



## **How To – Non-Inventory Related Payments**

## DOCUMENT SUMMARY SHEET

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# 1 Purpose of this Document

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## 1.1 Inventory Purchases

In Adempiere, inventory purchases follow the processes of:

- Purchase Order (for Products)
- Vendor Material Receipt (of Products)
- Vendor Invoice (for Products)
- Match Invoice to Receipt

The accounting consequences are (typically)

Vendor Material Receipt

- Debit Inventory at a known or estimated cost
- Credit Goods Received not Invoiced account

Vendor Invoice

- Debit Goods Invoiced but Not Received
- Credit Accounts Payable

Match Invoice to Receipt

- Debit Goods Received not Invoiced account
- Credit Goods Invoiced but Not Received
- Debit/Credit Invoice Price Variance

The GL account codes affected regarding the product purchases will largely be determined by the Product Accounting records which are stored in the Product Category – Accounting tab and then inherited into the equivalent records for each added Product.

## 1.2 Non-Inventory Purchases

Many expenses and some revenues will appear in the company's accounts that do not relate to inventory purchases. These expenses (and some revenues) will typically affect accounts unrelated to inventory.

Examples of such transactions are:

- Payroll transactions
- Dividends
- BAS and Income Tax Payments
- Transfers between bank accounts
- Loans from parent companies

Payments which are not **inventory purchases** will typically be allocated to a **Charge**.

This How-To guide describes the way in which Adempiere ERP & CRM can be used to process non-inventory related payments.

## 2 Non-Vendor Payments

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### 2.1 Introduction

This HowTo describes the way in which Adempiere ERP & CRM can be used to process payments of the following type:

- Payroll transactions
- Dividends
- BAS Payments
- Transfers between bank accounts
- Loans from parent companies

Payments which are not **inventory purchases** will typically be allocated to a **Charge**.

### 2.2 What is a “Charge”?

Adempiere supports the use of multiple Accounting Schemas and/or Charts of Account. By this mechanism the Australian subsidiary of (say) a New Zealand parent company could operate with a completely different set of general ledger accounts to the NZ parent, and be denominated in AUD rather than NZD. The “Charge” record allows an expense to be put to the Charge “Coffee Purchases” and for expense to then debit a particular general ledger account in the AU Chart of Accounts in AUD and also debit a completely different general ledger account in the NZ chart of accounts in NZD. The NZ Company can then produce consolidated reports in its preferred chart of accounts and in NZD.

A “Charge” in Adempiere is thus a construct which acts as a link to a general ledger account in an Accounting Schema so that the account code itself does not have to be directly selected in various documents. The Charge then “sets” the account code in each of the affected Accounting Schemas.

In a system with only a single Accounting Schema a Charge becomes an alias for a particular general ledger account in that single Accounting Schema.

### 2.3 The Charge Window

The Charge window looks as follows:

Charge 1 Bank Service Charges SuperUser@ADAXA Pty Ltd.Adaxa Pty L...

File Edit View Go Tools Window Help

Charge Accounting

Client ADAXA Pty Ltd Organisation Adaxa Pty Ltd

Name 1 Bank Service Charges

Description

☒ Active

Charge amount 0.00

Tax Category Not Supply ☐ Price includes Tax

☒ Same Tax

Business Partner

Charge Type

*Illustration 1: Charge Window - Charge tab*

Note that the example has a Name starting with “1” simply to force it to sort at the top of dropdown lists as it is used frequently.

The Tax Category is the default tax category that should be applied if this Charge is selected in (say) a sales invoice or a vendor invoice.

The field “Price includes Tax” should not be used

The field: Same Tax should not be used.

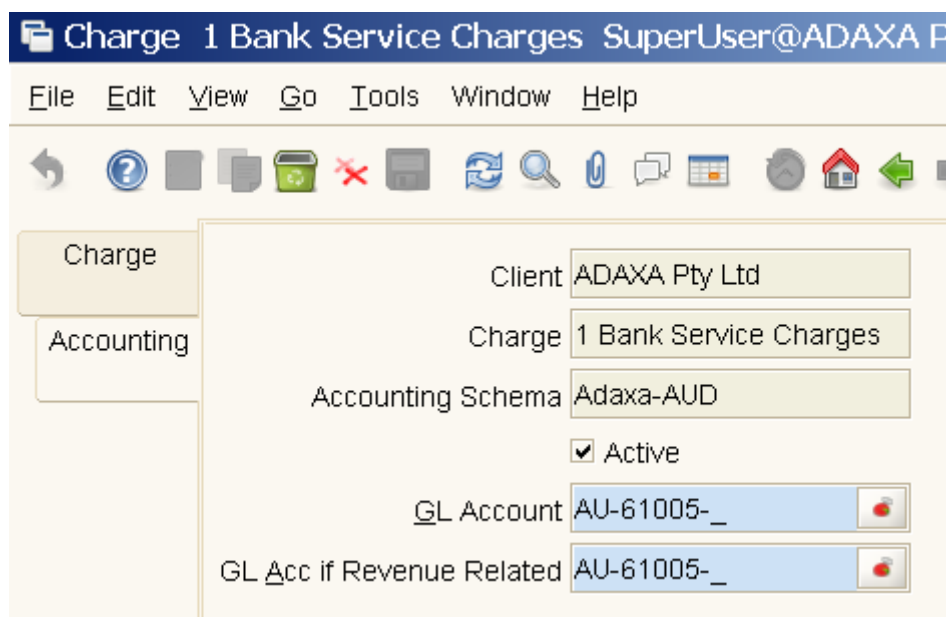
The Charge Accounting tab shows two account codes. The first account code will be used if the amount being posted is a debit, the second will be used if the amount is a credit. [as at Nov 2012 this behaviour is being amended so that if the transaction originates from a sales order or sales invoice then it will use the “GL account if Revenue Related” else it will use the “GL Account”].

This construct is used to support Adempire's “Counter Documents” functionality in which a sales invoice in one organisation automatically creates a vendor invoice in a related corporation. In the first organisation the amount must post to a sales account and in the second organisation, to a cost of sales account. It can also be

used so that only a single Freight or Interest Charge is required and the context will determine whether the “revenue” or “cost” account is used.

The Charge Type is a means of filtering which Charges are displayed in different Adempiere windows.

The Charge Accounting tab displays as follows:



*Illustration 2: Charge Window - Accounting tab*

## 2.4 Where can a Charge be Used?

The “Charge” field appears in many windows for example:

- Sales Order/Sales Invoice
- Purchase Order/Vendor Invoice
- Inventory adjustment/Stocktake
- Payment
- Payment Allocation

## 2.5 Charges and GST

It is very important to note that although a Charge can be used to allocate an expense or revenue in all of the windows noted above it is only in the first two groups that a GST consequence can be recorded. Adempiere



only allows a GST tax consequence or transaction to be recorded from a Tax Invoice transaction – either a sales invoice or a purchase invoice.

If you have an expense like a Bank Fee then you can directly allocate that to a Charge in the Payment window and there is no tax consequence. If you are processing the equivalent for a Credit Card fee then there will most likely be a GST consequence in which case you will need to take a Vendor invoice for the amount so that the GST component is correctly identified. The payment can then be entered in the Payments window and the invoice selected from the drop-down invoice list in the Payment window.

For expenses that recur, particularly if they have multiple lines, you can create a new Vendor invoice header record and enter the mandatory fields, document number and Business Partner/Vendor and then click the "Copy Lines" button to copy the lines from a previous invoice for the same expenses. For more structured data you can use the "Recurring" process to set up the same invoice to be created each week/month for the period you nominate.

## 2.6 Payroll as an Example

Payroll is an example of a payment which is not inventory related. Payroll payments can be taken up in two ways.

### Method 1: GL Journal

- create the Payment record and allocate to a Charge pointing to a Net Payroll liability account.
- create a GL Journal that debits and credit all required GL Accounts and then credits the Net Payroll Liability account

### Method 2: Vendor Invoice

- create the Payment record and do not allocate.
- create a Vendor Invoice with invoice lines that debit and credit all required Charges with a document net amount equal to the payment amount.

Either method works satisfactorily. Most Adaxa customers have tended to use the Vendor Invoice method. Note that GL Journals need to be created and posted separately for each Accounting Schema whereas posting the same transaction via a Vendor Invoice only requires the transaction to be created once since the Charge can point to the GL accounts in each Accounting Schema

## 2.7 Example of Payroll Posting by Vendor Invoice

Assume we have a payroll payment with the following attributes:

●	Gross Payroll	\$1000
●	PAYG deducted	\$200
●	Net Pay	\$800

Payroll entries can be taken up gross or net. Let's assume we are taking up the Gross Payroll.

Create a Business Partner/Vendor called "Payroll Clearing"

Create a Charge (called - Salaries) pointing to the Salaries Expense Account

Create a Charge (called - PAYG Suspense) pointing to the PAYG Suspense Liability Account

(both Charges should have their tax category set as "Not Supply" so that the system will not try by default to apply GST to the transactions)

Create a Vendor invoice to the BP "Payroll Clearing" with a Doc Number of "June Salaries"

- Add line 1 as a Charge to Salaries for \$1000
- Add line 2 as a Charge to PAYG Suspense for -\$200.
- The net invoice will be for \$800
- Process and Post

*(Note that the invoice could also have lines with matching debit and credit amounts pointing to Superannuation Expense and Superannuation Liability etc)*

Create a Payment to the Business Partner "Payroll Clearing"

- Select the invoice "June Salaries" from the invoice list
- The amount of \$800 will be automatically filled in
- Complete and Post

## 2.8 Business Activity Statements

Let's assume that during a given month a series of Sales invoices have generated the following transactions:

●	Dr Debtors	\$11,000
●	Cr GST on Sales	-\$1000
●	Cr Revenue	-\$10,000

Purchase invoices have generated the following transactions:

●	Dr Expense/Inventory	\$5,000
●	Dr GST on Purchases	\$500
●	Cr Creditors	-\$5,500

Payroll has generated the following transactions:

●	Dr Salaries	\$1000
●	Cr PAYG Suspense	-\$200
●	Cr Cash	-\$800

Let's also assume that it is the end of a quarter so a Corporations Tax instalment (\$250) and an FBT instalment (\$100) are also due.

### 2.8.1 Create the necessary Charges

Create a Charge called "Corp Tax Liability" pointing to the relevant general ledger liability account and set its tax category as "not supply". Do the same for FBT Liability, GST on Sales Liability and GST on Purchases if they are not already set up.

### 2.8.2 Taking Up the BAS Payment Liability

Create a Business Partner/Vendor for the Australian Tax Office (ATO).

Create Vendor Invoice to ATO and give it a document number of "BAS – June 2015" and add the following lines to the invoice which will have a total value of \$1,050 based on the entires below

Line 1 GST on Sales	\$1000
Line 2 GST on Purchases	-\$500
Line 3 PAYG Clearing	\$200
Line 4 Corp Tax Liability	\$250
Line 5 FBT Liability	\$100

The invoice will total \$1050.

### 2.8.3 Create a Payment to the ATO

In the Payment window,

- create a Payment record to the ATO and select the invoice called "BAS – June 2005" from the invoice drop-down list
- The value of \$1050 will be automatically displayed in the Payment Amount field.
- Complete the invoice.

### 2.8.4 Reconciliation Process

The Vendor invoice to the ATO will generate a debit to the GST on Sales liability account of \$1000. This transaction should bring the GST liability back to zero (if you are operating on an accrual basis). If it does not then there is an error. The same will apply to GST on each of Purchases and PAYG Clearing.

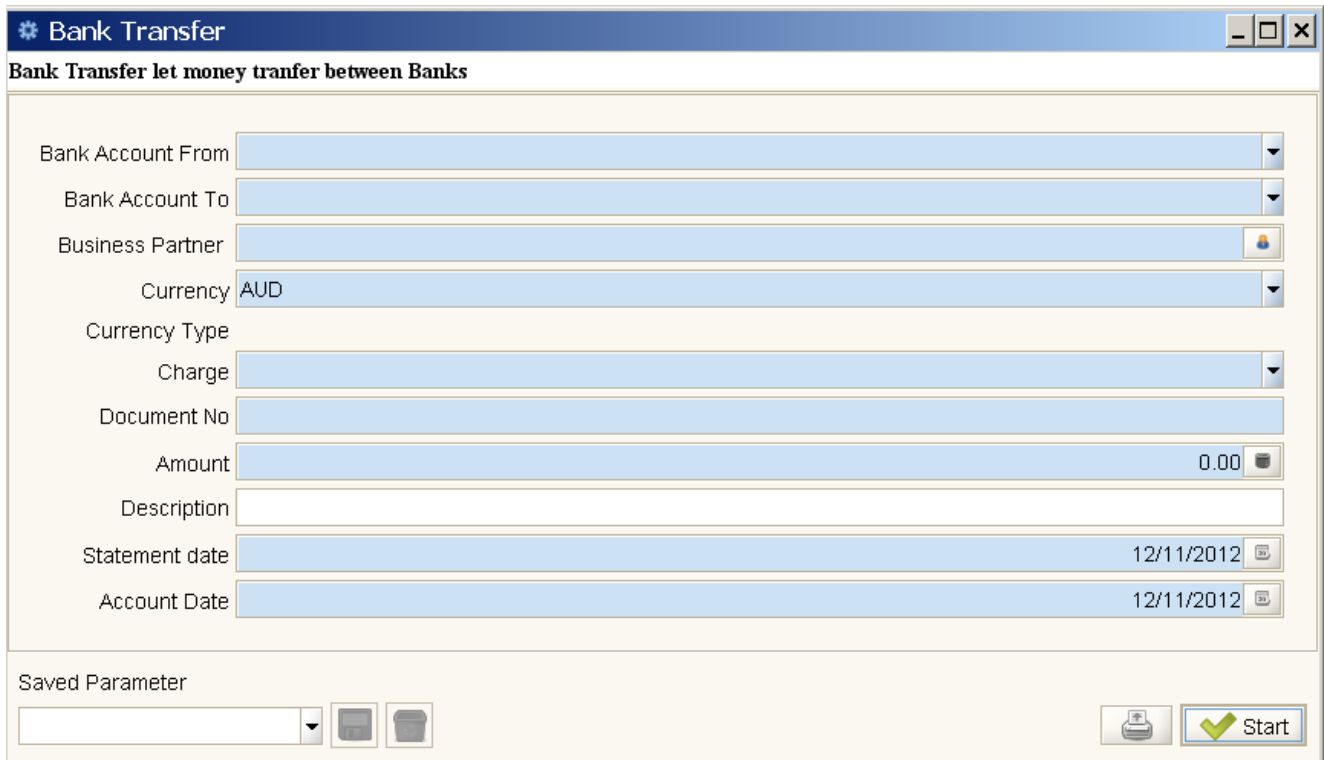
It can be helpful to process the BAS invoice for (say) June with a date of 1 July. This will leave these liability amounts in their respective GL Liability accounts when the June 30 Balance Sheet is created. The 1 July in-

voice will then clear the “GST on Sales”, “GST on Purchases” and “PAYG Clearing” general ledger accounts to zero at 1 July. If the accounts have a balance after you have taken up the BAS invoice then you know there is either an error or a timing difference which you will need to fully understand.

## 2.9 Transferring money between Bank Accounts

Transferring money between bank accounts requires transactions to be created in both banks and their respective GL accounts and is most easily done using the Adempiere Bank Transfer process. This is described below.

The Bank Transfer process displays the following form.



*Illustration 3: Bank Transfer Form*

Select the “Bank Account From”, “Bank Account To”, “Business Partner” (usually just “Bank”) from the drop-down lists.

Select the Charge “Intra-Bank Transfer” which will most likely point to a GL Account in the bank accounts area with a name like “Intra Bank Transfer Suspense”.

Allocate a document Number of your choice, the amount and a description and date.

The processing of the form will cause an AP Payment in the first account and an AR Receipt in the second account. Both Payments will be set to point to the selected Charge and the corresponding debits and credits will clear in the Intra Bank Transfer Suspense account.

If there is a currency translation involved then create the equivalent payments manually in the two bank accounts and select the Intra Bank Transfer Suspense charge. Set a description or document number that allows you to see that the two transactions are related when viewed in the Intra Bank Transfer Suspense GL account. If there is an exchange difference you will need to transfer by GL Journal to the exchange differences accounts.

If there is a timing difference between the AP and AR Payments then there may be a balance in the Intra Bank Transfer Suspense account at month end – as there should be.

## 2.10 Payment Allocations

The Payment Allocation window also allows amounts to be allocated to a Charge. This can be useful in the following circumstances.

An invoice is slightly underpaid or overpaid and the balance needs to be written out of the Accounts Payable or Accounts Receivable ledger.

A foreign currency invoice has been paid and due to bank fees and exchange differences an amount is left either as unallocated payment or invoice (note that the Payment Allocation will have already adjusted for the difference between the Invoice and Payment SYSTEM rates in ADempire. This method allows the adjustment for when the System exchange rate for say AUD100 was NZD130 ... but the bank had changed you NZD150.

A customer has made a payment of \$100 and \$60 pays an invoice of your company and \$40 paid an invoice from your related company.

The Payment Allocation window shows as :

Payment Allocation SuperUser@ADAXA Pty Ltd.Adaxa Pty Ltd [MyAppsServer{local...]

File View Tools Window Help

Business Partner  Date  Organisation

Currency  ☐ Multi-Currency

☐ Automatic Write-Off

Payment

Select	Date	Document No	Converted	Open	Applied
<input type="checkbox"/>	18/01/2012	WBC-DC-20120118	-823.36	-823.36	0.00
<input type="checkbox"/>	12/11/2012	eft	-11.50	-11.50	0.00
					0 - Sum 0.00

Invoice

Select	Date	Document No	Converted	Open	Trade Discount	Write-off	Applied	Over/Under Payment
<input type="checkbox"/>	12/11/2012	10000266	-11.00	-11.00	0.00	0.00	0.00	-11.00
								0 - Sum 0.00

Difference AUD  Charge

Prefer selecting a matching invoice and payment pair and process each at a time.

**Illustration 4: Payment Allocation Window**

This shows that we received an invoice from AAMI for \$11.00 and made a Payment of \$10.50. The Payment can be allocated against the invoice leaving the following:

Payment Allocation SuperUser@ADAXA Pty Ltd.Adaxa Pty Ltd [MyAppsServer{local...]

File View Tools Window Help

Business Partner  Date  Organisation

Currency  ☐ Multi-Currency

☐ Automatic Write-Off

Payment

Select	Date	Document No	Converted	Open	Applied
<input type="checkbox"/>	18/01/2012	WBC-DC-20120118	-823.36	-823.36	0.00
<input type="checkbox"/>	12/11/2012	eft	-11.50	-0.50	0.00
					0 - Sum 0.00

Invoice

Select	Date	Document No	Converted	Open	Trade Discount	Write-off	Applied	Over/Under Payment
					0 - Sum 0.00			

Difference AUD  Charge

10002096

*Illustration 5: Partially complete Payment Allocation*

Assume \$0.50 will never be paid and we wish to remove from the Accounts Payable ledger. Select the line by ticking the box on the left hand side. Select the Charge you wish to transfer the \$0.50 to. Complete the Allocation.

Payment Allocation SuperUser@ADAXA Pty Ltd.Adaxa Pty Ltd [MyAppsServer{local...]

File View Tools Window Help

Business Partner AAMI Date 12/11/2012 Organisation Adaxa Pty Ltd

Currency AUD ☐ Multi-Currency

☐ Automatic Write-Off

Payment

Select	Date	Document No	Converted	Open	Applied
<input type="checkbox"/>	18/01/2012	WBC-DC-20120118	-823.36	-823.36	0.00
<input checked="" type="checkbox"/>	12/11/2012	eft	-11.50	-0.50	-0.50
					1 - Sum -0.50

Invoice

Select	Date	Document No	Converted	Open	Trade Discount	Write-off	Applied	Over/Under Payment
					0 - Sum 0.00			

Difference AUD -0.50 Charge 1 Bank Service Charges Process

10002096

- 1 Bank Service Charges
- 2 Services Purchased e
- 4 Bank Transfer Susper
- Accounting Fees
- Advertising & Promotion
- Association Membership
- ATO Penalties

*Illustration 6: Payment Allocation - complete*

The \$0.50 will now be written off to the selected Charge of “1 Bank Service Charge”.

If the amount arose because the payment was for an invoice raised by a another subsidiary of your group then you would select a Charge with a name like “Loan account – XYZ Pt Ltd” and then deal with the item through your normal intercomapny settlements process.

## 2.11 Other Items

The number of different circumstances that may give rise to the need to record transactions is limitless. This document seeks to demonstrate some standard Adempiere methods of dealing with non-inventory purchase transactions to demonstare the range of options that may be applied to such matters as they arise.



## Adaxa's Offices and Contacts

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Information of a general nature about Adaxa and its services can be found at [www.adaxa.com](http://www.adaxa.com) or obtained by sending an email to [info@adaxa.com](mailto:info@adaxa.com) with a description of the information that you would like to receive. If you are an existing client and wish to initiate a request for software support please send an email to [helpdesk@adaxa.com](mailto:helpdesk@adaxa.com) with as much detail as possible about the nature of your support request.

For all other information please contact the Adaxa office nearest to you.

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