Order Details**. The **Sales order** form opens. We make sure that the sales order is created from the quotation:

The screenshot shows the Microsoft Dynamics AX Sales order form. The top section displays a grid of sales orders with columns for Sales order, Customer account, Invoice account, Order type, Status, Currency, Project, Blanket order, Customer requisition, and Quality order status. One row is selected, showing SO-100262, 1101, 1101, Sales order, Open order, USD, etc. Below this is a detailed view of the selected sales order. It includes tabs for Lines, General, Setup, Address, Delivery, Quantity, Price/Discount, Other, and Dimension. The Lines tab is active, showing a single item line for item number 1003, configuration HD, size 42, color 01, site 2, warehouse 21, quantity 10.00, unit ea, unit price 1,600.00, discount 0, net amount 16,000.00, item name Plasma Television Model 01, and quality order status. The Delivery tab is also visible. On the right side of the form, there is a vertical toolbar with various buttons for actions like Simple, Posting, Pro forma, Setup, Functions (b), Inquiries, Trade agrmt., and Intercompany. At the bottom, there are buttons for Identification of the order, USD, fin, usr, and a close button.

In the **Sales order** form, go to the **Delivery** tab and fill in the **Mode of delivery** field with, for example, the “10” value (Truck delivery). In [this training lesson](#), you can get more information about the item delivery. The **Update order lines** box appears, select the **Update Mode of delivery** check box and click **OK**.

Let's check the confirmation quotation posting results. In the **Sales order** form, click the **Inquiries > Quotation confirmation** button. Click the **Inquiries > Quotation confirmation** button again. The **Confirmation journal** form opens.

The screenshot shows the Confirmation journal form. The top section displays a grid of quotation confirmations with columns for Invoice account, Business account, Sales order, Date, Quotation confirmation, Deadline, Currency, Quotation amount, and Language. One row is selected, showing 000500, SO-100262, 2/26/2..., QA-100027-1, 3/27/2..., USD, 16,800.00, en-us. Below this is a detailed view of the selected quotation confirmation. It includes tabs for Overview and Lines. The Lines tab is active, showing the same data as the Sales order form. On the right side, there are buttons for Preview/Print, Misc. charges, and Sales tax. At the bottom, there is a button for Customer account to be invoiced, USD, fin, usr, and a close button.

4. Sales

We can see that the new journal has been created with one line. This step has no influence on accounts, because from the financial point of view nothing has changed. No general ledger or sub-ledger transactions have been created. The **Confirmation journal** form doesn't have the **Voucher** button. As you remember a voucher is used to group all transactions generated for one operation. Since the **Confirmation journal** form doesn't have the **Voucher** button, the quotation confirmation operation never generates transactions.

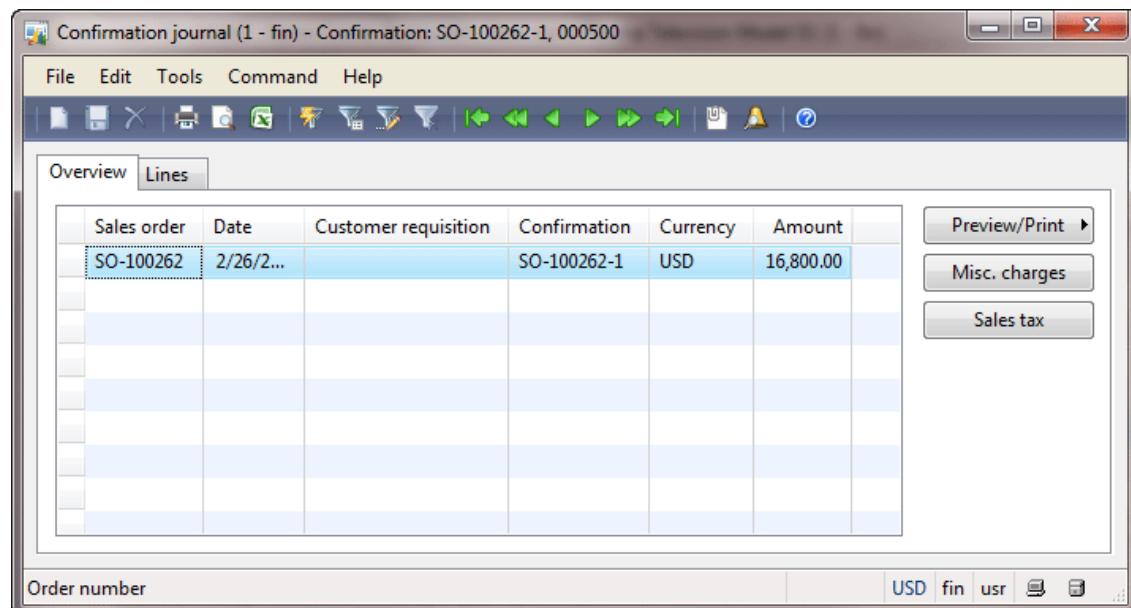
Note that the quotation amount is \$16 800. It is because sales taxes have been added. We will understand how sales taxes are set up and calculated later in this training.

Confirmation

The confirmation step is similar to the quotation confirmation step. It is optional and can be omitted. The confirmation step is used to record in the system that the customer receives the sales order document and confirms its details (quantity, configuration, price, delivery terms, payment terms, etc.).

The Sales Manager clicks the **Posting > Confirmation** button in the **Sales order** form. The **Posting confirmation** form opens. Select the **Print confirmation** check box. To print the confirmation to the screen, click the **Printer setup > Confirmation** button and select the **Screen** option, click **OK**. In the **Posting confirmation** form, click **OK**. The [Confirmation document](#) is printed. The Sales Manager sends this document to the customer. If the customer asks to change some details, this step can be repeated.

To view the posting results, click the **Inquiries > Confirmation** button in the **Sales order** form. The **Confirmation journal** form opens.



We can see that the journal has been created. The confirmation step has no influence on accounts, because from the financial point of view nothing has changed. The **Confirmation journal** form doesn't have the **Voucher** button. The confirmation operation never generates transactions.

4. Sales

Picking and Shipment

Now, the items should go through the following process:

1. Picked from the warehouse location.
2. Transported from the warehouse location to the outbound location.
3. Loaded to the truck.
4. Shipped in the truck.

These steps are described in details in the [Trade and Logistics training](#). From the financial point of view, nothing has changed because the items remain the company property, i.e. the Inventory account has not changed.

The flow of picking and shipment steps depend on the item setup. In our case, the flow is the following:

1. The Sales Manager prints the picking list and sends this document to the warehouse worker.
2. The Warehouse Worker picks the items and notifies the Sales Manager about this. The Sales Manager posts the picking list registration form.
3. The Warehouse Worker transport items from the warehouse location to the outbound location, loads the items to the truck, and the Driver ships the items. The truck steps are omitted.

Note that in our case, we have only the picking step.

The comprehensive flow (with transporting the items to the outbound location, loading them into the truck, and shipping them) depends of the following parameters:

- **Item inventory model** group has the **Picking requirements** check box selected.
- **Item dimension** group has the **Location** and **Pallet** dimensions active.

Let's perform the picking step:

1. In the **Sales order** form, click the **Posting > Picking list** button. The **Posting picking list** form opens. To print the picking list to the screen, select the **Print picking list** check box, click the **Printer setup > Picking list** button, select the **Screen** option, and click **OK**. In the **Posting picking list** form, click **OK**. The picking list is [printed](#). The Sales Manager sends the picking list to the Warehouse Worker.
2. When the Warehouse Worker picks all items, he or she notifies the Sales Manager. The Sales Manager registers the picking list. In the **Sales order** form, click the **Posting > Picking list registration** button. The **Picking list registration** form opens.

4. Sales

The screenshot shows the Microsoft Dynamics AX 2009 interface for picking list registration. The main window title is "Picking list registration (1 - fin) - Picking route: 005532_116, Reference: Sales order, Shipment type: Order picking". The window contains several tabs and sections:

- Criteria:** Includes checkboxes for "Order picking" (checked), "Consolidated picking" (unchecked), and "Picking route" (dropdown menu).
- Overview:** Shows a table with columns: Picking route, Shipment, Handling status, Activation date, Reference, Number, Optimized picking. One row is selected: 005532_116, 005680_113, Activated, 2/26/2012, 02:36:30 pm, Sales order, SO-100262.
- Lines:** Shows a detailed table for picking lines. One line is selected: Item number 00020072_068, Lot ID 1003, Handling status Activated, Configuration HD, Size 42, Color 01, Site 2, Warehouse 21, Batch number, Serial number, Delivery date 2/27/2012, Pick quantity 10.00, Reserved.
- Order picking overview:** Shows summary data for the selected line: Item number 1003, Inventory order 00001314_112, Reference Sales order, Number SO-100262, Customer 000500, Requested quantity 10.00, Inventory order quantity 10.00, Quantity not in shipment.
- Buttons:** On the right side, there are buttons for "Updates", "Functions", "Print", "Output orders", and "Inventory".

- Click the **Update > Update all** button. The value of the **Handling status** field is changed from *Activated* to *Completed*.

Let's check the picking list posting results. In the **Sales order** form, click the **Inquiries > Picking list** button. The **Picking list** form opens.

The screenshot shows the Microsoft Dynamics AX 2009 interface for the Picking list form. The main window title is "Picking list (1 - fin) - Picking route: 005532_116". The window contains several tabs and sections:

- Criteria:** Includes checkboxes for "Show all" (unchecked), "Sales orders" (checked), and "Transfer orders" (unchecked).
- Overview:** Shows a table with columns: Customer, Number, Reference, Picking route, Handling status, Start date/time, End date/time, Delivery date, Mode of delivery, Delivery terms. One row is selected: 000500, SO-100262, Sales order, 005532_116, Completed, 2/26/2012 02:42:55 pm, 2/26/2012 02:42:56 pm, 3/1/2012, 10, FOB_DS.
- Buttons:** On the right side, there are buttons for "Preview/Print", "Picking list registration", and "Send electronically".

We can see that a new journal has been created. This step has no influence on the company accounts, because from the financial point of view, nothing has changed. The **Picking list** form doesn't have the **Voucher** button. The Picking list operation never generates transactions. Note that neither the journal header nor the lines have information about the prices (the item price or the total order price). It is because this step is not related to the financial one. The company hides some info (the prices and the customer information) from the Warehouse Workers.

4. Sales

Packing Slip

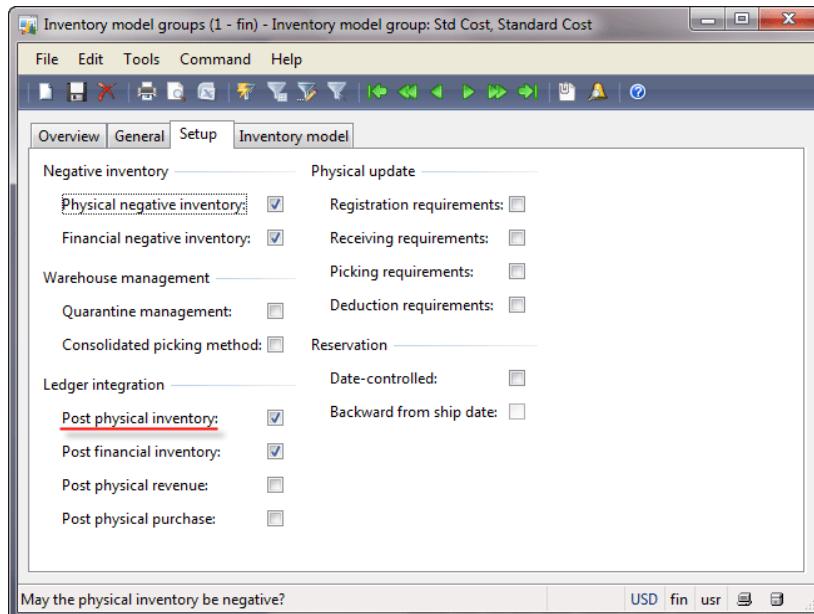
This step is similar to the Packing slip step in the purchase process. A packing slip document is a guarantee that the customer receives the items. This step is used to record in the system that the item was delivered to the customer and the customer confirms all details (no items have been broken, the item quantity and configuration are the same, etc.). Note that in this step the customer does not confirm paying for delivered items.

The company can create a separate general ledger account for the items to be delivered to the customer, but for those that were not yet invoiced. In this case, the general ledger and the item transaction are generated. But this is an optional step.

The general ledger transactions are generated if the **Post physical inventory** check box is selected in the item's inventory model.

Find the inventory model group for the 1003 item (**Inventory management > Common Forms > Item Details** > find 1003 item > **General** tab > **Groups** field group > **Inventory model group** field). The 1003 item has the “Std Cost” inventory model group.

Find the configuration of the “Std Cost” inventory model group under **Inventory management > Setup > Inventory > Inventory model groups** > find “Std Cost” > **Setup** tab > **Ledger integration** field group > **Post physical inventory** check box. We can see that for the 1003 item, the packing slip step generates general ledger transactions.



The transaction will look as follows:

Accounts receivable (un-invoiced)		Inventory (un-invoiced)	
Debit	Credit	Debit	Credit
\$12 300			\$12 300

4. Sales

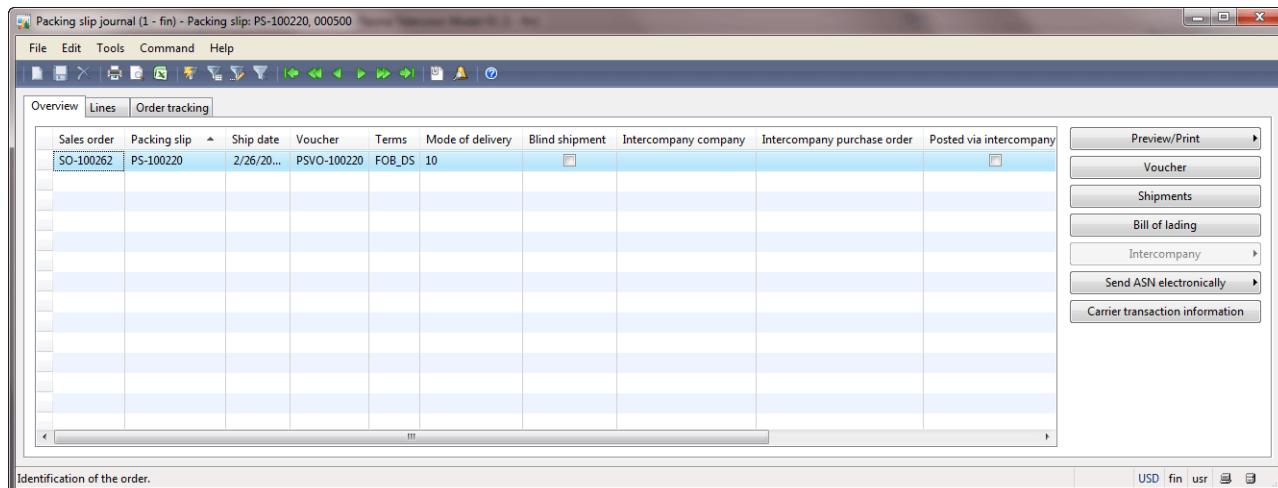
Note that the amount used for this transaction is \$12 300, not \$16 800. The Inventory account contains the cost of items in stock. Since the items are delivered to the customer, the total cost of items in stock is decreased. From the purchase training lesson, we can find that the item cost is \$12 300. On the other hand, the customer receives the item, so the cost of the item is recorded to the Account receivable account. This step is used to record that the item was delivered to the customer, so the item cost is used. When the customer agrees to pay for the delivered items, the item price is used (it is the Invoice step).

Account receivable is the company asset. Account receivable is increased, so the debit part is used. In other words, when the debit part is used, it is “good” for the company. Inventory is also the company asset. Inventory is decreased, so the credit part is used. In other words, when the credit part is used, it is “bad” for the company.

Let's post the packing slip and check the results. In the **Sales order** form, click the **Posting > Packing slip** button. The **Posting packing slip** form opens. Note that you can print the packing slip document to the Screen by selecting the **Print packing slip** check box, clicking the **Printer setup > Packing slip** button, selecting **Screen**, and clicking **OK**. Click **OK**.

The [packing slip document](#) is printed to the screen. Note that this document doesn't have the item price. It contains information about the item configuration and quantity.

Let's check the posting results. In the **Sales order** form, click the **Inquiries > Packing slip** button. The **Packing slip journal** form opens. We can see that the journal has been created.



The **Packing slip journal** form has the **Voucher** button. So, this step can generate the general ledger transactions. The voucher is used to group all transactions that were generated.

Click the **Voucher** button. The **Voucher transactions** form opens. We can see that the transactions have been generated.

4. Sales

Voucher	Date	Year closed	Ledger account	Journal	Currency	Amount currency	Amount	Amount secondary currency
PSVO-100220	2/26/2012		142300		USD	-12,300.00	12,300.00	-8,893.71
PSVO-100220	2/26/2012		130300		USD	12,300.00	12,300.00	8,893.71

Transaction text: Packing slip PS-100220 Posting type: Order offset account packing slip

Account name: Accounts Receivable - Clearing

Transaction voucher number

USD fin usr

Find the information about these accounts. Go to **General ledger > Common Forms > Chart of Account Details**. The **Chart of accounts** form opens. Find the 142300 account. This account has the “Inventory Clearing – Shipped, un-invoiced” name and belongs to the Inventory accounts. Find the 130300 account. This account has the “Accounts Receivable – Clearing” name and belongs to the Accounts Receivable accounts.

In Microsoft Dynamics AX, negative amount is used to show that it is the credit part, and the positive amount is used to show that it is the debit part. So, we make sure that the generated transaction looks as follows:

130300 (Accounts receivable, un-invoiced)		142300 (Inventory, un-invoiced)	
Debit	Credit	Debit	Credit
\$12 300			\$12 300

Let's check all transactions that were generated for all ledgers. In the **Voucher transactions** form, click the **Origin** button. The **Transaction origin** form opens.

4. Sales

The screenshot shows a Microsoft Dynamics AX application window titled "Transaction origin (1 - fin) - Module: Inventory, 1003". The main area displays a grid of transaction data with columns: Module, Voucher, Date, Number, Text, Currency, Amount currency, Amount, Dimension, and Number. Three rows are visible: two ledger entries (Voucher PSVO-100220, Date 2/26/2012, Number 130300 and 142300) and one inventory entry (Voucher PSVO-100220, Date 2/26/2012, Number 1003). The inventory row has "Physical" in the Text column and "USD" in the Currency column. Below the grid, there are fields for "Name: Plasma Television Model 01" and "Table: Inventory transaction posting". At the bottom, there are tabs for "Application modules" and buttons for "USD", "fin", "usr", and "...".

Module	Voucher	Date	Number	Text	Currency	Amount currency	Amount	Dimension	Number
Ledger	PSVO-100220	2/26/2012	130300	Packing slip PS-100220	USD	12,300.00	12,300.00		
Ledger	PSVO-100220	2/26/2012	142300	Packing slip PS-100220	USD	-12,300.00	-12,300.00		
Inventory	PSVO-100220	2/26/2012	1003	Physical	USD	-12,300.00	-12,300.00		

We can see that except the ledger transactions, an inventory transaction has also been generated.

Why does Microsoft Dynamics AX use the 130300 account as Account receivable un-invoiced and the 142300 account as Inventory un-invoiced? Microsoft Dynamics AX takes accounts for different operations from the posting profiles.

Posting profiles are used to set up the controlling account (the general ledger account) for specific entities: customer, vendor, and item.

Since the packing slip operation relates to the item delivery, only an inventory transaction is generated (except the general ledger transactions). Controlling accounts for the customer un-invoiced and inventory un-invoiced are set up in the inventory posting profiles.

Let's find out to what item group the 1003 item belongs. Open the **Items** form (**Inventory management > Common Forms > Item details** > find 1003 item > **Item group** field). The 1003 item belongs to the "Television" item group.

Open the items posting profiles form. Go to **Inventory management > Setup > Posting > Posting**. The **Inventory posting** form opens. The **Sales order** tab is shown by default. The **Packing slip** radio button is also selected by default. Find the settings for the "Television" item group.

4. Sales

The screenshot shows the 'Inventory posting (1 - fin)' window with the 'Sales order' tab selected. On the left, a 'Select' dropdown menu is open, showing various options like 'Packing slip', 'Packing slip offset', etc., with 'Packing slip' currently selected. On the right, a table lists account settings:

Item code	Item relation	Account code	Account relation	Sales tax group	Account number
Group	Packaging	All			142300
Group	Parts	All			142300
Group	PCB	All			142300
Group	Projectors	All			142300
Group	Receivers	All			142300
Group	RM	All			142300
Group	Service	All			142300
Group	SpeakerOak	All			142300
Group	Speakers	All			142300
Group	Spkr Comp	All			142300
Group	Television	All			142300
All		All			142300

At the bottom, there are buttons for 'Post sales', 'USD', 'fin', 'usr', and other icons.

This configuration is used for the Inventory un-invoiced accounts. We can see that for the 1003 item, the 142300 general ledger account is used as Inventory, un-invoiced.

Select the **Packing slip offset** radio button. Find the settings for the “Television” item group. The **Inventory posting** profile form looks as follows:

The screenshot shows the 'Inventory posting (1 - fin)' window with the 'Sales order' tab selected. On the left, a 'Select' dropdown menu is open, showing various options like 'Packing slip', 'Packing slip offset', etc., with 'Packing slip offset' currently selected. On the right, a table lists account settings:

Item code	Item relation	Account code	Account relation	Sales tax group	Account number
Group	Ind Exp	All			130300
Group	Packaging	All			130300
Group	Parts	All			130300
Group	PCB	All			130300
Group	Projectors	All			130300
Group	Receivers	All			130300
Group	RM	All			130300
Group	Service	All			130300
Group	SpeakerOak	All			130300
Group	Speakers	All			130300
Group	Spkr Comp	All			130300
Group	Television	All			130300
All		All			130300

At the bottom, there are buttons for 'Post sales', 'USD', 'fin', 'usr', and other icons.

This setup is used for Account receivable, un-invoiced accounts. We can see that for the 1003 item, the 130300 general ledger account is used as Account receivable, un-invoiced.

4. Sales

Invoice

The Invoice is the last and the main step in the sales process. The company can set up the sales flow with only one Invoice step. In this case, all previous steps (Quotation, Confirmation, Picking, Packing slip) are optional and can be omitted. The Invoice step is used to record in the system that the customer receives the Invoice document and confirms to pay for delivered goods.

In the [first training lesson](#), we have already discussed the transactions that will be generated for the sales operation. They are:

Account receivable		Sales	
Debit	Credit	Debit	Credit
\$16 000			\$16 000
Inventory		Cost of goods sold	
Debit	Credit	Debit	Credit
	\$12 300	\$12 300	

Account receivable is the asset account, the debit part is used because this asset is increased. The amount that should be paid by the customer is \$1 600 (the item price) * 10 (the item quantity), i.e. \$16 000. The Sales account is what the company owes to the Owners; in other words, it is like the liabilities, since the Sales amount is increased, the credit part is used.

Inventory is the asset account, the credit part is used because this asset decreases. Inventory will be decreased by the item cost, i.e. by \$12 300. Cost of goods sold reduces the profit, in other words, reduces the debt for owners. So, this account is like the asset, since Cost of goods sold has increased, the debit part is used.

Remember that in the [first training lesson](#) we have studied that the Sales and COGS (Cost of goods sold) accounts are the Profit and Loss accounts. The sum of the profit and loss accounts is the company's profit (if the amount is positive) or loss (if the amount is negative). The profit and loss accounts answer the question whether the company is profitable.

Since during the Packing slip step the general ledger transaction was generated, it should be reversed. So, an additional general ledger transaction will look as follows:

Account receivable, un-invoiced		Inventory, un-invoiced	
Debit	Credit	Debit	Credit
	\$12 300	\$12 300	

To post an invoice, the Sales Manager should click the **Posting > Invoice** button in the **Sales order** form.

But, before we post the invoice and analyze the results, we need to understand what sales tax is. Sales taxes influence the amount to be paid, i.e. they influence the general ledger transactions.

4. Sales

Sales Taxes

All business instances must collect and pay taxes to various tax authorities, because it is the main income of any country.

The tax authority receives the tax payment and tax report from the company. The tax authority determines when and where the company pays its taxes. The tax authority is generally used in the payment process.

The tax authority is similar to a vendor. In other words, the company pays for nothing to the special vendor (tax authorities).

In Microsoft Dynamics AX, the tax authority is set up under **General ledger > Setup > Sales taxes > Sales taxes authorities**. The **Authority** form looks as follows:

The screenshot shows the Microsoft Dynamics AX 'Authority' form. The title bar reads 'Authority (1 - fin) - Authority: CAA, California Authorities'. The menu bar includes File, Edit, Tools, Command, and Help. Below the menu is a toolbar with various icons. The main area has tabs: Overview (selected), General, Address, and Contact information. A large grid table displays authority details. The columns are Authority, Name, Vendor account, and Report layout. The 'Authority' column lists abbreviations like CAA, COA, DCA, etc., and the 'Name' column lists full authority names. The 'Vendor account' column shows account numbers (e.g., 7001 for CAA, 7018 for COA). The 'Report layout' column shows settings like 'U.S. report layout' for CAA and 'Default' for others. At the bottom, there's a note about account numbers and a toolbar with buttons for USD, fin, usr, and a file icon.

Authority	Name	Vendor account	Report layout
CAA	California Authorities	7001	U.S. report layout
COA	Colorado Authorities	7018	Default
DCA	Washington DC Authorities	7017	Default
FLA	Florida Authorities	7002	Default
GAA	Georgia Authorities	7003	Default
IAA	Iowa Authorities	7004	Default
IDA	Idaho Authorities	7005	Default
ILA	Illinois Authorities	7006	Default
MAA	Massachusetts Authorities	7007	Default
MDA	Maryland Authorities	7014	Default
MIA	Michigan Authorities	7019	Default
MNA	Minnesota Authorities	7008	Default
NDA	North Dakota Authorities	7000	U.S. report layout

We can see that in our demo data the vendor account is created for each authority, so all authorities are vendors. The vendor transactions are generated when we pay to these vendors.

The sales taxes in Microsoft Dynamics AX are set up in the **Sales tax codes** form located under **General ledger > Setup > Sales taxes > Sales tax codes**. The **Sales tax codes** form looks as follows:

4. Sales

The screenshot shows a Microsoft Dynamics AX application window titled "Sales tax codes (1 - fin) - Sales tax code: AV_CAST, California State - Audio/Video". The main area displays a grid of sales tax codes with the following data:

Sales tax code	Name	Sales tax jurisdiction code	Settlement period	Ledger posting group	Origin	Percentage/Amount
AV_CAST	California State - Audio/Video	CA	CAST	Percentage of net amount	7.25	
AV_CHCITY	Chicago City - Audio/Video	IL	CHCTY	Percentage of net amount	1.25	
AV_CKCTY	Cooke County - Audio/Video	IL	CKCTY	Percentage of net amount	1.50	
AV_COST	Colorado State - Audio/Video	CO	COST	Percentage of net amount	2.90	
AV_DCST	Washington DC - Audio/Video	DC	DCST	Percentage of net amount	5.75	
AV_FARCITY	Fargo City - Audio/Video	FC	FARCITY	Percentage of net amount	1.00	
AV_FLST	Florida State - Audio/Video	FL	FLST	Percentage of net amount	6.00	
AV_GAST	Georgia State - Audio/Video	GA	GAST	Percentage of net amount	4.00	
AV_IAST	Iowa State - Audio/Video	IA	IAST	Percentage of net amount	5.00	
AV_IDST	Idaho State - Audio/Video	ID	IDST	Percentage of net amount	6.00	
AV_ILST	Illinois State - Audio/Video	IL	ILST	Percentage of net amount	6.25	
AV_KGCTY	King County - Audio/Video	WA	WAST	Percentage of net amount	2.40	
AV_LACITY	Los Angeles City - Audio/Video	CA	CAST	Percentage of net amount	1.00	
AV_MAST	Massachusetts State - Audio/Video	MA	MAST	Percentage of net amount	5.00	
AV_MDST	Maryland State - Audio/Video	MD	MDST	Percentage of net amount	5.00	

On the right side of the window, there are several buttons: Values, Limits, Inquiries, Print, and Sales invoice printout. At the bottom, there are buttons for USD, fin, usr, and a close button.

The main parameters are **Settlement period** and **Ledger posting group**. The settlement period contains the following set up: sales tax authority and terms of payment. The settlement periods are set up under **General ledger > Setup > Sales taxes > Sales tax settlement periods**.

The ledger posting group is the sales tax posting profile. It contains the general ledger configuration for the tax operation. It, for example, determines what general ledger account should be used instead of the Sales tax payable account.

The sales tax code also includes information about how the tax is calculated and reported on the **Calculation** and **Report setup** tabs correspondingly.

The sales taxes are grouped in the sales tax groups. In Microsoft Dynamics AX, two types of sales tax groups are available: sales tax group and item sales tax group. One sales tax code can belong to two or more groups. These groups are set up under **General ledger > Setup > Sales tax > Sales tax groups** and **Item sales tax groups**.

In both forms, the **Setup** tab contains the list of sales tax codes that are included in the group. All sales tax codes included in the group apply when the company trades goods or services with the customer or the vendor.

The sales tax group is set up per customer or vendor. Since each state or country has its own tax rules, the customers that belong to different states or countries can have different sets of sales tax codes. Let's find what sales tax group is set up for the 000500 customer. Go to **Accounts receivable > Common Forms > Customer details** > find the 000500 customer > **Setup** tab > **Sales tax** field group > **Sales tax group** field. We can see that the 000500 customer assigned to the MD (Maryland) sales tax group.

4. Sales

Customer (1 - fin) - Customer account: 000500, Corner Restaurant

General Tab Fields:

- Invoice account: [dropdown]
- Invoice address: [dropdown] (Invoice account)
- Number sequence group: [dropdown]
- Associated payment attachment:
 - Associated payment attachment on sales invoice: None
 - Associated payment attachment on free text invoice: None
 - Associated payment attachment on interest note: None
 - Associated payment attachment on collection letter: None
 - Associated payment attachment on the project invoice: None
 - Associated payment attachment on account statement: None
- Delivery:
 - UPS zone: [dropdown]
 - Delivery terms: FOB_DS
 - Mode of delivery: [dropdown]
 - Delivery reason: [dropdown]
 - Destination code: Gen_2
 - Receipt calendar: [dropdown]
 - Charge fuel surcharge: [checkbox]
- Sales tax:
 - Sales tax group: MD
 - Tax exempt number: [dropdown]
 - Prices incl. sales tax: [checkbox]
 - Packing duty license number: [text box]
 - Fiscal code: [text box]
 - Enterprise number: [text box]
 - Tax border number: [text box]
- Packing material fee:
 - Packing material fee license number: [text box]
- RFID tagging:
 - Item tagging: [checkbox]
 - Case tagging: [checkbox]
 - Pallet tagging: [checkbox]
- Intercompany:
 - Autocreate intercompany orders: [checkbox]
 - Direct delivery: [checkbox]
 - Allow indirect creation: [checkbox]
- E-Invoice:
 - EAN: [text box]

Other customer, if any, to address invoice to: [dropdown]

Go to the **Sales tax group** form to find the sales tax codes included in the “MD” sales tax group. Open the **Sales tax groups** form, **Setup** tab (go to **General ledger > Setup > Sales tax > Sales tax groups** > find the MD sales tax group > **Setup** tab).

Sales tax groups (1 - fin) - Sales tax group: MD, Maryland

Setup Tab Fields:

Sales tax code	Name	Exempt	Exempt code	Intra-community VAT	Use tax	Percentage/Amount
AV_MDST	Maryland State - Audio/Video	[checkbox]		[checkbox]	[checkbox]	5.00
HR_MDST	Maryland State - Hours	[checkbox]		[checkbox]	[checkbox]	5.00
SP_MDST	Maryland State - Spare Parts	[checkbox]		[checkbox]	[checkbox]	5.00

Code that identifies the sales tax.

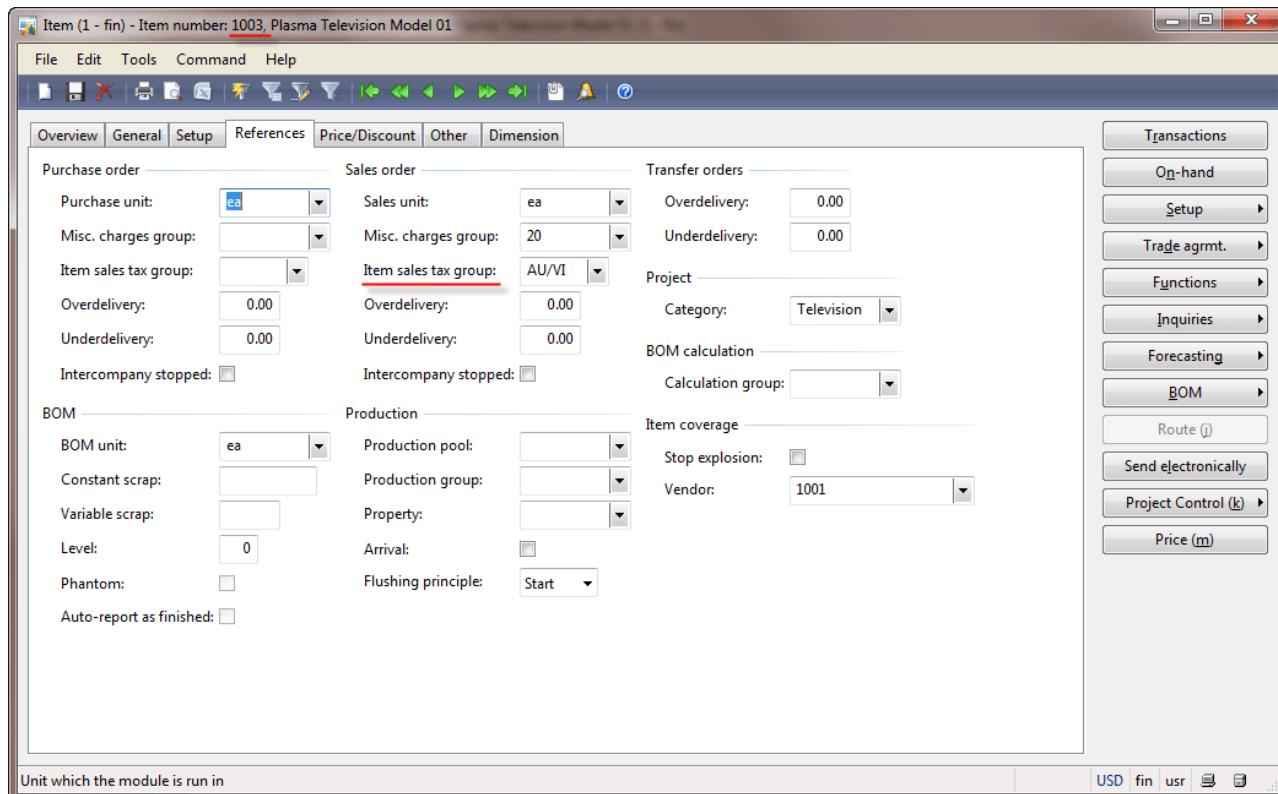
We can see that three sales tax codes are included: AV_MDST, HR_MDST, and SP_MDST.

4. Sales

The item sales tax group is set up per item. Items can also have different taxes, because of the country/state tax rules.

When the sales order is created, only the sales tax codes that are assigned to the customer and to the item are applied. In other words, **common** sales tax codes from the Customer sales tax group and the Item sales tax group is applied.

Let's find the item sales tax group that is set up for the 1003 item. Go to **Inventory management > Common Forms > Item details** > find the 1003 item > **Reference tab > Sales order field group > Item sales tax group** field.



We can see that the “AU/VI” item sales tax group is set up for the 1003 item. Let's find the sales tax codes included in this group. Go to **General ledger > Setup > Sales tax > Item sales tax groups** > find the AU/VI item sales tax group > **Setup** tab.

4. Sales

The screenshot shows a software application window titled "Item sales tax groups (1 - fin) - Item sales tax group: AU/VI, Audio/ Video". The window has a menu bar with File, Edit, Tools, Command, and Help. Below the menu is a toolbar with various icons. The main area contains three tabs: Overview, General, and Setup, with "General" selected. A large table lists sales tax codes, their names, and percentages/amounts. The table has columns for "Sales tax code", "Name", and "Percentage/Amount". The "Sales tax code" column contains entries like AV_CAST, AV_CHCITY, AV_CKCTY, AV_COST, AV_DCST, AV_FARCITY, AV_FLST, AV_GAST, AV_IAST, AV_IDST, AV_ILST, AV_KGCTY, AV_LACITY, AV_MAST, AV_MDST, AV_MIST, AV_MNST, AV_NDRSL, AV_NDSERV, AV_NDST, AV_NJST, AV_NVST, AV_NYST, AV_OHST, AV_ORCNTY, AV_ORST, AV_PAST, AV_TNST, AV_TXST, and AV_WAST. The "Name" column provides a detailed description of each tax code, such as "California State - Audio/Video" for AV_CAST. The "Percentage/Amount" column shows values like 7.25, 1.25, 1.50, 2.90, 5.75, 1.00, 6.00, 4.00, 5.00, 6.00, 6.25, 2.40, 1.00, 5.00, 5.00, 6.00, 6.50, 0.00, 5.00, 5.00, 7.00, 6.50, 4.00, 5.50, 0.50, 0.00, 6.00, 7.00, 6.25, and 6.50.

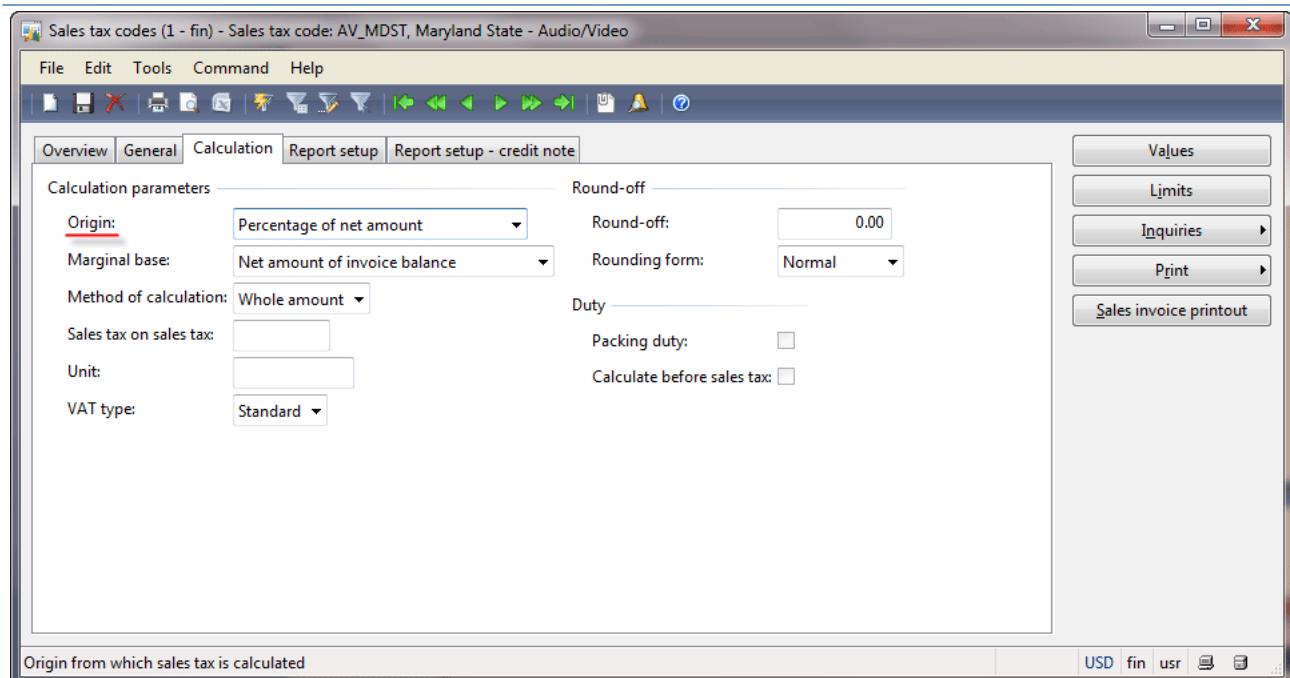
Sales tax code	Name	Percentage/Amount
AV_CAST	California State - Audio/Video	7.25
AV_CHCITY	Chicago City - Audio/Video	1.25
AV_CKCTY	Cooke Country - Audio/Video	1.50
AV_COST	Colorado State - Audio/Video	2.90
AV_DCST	Washington DC - Audio/Video	5.75
AV_FARCITY	Fargo City - Audio/Video	1.00
AV_FLST	Florida State - Audio/Video	6.00
AV_GAST	Georgia State - Audio/Video	4.00
AV_IAST	Iowa State - Audio/Video	5.00
AV_IDST	Idaho State - Audio/Video	6.00
AV_ILST	Illinois State - Audio/Video	6.25
AV_KGCTY	King County - Audio/Video	2.40
AV_LACITY	Los Angeles City - Audio/Video	1.00
AV_MAST	Massachusetts State - Audio/Vi	5.00
AV_MDST	Maryland State - Audio/Video	5.00
AV_MIST	Michigan State - Audio/Video	6.00
AV_MNST	Minnesota State - Audio/Video	6.50
AV_NDRSL	North Dakota Resale - Audio/Vi	0.00
AV_NDSERV	North Dakota Service - Audio/V	5.00
AV_NDST	North Dakota State - Audio/Vid	5.00
AV_NJST	New Jersey State - Audio/Video	7.00
AV_NVST	Nevada State - Audio/Video	6.50
AV_NYST	New York State - Audio/Video	4.00
AV_OHST	Ohio State - Audio/Video	5.50
AV_ORCNTY	Orange County - Audio/Video	0.50
AV_ORST	Oregon State - Audio/Video	0.00
AV_PAST	Pennsylvania State - Audio/Vid	6.00
AV_TNST	Tennessee State - Audio/Video	7.00
AV_TXST	Texas State - Audio/Video	6.25
AV_WAST	Washington State - Audio/Vi...	6.50

We can see that this group contains a lot of sales tax codes.

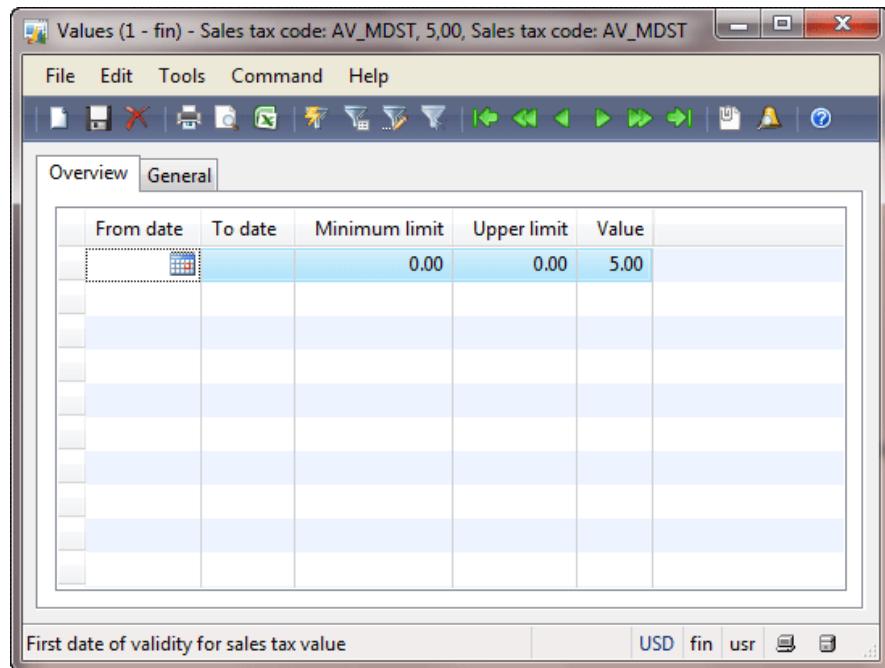
Let's find common sales tax codes for the MD sales tax group and the AU/VI item sales tax group. The common sales tax code is **AV_MDST**. This code will be applied to our sales order, because in our sales order, the 000500 customer uses the MD sales tax group, and the 1003 item uses the AU/VI item sales tax group. We will check this a bit later.

The sales tax code contains information about the sales tax calculation. Let's find it. Open the **Sales tax code** form (**General ledger > Setup > Sales taxes > Sales tax codes**), find the AV_MDST sales tax code and go to the **Calculation** tab. The **Origin** field contains the basis for calculation.

4. Sales



In our case, it is percentage of the net amount. To view the percentage, click the **Values** button. The **Values** form opens.



So the sales tax for our sales order will be calculated in the following way: sales order net amount * 5%. Let's check it.

Open the **Sales order** form (**Accounts receivable > Common Forms > Sales order details**). Find our sales order and go to the **Setup** tab in the line area. We can see that the MD and AU/VI sales tax groups are applied for the line.

4. Sales

The screenshot shows the Microsoft Dynamics AX 2009 Sales Order window. The main area displays a grid of sales orders with columns for Sales order ID, Customer account, Invoice account, Order type, Status, Currency, Project, Blanket order, Customer requisition, and Quality order status. Below the grid, there are several tabs: Overview, General, Setup, Address, Delivery, Price/Discount, Postings, Other, References, and Dimension. On the right side of the window, there is a vertical toolbar with buttons for Simple, Posting, Pro forma, Setup, Functions (b), Inquiries, Trade agrmt., and Intercompany. At the bottom, there are buttons for Setup (j), Functions (k), Inquiries (z), Calculation (l), Inventory (2), Intercompany (3), Configure line (4), and Product model (5). The status bar at the bottom right shows USD fin usr.

To view the possible tax transaction, click the **Setup > Sales tax** button in the header area. The **Temporary sales tax transactions** form opens.

The screenshot shows the Temporary sales tax transactions form. It has tabs for Overview, General, and Adjustment. The Overview tab is selected, displaying a table with columns: Sales tax code, Quantity, Amount origin, Adjusted amount origin, Percent, Sales tax amount, Adjusted amount, Sales tax direction, and Exempt. One row is visible in the table, showing AV_MDST, 0.00, 16,000.00, 0.00, 5.00, 800.00, 0.00, Sales tax payable, and an unchecked checkbox. At the top, it shows Sales tax amount in total: 800.00 and Adjusted amount in total: 0.00. The status bar at the bottom right shows USD fin usr.

This form contains information about the sales taxes that will be applied during the invoice posting. We make sure that the AV_MDST sales tax will be used. The origin amount is the net amount of \$16 000 and the sales tax amount is \$800 = \$16 000 * 5 /100.

Note that the company may receive the invoice in which the sales tax amount differs from what Microsoft Dynamics AX 2009 calculates automatically. To make the sales tax amounts match the invoices, the Sales Manager goes to the **Adjustment** tab and enters the new value in the **Adjustment amount** field and clicks the **Apply** button. It should be done before posting an invoice.

4. Sales

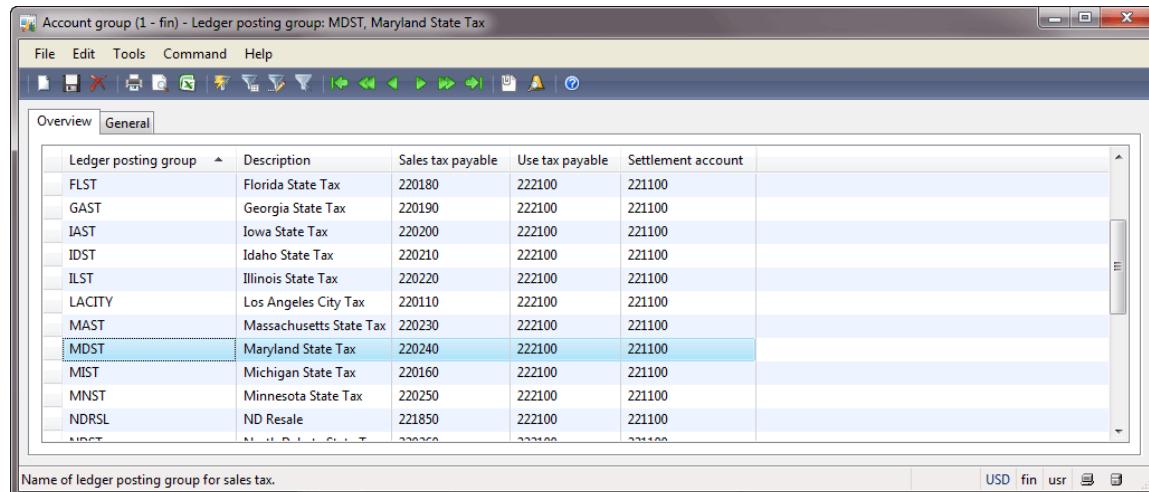
As usual, the Sales tax is paid by the customer if it is the domestic customer, and by the company if it is foreign customer. In Microsoft Dynamics AX, this is set up in the **Customers** form under **Accounts receivable > Common Forms > Customer details** > find the 000500 customer > **Setup tab > Sales tax** field group > **Prices incl. sales tax** check box. In our case, the customer will pay the tax amount to our company, then the company will pay the tax to the authorities. In other words, the price does not include the sales tax, so the total invoice amount is increased from \$16 000 to \$16 800.

The general ledger transactions will look as follows:

Account receivable		Sales		Sales tax payable	
Debit	Credit	Debit	Credit	Debit	Credit
\$16 800			\$16 000		\$800
Inventory		Cost of goods sold			
Debit	Credit	Debit	Credit		
	\$12 300	\$12 300			
Account receivable, un-invoiced		Inventory, un-invoiced			
Debit	Credit	Debit	Credit		
	\$12 300	\$12 300			

The Account receivable is the asset account, since it is increased, the Debit part is used. The Sales tax payable is the Liabilities account, since it is increased, the Credit part is used (this money should be paid to the authorities). As usual, we can imagine that Debit is “good” for the company and the Credit is “bad” for the company.

What general ledger account will be used instead of the Sales tax payable account? The answer is in the posting profiles. The AV_MDST sales tax code uses the MDST ledger posting group (see the **Sales tax codes** form). Let's find out what setup the MDST ledger posting group has (**General ledger > Setup > Sales tax > Ledger posting groups** > find the MDST ledger posting group.)



We can see that the 220240 account is used as the Sales tax payable account.

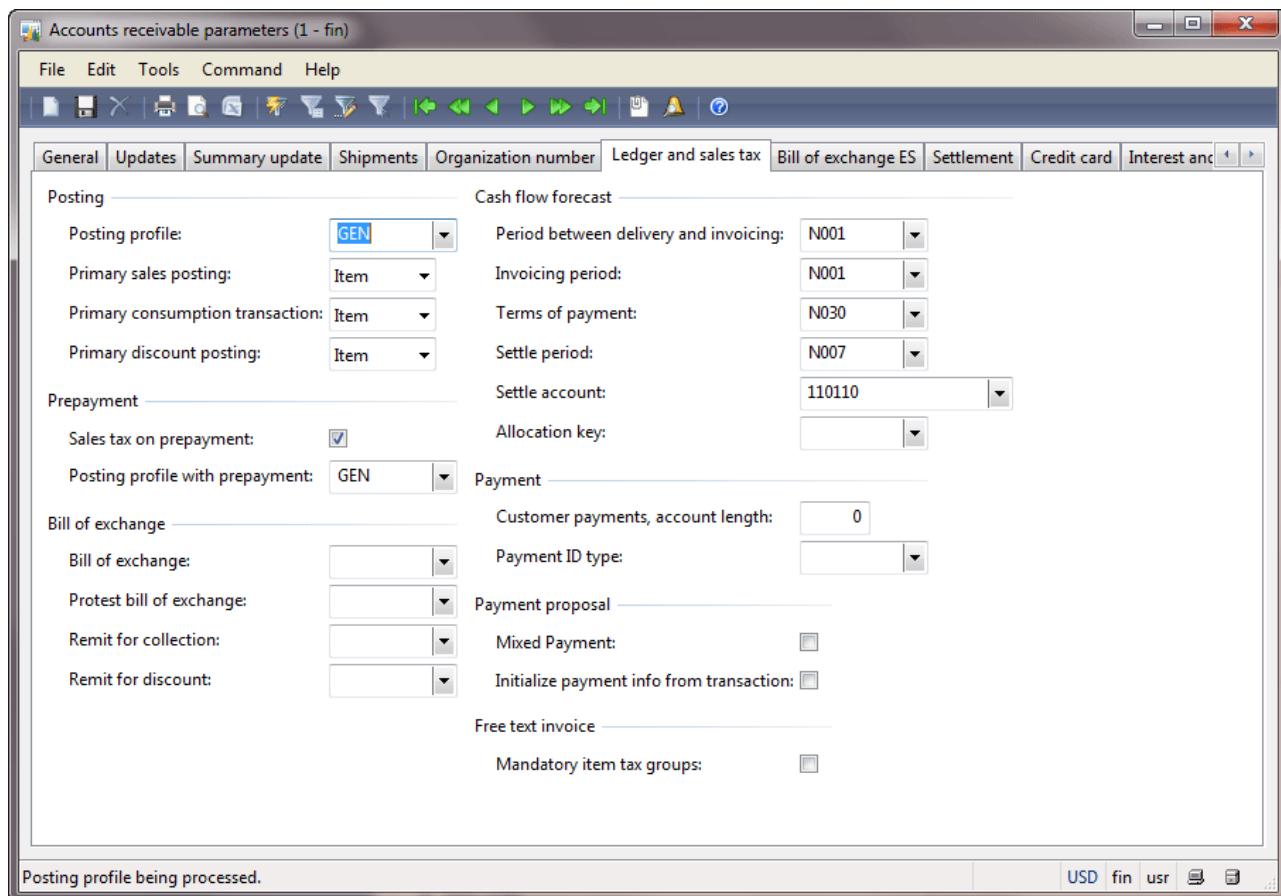
4. Sales

Invoice Results

Before we start the invoice posting, let's try to find all general ledger accounts that will be used.

The first account is Account receivable. The Account receivable account is the controlling account for the customer. It is set up in the customer posting profile. Let's find what customer posting profile is used in our demo data.

Go to **Accounts receivable > Setup > Parameters**. The **Accounts receivable parameters** form opens. Go to the **Ledger and sales tax** tab, the **Posting** field group. The **Posting profile** field contains the customer posting profile that is used in the system.



In our demo data, the GEN customer posting profile is used.

To view the configuration of the customer posting profile, go to **Accounts receivable > Setup > Posting profiles**. The **Customer posting profile** form opens. Find the GEN posting profile and go to the **Setup** tab.

4. Sales

We can see that three configurations are available. We should find out to which group the 000500 customer belongs. The customer group is set up in the **Customer** form. Go to **Accounts receivable > Common Forms > Customer Details** > find the 000500 customer > **Customer group** field.

We can see that the 000500 customer belongs to the 20 (Major customers) customer group.

Return to the **Customer posting profile** form. There is no configuration for the 20 customer group. So, the configuration for all customers will be used. The **Summary account** field contains the account that is used instead of the Account receivable account. In our case, the **130100** account will be used as the **Account receivable** account.

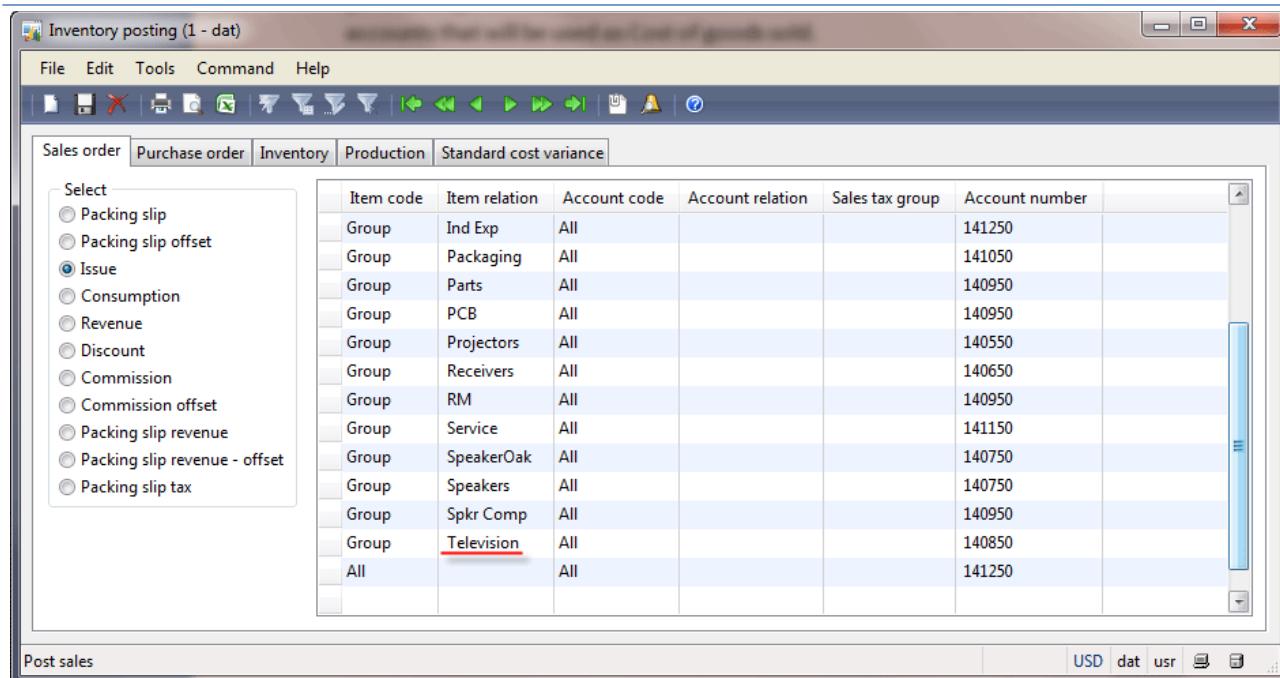
The Sales, Cost of goods sold, and Inventory accounts are set up in the inventory posting profile. Let's find out what account will be used.

Go to **Inventory management > Setup > Posting > Posting**. The **Inventory posting** form opens. By default, the **Sales order** tab appears.

The **Issue** option contains the general ledger accounts that will be used as Inventory. The **Revenue** option contains the general ledger accounts that will be used as Sales. The **Consumption** option contains the general ledger accounts that will be used as Cost of goods sold.

Select the **Issue** radio button. In the [purchase training lesson](#), we found out that the 1003 item belongs to the “Television” item group. Find this group in the grid. We can see that the **140850** account will be used as the **Inventory** account.

4. Sales



Select the **Revenue** radio button. Find the configuration of the Television item group. The **401170** account will be used as the **Sales** account.

Select the **Consumption** radio button. Find the configuration of the Television item group. The **510170** account will be used as the **Cost of goods sold** account.

In the previous chapter, we find that the **220240** account is used as the **Sales tax payable** account.

To reverse the packing slip transaction, the following accounts will be used: the **130300** account as Account receivable, un-invoiced and the **142300** account as Inventory, un-invoiced. These accounts are taken from the the Packing slip step.

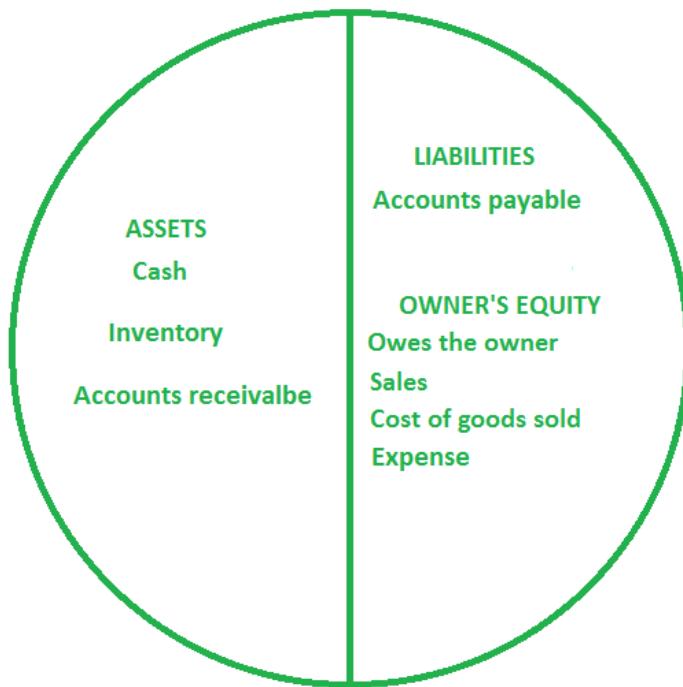
Finally, the general ledger transactions will look as follows:

130100 (Account receivable)		401170 (Sales)		220240 (Sales tax payable)	
Debit	Credit	Debit	Credit	Debit	Credit
\$16 800			\$16 000		\$800
140850 (Inventory)		510170 (Cost of goods sold)			
Debit	Credit	Debit	Credit		
	\$12 300	\$12 300			
130300 (Account receivable, un-invoiced)		142300 (Inventory, un-invoiced)			
Debit	Credit	Debit	Credit		
	\$12 300	\$12 300			

For the recollection, the financial equation is as follows:

4. Sales

Assets = Liabilities + Owner's equity



The Sales and Cost, Expense answers the question whether the company is profitable.

Go to the **Chart of accounts** form (**General ledger > Common Forms > Chart of Account Details**) to find detailed information about the accounts. All mentioned accounts have the following names:

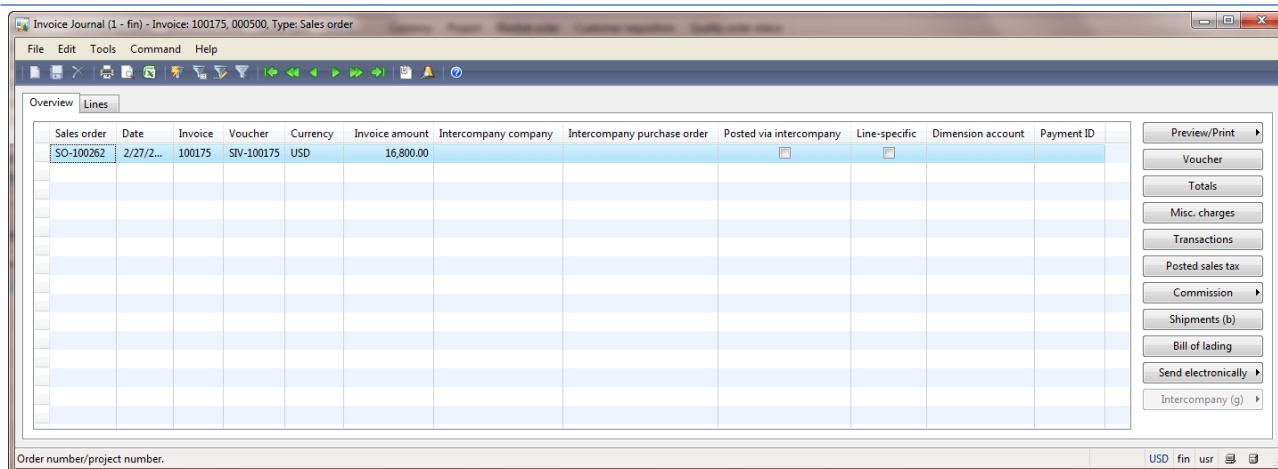
- 130100 – “Accounts Receivable – US” and belongs to the Account receivable accounts.
- 401170 – “Sales – Televisions” and belongs to the Sales accounts.
- 220240 – “Maryland state tax payable” and belongs to the Accounts payable accounts.
- 140850 – “Television issues” and belongs to the Inventory accounts.
- 510170 – “COGS – Televisions” and belongs to the Cost of goods sold accounts.

Let's post the invoice and make sure that the system correctly posts the Invoice operation.

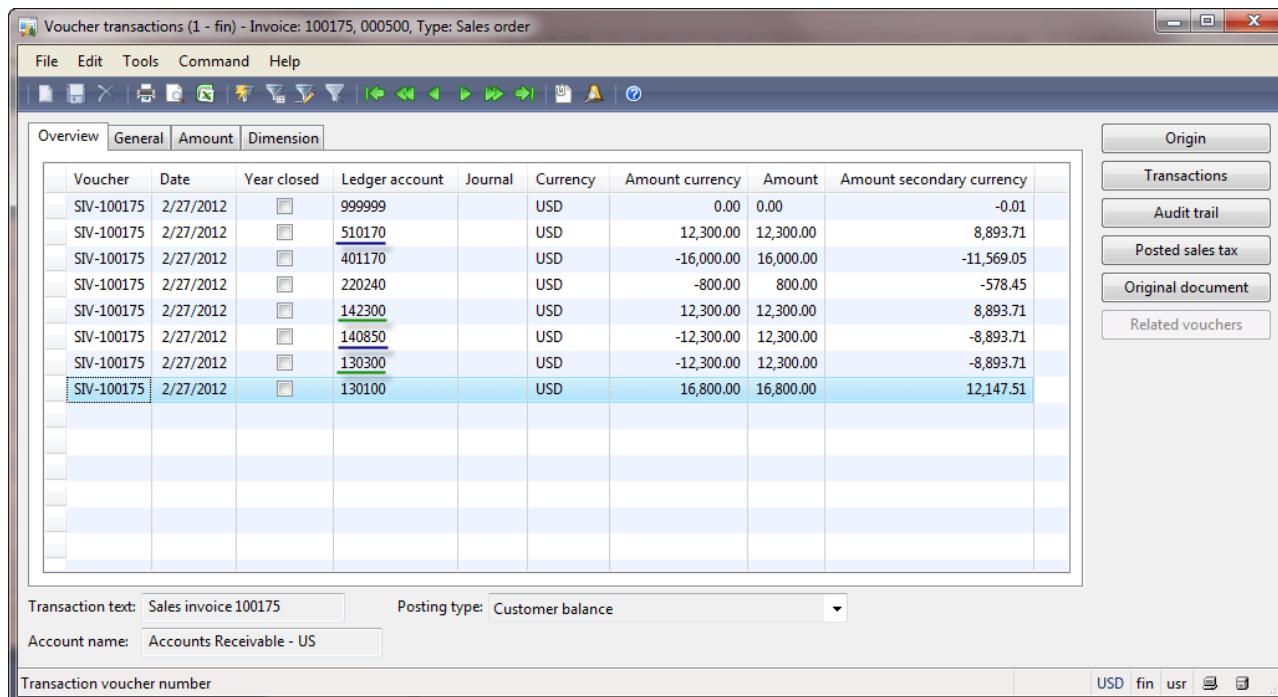
Go to the **Sales order** form, and find our sales order. Click the **Posting > Invoice** button. The **Posting invoice** form opens. Select the **Print invoice** check box. Click the **Printer setup > Invoice** button and select the **Screen** option in the **Printer setup** form, click **OK**. Click **OK** in the **Posting invoice** form. The invoice will be posted and printed.

Analyze the posting result. Click the **Inquiries > Invoice** button in the **Sales order** form. We can see that the invoice journal is created for \$16 800.

4. Sales



To view the general ledger transactions, click the **Voucher** button. The **Voucher transaction** form opens.



We make sure that the invoice posting generates the same general ledger transactions as we assume. Note that in the grid the lines without an underscore are for the first transaction, those with the blue underscore – for the second transaction, and those with the green underscore – for the reverse transaction.

One unexpected transaction for the 999999 account was generated. It happens because after the rounding, the amount in the secondary currency is not balanced. Sum all amounts in the secondary currency, except -0.01. The result will be 0.01. But we know that the Debit part must be equal to the Credit part. Because of this, one transaction that has 0 in the primary currency and -0.01 in the secondary currency is generated automatically. The 999999 account is set up in the **System accounts**

4. Sales

form, the **Penny difference in secondary currency** line(**General ledger > Setup > Posting > System accounts**).

Let's check all transactions that have been generated. In the **Voucher** transactions form, click the **Origin** button. The **Transaction origin** form opens.

The screenshot shows a Microsoft Dynamics AX application window titled "Transaction origin (1 - fin) - Module: Sales tax, 220240". The window has a toolbar with various icons at the top. Below the toolbar is a menu bar with "File", "Edit", "Tools", "Command", and "Help". The main area contains three tabs: "Overview", "General", and "Dimension". The "General" tab is selected, displaying a grid of transaction details. The columns in the grid are: Module, Voucher, Date, Number, Text, Currency, Amount currency, Amount, Dimension, and Number. The data in the grid includes:

Module	Voucher	Date	Number	Text	Currency	Amount currency	Amount	Dimension	Number
Ledger	SIV-100175	2/27/2012	130100	Sales invoice 100175	USD	16,800.00	16,800.00		
Ledger	SIV-100175	2/27/2012	130300	Sales invoice 100175	USD	-12,300.00	-12,300.00		
Ledger	SIV-100175	2/27/2012	140850	Sales invoice 100175	USD	-12,300.00	-12,300.00		
Ledger	SIV-100175	2/27/2012	142300	Sales invoice 100175	USD	12,300.00	12,300.00		
Ledger	SIV-100175	2/27/2012	220240	Sales invoice 100175	USD	-800.00	-800.00		
Ledger	SIV-100175	2/27/2012	401170	Sales invoice 100175	USD	-16,000.00	-16,000.00		
Ledger	SIV-100175	2/27/2012	510170	Sales invoice 100175	USD	12,300.00	12,300.00		
Ledger	SIV-100175	2/27/2012	999999	Penny diff. 2nd currency	USD	0.00	0.00		
Customer	SIV-100175	2/27/2012	000500	Sales invoice 100175	USD	16,800.00	16,800.00		
Inventory	SIV-100175	2/27/2012	1003	Financial	USD	-12,300.00	-12,300.00		
Sales tax	SIV-100175	2/27/2012	220240	Sales tax	USD	-800.00	-800.00		

Below the grid, there are two input fields: "Name: Maryland State - Audio/Video" and "Table: Posted sales tax". At the bottom of the window, there is a "Application modules" section with buttons for "USD", "fin", "usr", and other icons. The status bar at the bottom right shows "102".

We can see that among the general ledger transactions, the customer, inventory, and sales tax transactions have been generated. We have studied that a general ledger account, for example 130100 (Account receivable) contains the amount that should be paid to our company, but the information about the party who should pay is not available. For this purposes, the Customer ledger is used. The Customer ledger consists of the Customer account. The Customer account contains information about the customer details. In the same way, the inventory ledger is used to manage what item was sold, the sales tax ledger – what taxes are applied and to what authorities they should be paid.

Let's find the transaction that was generated for the 130100 account. Go to **General ledger > Common Forms > Chart of accounts** > find the 130100 account > **Transactions** button. The **Account transactions** form opens. We can see that the last transaction is the transaction that was generated during the invoice posting (because the voucher number is SIV-100134). Note that the transaction doesn't have the information about the customer.

4. Sales

Account transactions (1 - fin) - Ledger account: 130100, Accounts Receivable - US

Voucher	Date	Year closed	Period code	Currency	Amount currency	Amount	Amount secondary currency
SIV-100160	6/7/2010		Normal	USD	9,994.00	9,994.00	7,226.32
SIV-100161	6/7/2010		Normal	USD	210.00	210.00	151.84
SIV-100162	6/7/2010		Normal	USD	11.00	11.00	7.95
SIV-100163	6/7/2010		Normal	USD	501.00	501.00	362.26
SIV-100164	6/7/2010		Normal	USD	901.00	901.00	651.48
SIV-100165	6/10/2010		Normal	USD	1,601.00	1,601.00	1,157.63
SIV-100167	6/14/2010		Normal	USD	25.00	25.00	18.08
SIV-100169	6/14/2010		Normal	USD	25.00	25.00	18.08
SIV-100170	6/14/2010		Normal	USD	87.00	87.00	62.91
SIV-100171	6/14/2010		Normal	USD	5.00	5.00	3.62
SIV-100172	6/21/2010		Normal	USD	12,761.50	12,761.50	9,227.40
SIV-100173	6/21/2010		Normal	USD	12,761.50	12,761.50	9,227.40
ARP000135	7/10/2010		Normal	USD	-18.00	18.00	-13.02
SIV-100174	7/10/2010		Normal	USD	18.00	18.00	13.02
SIV-100175	2/27/2012		Normal	USD	16,800.00	16,800.00	12,147.51

Ledger account: 130100 Account name: Accounts Receivable - US
 Transaction text: Sales invoice 100175
 Transaction voucher number
 USD fin usr

Let's check the customer transaction. Go to **Accounts receivable > Common Forms > Customer Details** > find the 000500 customer > **Transactions** button. The **Customer transactions** form opens. We can see the customer transaction that has been generated during the invoice posting. If we click the **Voucher** button, the same voucher is shown.

Customer transactions (1 - fin) - Voucher: SIV-100175, 2/27/2012, Customer account: 000500

Voucher	Date	Invoice	Bill ID	Sequence number	Status	Remittance number	Amount currency	Balance	Currency
SIV-100175	2/27/2012	100175		0	None		16,800.00	16,800.00	USD

Transaction text: Amount: Balance:
 Sales invoice 100175 16,800.00 16,800.00

Show open transactions only.
 USD fin usr

4. Sales

The item transactions we can open from the **Items** form (**Inventory management > Common Forms > Item details** > find the 1003 item > **Transactions** button). The last transaction with the *Sold* status has been generated during the invoice posting. If we click the **Ledger > Financial voucher** button, the same voucher is shown.

The screenshot shows a Microsoft Dynamics AX application window titled "Transactions on item (1 - fin) - Reference: Sales order, SO-100262, Item number: 1003". The window has a toolbar with File, Edit, Tools, Command, and Help. Below the toolbar is a menu bar with Overview, General, Update, Ledger, Reference, Other, and Dimension. On the right side, there is a vertical toolbar with buttons for Inventory, Ledger, Functions, and Configuration details. The main area contains a grid table with columns: Configuration, Size, Color, Site, Warehouse, Physical date, Financial date, Reference, Number, Receipt, Issue, Quantity, and Cost amount. One row in the grid is highlighted, showing a configuration of HD, size 42, color 01, site 2, warehouse 21, physical date 2/11/2012, financial date 2/11/2012, reference Purchase order, number 000167, receipt Purchased, issue 25.00, quantity 30,750.00, and cost amount 30,750.00. Another row is shown below it with a configuration of HD, size 42, color 01, site 2, warehouse 21, physical date 2/26/2012, financial date 2/27/2012, reference Sales order, number SO-100262, receipt Sold, issue -10.00, quantity -10.00, and cost amount -12,300.00. A message at the bottom left says "Identification of item configuration." and a message bar at the bottom right says "USD fin usr".

The sales tax transaction can be accessed from **General ledger > Setup > Sales tax > Sales tax codes** > find the AV_MDST (Maryland State – Audio/Video) sales tax code > **Inquiries > Posted sales tax**.

The screenshot shows a Microsoft Dynamics AX application window titled "Sales tax transactions (1 - fin) - Voucher: SIV-100175, 2/27/2012, Sales tax code: AV_MDST". The window has a toolbar with File, Edit, Tools, Command, and Help. Below the toolbar is a message bar with "Sales tax amount in total: -800.00" and "Investment tax: 0.00". There is a "Voucher" button on the right. The main area contains a grid table with columns: Voucher, Date, Source, Sales tax code, Sales tax direction, Voucher currency, Amount origin, Sales tax amount, Corrected amount in currency, and Sales tax charge. One row in the grid is highlighted, showing a voucher of SIV-100175, date 2/27/2012, source Sales or..., sales tax code AV_MDST, sales tax direction Sales tax payable, voucher currency USD, amount origin -16,000.00, sales tax amount -800.00, corrected amount in currency 0.00, and sales tax charge 0.00. A message at the bottom left says "Amount in currency." and a message bar at the bottom right says "USD fin usr".

4. Sales

Free Text Invoice

The company can sell something that does not exist in the **Item** form. For example, the company sells the item 1003 (Plasma television). The truck driver delivers the items to the customer, but the customer asks the driver to lift the item to the 27th floor. The customer promises to pay \$75 for this service. When the driver comes back to the office, he notifies the Sales Manager about this service. How will the Sales Manager register this money in the system?

If we look at the **Sales order** form, we see that there is not ability to create a sales line without the item number, so this form is not appropriate. In Microsoft Dynamics AX, the **Free text invoice** form is used to post the invoice for anything that the company owns and sells to the customer that is not inventory-related.

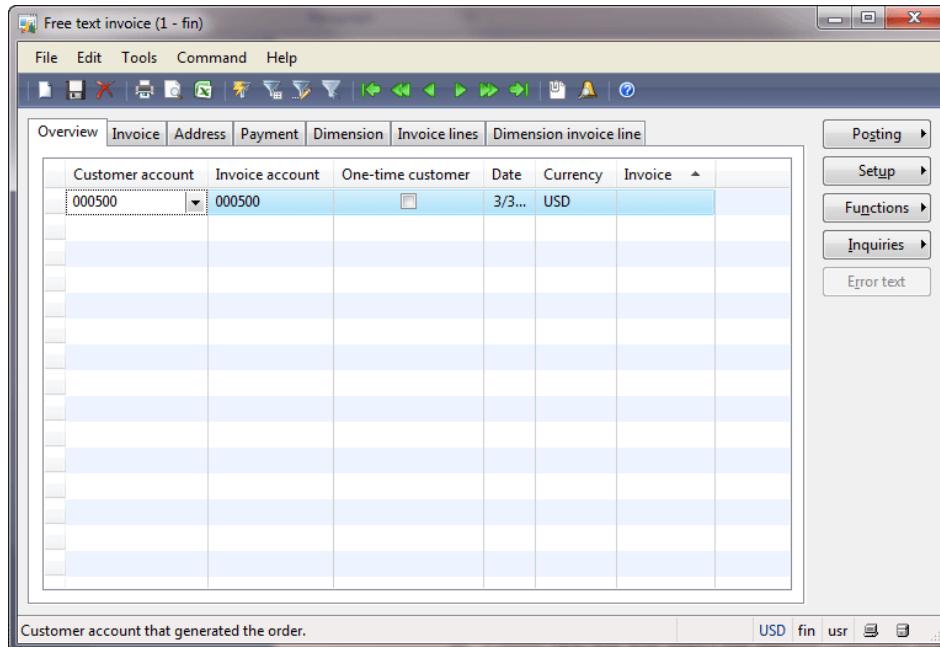
When the invoice is posted for not inventory-related items, the following transaction is generated:

Account receivable		Sales	
Debit	Credit	Debit	Credit
\$75			\$75

Account receivable is the asset account. Account receivable is increased, so the Debit part is used. The Debit means “good” for the company. The Sales account is the Profit&Loss account and is similar to the company liability account, because the Sales increases the company income that should be paid to the owners. The Credit part is used, credit means “bad” for the company.

Let's create and post the invoice for \$75 for the 000500 customer.

1. Go to **Accounts receivable > Common Forms > Free Text Invoice Details**. The **Free text invoice** form opens.
2. Create a new line and select the 000500 customer in the **Customer account** field. Save the line.



4. Sales

3. Go to the **Invoice lines** tab. The ledger account for the Sales account is set up manually. We will use the 401190 account. It is the Sales account and has the “Sales – Other” name. In the **Ledger account** field, select the 401190 account.
4. Enter 75 in the **Amount** field. Save the line.

The screenshot shows the 'Free text invoice (1 - fin)' application window. The 'Invoice lines' tab is selected. A single line item is displayed in the grid:

Description	Ledger account	Sales tax group	Item sales tax group	Amount
	401190	MD	ALL	75.00

Below the grid, there are sections for 'Invoice text', 'Fixed assets', 'Reasons', and 'Foreign trade'. On the right side of the window, there are several buttons: 'Posting', 'Setup', 'Functions', 'Inquiries', and 'Error text'. At the bottom, there are currency conversion buttons: USD, fin, usr, and a print icon.

5. Note that the **Sales tax group** and **Item sales tax group** are set up. The common sales tax codes can be available and will apply to the invoice amount (i.e. increase the invoice amount). Let's check whether the sales tax will apply. Click **Setup > Sales tax**. The **Temporary sales tax transactions** form opens. We can see that the sales tax groups have two common sales tax codes that will be applied. The total sales tax amount is 7.50. So, if we leave this setup, $75+7.5=82.5$ will be posted to the Account receivable account.

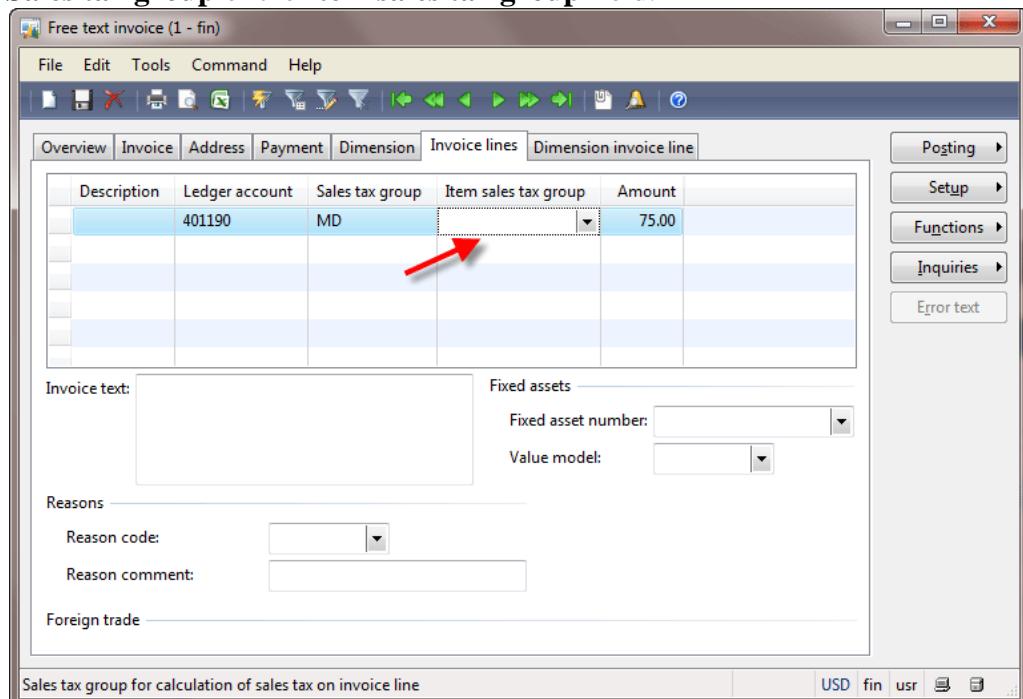
The screenshot shows the 'Temporary sales tax transactions (1 - fin)' application window. The 'General' tab is selected. At the top, it displays 'Sales tax amount in total: 7.50' and 'Adjusted amount in total: 0.00'. Below this is a grid with columns: Sales tax code, Quantity, Amount origin, Adjusted amount origin, Percent, Sales tax amount, Adjusted amount, Sales tax direction, and Exempt.

Sales tax code	Quantity	Amount origin	Adjusted amount origin	Percent	Sales tax amount	Adjusted amount	Sales tax direction	Exempt
HR_MDST	0.00	75.00	0.00	5.00	3.75	0.00	Sales tax payable	<input type="checkbox"/>
SP_MDST	0.00	75.00	0.00	5.00	3.75	0.00	Sales tax payable	<input type="checkbox"/>

At the bottom, it says 'Amount in currency.' and has currency conversion buttons: USD, fin, usr, and a print icon.

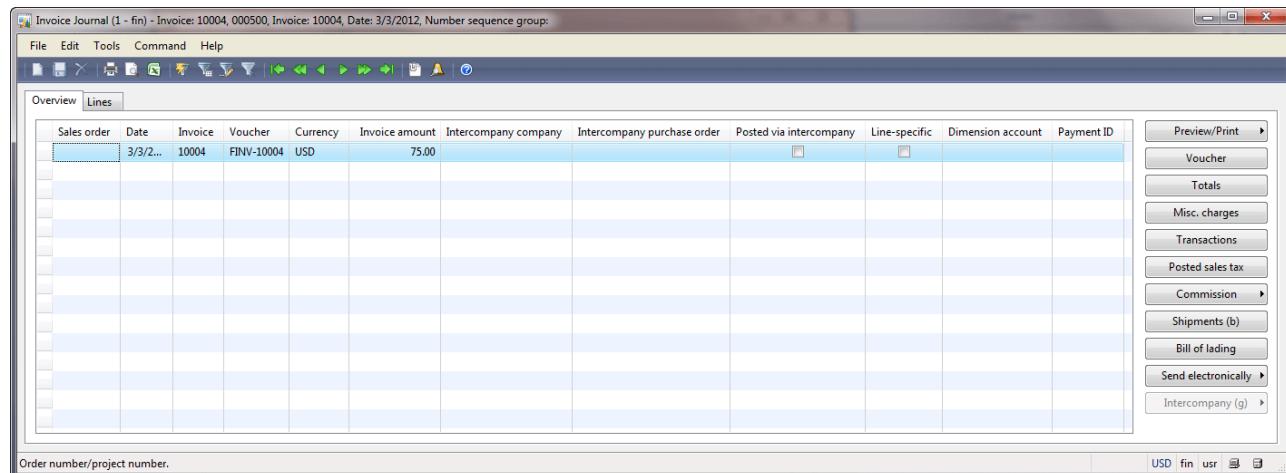
4. Sales

6. We don't need to post the sales tax for this service. So, the Sales Manager clears either the **Sales tax group** or the **Item sales tax group** field.



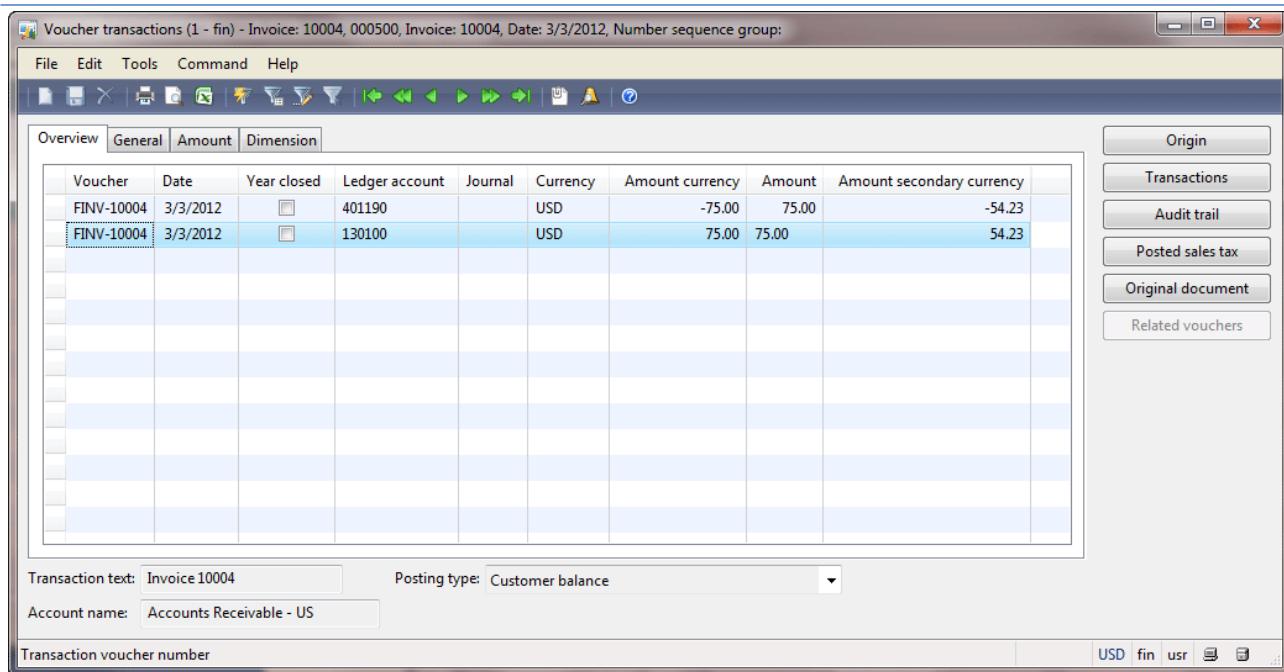
7. The Sales Manager posts the invoice by clicking the **Posting > Free text invoice** button. The **Post free text invoice** form opens. Select the **Print invoice** check box. Click the **Printer setup > Invoice** button, select the **Screen** option, and close the form. Click **OK** in the **Post free text invoice** form. The invoice will be posted and [printed](#).

Let's analyze the posting results. In the **Free text invoice** form, click the **Inquiries > Invoice** button. We can see that the invoice journal is created.



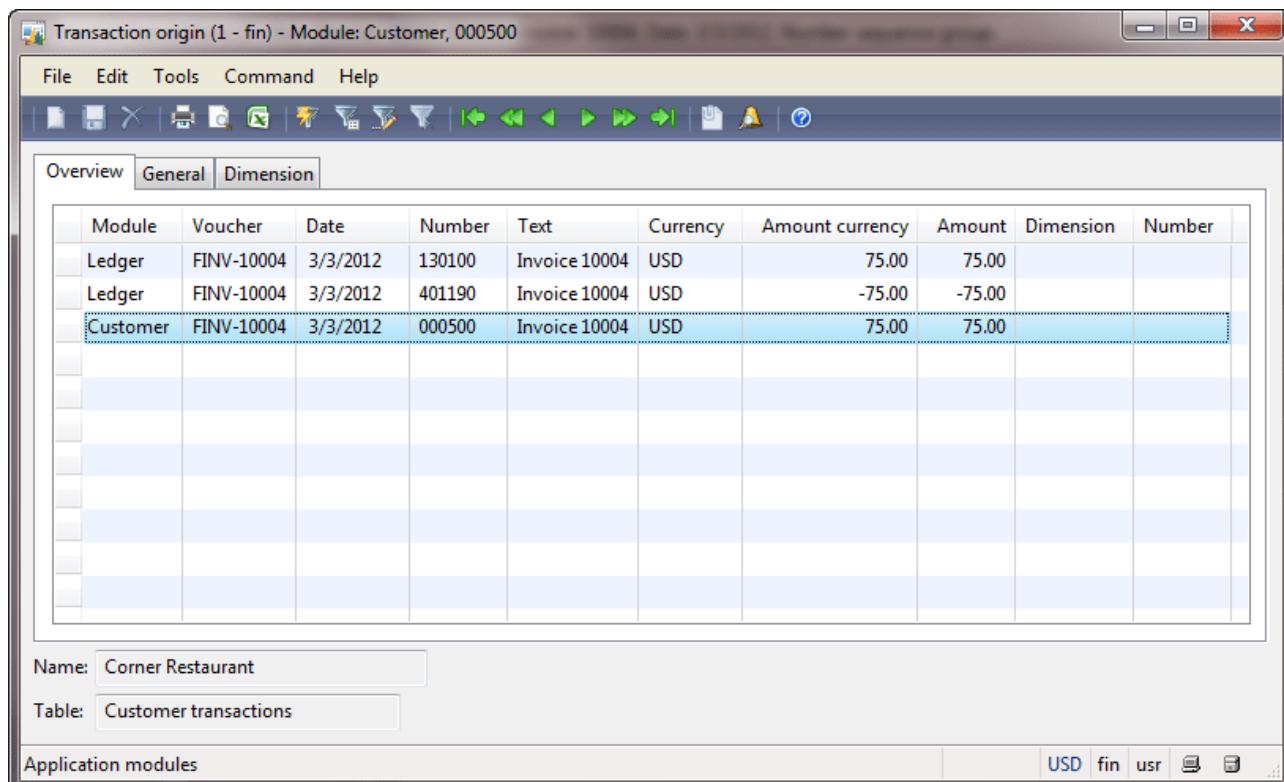
Click the **Voucher** button to view the generated general ledger transactions. The **Voucher transactions** form opens.

4. Sales



The 130100 account is taken from the customer posting profile. This account belongs to the account receivable accounts.

Click the **Origin** button to view all transaction for all ledgers. The **Transaction origin** form opens.



We can see that the customer transaction has been created.

4. Sales

Payments

Let's assume that the customer decides to pay for the items and service before the due date. There are a lot of payment methods that she or he can use: cash, check, electronic payment, etc.

When the Sales Manager receives cash, the payment process has the following steps:

1. Creating a payment journal with payment lines.
2. Settling the payment lines with the invoice.
3. Posting the journal.

Sometimes the customer allows the company to withdraw the payment directly from their bank account. In such case, the payment process has the following steps:

1. Creating a payment journal with the payment lines.
2. Settling the payment lines with the invoice.
3. Generating the payment file and sending it to the bank.
4. Receiving a notification from the bank where the payment occurs.
5. Posting the journal.

This process is similar to what we have discussed in the [vendor payment lesson](#).

Let's create a payment journal:

1. Go to **Accounts receivable > Journals > Payments > Payment journal**. The **Journal** form opens.
2. Create a new line and select ARPay in the **Name** field.
3. Click the **Lines** button. The **Journal voucher** form opens.

The Sales Manager can create and settle the payment line with the invoice manually or automatically. Microsoft Dynamics AX has several features that help speed up this process:

- Settlements
- Payment proposal
- The **Edit customer payments** form
- Import payments

Let's use some of these features and discuss the other one:

- Settlement. In the **Account** field, select "000500". In the **Invoice** field, it is possible to select one of the customer invoices for which the payment is registered. For example, select the 10004 invoice (in your demo data, the invoice number can differ, select the invoice with the value of \$75). The **Credit**, **Offset account type**, and **Offset account** fields are filled in automatically.

4. Sales

The screenshot shows the 'Journal voucher (1 - fin) - Journal' window. At the top, it displays 'Journal number: 000178_010, Posted: No, Journal type: Customer payment'. The main area shows a single payment line:

Date	Company accounts	Account	Invoice	Transaction text	Debit	Credit	Use a deposit slip	Offset account type	Offset account	Payment status
3/3/2012	fin	000500	10004		75.00		<input checked="" type="checkbox"/>	Bank	USA OPER	None

Below the table, there are fields for Voucher (ARP000136), Method of payment (dropdown), Document (dropdown), Currency (USD), Payment specification (dropdown), Document date (calendar), Account name (Corner Restaurant), Payment reference (dropdown), Release date (calendar), Offset account name (Bank of USA Operating), and Settlement type (Designated transactions). A note at the bottom says 'The invoice number that is related to the payment. If multiple invoices are assigned, an asterisk (*) is displayed.'

In this case, the payment line is settled with the invoice automatically. To make sure, click the **Functions > Settlement** button. The **Cancel settlement** message box appears, click **No**. The **Open transaction editing** form opens. This form contains the customer transactions. We can see that the invoice customer transaction is settled with the customer payment line.

The screenshot shows the 'Open transaction editing (1 - fin)' window. It displays a grid of transactions:

L.	Mark	Full settlement	Use cash discount	Voucher	Account	Company accounts	Date	Due date	Deadline	Invoice	Amount currency	Currency	Cross rate	Amount to settle	Amount to settle in USD
1.	<input checked="" type="checkbox"/>	Normal	SIV-100175	000500	fin		2/27/2...	2/27/20...		100175	16,800.00	USD	0.0000	16,800.00	16,800.00
		Normal	FINV-10004	000500	fin		3/3/2012	4/2/2012		10004	75.00	USD	0.0000	75.00	75.00

Below the grid, there are fields for Disc. date (@SYSP3995: 0.00), Discount amount: 0.00, Discount taken: 0.00, Discount amount in USD: 0.00, Discount amount to take: 0.00, and Use cash discount: Normal. A note at the bottom says 'Mark the current transaction for settlement.'

Close the form.

- Settlement. Return to the **Journal voucher** form. Create a new line and select the 000500 customer account. Click the **Functions > Settlement** button. The **Open transaction editing** form opens. Note that the already settled transaction has the red icon. Select the transaction with the amount of 16 800: select the **Mark** check box.

4. Sales

The screenshot shows the 'Open transaction editing' window for voucher SIV-100175. The top status bar indicates the total is 16,800.00, the customer balance is 16,875.00, and the estimated cash discount is 0.00. The main grid displays a single row for a payment proposal:

Mark	Full settlement	Use cash discount	Voucher	Account	Company accounts	Date	Due date	Deadline	Invoice	Amount currency	Currency	Cross rate	Amount to settle	Amount to settle in USD
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Normal	SIV-100175	000500 fin	2/27/2012	2/27/2012	100175	16,800.00 USD	0.0000	USD	16,800.00	16,800.00	16,800.00

Below the grid, there are fields for discounts and cash discounts, and a note about marking the current transaction for settlement.

Close the form. The payment line will be filled in automatically.

The screenshot shows the 'Journal voucher' window for journal number 000178_010. The top status bar indicates the total debit is 16,875.00 and the total credit is 16,875.00. The main grid displays a single row for a payment proposal:

Date	Company accounts	Account	Invoice	Transaction text	Debit	Credit	Use a deposit slip	Offset account type	Offset account	Payment status
3/3/2012	fin	000500	10004		75.00	<input type="checkbox"/>	Bank	USA OPER	None	
3/3/2012	fin	000500	100175		16,800.00	<input type="checkbox"/>	Bank	USA OPER	None	

Below the grid, there are fields for voucher, method of payment, document, and other payment details. A sidebar on the right lists various financial functions.

- Payment proposal. The payment line can also be created with the payment proposal functionality. Click the **Payment proposal > Create payment proposal** button. The **Customer payment proposal** form opens. Click **OK**. The **Customer payment proposal** form opens. Click the **Line** button. The **Open transaction** grid contains all invoices for which the payment lines can be generated.

4. Sales

The screenshot shows the Microsoft Dynamics AX 2009 software interface. The main window title is "Customer payment proposal (1 - fin)". The menu bar includes File, Edit, Tools, Command, and Help. The toolbar contains standard icons for file operations. The left sidebar has sections for "Open transactions" and "Payment proposal".

Open transactions:

Customer account	Invoice	Company accounts	Due date	Method of payment	Payment amount	Currency	Payment amount	Customer bank account	Bank accc
1101	100157	fin	8/3/2010	CHCK	2,200.00	USD	2,200.00		
1101	100158	fin	8/6/2010	CHCK	5.00	USD	5.00		
1101	100159	fin	8/6/2010	CHCK	3.00	USD	3.00		
1101	100160	fin	8/6/2010	CHCK	9,994.00	USD	9,994.00		
1101	100161	fin	8/6/2010	CHCK	210.00	USD	210.00		
1101	100162	fin	8/6/2010	CHCK	11.00	USD	11.00		

Payment proposal:

Company accounts	Account number	Date	Method of payment	Amount currency	Currency	Amount	Discount amount	Payment account	Third party bank acco
fin	1000	3/3/2...		12,761.50	USD	12,761.50	0.00	USA OPER	
fin	1000	3/3/2...		12,761.50	USD	12,761.50	0.00	USA OPER	
fin	1101	3/3/2...	CHCK	2,200.00	USD	2,200.00	0.00	USA OPER	
fin	1101	3/3/2...	CHCK	5.00	USD	5.00	0.00	USA OPER	
fin	1101	3/3/2...	CHCK	3.00	USD	3.00	0.00	USA OPER	
fin	1101	3/3/2...	CHCK	9,994.00	USD	9,994.00	0.00	USA OPER	
fin	1101	3/3/2...	CHCK	210.00	USD	210.00	0.00	USA OPER	
fin	1101	3/3/2...	CHCK	11.00	USD	11.00	0.00	USA OPER	
fin	1101	3/3/2...	CHCK	501.00	USD	501.00	0.00	USA OPER	
fin	1101	3/3/2...	CHCK	901.00	USD	901.00	0.00	USA OPER	

Our demo data has a lot of invoices. We will not pay these invoices. Just for information: if you want to pay some invoice(s), delete all unnecessary invoices from the **Open transactions** grid and click the **Transfer** button. The **Transfer payment proposal** box appears, click **OK**. The new payment line(s) will be created and settled with invoice(s). This form is used to create a lot of payment lines automatically.

- The payment line can also be created with the help of the **Enter customer payment** form. Close the **Journal voucher** form and click the **Enter customer payments** button in the **Journal** form. The **Enter customer payments** form opens. Select the 000500 customer. The **Select to pay** pane contains the open invoice that should be paid. Since we have already created the payment line for all customer invoices, the red icon is shown for all invoices.

4. Sales

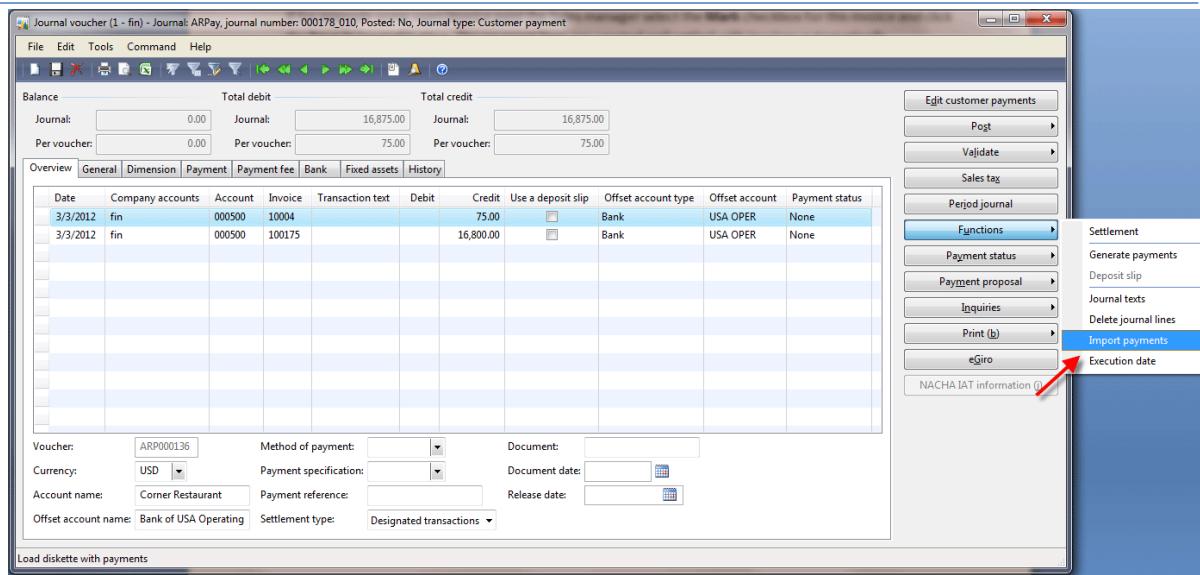
The screenshot shows the 'Enter customer payments (1 - fin) - Journal number: 000178_010, ARP000138' window. The left panel contains fields for Payment date (3/3/2012), Payment reference (fin), Customer (000500, Corner Restaurant), Method of payment, Offset account type (Bank), Transaction text, Amount (USD), Settled (0.00), and Remaining (0.00). The right panel has a search bar for customer transactions. Below these are sections for 'Select to pay' and 'The account number of the customer'. The 'Select to pay' section lists two invoices: 100175 (Voucher SIV-100..., Account 000500, Due date 2/27/2012, Amount available to pay 16,800.00, Currency USD) and 10004 (Voucher FINV-1..., Account 000500, Due date 4/2/2012, Amount available to pay 75.00, Currency USD). Buttons at the bottom include 'Show document', 'Close', 'Clear', and 'Save in journal'.

I..	Mark	Transaction identifier	Identifier type	Company accounts	Voucher	Account	Due date	Amount available to pay	Currency
	<input checked="" type="checkbox"/>	100175	Invoice	fin	SIV-100...	000500	2/27/2012	16,800.00	USD
	<input checked="" type="checkbox"/>	10004	Invoice	fin	FINV-1...	000500	4/2/2012	75.00	USD

If, for example, there are some open invoices, the Sales Manager selects the **Mark** check box for such invoices and clicks the **Save in journal** button. The payment lines are created and settled with the invoices automatically.

- Import payment lines. Open the **Journal voucher** form (click the **Lines** button in the **Journal** form). A large company can receive up to 10 000 payments during an hour via electronic files. In this case, the Salas Manager uses the **Functions > Import payments** button. The Sales Manager specifies the path to the file and start the import. The payment lines are created automatically. As usual, standard Microsoft Dynamics AX doesn't have the class that parses the payment file, so this class is created by developers, assigned to the payment method, and used during the import.

4. Sales



At the beginning of this topic, we have discussed that sometimes the customer allows the company to withdraw payments directly from their bank account. In such case, the Sales Manager uses the following functionality (just for information):

1. Create a payment line in the **Journal voucher** form.
2. Click **Function > Generate payment**. As a result, the file is created and sent to the bank. The payment status changes from *None* to *Sent*. Usually Microsoft Dynamics AX doesn't have the class that generates files with payment lines for the bank. Such classes are developed by the Microsoft Dynamics AX developers and assigned to the payment method.
3. Use the **Payment transfer** form to receive the response file from the bank (**Accounts receivable > Journals > Payment > Payment transfer**.) The bank sends the file with information if the payment occurs. The Sales Manager clicks the **Return file – Customer** button to retrieve this file. Microsoft Dynamics AX analyzes the file and changes the payment status from *Sent* to *Received*. Usually the standard Microsoft Dynamics AX classes are not good for retrieving and parsing the return file, so the developers create a new class to perform this operation. If the payment occurs, the payment line can be posted in the **Journal voucher** form.

The classes that parse and create the files for electronic payment are set up per method of payment (**Accounts receivable > Setup > Methods of payment > File formats tab**.)

We assume that the customer pays in cash for the invoice with \$75. The Sales Manager receives the cash for the 10004 invoice. To post these payments, the Sales Manager returns to the **Journal voucher** form. This form contains two payment lines. Since the customer pays only for one invoice, delete the payment line with \$16 800. The journal voucher will look as follows:

4. Sales

The screenshot shows the 'Journal voucher (1 - fin)' window with the following details:

- Header:** Journal: ARPay, journal number: 000178_010, Posted: No, Journal type: Customer payment
- Toolbar:** File, Edit, Tools, Command, Help
- Buttons:** Balance, Total debit, Total credit, Post, Validate, Sales tax, Period journal, Functions, Payment status, Payment proposal, Inquiries, Print (b), eGiro, NACHA IAT information (j)
- Table Headers:** Date, Company accounts, Account, Invoice, Transaction text, Debit, Credit, Use a deposit slip, Offset account type, Offset account, Payment status
- Table Data:** A single row for 3/3/2012 with values: fin, 000500, 10004, , , 75.00, , Bank, USA OPER, None
- Form Fields:** Voucher: ARP000136, Method of payment: , Document: , Currency: USD, Payment specification: , Document date: , Account name: Corner Restaurant, Payment reference: , Release date: , Offset account name: Bank of USA Operating, Settlement type: Designated transactions

Before we post the journal voucher, let's try to understand what transaction will be generated. In the [Basic concepts training](#), we have already discussed the payment operation in detail. The general ledger transaction will look as follows:

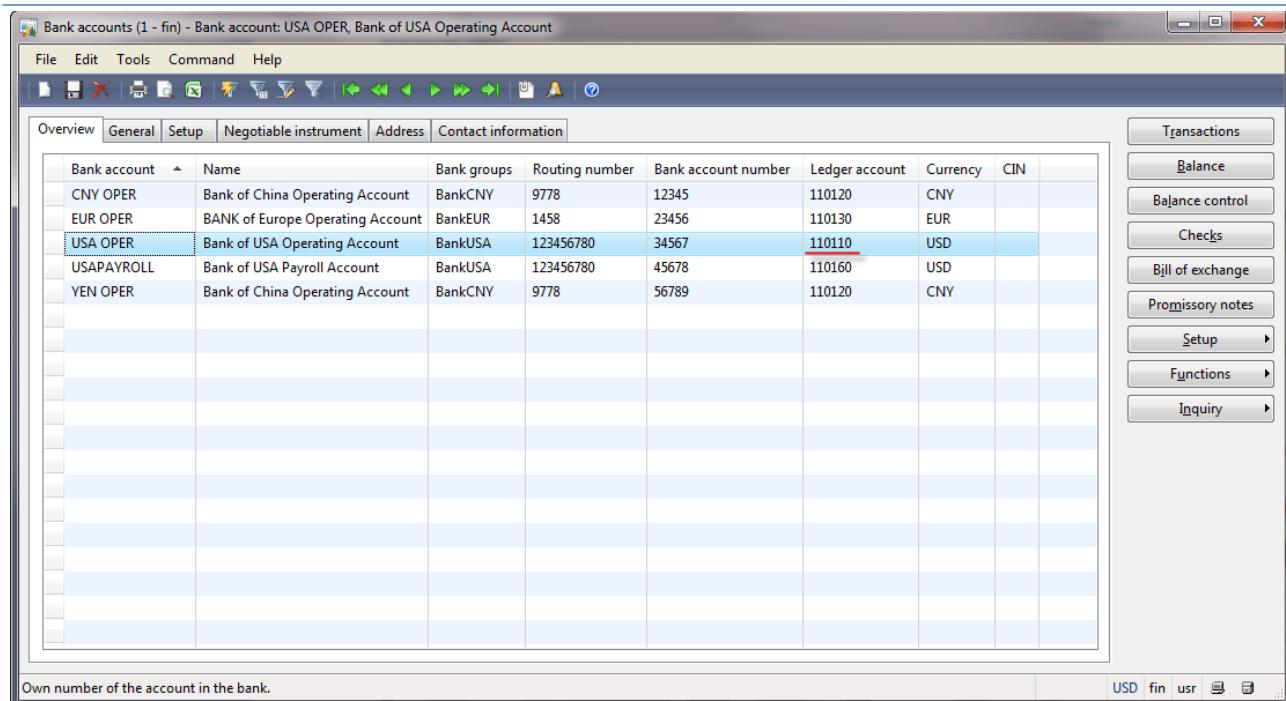
Account receivable		Cash or cash equivalents	
Debit	Credit	Debit	Credit
	\$75	\$75	

The Account receivable account is the asset account. The customer makes the payment, so this account is decreased, because the customer liability is decreased as well. If the asset is decreased, it means “bad” for the company, so the Credit part is used. The Cash or cash equivalents account is also the asset account. This account is increased. If the asset is increased, it means “good” for the company, so the Debit part is used.

We have already analyzed that instead of the Account receivable account, Microsoft Dynamics AX uses the **130100** general ledger account. This account is set up in the GEN customer posting profile (**Accounts receivable > Setup > Posting profiles** > select the GEN posting profile > **Setup** tab > set up for All customers > **Summary account** field).

The USA OPER bank account is the offset account. The bank account doesn't contain the posting profile, but the controlling general ledger account. Go to **Bank > Common Forms > Bank Account Details** > find the USA OPER bank account > **Ledger account** field. We can see that instead the **110110** ledger account is used as Cash or Cash equivalents account.

4. Sales



If we go to the **Chart of accounts** form (**General ledger > Common Forms > Chart of Account Details**) and find the 110110 account, we make sure that this is the asset account that belongs to the Cash and Cash equivalents accounts and have the Bank Account – USD name.

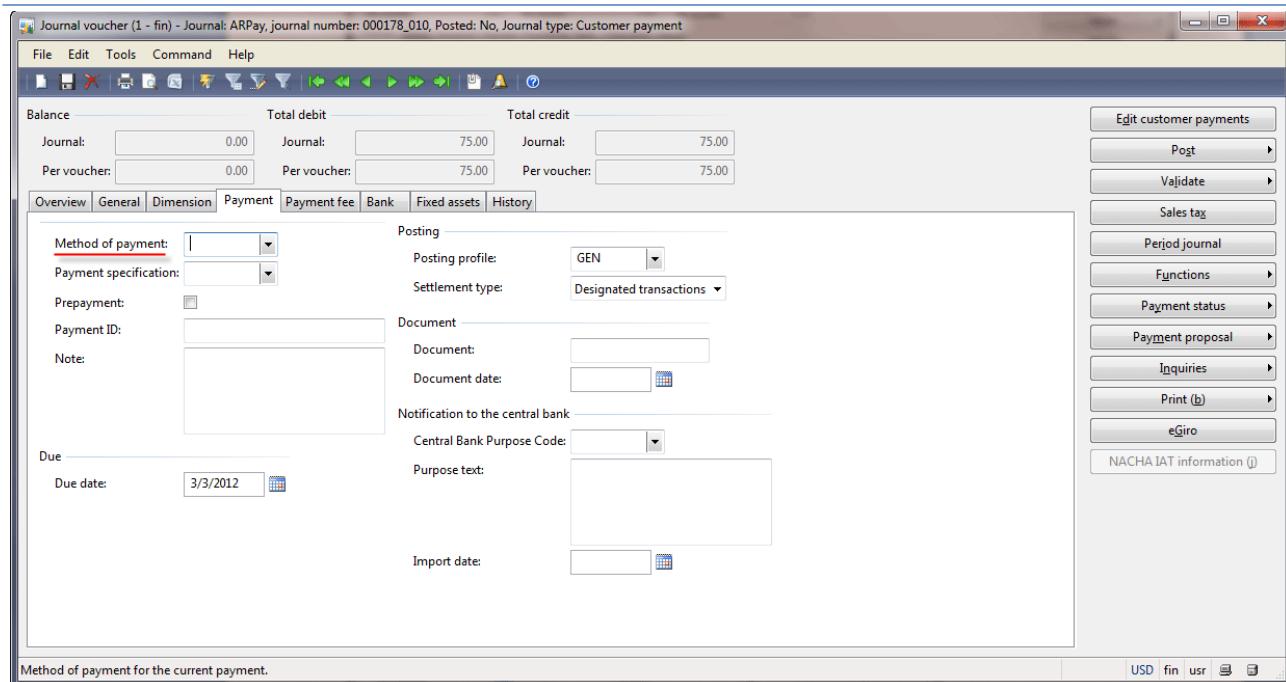
The final transaction has the following view:

130100 (Account receivable)		110110 (Cash or cash equivalents)	
Debit	Credit	Debit	Credit
	\$75	\$75	

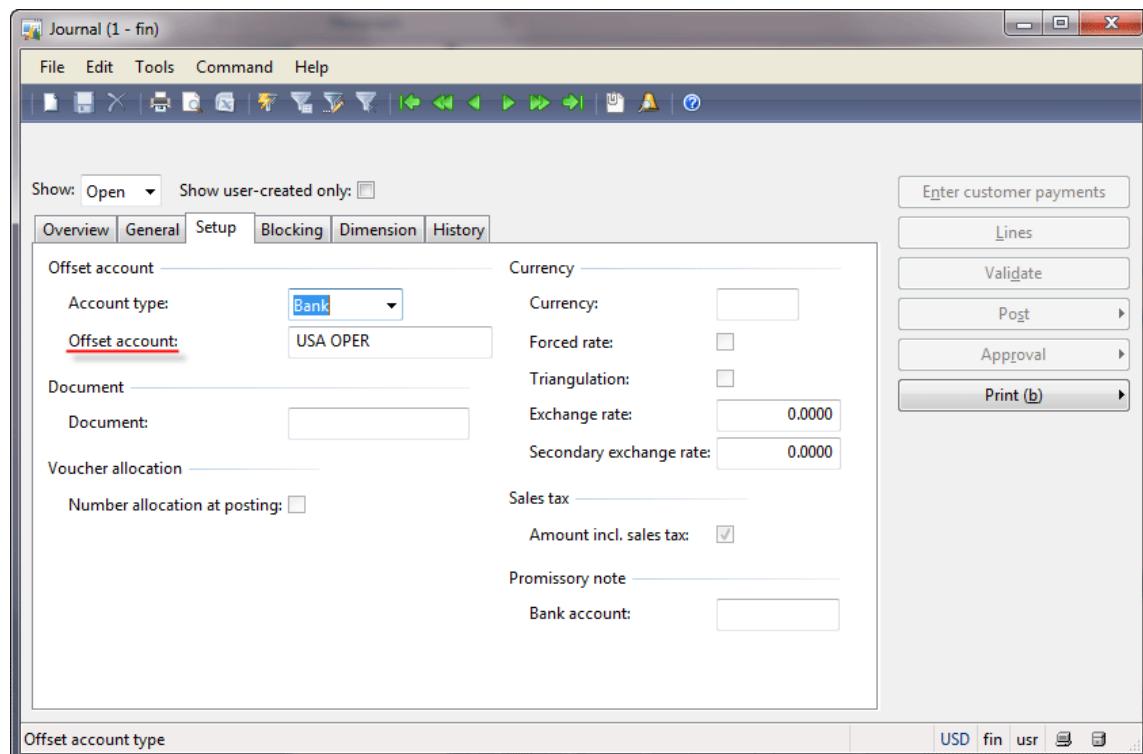
Note that the customer and the bank transactions will also be generated. The customer transaction will contain information about the customer, the bank transaction will contain information about the bank, since the general ledger transactions don't have this information.

Before we post the payments, let's try to understand why USA OPER was used as the offset bank account. The offset account is set up per payment method (**Accounts receivable > Setup > Payment > Methods of payment > General tab > Posting field group**.) But we don't specify the payment method for our payments. In the **Journal voucher** form, go to the **Payment** tab to make sure.

4. Sales

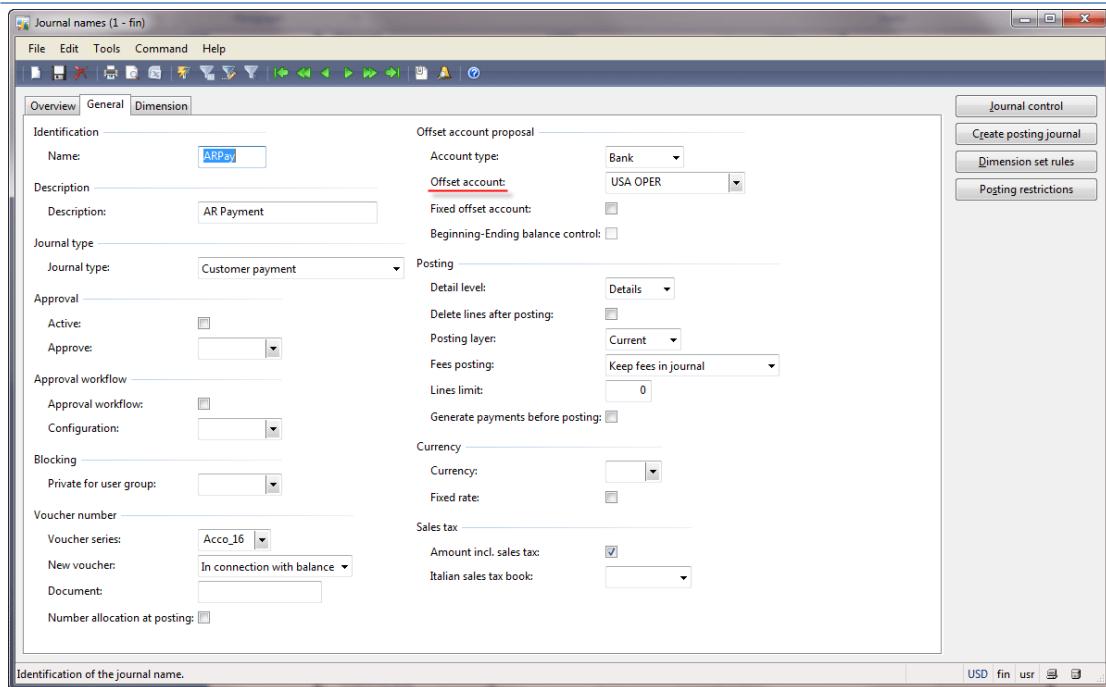


The default bank account is set up in the journal header (**Journal form > Setup tab**).



So the payment offset account is taken from the journal header. But how does the offset account appear in the **Journal** form? The default account for the journal header is set up under **General ledger > Setup > Journals > Journal names** > find the ARPay journal name > **General tab > Offset account proposal** field group.

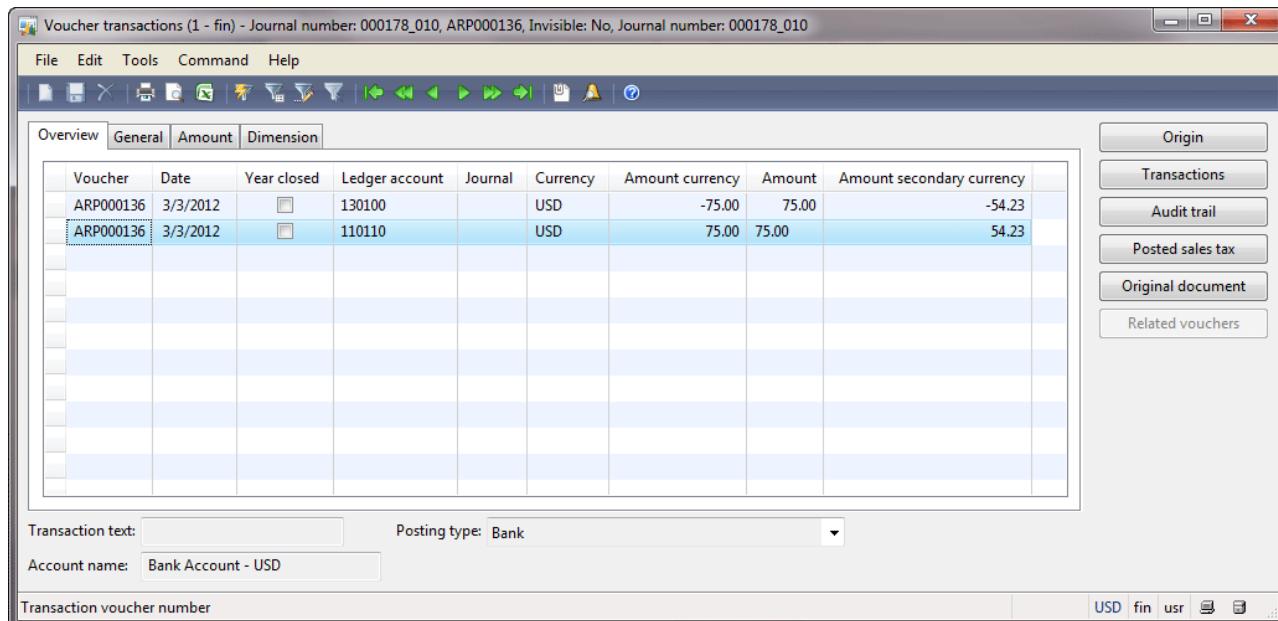
4. Sales



So, the offset account for the payment can be set up per payment method, journal name, or payment line.

Let's post the payments. In the **Journal voucher** form, click the **Validate > Validate** button. The "Journal is OK" message appears. Click the **Post > Post** button. The "Number of vouchers posted to the ledger is 2" message appears, it means that the payments are posted.

Let's check the posting results and make sure that Microsoft Dynamics AX generates the same transactions. Click the **Inquiries > Voucher** button in the **Journal voucher** form. The **Voucher transactions** form opens.



4. Sales

We make sure that Microsoft Dynamics AX generates the same transaction. Click the **Origin** button to view the transactions for all ledgers. The **Transaction origin** form opens.

We can see that the customer and the bank transactions have been created.

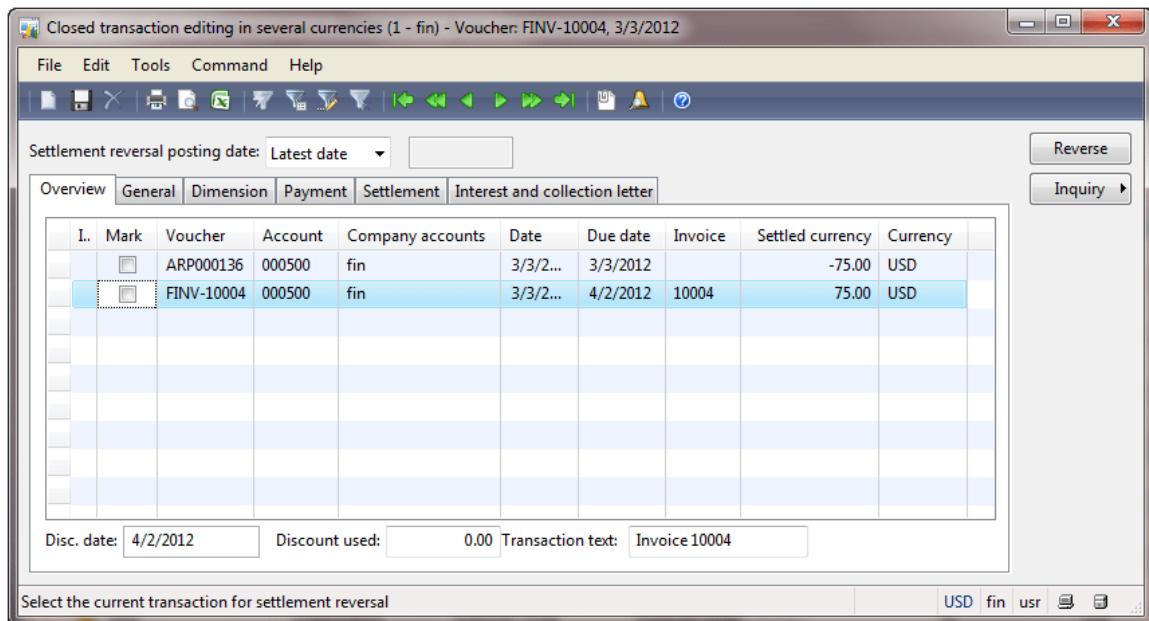
If we look for the customer's open transactions, we find only one for the amount of \$16 800. An open transaction is an unpaid transaction.

Open the **Customer** form (**Accounts receivable > Common Forms > Customer Details**), find the 000500 customer, and click **Functions > Open transaction editing**. The **Open transaction editing** form opens.

We can see that the 000500 customer has only one open transaction for \$16 800. The Sales Manager can edit some parameters of this open transaction, among them are the cash discount, payment due date, method of payment.

4. Sales

In the **Customer** form, click **Functions > Closed transaction editing**. The **Closed transaction editing in several currencies** form opens.



This form contains two customer transactions that have been closed (the invoice with the payment are settled). If we select the **Mark** check box for the amount of -75, the line with the amount of 75 is also selected. Microsoft Dynamics AX automatically selects the settled transaction. The Sales Manager can reverse the settlement if, for example, the customer says that \$75 have been paid for the \$16 800 invoice. In this case, the Sales Manager will reverse the current settlement and then settle the \$16 800 invoice with the \$75 payment, as a result, Microsoft Dynamics AX splits the invoice transaction to the \$15 725 and \$75 parts and settles the last one (in this case, the invoice for \$16 800 will be partly paid).

Payment to Authorities

The company pays to the authorities at the end of the period. The period can be one month, a quarter, or a year depending on the country's legislation.

The payment process has the following flow:

- Company prints the sales tax payment report to calculate the sales tax that is due for a given period.
- Company makes the payment to the authority.

If the company wants to print the report and pay the taxes, the first step generates the following transaction (note that the company can only print the sales tax payment report without the posting):

Sales tax payable		Account payable (or Sales tax payable, un-invoiced)	
Debit	Credit	Debit	Credit
\$tax amount			\$tax amount

4. Sales

If the authorities have the related vendor account, the Account payable account is used, if no – the Sales tax payable, un-invoice account is used. In the Sales tax topic, we have seen in our demo data that all authorities have related vendor accounts.

The Sales tax payable account is the liability account, since the amount is decreased, the Debit part is used. Debit means “good” for the company. The Account payable account is also the liability account, since the amount is increased, the Credit part is used. Credit means “bad” for the company.

The Sales tax and Vendor transactions are also generated. The sales tax transaction decreases the sales tax account. The vendor transaction increases the vendor account. As a result, the sales tax total amount becomes zero, because the company pays the sales tax, but the vendor account is increased.

The second step is used to create a vendor transaction that decreases the vendor account, as a result, the vendor account becomes zero. In the second step, the following transaction is generated (the company pays taxes):

Cash or cash equivalents		Accounts payable	
Debit	Credit	Debit	Credit
	\$tax amount	\$tax amount	

The Cash account is the asset account, since the cash is decreased, the Credit part is used, Credit means “bad” for the company. The Account payable account is the liability account, since the amount is decreased, the Debit part is used, Debit means “good” for the company.

The vendor transaction is generated.

Microsoft Dynamics AX uses the two-steps payment for the tax authority. This is done to reuse the vendor payment functionality, i.e. the payment journal. The first step generates an invoice transaction for the vendor, the second step generates the payment transaction for the vendor. These transactions are settled, i.e. the vendor balance becomes zero.

Let's pay the taxes. In the Invoice topic, we have posted \$800 as taxes. The AV_MDST tax was used.

First of all, we should find what settlement period is used for this sales tax. The settlement period is used during the tax calculation and contains all information about the posted and paid taxes.

Go to **General ledger > Setup > Sales tax > Sales tax codes**. The **Sales tax codes** form opens. Find the AV_MDST sales tax. The settlement period for the AV_MDST sales tax is MD.

4. Sales

The screenshot shows a Microsoft Dynamics AX application window titled "Sales tax codes (1 - fin) - Sales tax code: AV_MDST, Maryland State - Audio/Video". The window has tabs at the top: Overview, General, Calculation, Report setup, and Report setup - credit note. The General tab is selected. A table lists various sales tax codes with their names, jurisdiction codes, settlement periods, ledger posting groups, origins, and percentages/amounts. The row for "AV_MDST" is highlighted. On the right side of the window, there are buttons for Values, Limits, Inquiries (which is selected), Print, and Sales invoice printout. At the bottom, there are buttons for USD, fin, usr, and other options.

Sales tax code	Name	Sales tax jurisdiction code	Settlement period	Ledger posting group	Origin	Percentage/Amount
AV_DCST	Washington DC - Audio/Video		DC	DCST	Percentage of net amount	5.75
AV_FARCITY	Fargo City - Audio/Video		FC	FARCITY	Percentage of net amount	1.00
AV_FLST	Florida State - Audio/Video		FL	FLST	Percentage of net amount	6.00
AV_GAST	Georgia State - Audio/Video		GA	GAST	Percentage of net amount	4.00
AV_IAST	Iowa State - Audio/Video		IA	IAST	Percentage of net amount	5.00
AV_IDST	Idaho State - Audio/Video		ID	IDST	Percentage of net amount	6.00
AV_ILST	Illinois State - Audio/Video		IL	ILST	Percentage of net amount	6.25
AV_KGCTV	King County - Audio/Video		WA	WAST	Percentage of net amount	2.40
AV_LACITY	Los Angeles City - Audio/Video		CA	CAST	Percentage of net amount	1.00
AV_MAST	Massachusetts State - Audio/Video		MA	MAST	Percentage of net amount	5.00
AV_MDST	Maryland State - Audio/Video	MD	MDST	Percentage of net amount	5.00	
AV_MIST	Michigan State - Audio/Video	MI	MIST	Percentage of net amount	6.00	
AV_MNST	Minnesota State - Audio/Video	MN	MNST	Percentage of net amount	6.50	
AV_NDRSL	North Dakota Resale - Audio/Video	ND	NDST	Percentage of net amount	0.00	
AV_NDSERV	North Dakota Service - Audio/Video	ND	NDST	Percentage of net amount	5.00	

Let's open the **Sales tax settlement period** form. Go to **General ledger > Setup > Sales tax > Sales tax settlement periods**. The **Sales tax settlement periods** form opens, find the MD settlement period.

The screenshot shows a Microsoft Dynamics AX application window titled "Sales tax settlement periods (1 - fin) - Settlement period: CA, 4/1/2010, Settlement period: CA". The window has tabs at the top: Overview, General, and Periods. The General tab is selected. A table lists settlement periods with descriptions, authorities, and terms of payment. The row for "MD" is highlighted. On the right side, there is a vertical panel with several buttons: Sales tax payments, Interval sales tax settlements, Posted sales tax, Sales tax per interval, New period, and Sales tax book status. At the bottom, there is a text field for "Code name to be used when identifying the sales tax settlement periods" and a set of buttons for USD, fin, usr, and other options.

Settlement period	Description	Authority	Terms of payment
FC	Fargo City Quarterly	NDA	
FL	Florida Quarterly	FLA	
GA	Georgia Quarterly	GAA	
IA	Iowa Quarterly	IAA	
ID	Idaho Quarterly	IDA	
IL	Illinois Quarterly	ILA	
LA	Los Angeles Quarterly	CAA	
MA	Massachusetts Quarterly	MAA	
MD	Maryland Quarterly	MDA	
MI	Michigan Quarterly	MIA	
MN	Minnesota Quarterly	MNA	
ND	North Dakota Quarterly	NDA	

Make sure that the MD settlement period has information about the \$800 amount of posted sales tax. Click the **Posted sales tax** button. The **Sales tax transactions** form opens. We make sure that there is one sales tax transaction for \$800.

4. Sales

The screenshot shows the 'Sales tax transactions (1 - fin) - Voucher: SIV-100175, 2/27/2012, Period: MD' window. The top menu bar includes File, Edit, Tools, Command, and Help. Below the menu is a toolbar with various icons. The main area has tabs for Overview, General, Posting, Amount, and History. The General tab is selected, showing a table with one row. The table columns are: Voucher, Date, Source, Sales tax code, Sales tax direction, Voucher currency, Amount origin, Sales tax amount, Corrected amount in currency, and Sales tax charge. The data in the first row is: SIV-100175, 2/27/2012, Sales or..., AV_MDST, Sales tax payable, USD, 16,000.00, 800.00, 0.00, 0.00. A button labeled 'Voucher' is located in the top right corner of the table area. At the bottom of the window, there is a status bar with buttons for USD, fin, usr, and other options.

Before running the Sales tax payment report, we should set up the new periods for the settlement period. Close the **Sales tax transactions** form. Go to the **Periods** tab in the **Sales tax settlement periods** form. Create as many new periods as it is required with the help of the **New period** button to cover the today date.

Now, we can perform the first step in the tax payment process. Go to **General ledger > Periodic > Sales tax payment > Sales tax payment**. The **Sales tax payment** form opens. Select MD in the **Settlement period** field. Select the **Update** check box. If this check box is cleared, the general ledger transaction is not generated (it can be useful when the company wants to print the sales tax payment report only). Specify the form date – the date when you post the invoice for the sales order. Click **OK**.

The screenshot shows the 'Sales tax payment (1)' dialog box. It contains the following fields: Settlement period (MD), From date (2/16/2012), Transaction date (3/3/2012), Sales tax payment version (Original), and Update (checkbox checked). Below the dialog is a note: 'Specify the version of the sales tax report to be settled.' At the bottom are OK and Cancel buttons.

The **Sales tax payment** form opens, click **OK**. As a result, the sales tax payment report is [printed](#) and posted.

Let's check the posting results. Open the **Sales tax settlement periods** form (**General ledger > Setup > Sales tax > Sales tax settlement periods**) and find the MD settlement period. Go to the **Periods** tab, we can see that the current period is closed. It means that the company pays all sales taxes to the authorities for this period, no new taxes can be paid for this period.

4. Sales

The screenshot shows the 'Sales tax settlement periods (1 - fin)' window. The main area displays a grid of settlement periods. The columns are labeled 'From date', 'To date', 'Closed', and 'Last period'. The 'Closed' column contains checkboxes, and the 'Last period' column also contains checkboxes. A row for the period '1/1/2012' to '3/31/2012' has its 'Closed' checkbox checked and its 'Last period' checkbox also checked, highlighted with a blue selection bar. To the right of the grid is a vertical scroll bar. On the right side of the window, there is a vertical toolbar with several buttons:

- Sales tax payments
- Interval sales tax settlements
- Posted sales tax
- Sales tax per interval
- New period
- Sales tax book status

At the bottom left, there is a message 'Last date in period'. At the bottom right, there are buttons for 'USD', 'fin', 'usr', and other system icons.

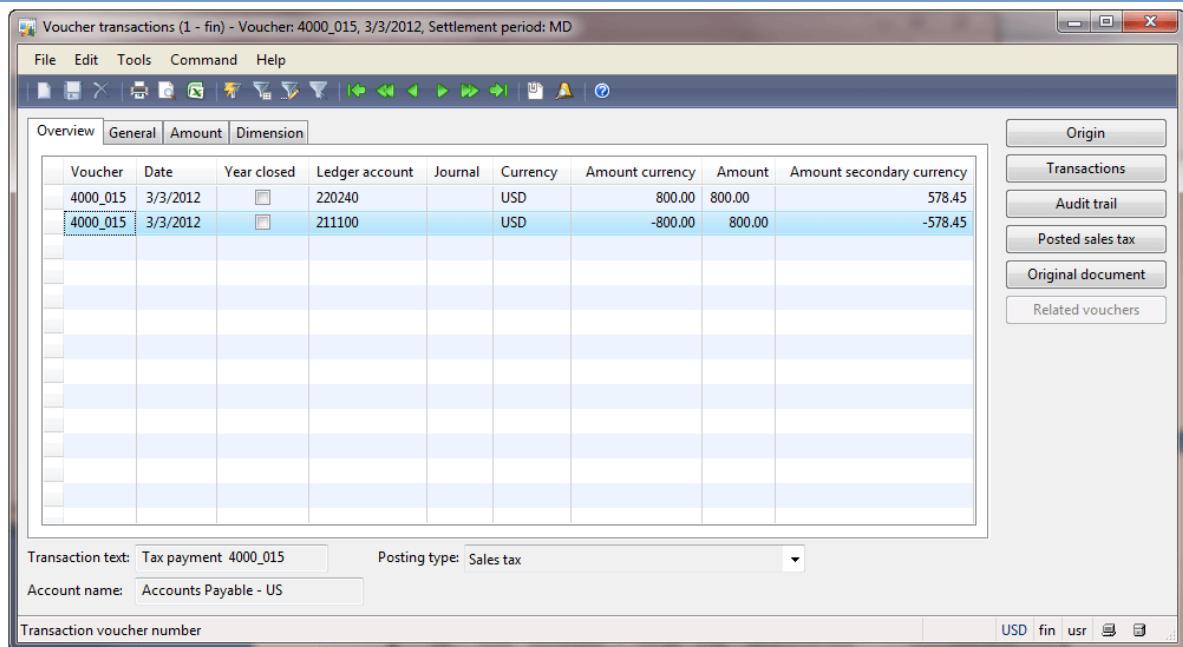
Click the **Sales tax payments** button. The **Sales tax payments** form opens. This form contains the payments to the authorities for the period. We can see that the payment is created.

The screenshot shows the 'Sales tax payments (1 - fin)' window. The main area displays a grid of payments. The columns are labeled 'Date', 'Voucher', 'Settlement period', 'From date', 'To date', and 'Sales tax payment version'. The first row shows a payment for '3/3/2012' with 'Voucher' number '4000_015', 'Settlement period' 'MD', 'From date' '1/1/2012', 'To date' '3/31/2012', and 'Sales tax payment version' 'Original'. Below this grid is a message 'Transaction date.' At the bottom right, there are buttons for 'USD', 'fin', 'usr', and other system icons. To the right of the grid is a vertical toolbar with several buttons:

- Voucher
- Posted sales tax
- Posted sales tax corrections
- Print report
- Print Australian BAS
- Belgian sales tax reporting
- Italian sales tax report

Click the **Voucher** button to view the general ledger transactions. The **Voucher transaction** form looks as follows.

4. Sales



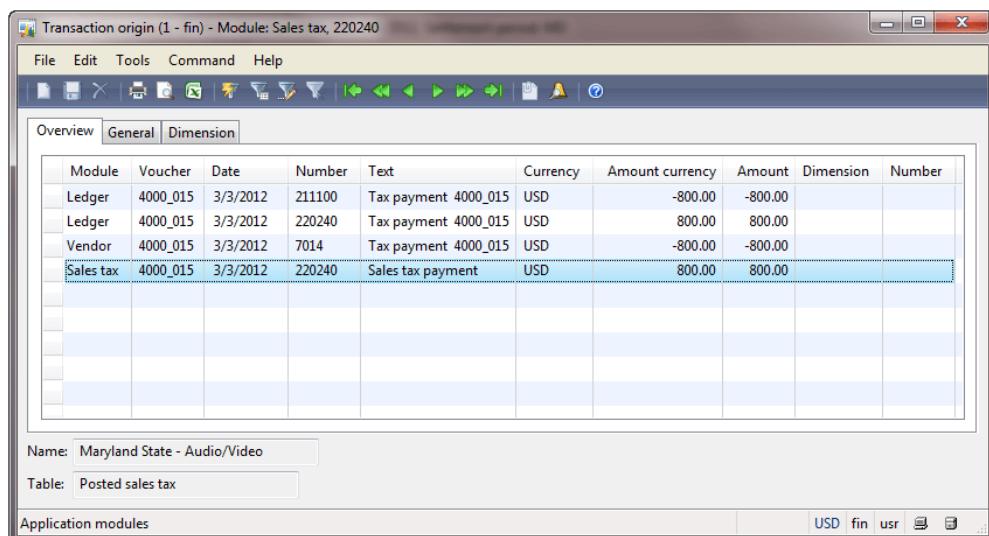
If we get more information about these accounts in the **Chart of accounts** form, we find that:

- 220240 is the sales tax payable account.
- 221100 is the account payable account.

So, we make sure that the transaction has the same view (in Microsoft Dynamics AX negative amount is the credit part amount, while the positive amount is the Debit part amount):

220240 (Sales tax payable)	221100 (Account payable or Sales tax payable, un-invoiced)		
Debit	Credit	Debit	Credit
\$800			\$800

If we click the **Origin** button, we see that the sales tax transaction and vendor transaction are created:



4. Sales

Close the **Transaction origin** and **Sales tax payments** forms. Click the **Posted sales tax** button in the **Sales tax settlement periods** form. We can see that the sales tax total amount is zero. It means that we record in the system that we pay the sales tax. But in the general ledger, we simply transfer the money from the sale tax payable account to the account payable account, i.e. from one liability account to other liability account.

The second step is an artificial step and is used to make the payment. The payment journal is used to post in the system that a payment actually occurs.

The vendor payment process is described in detail in [this training lesson](#). We assume that the company pays by check. Note that all vendor payment features can be used: payment proposal, electronic payment, payment cash discount, etc.

1. Create a payment journal. Go to **Accounts payable > Journals > Payments > Payment journal**. The **Journal** form opens. Create a new line, select APPay in the **Name** field. Save the line.
2. Click the **Lines** button. The **Journal voucher** form opens. Select the vendor account that is associated with the MDA authority. In our case, it is the 7014 vendor account (**General ledger > Setup > Sales tax > Sales tax authorities** > find the MDA authority > **Vendor account** field). In the **Debit** field, enter 800. The **Offset account** field is filled in automatically with the USA OPER account. It means that the company will pay the sales tax from this bank account. The **Journal voucher** form will look as follows.

4. Sales

The screenshot shows the 'Journal voucher (1 - fin)' window. At the top, it displays 'Journal: APPay, journal number: 000179_010, Posted: No, Journal type: Vendor disbursement'. The main area shows a single journal line:

Date	Company accounts	Account	Transaction text	Debit	Credit	Offset account type	Offset account	Payment status
3/3/2012	fin	7014		800.00		Bank	USA OPER	None

Below the journal table, there are several input fields:

- Voucher: APP000232
- Method of payment: USAUSD_CHK
- Document: (empty)
- Currency: USD
- Payment specification: (empty)
- Document date: (empty)
- Account name: Maryland State Tax Aut
- Payment ID: (empty)
- Withholding tax group: (empty)
- Offset account name: Bank of USA Operating
- Settlement type: Open transactions
- Check number: (empty)

On the right side of the window, a vertical toolbar lists various functions: Post, Validate, Sales tax, Functions, Payment status, Payment proposal, Inquiries, Print, Send electronically, and NACHA IAT information.

3. Create a check. Click **Functions > Generate payments**. The **Generate payments** form opens.

The 'Generate payments (1)' dialog box is open. On the left, under 'Payment method', 'Method of payment' is set to USAUSD_CHK. Under 'Selection', 'Bank account' is set to USA OPER. A 'Show format dialog' checkbox is checked. On the right, the 'Journal lines' section shows:

Journal number:	000179_010	Select
Account type:	Vendor	Dialog
Account:	(empty)	
Offset account type:	(empty)	
Offset account:	(empty)	
Method of payment:	(empty)	
Payment specification:	(empty)	
Payment status:	None, Rejected	

At the bottom, there are 'OK' and 'Cancel' buttons, and a note: 'Identification of the vendor method of payment.'

Select the **Show format dialog** check box and click **OK**. The **Payment by check** form opens.

The 'Payment by check (1)' dialog box is open. It contains the following fields:

- Bank account: USA OPER
- From: 223
- Number of blank checks: 0
- Print
- Payment advice:

At the bottom, there are 'OK' and 'Cancel' buttons, and a note: 'Identification of the bank check.'

Click the **Document** button to set up the print to screen option. Click **OK**. The check will be printed and assigned to the payment line (**Journal voucher** form > **Bank** tab > **Payment reference** field).

4. Sales

- Post the payment. Click the **Post > Post** button. The “Number of vouchers posted to the journal: 1” message appears, it means that the payment is posted.

Let's check the posting results. In the **Journal voucher** form, click the **Inquiries > Voucher** button. The **Voucher transactions** form opens.

The screenshot shows the 'Voucher transactions' window with the following details:

Voucher	Date	Year closed	Ledger account	Journal	Currency	Amount currency	Amount	Amount secondary currency
APP000232	3/3/2012		211100		USD	800.00	800.00	578.45
APP000232	3/3/2012		110110		USD	-800.00	800.00	-578.45

Below the table, there are input fields for Transaction text (empty), Posting type (Bank), Account name (Bank Account - USD), and Transaction voucher number (empty). On the right, there is a vertical toolbar with buttons for Origin, Transactions, Audit trail, Posted sales tax, Original document, and Related vouchers.

If we get more information about these accounts in the **Chart of accounts** form we find that:

- 211100 is the account payable account.
- 110110 is the cash or cash equivalents account.

So, we make sure that the transaction looks similar:

110110 (Cash or cash equivalents)		211100 (Accounts payable)	
Debit	Credit	Debit	Credit
	\$800	\$800	

The 211100 account is taken from the vendor posting profile. The 110110 account is taken from the USA OPER bank account setup.

To view all transactions, click the **Origin** button. The **Transaction origin** form opens.

4. Sales

The screenshot shows a software interface titled "Transaction origin (1 - fin) - Module: Bank, USA OPER". The main area is a grid table with the following data:

Module	Voucher	Date	Number	Text	Currency	Amount currency	Amount	Dimension	Number
Ledger	APP000232	3/3/2012	110110		USD	-800.00	-800.00		
Ledger	APP000232	3/3/2012	211100		USD	800.00	800.00		
Vendor	APP000232	3/3/2012	7014		USD	800.00	800.00		
Bank	APP000232	3/3/2012	USA OPER	228	USD	-800.00	-800.00		

Below the grid, there are fields for "Name: Bank of USA Operating Account" and "Table: Bank transactions". The bottom status bar shows "Application modules" and currency codes "USD fin usr".

We can see that a vendor transaction and a bank transaction are generated.

Note that nothing is changed in the **Sales tax settlement** form (click the **Sales tax payable** button and the **Posted sales tax** button).

Let's check whether the vendor transactions are closed (the sales tax invoice and the payment are settled), i.e. the system records that we pay the taxes for the current period. The first step generates a sales tax invoice transaction for \$800, the second step generates the payment for -\$800. These transactions should be settled.

Go to the **Vendors** form (**Accounts payable > Common Forms > Vendor Details**) > find the 7014 vendor > click the **Transaction** button. The **Transaction** form will look as follows:

The screenshot shows a software interface titled "Vendor transactions (1 - fin) - Voucher: APP000232, 3/3/2012, Vendor account: 7014". The main area is a grid table with the following data:

Voucher	Date	Invoice	Note ID	Sequence number	Status	Remittance number	Amount currency	Balance	Currency
4000_015	3/3/2012			0	None		800.00	0.00	USD
APP000232	3/3/2012			0	Invoiced		800.00	0.00	USD

At the bottom, there are fields for "Transaction text:", "Amount:" (800.00), and "Balance:" (0.00). To the right, a sidebar lists buttons for "Voucher", "History", "Paid by checks", "Cash flow forecasts", "Original document", "Open", "Invoices (b)", "Reverse transaction (g)", "Reversed tracing (j)", "Tax 1099 transactions", and "Inquiry". The bottom status bar shows "Show open transactions only.", "USD fin usr", and other icons.

4. Sales

We can see that two transactions are available. Go to the **Settlement** tab, the **Settled amount in standard currency** field is filled in, so the line is settled.

The **Open transaction editing** form should be empty. In the **Vendors** form, click the **Functions > Open transaction editing** button. The opened form is empty, so all vendor transactions are settled.

Click the **Functions > Closed transaction editing** button in the **Vendors** form. The **Closed transaction editing in several currencies** form opens.

The screenshot shows a Microsoft Dynamics AX application window titled "Closed transaction editing in several currencies (1 - fin) - Voucher: APP000232, 3/3/2012". The window has a toolbar with various icons and a menu bar with File, Edit, Tools, Command, and Help. Below the toolbar is a status bar with "Settlement reversal posting date: Latest date". The main area contains a grid table with columns: I., Mark, Voucher, Account, Company accounts, Date, Due date, Invoice, Amount, and Currency. Two rows are visible in the grid:

I.	Mark	Voucher	Account	Company accounts	Date	Due date	Invoice	Amount	Currency
	<input type="checkbox"/>	4000_015	7014	fin	3/3/2...	3/31/20...		-800.00	USD
	<input checked="" type="checkbox"/>	APP000232	7014	fin	3/3/2...	3/3/2012		800.00	USD

Below the grid are fields for "Disc. date:", "Discount used:", "0.00", and "Transaction text:". At the bottom left is a note "Select the current transaction for settlement reversal" and at the bottom right are buttons for "Reverse", "Inquiry", and currency codes "USD fin usr".

The settlement is performed automatically when we post the payment line, because of the following setup: **Accounts payable > Setup > Parameters > Settlement > Automatic settlement** check box.

So, we make sure that after the payment process, the company records in the system that the payment of the sales tax for a certain period has been performed.

Note that if the authority doesn't have the vendor account, the following transaction must be created and posted manually in the general journal (**General ledger > Journals > Genera journal**):

Cash or cash equivalents		Sales tax payable, un-invoiced	
Debit	Credit	Debit	Credit
	\$800	\$800	

The **Journal voucher** form in this case will look as follows (this is just an example):

4. Sales

Note that one line contains different types of accounts. Instead of the Cash or cash equivalents general ledger account, the USA OPER bank account is used. In this case, two general ledger transactions and one bank transaction are generated. The general ledger account is taken from the bank account setup (**Bank > Common Forms > Bank Account > Details** > find USA OPER > **Ledger account** field).

Bank Reconciliation

The company's bank accounts contain the balance and the related transactions (checks written, receipts from customers, etc.). The bank also creates a separate account for the company in its own database to record information when it processes the company's checks, deposits, service charges, and other items. At the end of each month, the bank usually mails a [bank statement](#) to the company. The bank statement lists the activity of the bank account during the previous month as well as the balance of the bank account.

When the company receives its bank statement, the company should verify that the amounts in the bank statement are consistent or compatible with the amounts in Microsoft Dynamics AX, and vice versa. This process of confirming the amounts is referred to as reconciling the bank statement.

The bank statement can look as follows.

Let's check the bank account transaction that was generated during the purchase and sales processes. Go to **Bank > Common Forms > Bank Account Details**. The **Bank accounts** form opens. During the purchase and sales processes, we work with the USA OPER bank account. Find this account and click the **Transactions** button. The **Bank transactions** form opens.

4. Sales

We can see all transactions for the USA OPER account. If we select the **Show open only** check box, all not reconciled transactions are shown. In our case, all transactions are not reconciled. Remember that a customer (or a vendor) open transaction means that an invoice transaction is not settled with a payment transaction. A bank open transaction means that a Microsoft Dynamics AX bank transaction is not settled with a bank transaction in the bank system.

The total bank balance is -\$726.80 (the **Bank accounts** form > **Balance** button). Let's assume that the check 227 that was sent to the vendor is returned. In this case, the company receives a bank statement with -\$707.

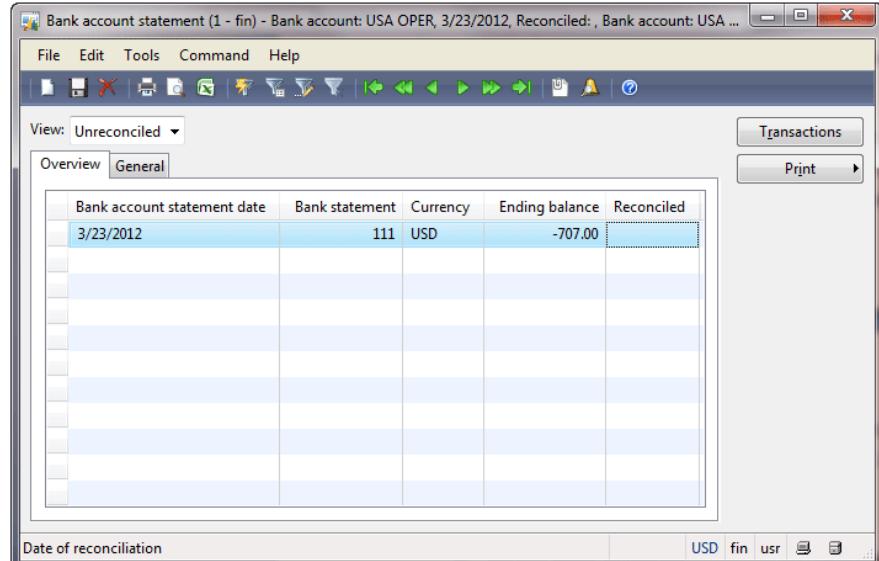
amount. The bank account balance in Microsoft Dynamics AX and the bank account balance in the bank differ by the amount of \$19.80. In this case, we should reconcile all bank transactions except the one that has the check 227. After that we should cancel the payment to the vendor where the check 227 is used. Let's begin.

Reconcile the bank account:

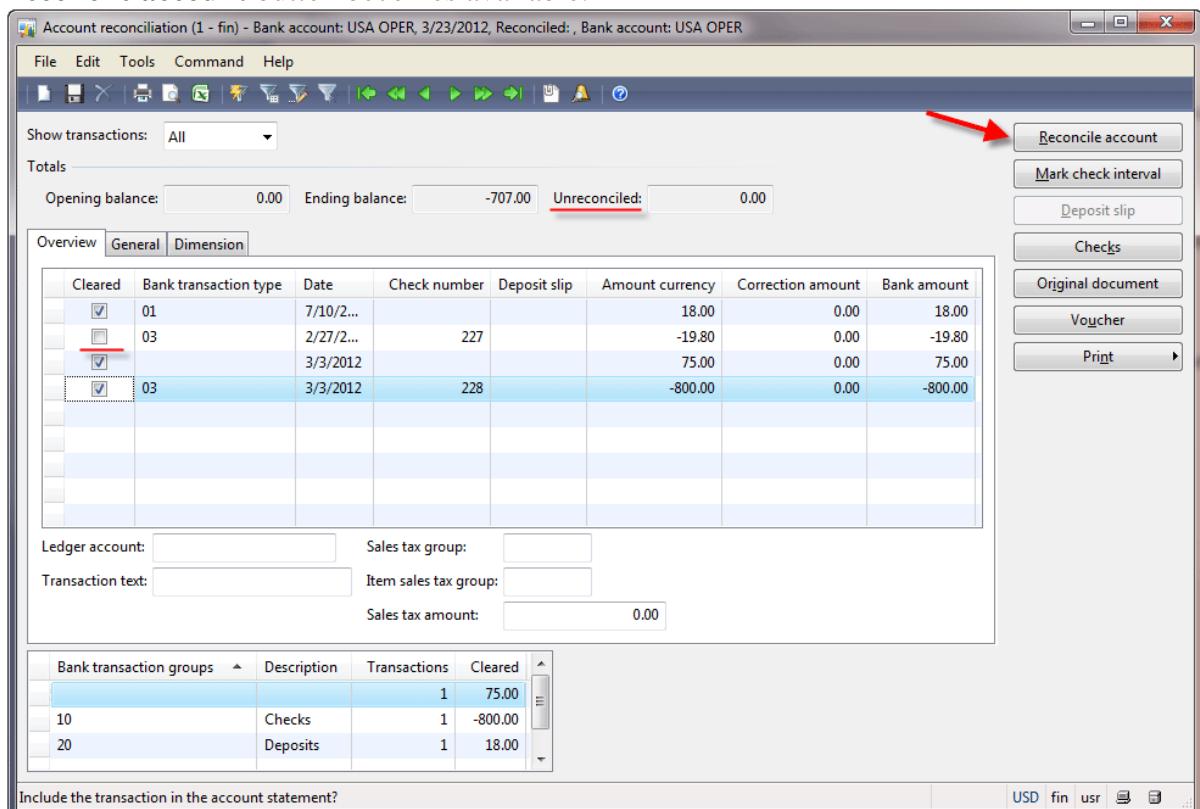
1. In the **Bank accounts** form, click the **Function > Account reconciliation** button. The **Bank account statement** form opens.
 2. Create a new line with the following values:
 - o Bank account statement date = *today*
 - o Bank statement = 111 (any number; in real life, the bank statement will have a certain ID number)

4. Sales

- o Ending balance = -\$707(the total balance from the bank statement)



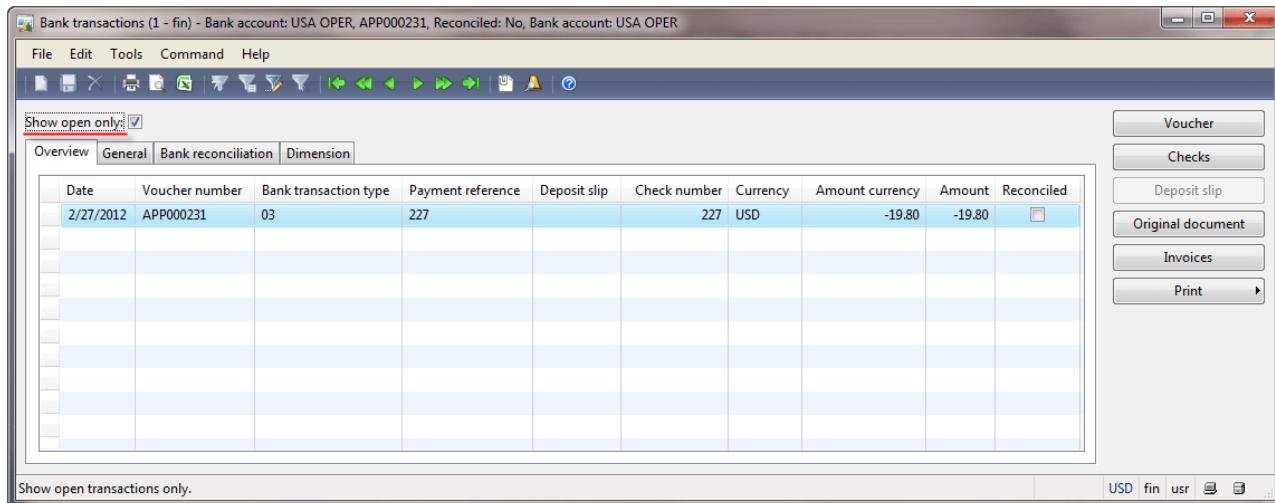
3. Click the **Transactions** button. The **Account reconciliation** form opens.
4. Select the **Cleared** check box for all transactions except the one with the check 227. The cleared transaction means that it is verified with the bank statement. Since the amount in the bank statement and in the cleared transactions is the same, the **Reconcile account** button becomes available.



5. Click the **Reconcile account** button. The cleared bank transactions in Microsoft Dynamics AX are closed.

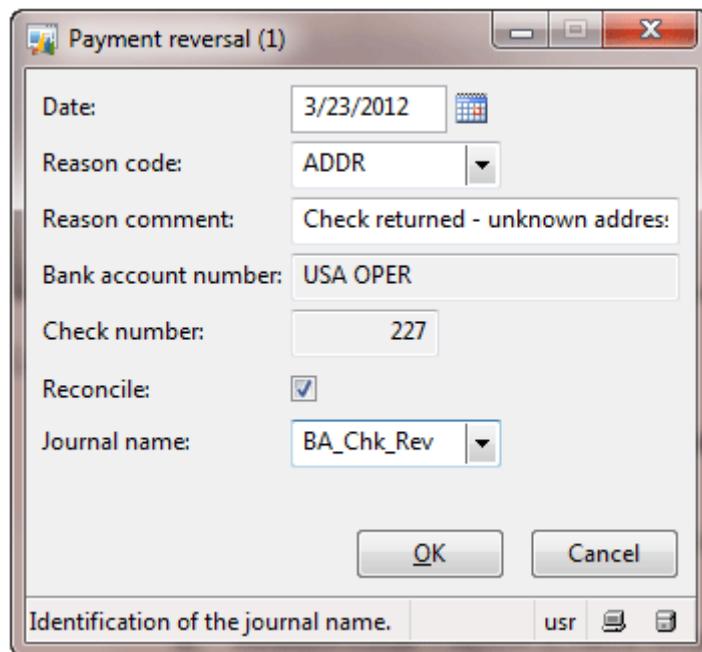
4. Sales

Let's check the results. In the **Bank accounts** form, click the **Transactions** button. The **Bank transactions** form opens. Select the **Show open only** check box. We can see that only one open transaction is left.



Cancel the payment:

1. Go to **Bank > Common Forms > Checks**. The **Check** form opens. Find the check 227 and click the **Payment reversal** button.
2. The **Payment reversal** form opens. Fill in the following values:
 - o Date = *today*
 - o Reason code = ADDR (Check returned – unknown address)
 - o Select the **Reconcile** check box
 - o Journal name = BA_Chk_Rev



Click **OK**.

4. Sales

3. The “Created journal 000181_010 of type Bank check reversal” message appears. As a result, a new journal is created.
4. Go to **Bank > Journals > Check reversals**. The **Journal** form opens. We can see that the 000181_010 journal is created. Click the **Lines** button.
5. The **Journal voucher** form opens.

The screenshot shows the 'Journal voucher' window with the following details:

- Balance:** Total debit: 0.00, Total credit: 19.80.
- Journal Lines:** A single row for 'BA_000001' dated 3/23/2012, with a debit of 19.80 to 'Bank' and a credit of 19.80 to 'USA OPER'.
- General Information:** Currency: USD, Department: Wind Televisions, Account name: Wind Televisions, Offset account name: Bank of USA Operating.
- Check Details:** Check number: 227, Purpose: ADDR, Reason code: ADDR, Reason comment: Check returned - unknown address.
- Buttons:** Post, Validate, Inquiries, Print.

We can see that the 1002 vendor account is decreased and the USA OPER bank account is increased by 19.80. I.e. we reverse the payment.

6. Click the **Post > Post** button. The journal will be posted.

Let's check the posting results. In the **Journal voucher** form, click the **Inquiries > Bank transactions** button. The **Bank transactions** form opens. We can see that the reversal bank transaction for 19.80 is generated.

The screenshot shows the 'Bank transactions' window with the following details:

- General Information:** Bank account: USA OPER, Voucher number: APP000231, Date: 2/27/2012.
- Table:** A table showing a single row for a reversal transaction on 2/27/2012, with a payment reference of 227, amount of -19.80, and a checked 'Reconciled' box.
- Buttons:** Voucher, Checks, Deposit slip, Original document, Invoices, Print.

4. Sales

To view the general ledger transactions, click the **Voucher** button. The **Voucher transactions** form opens.

The screenshot shows the 'Voucher transactions' window for bank account 'USA OPER'. The main grid displays two rows of data:

Voucher	Date	Year closed	Ledger account	Journal	Currency	Amount currency	Amount	Amount secondary currency
APP000231	2/27/2012		211100		USD	19.80	19.80	14.32
APP000231	2/27/2012		110110		USD	-19.80	19.80	-14.32

Below the grid, there are input fields for Transaction text ('Vendor payment Invoice jour'), Posting type ('Bank'), Account name ('Bank Account - USD'), and Transaction voucher number. On the right side, there is a vertical panel with buttons for 'Origin', 'Transactions', 'Audit trail', 'Posted sales tax', 'Original document', and 'Related vouchers'.

We can see that the transaction reverses the payment transaction (see the “Payments” topic). The transaction looks as follows (compare with the payment):

211100 (Accounts Payable – US)		110110 (Bank Account – USD)	
Debit	Credit	Debit	Credit
\$19.80			\$19.80

Let's return to the **Bank transactions** form. Note that the bank transaction is reconciled! But we don't compare it with the bank statement! Microsoft Dynamics AX automatically reconciles the reverse bank transaction with the origin bank transaction. It means that now all bank transactions are reconciled: 3 bank transactions with the bank statement and 1 bank transaction with the reverse bank transaction. Go to **Bank > Common Forms > Bank Account Details** > find the USA OPER bank account > **Transactions** button. The **Bank transactions** form opens, select the **Show open only** check box to make sure that all bank transactions are reconciled.

4. Sales

Customer Account Statement and Collection Letter

In this paragraph, we will study the case when the Customer doesn't pay by the due date. Although most customers pay their invoices in time, you must be able to process invoices that are not paid by their due date. This process is called the **Collection process**.

The collection process has the following sequence (can be stopped at any stage, if the customer pays for the items):

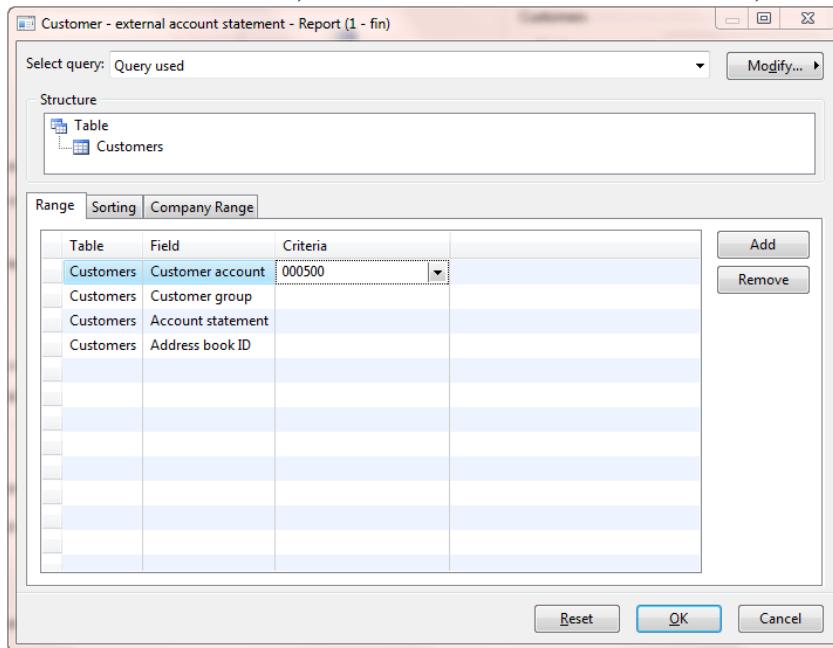
1. Send the customer an account statement.
2. Send collection letters (one, two, three,... etc. with or without fees, it depends on the company policy).
3. Apply to the court, sell the client debt to another company, purchase the services of the debt recovery firm, etc.

The first two steps are handled in Microsoft Dynamics AX.

As usual, in the end of each month the company sends an account statement to all customers whose balance is not zero. The document contains the customer balance and all transactions with the payment due dates during the period.

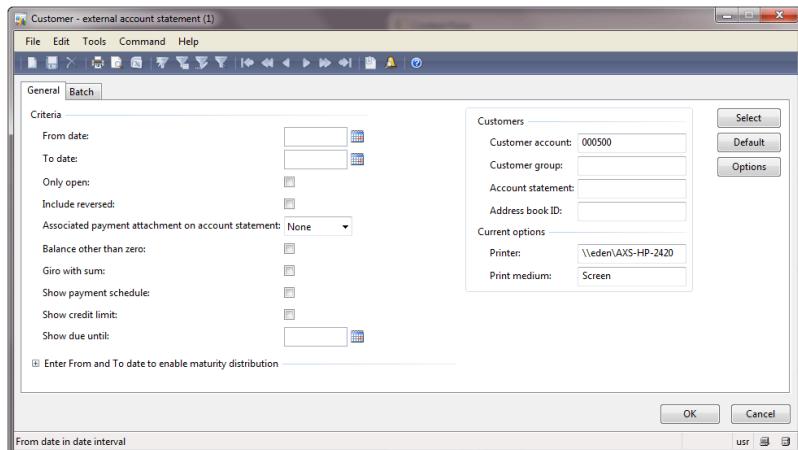
Let's print an account statement for the customer 000500:

1. Go to **Accounts receivable > Reports > External > Customer account statement**. The **Customer – external account statement** form opens.
2. Click the **Select** button, select 000500 in the **Criteria** field, and Click **OK**.



4. Sales

3. The Customer – external account statement form will have the following view:



4. Click OK.

The customer account statement is printed to the screen.

Date	Invoice	Transaction text	Due	Currency	Debit	Credit	Balance
2/27/2012	100175	Sales invoice 100175	2/27/2012	USD	16,800.00	0.00	16,800.00
3/3/2012	10004	Invoice 10004	3/3/2012	USD	0.00	75.00	16,725.00
		Closing	4/2/2012	USD	75.00	0.00	16,800.00

4. Sales

We can see that the customer balance is \$16 800, because the customer only pays \$75 for the service (lifting the items to the 27th floor).

The Account Manager sends this document to the customer to notify about the balance.

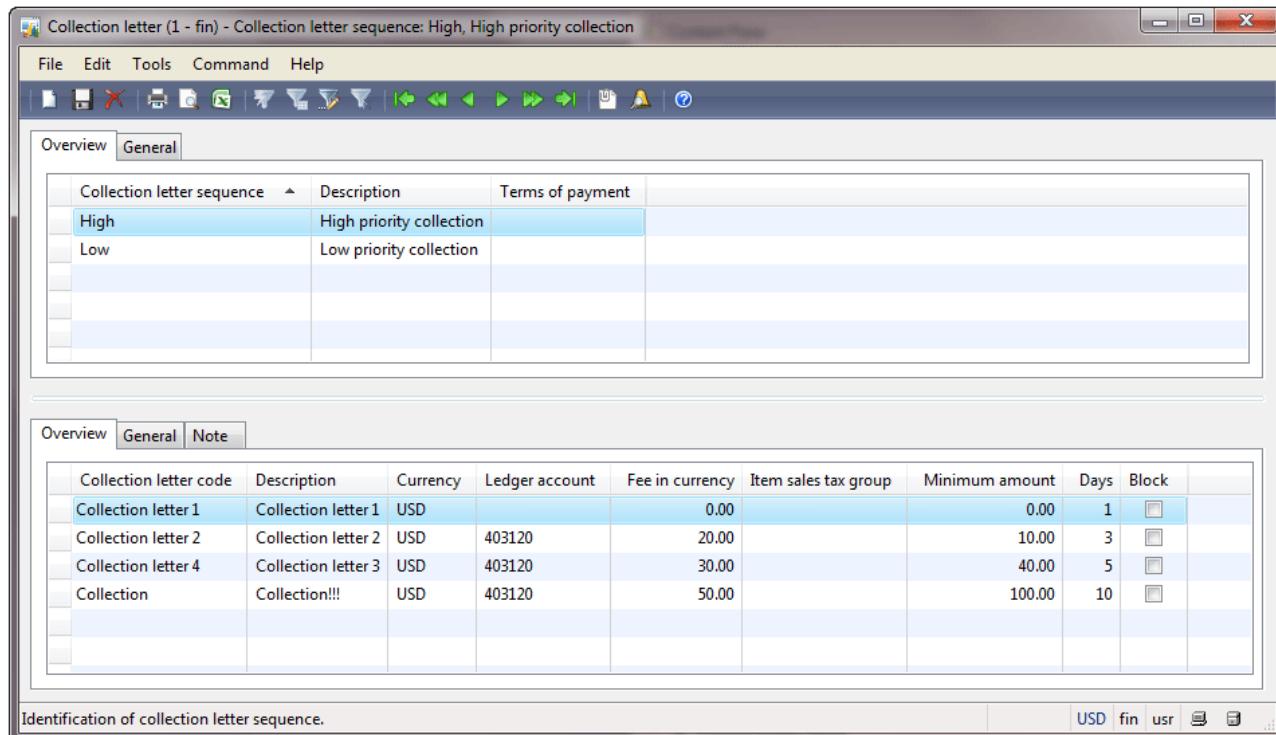
Note that the customer account statement can be printed in another language, it depends on the customer parameters set under **Accounts receivable > Common Forms > Customer Details > General tab > Customer field group > Language** field.

If the customer does not pay after the due date, the company sends collection letters. The company can send one or several collection letters, it depends on the company policy.

In Microsoft Dynamics AX, collection letters are grouped in the collection sequence. Collection sequence determines which collection letter will be sent first, second, third, etc.

The customer is linked to the collection letter sequence indirectly through the posting profiles.

Let's find what collection letter sequences exist in our demo data. Go to **Accounts receivable > Setup > Interest and collection letter > Collection letter**. The **Collection letter** form opens.



We can see the High and Low collection letter sequences. The **Overview** tab contains collection letters that belong to the sequence.

For example, the High collection letter sequence has the following rules: if the customer does not pay until the due date plus 1 day, the "Collection letter 1" is created, printed, and sent. This collection letter doesn't have the fee amount. If the customer does not pay during 3 days after the first collection letter

4. Sales

send or post date (depends on the parameter), the “Collection letter 2” can be created, printed, and sent. The second collection letter has the fee amount and ledger account that will be used during posting the fee.

As usual, the fee contains the amount that the company spends to deliver the mail to the customer. Note that generally, the Accountant manager will post the fee only in case the customer pays the fee. Because usually the fee is not paid by the customer. If the customer pays the invoice but does not pay the fee the Accountant manager posts the customer payment and cancels the collection letter for the unpaid invoice. But, the Accountant manager can also create a collection letter for the unpaid fees.

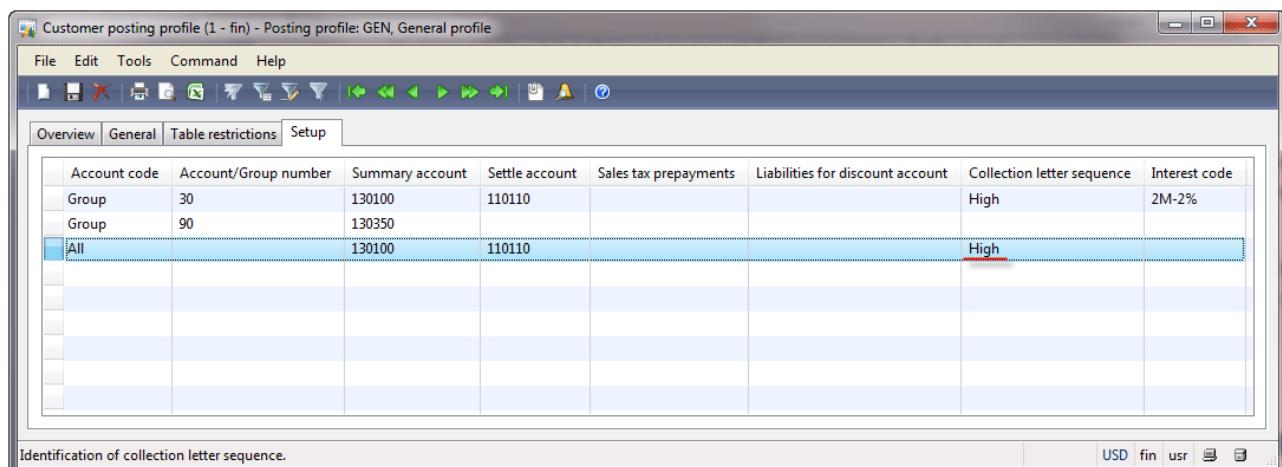
Note that the “Collection letter 2” cannot be created, printed, and sent before the “Collection letter 1”. If, for example, the company forgets to create the Collection letter 1 and after the due date plus 4 days tries to create the Collection letter 2, the Microsoft Dynamics AX does not allow it. In this case, the user can create, print, and post the collection letter 1 post factum and then create the collection letter 2.

Each collection letter can have a note. For example, the Collection letter 1 can have the following note “Please pay for the items”. The Collection letter 2 – “We insist that you pay for purchased items”, etc. The collection letter note is specified on the **Note** tab (the **Collection letter** form).

We assume that the customer does not pay, so the Accountant Manager creates a collection letter.

Before we start creating the collection letter we should make sure that 000500 customer is associated with some collection letter sequence through the posting profile. In the previous paragraph of this lesson, we have found out that the 000500 customer belongs to the 20 (Major Customers) group, and the GEN customer posting profile is used in the system.

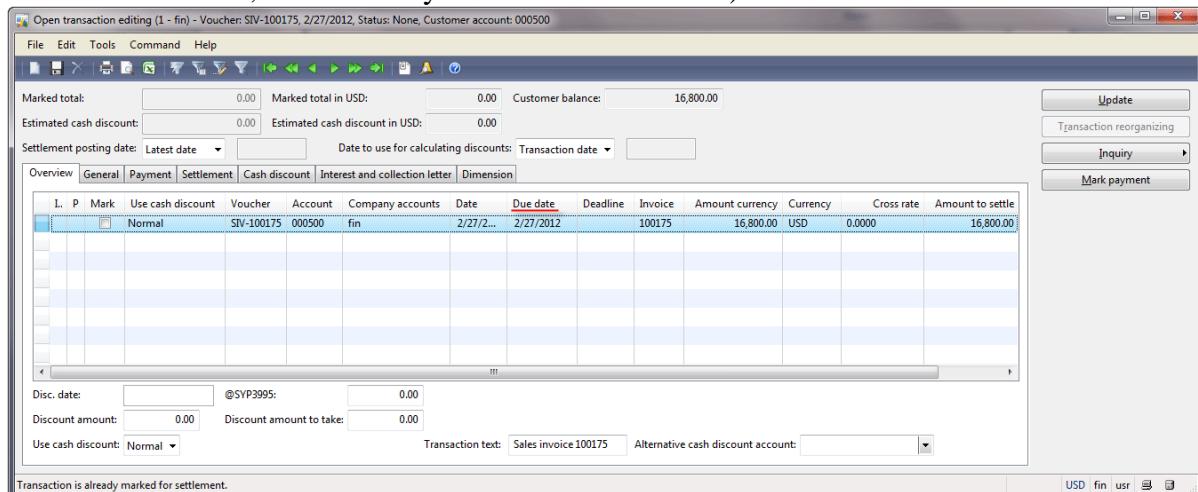
Go to **Accounts receivable > Setup > Posting profiles**. The **Customer posting profile** form opens. Go to the **Setup** tab. Since there is no setup either for the 000500 customer or the 20 customer group, the “All” setup is used. We can see that this setup doesn’t have the collection letter sequence, so specify the “High” collection letter sequence for this setup.



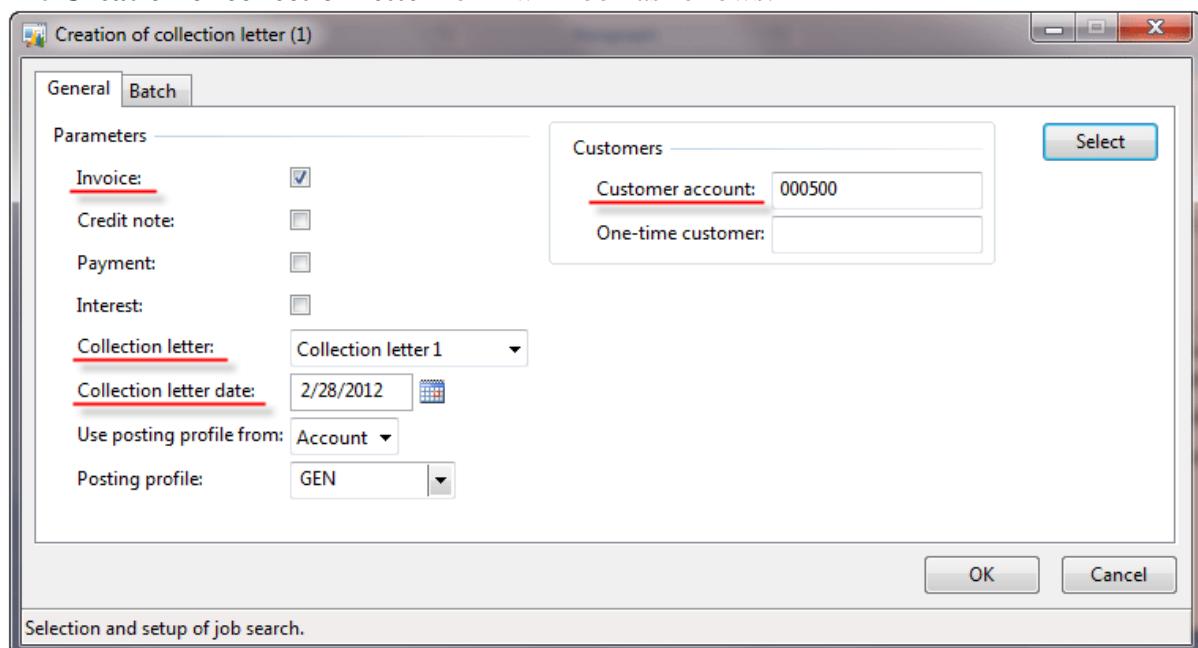
4. Sales

Now, we can create the collection letter. According to the High collection letter sequence, the Collection letter 1 will be created first.

1. Go to **Accounts receivable > Periodic > Interest and collection letter > Creation of collection letter**. The **Creation of collection letter** form opens.
2. Select the **Invoice** check box.
3. Select *Collection letter 1* in the **Collection letter** field.
4. Specify the collection letter date, this date should be greater than the payment due date plus one. To find the payment due date, go to **Accounts receivable > Common Forms > Customer Details** > find the 000500 customer > **Functions** menu button > **Open transaction editing** button. Find the **Due date** field. In my case, the unpaid invoice has the 2/27/2012 due date, so I will specify the 2/28/2012 date in the **Collection letter** field (note that the collection letter date can be in the future, Microsoft Dynamics AX allows this).



5. In the **Creation of collection letter** form, click the **Select** button and specify the 000500 account in the **Criteria** field (the customer account field range).
6. The **Creation of collection letter** form will look as follows:

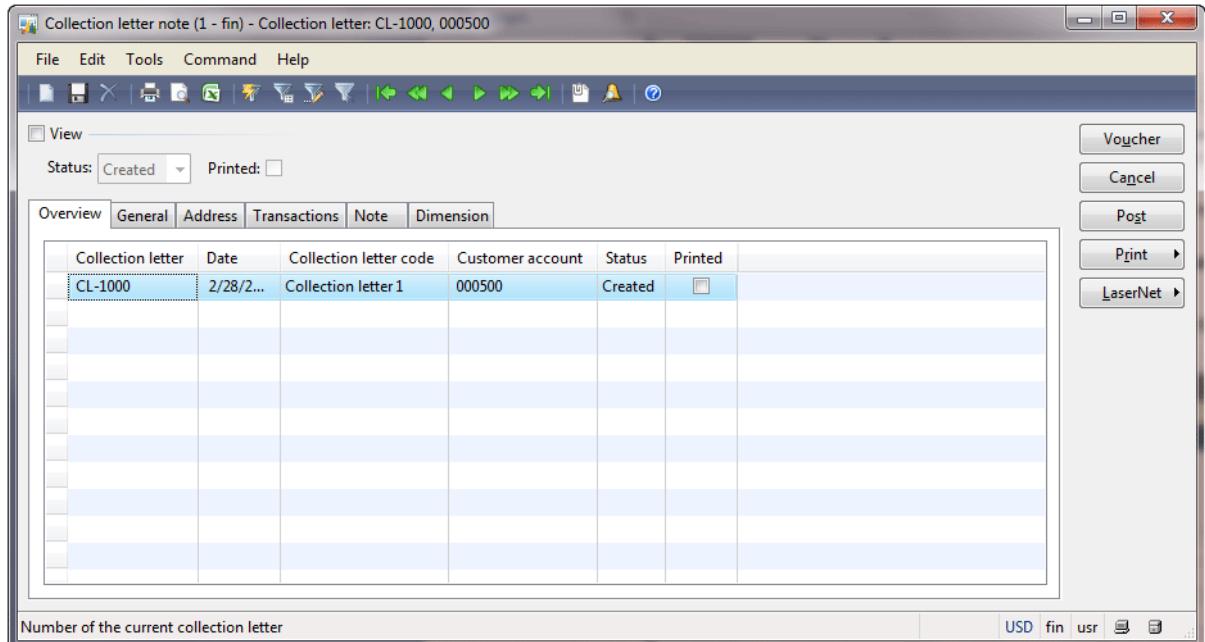


4. Sales

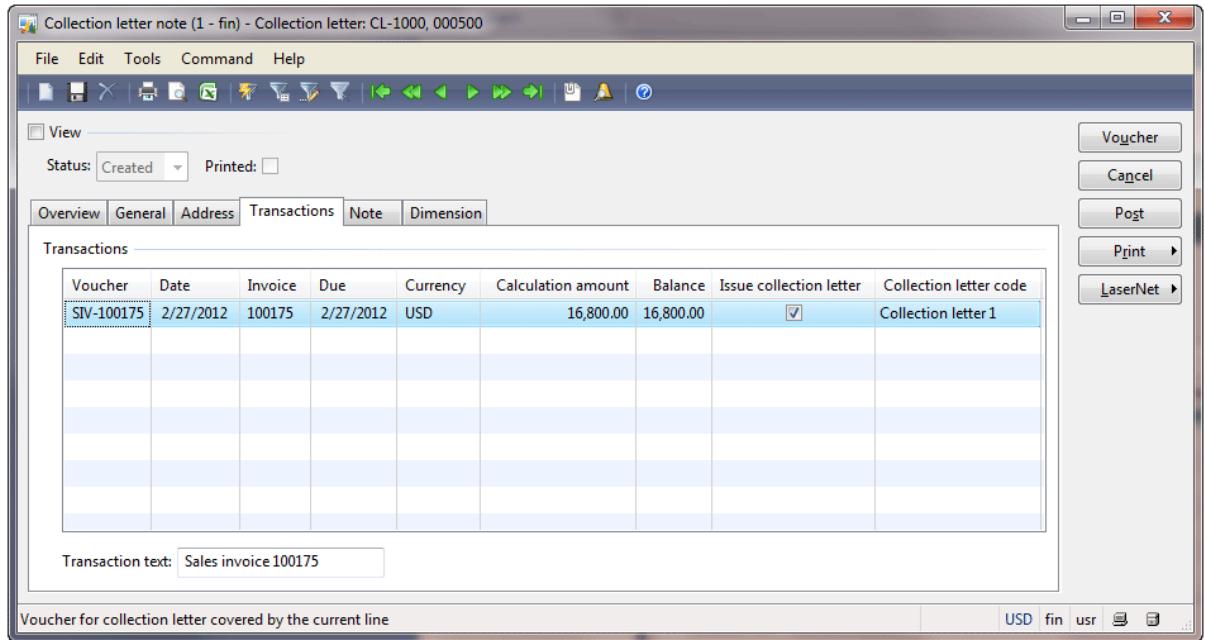
7. Click **OK**. The info message appears with the information that the collection letter is created.

Now, the Account manager will print the collection letter and then send to the customer:

1. Go to **Accounts receivable > Periodic > Interest and collection letter > Collection letter note**. The **Collection letter note** form opens.
2. Find the last collection letter note. We make sure that the collection letter note of the type Collection letter 1 is created.



3. On the **Transaction** tab, we can see all customer transactions that are included in the current collection letter.



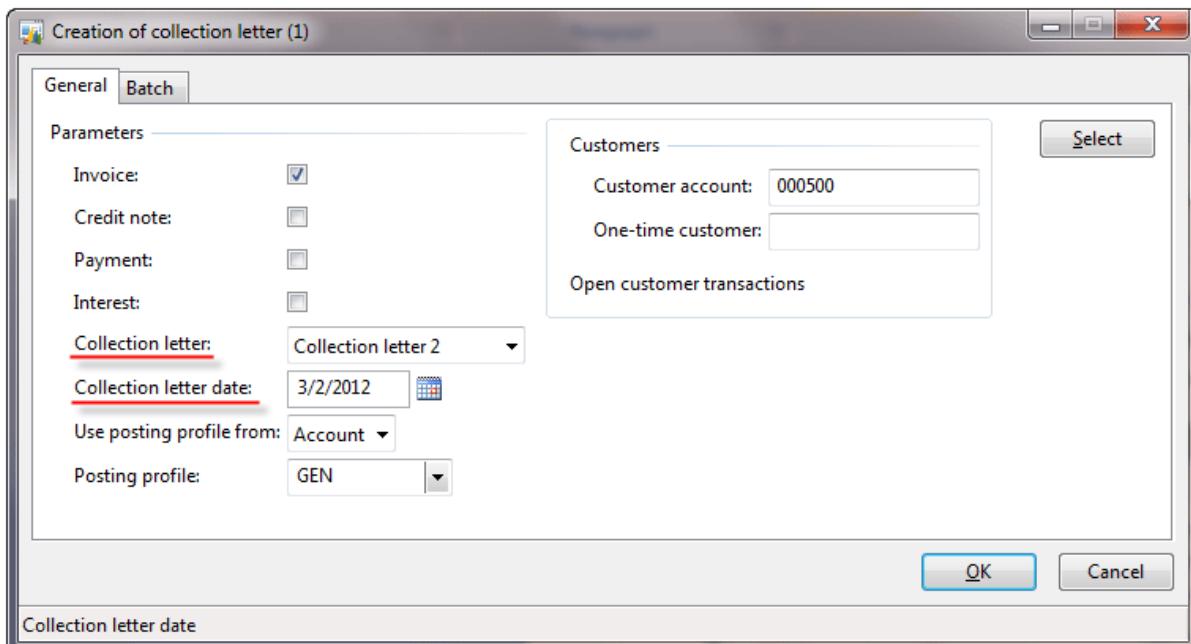
In our case only one transaction is included (the 000500 customer has only two invoice transactions, but for “items lifting” service, the customer pays \$75).

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4. The Account manager prints the collection letter. Click the **Print > Collection letter note** button. The **Collection letter note** form opens. Click **OK**. The collection letter note is [printed](#).
5. The Account manager sends this collection letter to the customer.

We assume that the customer did not pay the invoice during 3 days after the first collection letter print date. The Account manager decides to create, print, and send the Collection letter 2.

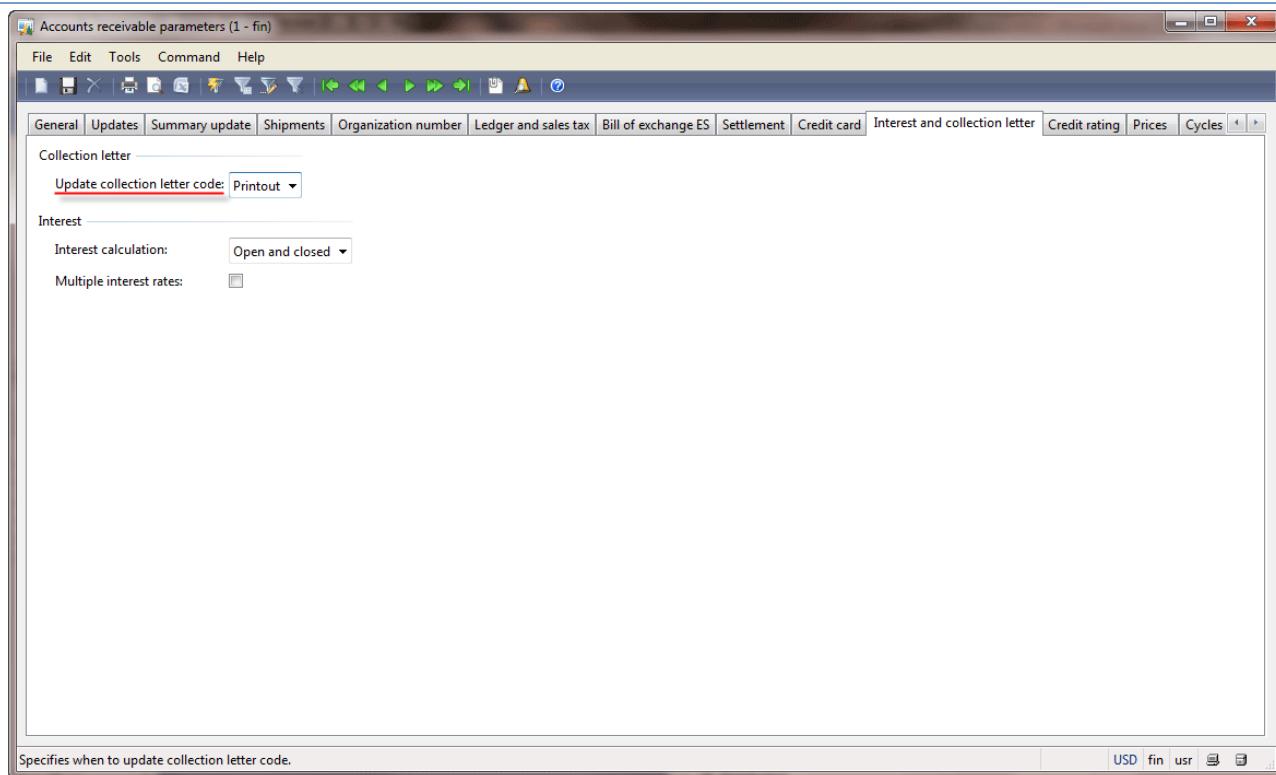
Go to **Accounts receivable > Periodic > Interest and collection letter > Creation of collection letter**. The **Creation of collection letter** form opens. Select *Collection letter 2* in the **Collection letter** field. Increase the collection letter date to 3. The form will look as follows. Click **OK**.



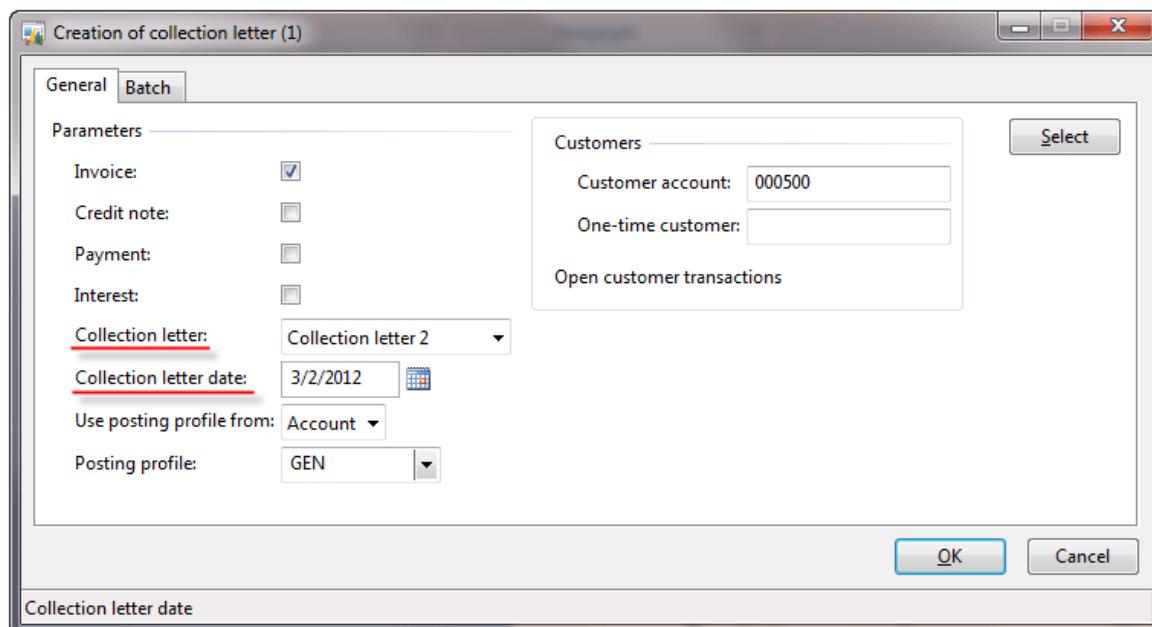
Nothing happened. Microsoft Dynamics AX has the parameter that determines after what operation (printing or posting) the next collection letter can be created.

In our demo data, the next collection letter can be created only when the previous collection letter is posted. It is set up under **Accounts receivable > Setup > Parameters > Interest and collection letter** tab > **Collection letter** field group > **Update collection letter code** field. In our demo data, the *Posting* option is specified. Change this option to *Printout*. In this case, the next collection letter can be created when the previous is printed only.

4. Sales



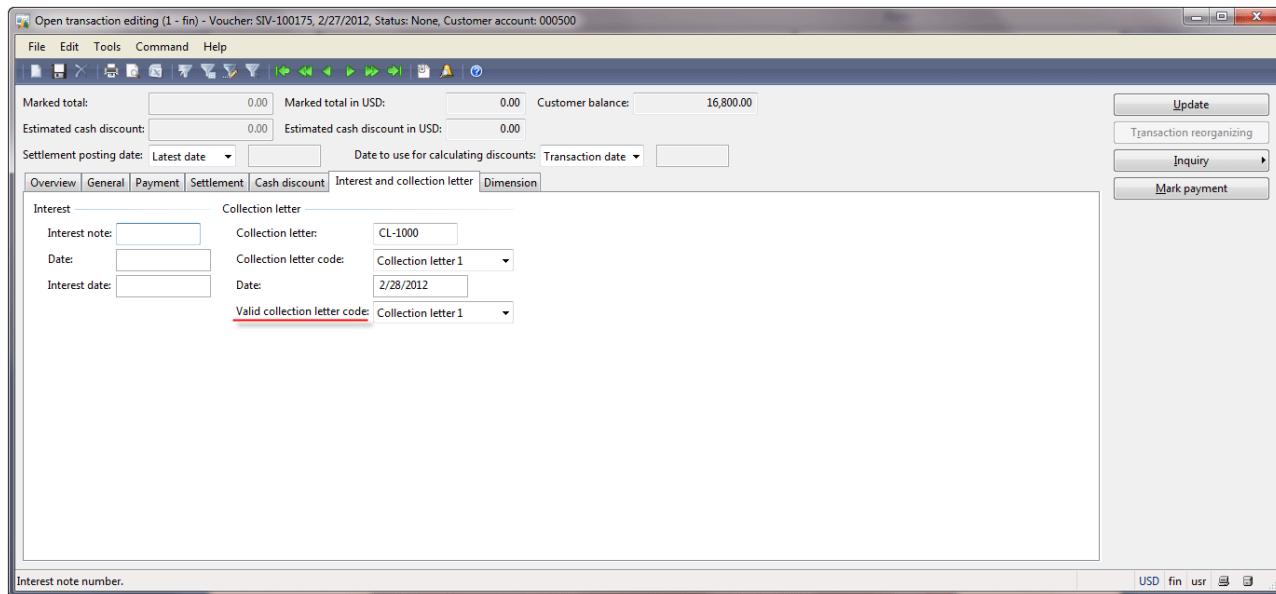
Let's create the Collection letter 2 again. Go to **Accounts receivable > Periodic > Interest and collection letter > Creation of collection letter**. The **Creation of collection letter** form opens. The form has the same view.



Click **OK**. Nothing happens. It is because when we print the Collection letter 1, the previous *Posting* parameter value is used, as a result the **Valid collection letter** field is not updated on the customer invoice transaction. We should do this manually.

4. Sales

Go to **Accounts receivable > Common Forms > Customer Details** > find the 000500 customer > **Functions** menu button > **Open transaction editing** button. The **Open transaction editing** form opens. One open transaction exists for the 000500 Customer. Go to the **Interest and collection letter** tab. Change the **Valid collection letter code** field value from *None* to *Collection letter 1*.



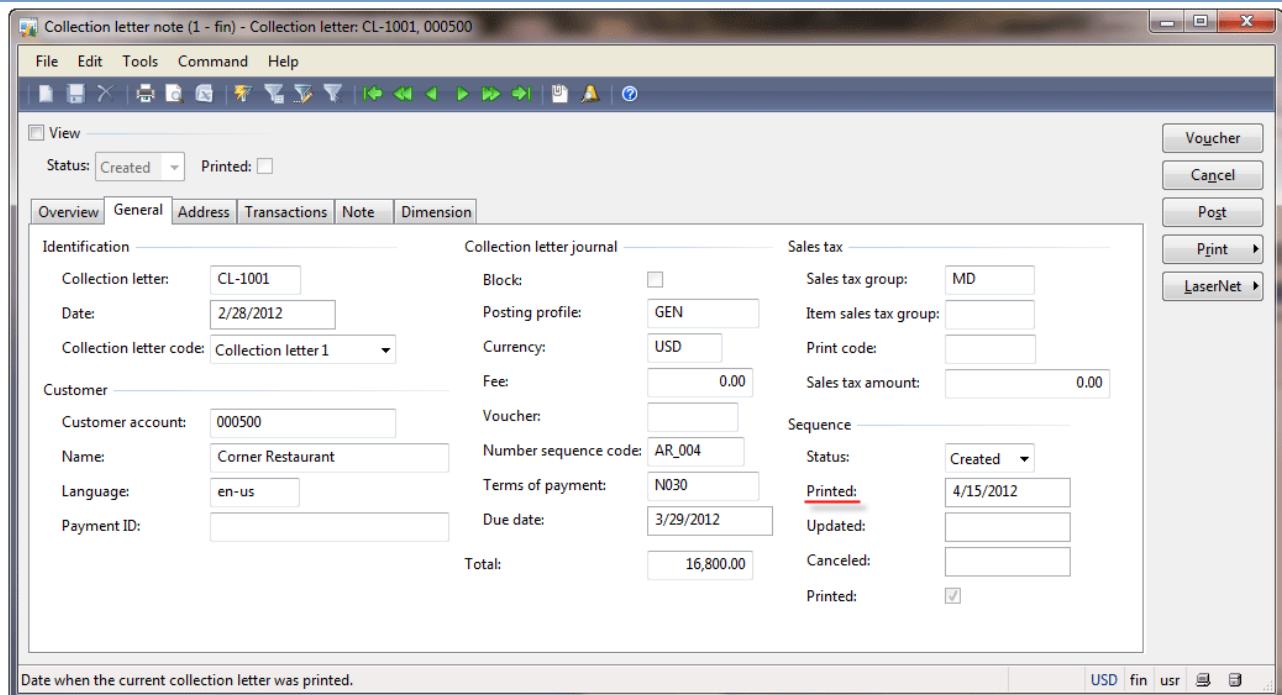
The **Valid collection letter code** field contains information about the last collection letter created for the customer transaction. On the basis of this field, Microsoft Dynamics AX determines what collection letter from the collection letter sequence should be used next. Note that the update of this field depends on the **Update collection letter code** field (from the **Parameters** form, see above). The *Posting* value means that the **Valid collection letter code** field is updated when the collection letter is posted. The *Printing* value – when collection letter is printed.

Let's create the Collection letter 2 again. Go to **Accounts receivable > Periodic > Interest and collection letter > Creation of collection letter**. The **Creation of collection letter** form opens. The form has the same view. Click **OK**.

Nothing happens. It is because of the date. We set up 3/2/2012 in the **Collection letter date** field in the **Creation of collection letter** form. According to the collection letter sequence, the collection letter 2 will be created when the customer does not pay during 3 days from the collection letter print date. We assume that the collection letter 1 print date is 2/2/2012 (the date of the collection letter). Let's check.

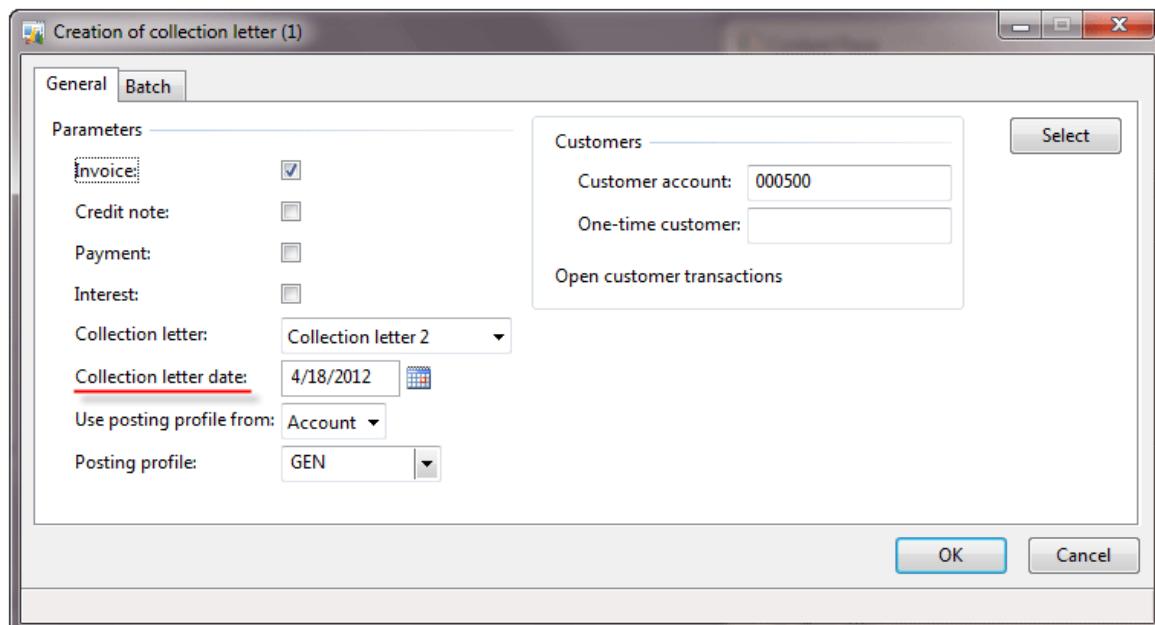
Go to **Accounts receivable > Periodic > Interest and collection letter > Collection letter note > General tab > Sequence** field group > **Printed** field.

4. Sales



Note that the **Date** field contains the date that we set up when creating the collection letter, but the print date can't be set up and contain the system date, in my case it is 4/15/2012. So to create the collection letter 2, I should set up 4/(15+3)=18/2012 date when creating the collection letter 2.

Let's create the Collection letter 2 again. Go to **Accounts receivable > Periodic > Interest and collection letter > Creation of collection letter**. The **Creation of collection letter** form opens. Set up the 4/18/2012 date in the **Collection letter date** field. Click **OK**.

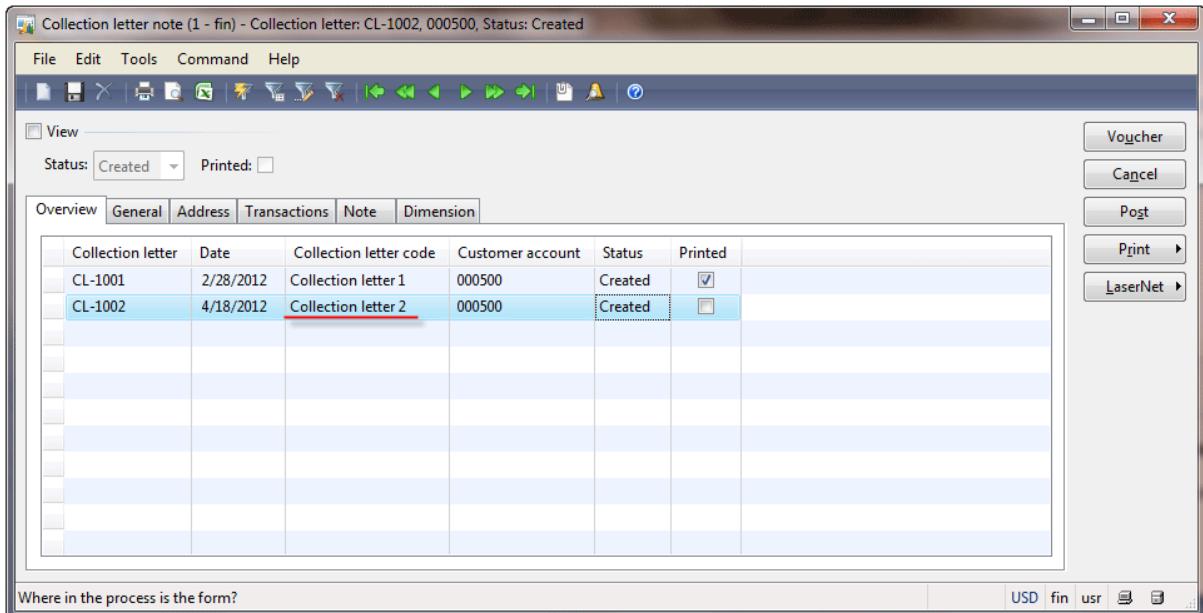


The infolog with the information about the created collection letter appears.

4. Sales

The Account manager prints and sends the new collection letter:

1. Go to **Accounts receivable > Periodic > Interest and collection letter > Collection letter note**. The **Collection letter note** form opens.
2. Find the last collection letter note.



3. Click the **Print > Collection letter note** button. The **Collection letter note** form opens, click **OK**. The collection letter note is printed. We can see that \$20 is included as the fee amount.
4. Let's post the collection letter. When we post the collection letter with the fee, we record in the system that the customer should pay the fee (in other words, the customer owes some money). The transaction looks as follows:

Customer		Collection fees	
Debit	Credit	Debit	Credit
\$20			\$20

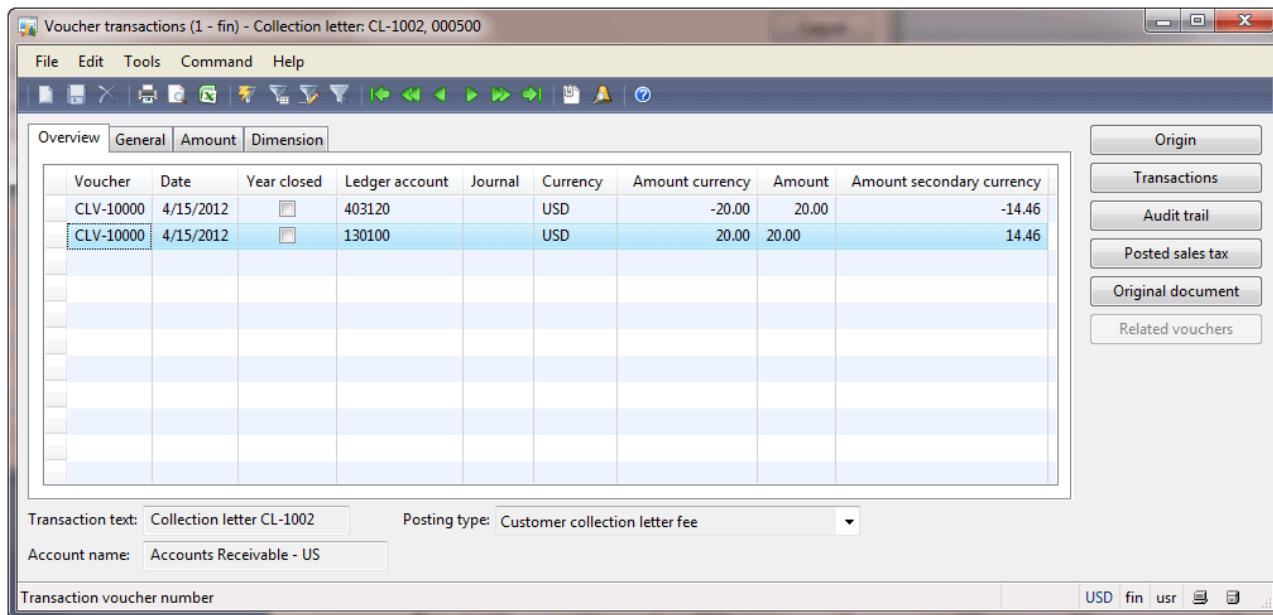
5. The Customer account is the Asset account since the customer's debt increases (i.e. the Asset is increased), the Debit part is used. The Collection fees account is the Profit & Loss account. This account is similar to the Liability account, because it contains the amount of money that should be returned by the company to the owners. Since the Collection fees account is increased, the Credit part is used.

Microsoft Dynamics AX uses the 130100 general ledger account instead of the Customer account (this is set up in the Customer posting profile). Instead of the Collection fees account, Microsoft Dynamics AX uses the account from the collection letter setup. Go to **Accounts receivable > Setup > Interest and collection letter > Collection letter** > find the Collection letter 2 (for the High collection letter sequence) > **Ledger account** field. In our demo data, this field contains the 403120 ledger account.

6. Click the **Post** button in the **Collection letter note** form. The **Post collection letter note** form opens. Click **OK**. The collection letter note is posted.

4. Sales

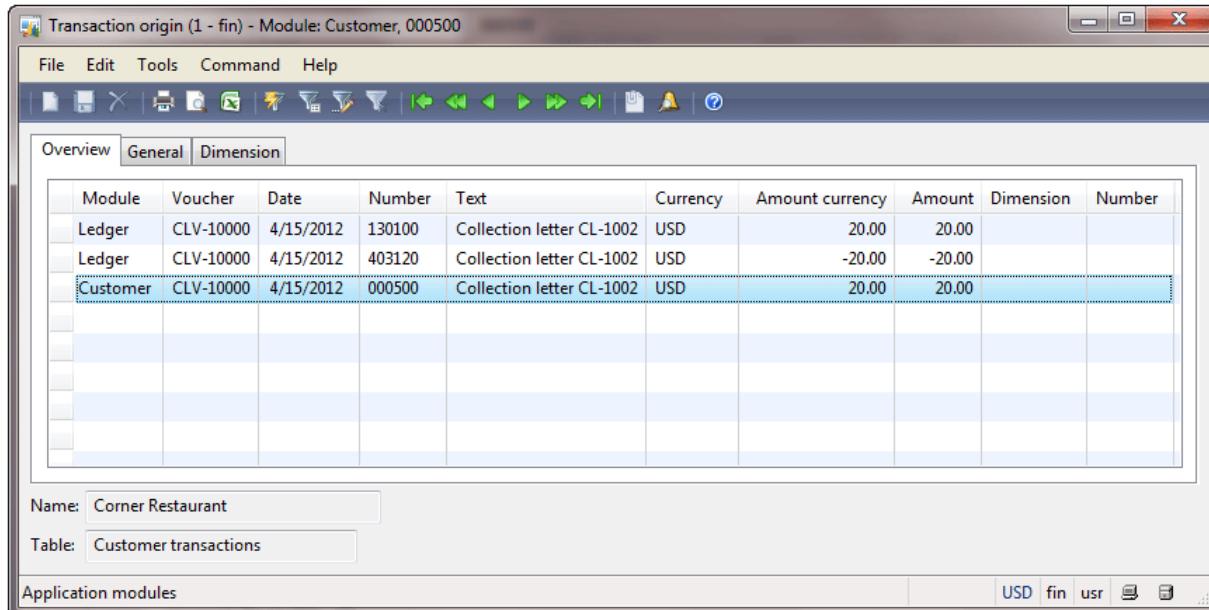
To view the voucher, click the **Voucher** button. The **Voucher transactions** form opens.



We make sure that the transaction looks as follows:

130100 (Accounts Receivable – US)	403120 (Collection fees)		
Debit	Credit	Debit	Credit
\$20			\$20

If we click the **Origin** button, we see all transactions for all ledger accounts:



There are two general ledger transactions and one customer transaction.

4. Sales

Let's review all transactions for the customer 000500. Go to **Accounts receivable > Common Forms > Customer Details >** Find the 000500 customer > **Transactions** button.

The screenshot shows the 'Customer transactions (1 - fin)' window. The title bar indicates 'Voucher: CLV-10000, 4/15/2012, Customer account: 000500'. The menu bar includes File, Edit, Tools, Command, and Help. The toolbar contains various icons for file operations like Open, Save, Print, and Filter. A navigation bar at the top right includes icons for Back, Forward, Home, and Help. Below the toolbar is a 'Show open only:' checkbox. The main area has tabs: Overview, General, Dimension, Payment, Bill of exchange, Settlement, Interest and collection letter, and History. The Overview tab is selected, displaying a grid of transactions:

Voucher	Date	Invoice	Bill ID	Sequence number	Status	Remittance number	Amount currency	Balance	Currency
SIV-100175	2/27/2...	100175		0	None		16,800.00	16,800.00	USD
FINV-10004	3/3/2012	10004		0	None		75.00	0.00	USD
ARP000136	3/3/2012			0	None		75.00	0.00	USD
CLV-10000	4/15/2...			0	None		20.00	20.00	USD

Below the grid, there are fields for Transaction text (Collection letter CL-1002), Amount (20.00), and Balance (20.00). To the right of the main area is a vertical toolbar with buttons for Voucher, History, Payment management, Cash flow forecasts, Original document, Cancel payment, Open (b), Invoices (d), Reverse transaction (g), and Reversed tracing (j). The bottom of the window shows buttons for USD, fin, usr, and other system icons.

We can see that the new transaction appears. This transaction is not settled with any payment transaction (view the **Settlement** tab to make sure). So this amount should be paid by the customer. If the customer does not pay the fees in time, the company can generate the collection letters for the fee amount.

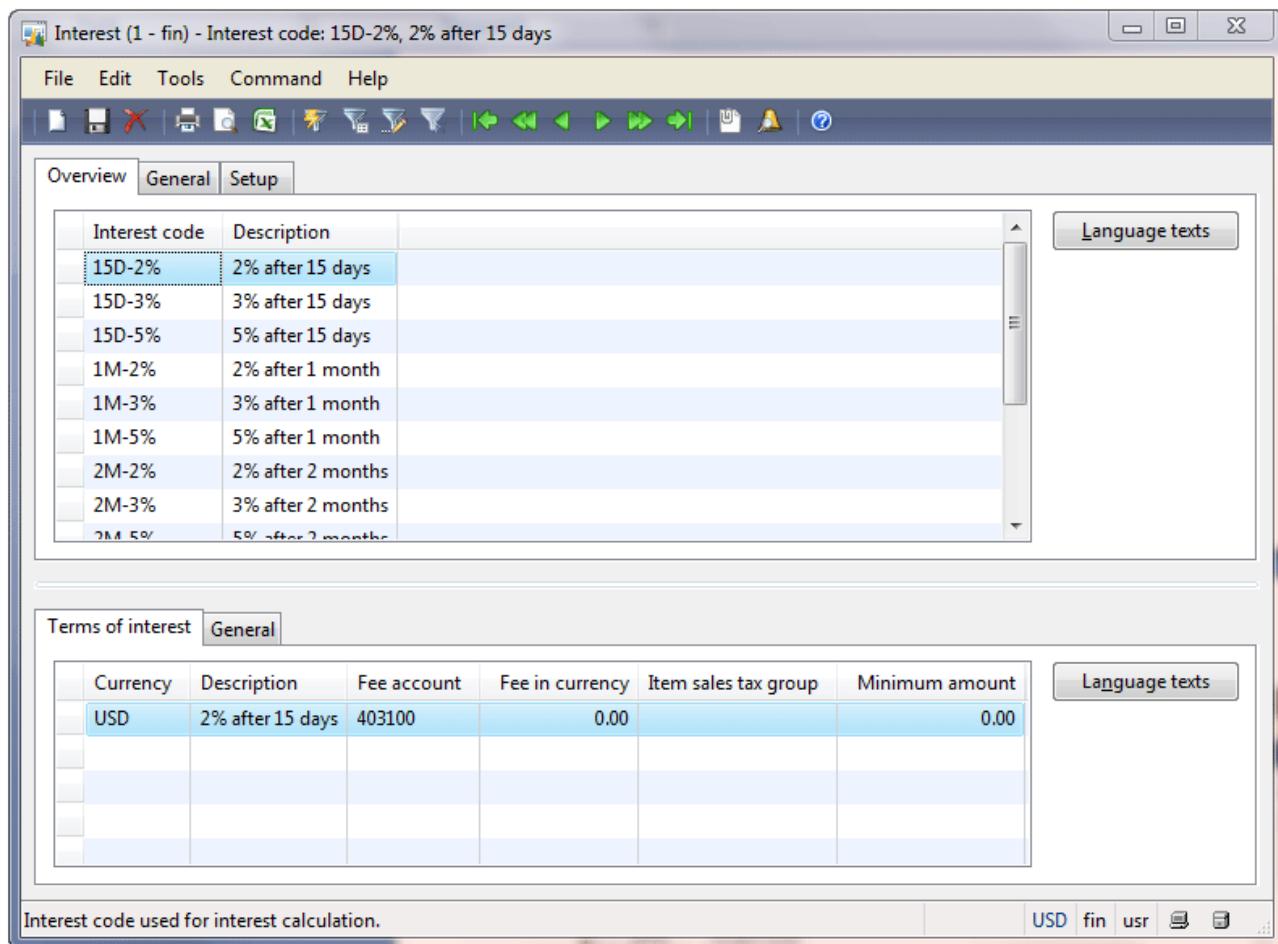
The customer can pay for the delivered items or services, and the company can decide to cancel the posted fee. In this case, the Account Manager goes to the **General journal** form (**General ledger > Journals > General journal**), creates the adjustment transaction, and posts it.

4. Sales

Interest Notes

Usually the collection letter fee includes the cost of mail. But sometimes companies may want to charge interest on late payments. (Like the bad guys who say: "If you don't return the money until Thursday, the sum to return will double."). For this purposes, Microsoft Dynamics AX has the interest notes functionality. Note that an interest note can be created for the invoices that were paid later than their due date.

Interests are set up under **Accounts receivable > Setup > Interests and collection letter > Interest**. The **Interest** form opens.



Let's assume that the company decided to use the following rule: if the customer does not pay during 15 days, the 2% interest is added.

The "15D-2%" interest code is appropriate for this scenario. Find the "15D-2%" interest note in the **Interest** form and go to the **Setup** tab to check the configuration.

4. Sales

The screenshot shows the 'Interest (1 - fin) - Interest code: 15D-2%, 2% after 15 days' setup window. The 'Setup' tab is selected. The 'Interest earnings' section contains fields for Debit % (2.00), Debit calculation per (15), Day/Mth: Day, and Ledger posting debit (700200). The 'Interest payments' section contains fields for Credit % (0.00), Credit calculation per (0), Day/Mth: Day, and Ledger posting credit (700200). The 'Days of grace' section has a Days field set to 0. Below this, the 'Terms of interest' tab is selected, showing a table with one row: Currency (USD), Description (2% after 15 days), Fee account (403100), Fee in currency (0.00), Item sales tax group (empty), and Minimum amount (0.00). A 'Language texts' button is also present. At the bottom, there is a note about interest percentage for revenue and a toolbar with buttons for USD, fin, usr, etc.

The **Debit %** field contains percentage value per month. The **Debit calculation per** field contains the number of days that will increase the interest amount. So, in our case the interest amount will be increased by 1% each 15 days (the month percentage is 2%, so the 15 days percentage is 1%).

Note that the 700200 general ledger account will be used to store the interest amount. When the interest is posted, the customer transaction has the following view (similar to the sales transaction):

Customer		Interest income	
Debit	Credit	Debit	Credit
\$Interest amount			\$Interest amount

The 700200 general ledger account will be used instead of the Interest income account. The Interest income account belongs to the Profit&Loss accounts and is similar to the Liability account.

The interest is set up for the customer through the customer posting profile.

1. Go to **Accounts receivable > Setup > Posting profiles**. The **Customer posting profile** form opens.
2. We already know that the GEN posting profile is used in our company (select it).
3. Go to the **Setup** tab.

4. Sales

4. We already know that the ALL setup is used for the 000500 customer. Set up 15D-2% in the **Interest code** field.

Now, we will run the interest note proposal that will create interest notes. Then, these notes can be printed, sent to the customer, and posted.

1. Go to **Accounts receivable > Periodic > Interest and collection letter > Interest calculation**. The **Interest calculation** form opens.
 2. Select the **Invoice** check box. In this case, all customer invoice transactions will be checked if the payment is late.
 3. Set up the payment due date in the **From date** field. In the previous paragraph, we have found out that the customer must pay the invoice until 2/27/2012 (see the **Open transaction editing** from). So, I enter 2/27/2012 in the **From date** field.
 4. For example, we need to calculate the interest for the period of 2 months. So, set up the payment due date + 2 months in the **To date** field. In my case, it is 4/27/2012.
 5. Click the **Select** button and select the 000500 customer.
 6. The **Interest calculation** form looks as follows:

Interest calculation (1)

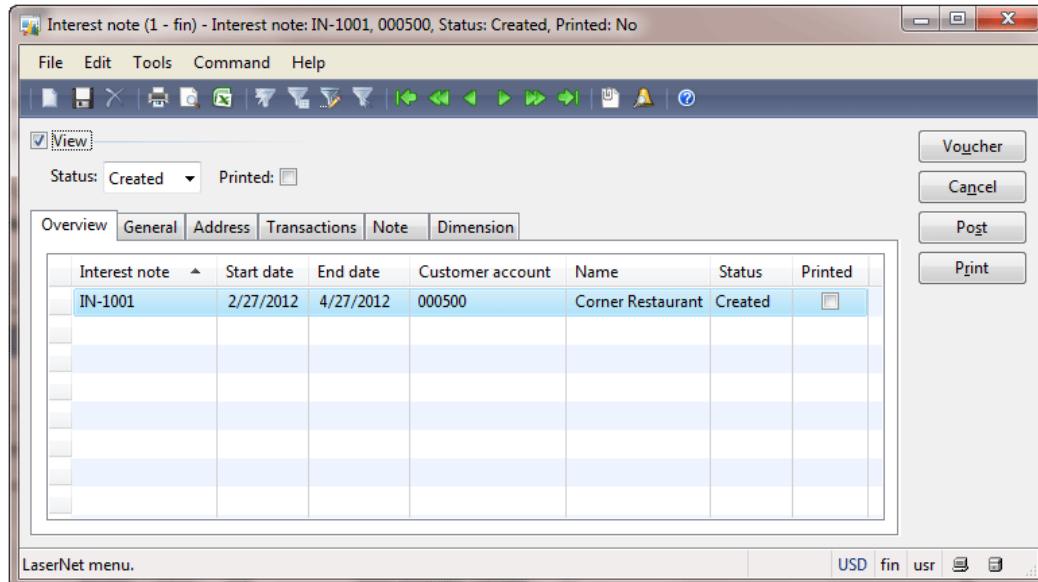
General		Batch
Parameters		
<u>Invoice:</u>	<input checked="" type="checkbox"/>	Customers Customer account: 000500 One-time customer: Customer settlement Open customer transactions
Credit note:	<input type="checkbox"/>	
Payment:	<input type="checkbox"/>	
Interest:	<input type="checkbox"/>	
<u>From date:</u>	2/27/2012 <input type="button" value="..."/>	
<u>To date:</u>	4/27/2012 <input type="button" value="..."/>	
Round-off:	0.00	
Use posting profile from:	Account <input type="button" value="▼"/>	
Posting profile:	<input type="button" value="▼"/>	
<input type="button" value="OK"/> <input type="button" value="Cancel"/>		
Due date of the transaction that forms the basis of an interest note.		

- #### **7. Click OK.**

The infolog stating that the interest note is created appears. (If the interest note is not created, try to run the interest calculation with empty dates. If the interest note is created, then cancel it and run the interest calculation with the filled dates again).

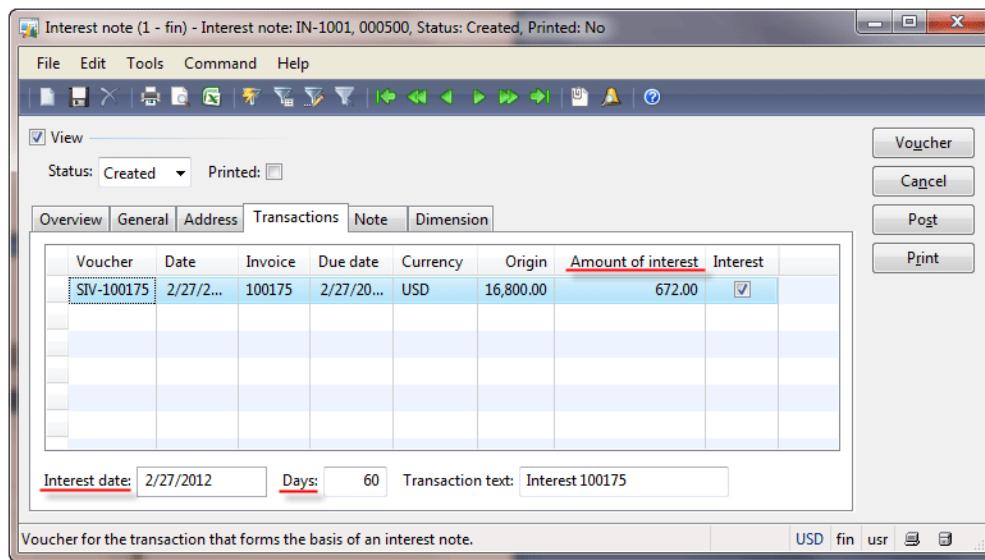
4. Sales

To print and post an interest note, go to **Accounts receivable > Periodic > Interest and collection letter > Interest note**. The **Interest note** form opens.



We can see the start and end date of the interest. In our case, we calculate the interest for the period of 2 months.

To view the customer transactions that are included in the interest note and calculated interest amount, go to the **Transactions** tab.



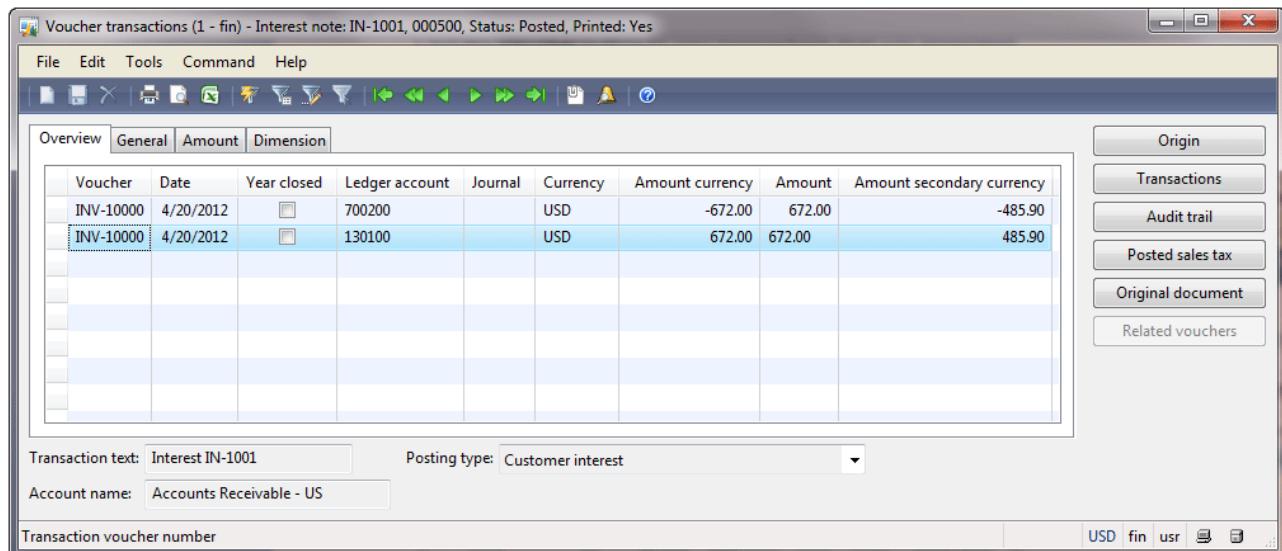
We can see that Microsoft Dynamics AX calculated \$672 as the interest amount. We calculated the interest for the period of 2 months, it is because the **Days** field contains the 60 value. According to our setup, the interest amount is increased by 1% each 15 days, so during 60 days, the interest amount must be $60 \text{ days} / 15 \text{ days} * 1\% = 4\%$ from the unpaid (origin) amount, in our case it is $\$16,800 * 0.04 = \672 .

4. Sales

To print the interest note, click the **Print** button. The interest note will be printed and can be sent to the customer.

If the Account Manager is sure that the customer will pay the interest, the interest is posted. Click the **Post** button in the **Interest note** form. The **Post interest note** form opens, set up the today date in the **Posting date** field and click **OK**. The interest note will be posted.

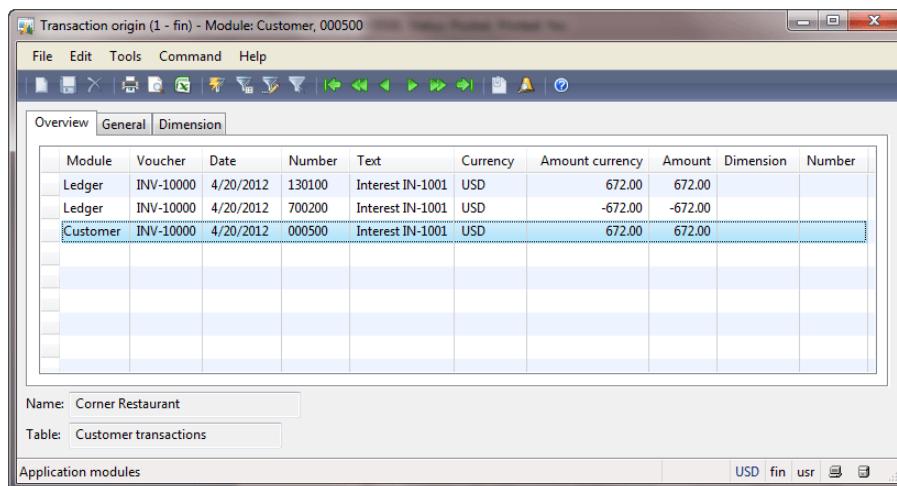
Click the **Voucher** button to view the transactions that were generated.



We make sure that the general ledger transaction looks as follows:

130100 (Customer)	700200 (Interest income)
Debit	Credit
\$Interest amount	\$Interest amount

Click the **Origin** button to see all transactions.



4. Sales

We can see that except the ledger transactions, the customer transaction is created. This is the open customer transaction that should be settled with the customer payment transaction. The customer payment transaction will be created when the customer pays the interest (the Account Manager will use a payment journal to post the customer payment). Note that if the customer does not pay the interest, the Account Manager can create the collection letter.

Summary

In the Sales training lesson, we have studied the following:

1. The main sales steps from the financial point of view are:
 1. Quotation
 2. Quotation confirmation
 3. Sales order confirmation
 4. Items picking
 5. Items shipment
 6. Packing slip
 7. Invoice
2. Sales taxes (Authority, Sales tax codes, Sales tax group, Sales tax posting)
3. Free text invoice
4. Customer payments (journal creation, payment settlement, payment generation, notification receipt, and journal posting)
5. Pay to authority (sales tax payment)
6. Bank reconciliation
7. Customer account statement, collection letter, and interest note