

Project Edulead

USER MANUAL

Finance Management System(HR)

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1.0



Sustainable Outreach and Universal Leadership

Limited

Sign off Date

Signature Client

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Cost Center Allocation

Cost Center Allocation

Cost Center Allocation is a feature using which the general ledger entry against a cost center can be split against multiple cost centers. In the Cost Center Allocation document, you can define allocation percentages of the child cost centers.

In a growing business, it becomes a necessity to analyze the income/expenses against each business unit of the organization. And to do that, we need to treat each business unit as a cost center and book income/expenses against the cost center. But if we need to split it every time at the transaction level manually, it becomes very difficult. That's when this Cost Center Allocation feature comes to the rescue.

In ERPNext, we just need to define the allocation between multiple cost centers (business units) against a specific master/main cost center. Then whenever we book an invoice or expense transaction against the main cost center, the system automatically splits it based on allocation and posts gl entries against each child cost center.

1. How to create a Cost Center Allocation?

1. Go to Cost Center Allocation list view and create a new Cost Center Allocation.
2. Enter the Main Cost Center which will be used in the transaction.
3. Enter Valid From and Valid Upto to track the validity of the allocation.
4. In the child table, enter child cost centers and their percentage
5. Save and Submit the document.

The screenshot shows the ERPNext application interface for creating a new Cost Center Allocation document. The document title is 'CC-ALLOC-00003' and it is currently in 'Draft' status. On the left side, there are several sidebar buttons for 'Assigned To', 'Attachments' (with an 'Attach File' button), 'Reviews' (with an '+ Add Review' button), 'Shared With' (with an '+ Add Shared With' button), and 'Tags' (with an 'Add a tag ...' button). Below these is a 'FOLLOW' button and a note indicating the user edited the document 3 hours ago. The main content area includes a 'Submit this document to confirm' button at the top right. Below it, the 'Main Cost Center' is set to 'ERPNext - GTPL' and 'Valid From' is set to '01-12-2021'. The 'Company' field contains 'Gadget Technologies Pvt. Ltd.'. A table titled 'Cost Center Allocation Percentages' lists four entries with their respective percentages:

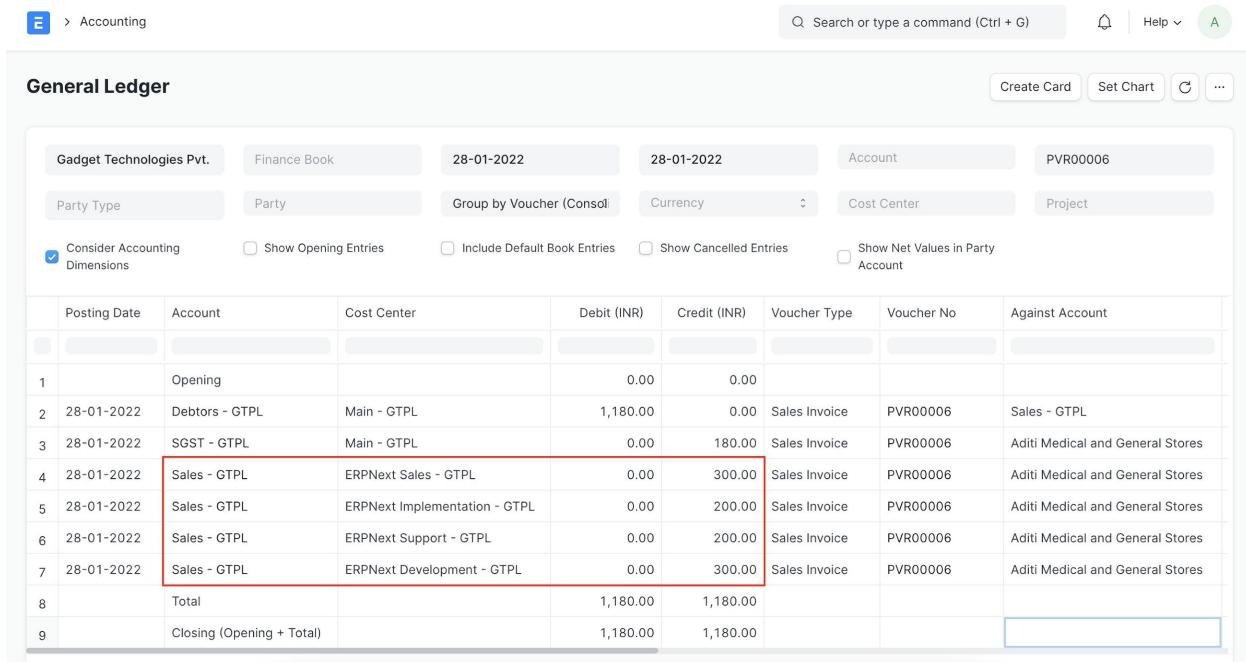
No.	Cost Center	Percentage (%)	Edit
1	ERPNext Development - GTPL	30	<input type="checkbox"/>
2	ERPNext Sales - GTPL	30	<input type="checkbox"/>
3	ERPNext Implementation - GTPL	20	<input type="checkbox"/>
4	ERPNext Support - GTPL	20	<input type="checkbox"/>

At the bottom of the table, there is a 'Add Row' button.

2. GL Entries against Transaction



While booking any transaction against the main cost center, the system automatically splits the GL Entry against it and posts multiple gl entries based on the applicable cost center allocation record.



The screenshot shows the General Ledger interface in ERPNext. The top navigation bar includes 'Accounting' and a search bar. The main area is titled 'General Ledger' and displays a grid of transaction details. The columns include Posting Date, Account, Cost Center, Debit (INR), Credit (INR), Voucher Type, Voucher No, and Against Account. A specific row for a Sales Invoice dated 28-01-2022 is highlighted with a red border. This row shows the original entry being split into multiple entries across different cost centers: Main - GTPL, ERPNext Sales - GTPL, ERPNext Implementation - GTPL, ERPNext Support - GTPL, and ERPNext Development - GTPL. Each split entry has a debit of 300.00 and a credit of 200.00, with the difference being posted to the opening balance of 1,180.00.

Posting Date	Account	Cost Center	Debit (INR)	Credit (INR)	Voucher Type	Voucher No	Against Account
1	Opening		0.00	0.00			
2 28-01-2022	Debtors ~ GTPL	Main - GTPL	1,180.00	0.00	Sales Invoice	PVR00006	Sales ~ GTPL
3 28-01-2022	SGST - GTPL	Main - GTPL	0.00	180.00	Sales Invoice	PVR00006	Aditi Medical and General Stores
4 28-01-2022	Sales - GTPL	ERPNext Sales - GTPL	0.00	300.00	Sales Invoice	PVR00006	Aditi Medical and General Stores
5 28-01-2022	Sales - GTPL	ERPNext Implementation - GTPL	0.00	200.00	Sales Invoice	PVR00006	Aditi Medical and General Stores
6 28-01-2022	Sales - GTPL	ERPNext Support - GTPL	0.00	200.00	Sales Invoice	PVR00006	Aditi Medical and General Stores
7 28-01-2022	Sales - GTPL	ERPNext Development - GTPL	0.00	300.00	Sales Invoice	PVR00006	Aditi Medical and General Stores
8	Total		1,180.00	1,180.00			
9	Closing (Opening + Total)		1,180.00	1,180.00			

(GL Entries against a Sales Invoice has been splitted based on Cost Center Allocation)

Introduction

Whether you have an accountant in your internal team OR you do it yourself OR you have chosen to outsource it, the financial accounting process is at the center of any business management system (aka an ERP system).

In ERPNext, accounting operations consists of 3 main transactions:

- **Sales Invoice:** The bills that you raise to your Customers for the products or services you provide.
- **Purchase Invoice:** Bills that your Suppliers give you for their products or services.
- **Journal Entries:** For accounting entries, like payments, credit and other types.

Accounting Entries

Accounting Entries The concept of accounting is explained with an example given below: We will take a "Tea Stall" as a company and see how to book accounting entries for the business.



Mama (The Tea-stall owner) invests Rs. 25000 to start the business.

The screenshot shows a software interface for creating a journal entry. The top navigation bar includes links for Accounting, Journal Entry, and a specific entry ID ACC-JV-2021-00019. A search bar at the top right contains the placeholder "Search or type a command (Ctrl + G)". To the right of the search bar are icons for Help and BS.

The main area is titled "Shareholders Funds - UP" and "Journal Entry". On the left, there are several sidebar options: "Assigned To" (with a plus icon), "Attachments" (with a plus icon), "Reviews" (with a plus icon), "Shared With" (with a plus icon), and "Tags" (with a plus icon). Below these are status messages: "You edited this just now" and "You created this just now".

The central form fields include "Entry Type" set to "Journal Entry", "Company" set to "Unico Plastics Inc.", and "Posting Date" set to "13-04-2021".

The "Accounting Entries" section contains a table with two rows:

<input type="checkbox"/>	No.	Account	Debit	Credit	<input type="checkbox"/> Edit
<input type="checkbox"/>	1	Shareholders Funds - UP	₹ 0.00	₹ 25,000.00	<input type="checkbox"/> Edit
<input type="checkbox"/>	2	SBI Bank 10002345 - UP	₹ 25,000.00	₹ 0.00	<input type="checkbox"/> Edit

Below the table are buttons for "Add Multiple" and "Add Row".

At the bottom, summary totals are shown: "Total Debit" and "Total Credit", both listed as ₹ 25,000.00.

1. Investment

Mama invested Rs. 25000 in Company, hoping to get some profit. In other words, the company is liable to pay Rs. 25000 to Mama in the future. So, the account "Mama" is a liability account and it is credited. Company's cash balance will be increased due to the investment. "Cash" is an asset to the company and it will be debited.

The company needs equipment (stove, teapot, cups, etc.) and raw materials (tea, sugar, milk, etc.) immediately. He decides to buy them from the nearest general store, "Super Bazaar" whose owner is a friend, so that he gets some credit.



Equipment cost him Rs. 2800 and raw materials Rs. 2200. He pays Rs. 2000 out of the total cost which is Rs. 5000. This can be recorded in ERPNext using a [Payment Entry](#).

The screenshot shows the General Ledger page in ERPNext. The top navigation bar includes 'Accounting' and a search bar. Below the header, there are filters for 'Unico Plastics Inc.' (Party Type), 'Finance Book', dates '13-04-2021' (Voucher Date), '13-04-2021' (Post Date), 'Account' (ACC-PAY-2021-00004), and 'Cost Center' (Project). There are also checkboxes for 'Consider Accounting Dimensions', 'Show Opening Entries', 'Include Default Book Entries', and 'Show Cancelled Entries'. The main table displays a transaction history:

Row	Posting D...	Account	Debit (INR)	Credit (INR)	Balance (INR)	Voucher Type	Voucher No	Against Acco...	Party Ty...	Party	Pri
1		Opening	0.000	0.000	0.000						
2					0.000						
3		Opening	0.000	0.000	0.000						
4	13-04-2021	Cash - UP	0.000	2,000,000	-2,000,000	Payment Entry	ACC-PAY-2...	Super Bazaar			
5	13-04-2021	Creditors - UP	2,000,000	0.000	0.000	Payment Entry	ACC-PAY-2...	Cash - UP	Supplier	Super Bazaar	
6		Total	2,000,000	2,000,000	0.000						
7		Closing (Opening + Total)	2,000,000	2,000,000	0.000						
8					0.000						
9		Total	2,000,000	2,000,000	0.000						
10		Closing (Opening + Total)	2,000,000	2,000,000	0.000						

2. Assets

Equipment are "Fixed Assets" (because they have a long life) and raw materials are "Current Assets" (since they are used for day-to-day business), of the company. So, "Equipments" and "Stock in Hand" accounts have been debited to increase the value. He pays 2000, so the "Cash" account will be reduced by that amount, hence credited and he is liable to pay Rs. 3000 to "Super Bazaar" later, so Super Bazaar will be credited by Rs. 3000.

Mama (who takes care of all entries) decides to book sales at the end of every day, so that he can analyze daily sales. At the end of the very first day, the tea stall sells 325 cups of tea, which gives net sales of Rs. 1625. The owner happily books his first day sales.

The screenshot shows the General Ledger interface with the following details:

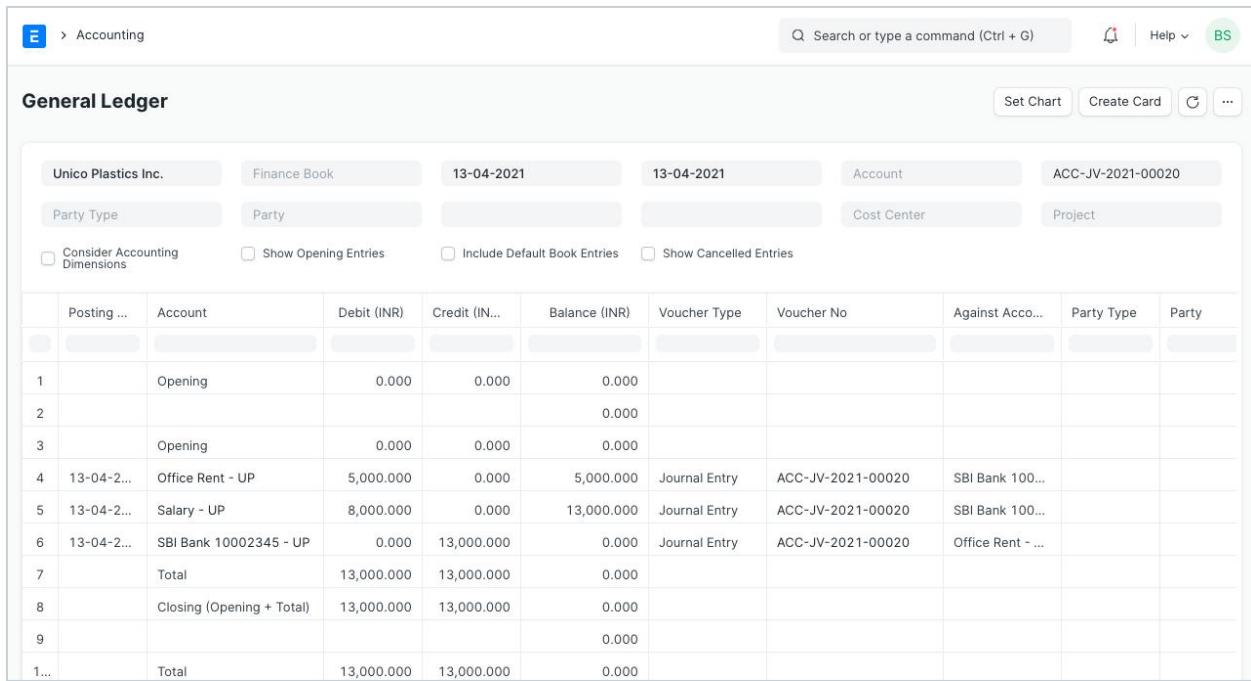
- Party:** Unico Plastics Inc.
- Finance Book:** Finance Book
- Date:** 13-04-2021
- Account:** ACC-SINV-2021-00002
- Dimensions:** Consider Accounting Dimensions
- Entries:**

Posting ...	Account	Debit (INR)	Credit (INR)	Balance (INR)	Voucher Type	Voucher ...	Against Acco...	Party Type	Party	Proj...
1	Opening	0.000	0.000	0.000						
2	13-04-2... Debtors - UP	1,625.000	0.000	1,625.000	Sales Invoice	ACC-SINV...	Sales - UP	Customer	Walk-in Customer	
3	13-04-2... Sales - UP	0.000	1,625.000	0.000	Sales Invoice	ACC-SINV...	Walk-in Custo...			
4	Total	1,625.000	1,625.000	0.000						
5	Closing (Opening + Total)	1,625.000	1,625.000	0.000						
- Notes:** For comparison, use >5, <10 or =324. For ranges, use 5:10 (for values between 5 & 10). Execution Time: 0.013791 sec

3. Income

Income has been booked in the "Sales of Tea" account which has been credited to increase the value and the same amount will be debited to "Cash" account. Lets say, to make 325 cups of tea, it costs Rs. 800, so "Stock in Hand" will be reduced (Cr) by Rs. 800 and expense will be booked in "Cost of goods sold" account by the same amount.

At the end of the month, the company paid the rent amount of the stall (Rs. 5000) and salary of one employee (Rs. 8000), who joined from the very first day.



The screenshot shows a General Ledger interface with the following details:

- Header:** Unico Plastics Inc., Finance Book, Date: 13-04-2021, Account: ACC-JV-2021-00020
- Filters:** Party Type, Cost Center, Project
- Search Bar:** Search or type a command (Ctrl + G)
- Buttons:** Set Chart, Create Card, ...
- Table Headers:** Posting ..., Account, Debit (INR), Credit (INR), Balance (INR), Voucher Type, Voucher No, Against Acco..., Party Type, Party
- Table Data:**

1	Opening	0.000	0.000	0.000					
2				0.000					
3	Opening	0.000	0.000	0.000					
4	13-04-2... Office Rent - UP	5,000,000	0.000	5,000,000	Journal Entry	ACC-JV-2021-00020	SBI Bank 100...		
5	13-04-2... Salary - UP	8,000,000	0.000	13,000,000	Journal Entry	ACC-JV-2021-00020	SBI Bank 100...		
6	13-04-2... SBI Bank 10002345 - UP	0.000	13,000,000	0.000	Journal Entry	ACC-JV-2021-00020	Office Rent - ...		
7	Total	13,000,000	13,000,000	0.000					
8	Closing (Opening + Total)	13,000,000	13,000,000	0.000					
9				0.000					
1...	Total	13,000,000	13,000,000	0.000					

4. Booking Profit

As months progressed, the company purchased more raw materials for the business. After a month he books profit to balance the "Balance Sheet" and "Profit and Loss Statements" statements. Profit belongs to Mama and not the company hence its a liability for the company (it has to pay it to Mama). When the Balance Sheet is not balanced i.e. Debit is not equal to Credit, the profit has not yet been booked. To book profit, the profit and loss accounts have to be reset. The profit/loss



is transferred to the Liability account and the profit/loss statement starts fresh.

This is done using a [Period Closing Voucher](#).

Explanation: Company's net sales and expenses are Rs. 40000 and Rs. 20000 respectively. So, the company made a profit of Rs. 20000. To make the profit booking entry, "Profit or Loss" account has been debited and "Capital Account" has been credited. Company's net cash balance is Rs. 44000 and there are some raw materials available worth Rs. 1000.

Related Topics

1. [Payment Entry](#)
2. [Advance Payment Entry](#)
3. [Freeze Accounting Entries](#)
4. [Post Dated Cheque Entry](#)
5. [Adjust Withhold Amount Payment Entry](#)
6. [Bulk Payment Entry](#)
7. [Difference Entry Button](#)



Accounts Settings

There are various account settings in ERPNext to restrict and configure actions in the Accounting module.

Transactions Settings

The screenshot shows the 'Accounts Settings' page in the ERPNext application. On the left, there's a sidebar with options like 'Assigned To', 'Attachments' (with an 'Attach File' button), 'Reviews' (with a '+'), 'Shared With' (with a '+'), and social sharing buttons ('0 likes', '0 comments', 'FOLLOW'). Below this is a note about edits: 'You edited this 1 week ago' and 'You created this 1 year ago'. The main content area is titled 'Transactions Settings'. It includes a 'Over Billing Allowance (%)' field set to '0.00' with a note explaining it's the percentage allowed over the order value. There are two sections for roles: 'Role Allowed to Over Bill' (listing 'Administrator') and 'Role allowed to bypass Credit Limit' (also listing 'Administrator'). On the right, there's a large list of checkboxes for various accounting features, many of which are checked:

- Check Supplier Invoice Number Uniqueness
- Unlink Payment on Cancellation of Invoice
- Automatically Fetch Payment Terms
- Delete Accounting and Stock Ledger Entries on deletion of Transaction
- Book Asset Depreciation Entry Automatically
- Unlink Advance Payment on Cancellation of Order
- Enable Common Party Accounting
- Create Ledger Entries for Change Amount
If enabled, ledger entries will be posted for change amount in POS transactions
- Enable Discount Accounting
If enabled, additional ledger entries will be made for discounts in a separate Discount Account

1. Over Billing Allowance (%)

The percentage by which you can overbill transactions. For example, if the order value is \$100 for an item and the percentage here is set as 10% then you are allowed to bill for \$110.

2. Role Allowed to Over Bill



Users with this role are allowed to over bill above the allowance percentage.

3. Role allowed to bypass Credit Limit

Select the role that is allowed to submit transactions that exceed credit limits set.

The credit limit can be set in the Customer form.

4. Check Supplier Invoice Number Uniqueness

When checked, Purchase Invoices with same 'Supplier Invoice No' will not be allowed. This is useful to avoid duplicate entries.

5. Unlink Payment on Cancellation of Invoice

If checked, the system will unlink the payment against the respective invoice. By default, if a Payment Entry is submitted, the linked invoice cannot be canceled until the Payment Entry is also canceled. On unlinking, you can now cancel and amend the invoices. But the payments are not linked and considered as advance payments.

6. Automatically Fetch Payment Terms from Order

Enabling this will automatically fetch the Payment Terms from a Purchase/Sales Order to its linked Purchase/Sales Invoice.

7. Delete Accounting and Stock Ledger Entries on deletion of Transaction

Enabling this will allow the deletion of linked General Ledger and Stock Ledger Entries on deleting invoices and receipts. This can be checked if you don't want to lose the document ID after canceling the document. You can now cancel and delete the document to get the same document ID again.

8. Book Asset Depreciation Entry Automatically

When checked, an automatic entry for an asset depreciation will be created based on the first date set. For example, yearly depreciation for an item will be scheduled for the next 3/4 years based on the Number of Depreciations Booked set in the Asset master. For more details, visit the [Asset Depreciation](#) page.

9. Unlink Advance Payment on Cancellation of Order

Similar to the previous option, this unlinks any advance payments made against Purchase/Sales Orders.

10. Enable Common Party Accounting

If checked, an adjustment Journal Entry will be posted automatically on creation of Sales/Purchase Invoices against common Customer & Supplier. For more details, visit [Common Party Accounting](#)

11. Create Ledger Entries for Change Amount

If checked, for a Point of Sale invoice, the system will post ledger entries considering the change amount given.

12. Enable Discount Accounting

If checked, Discount Accounts can be added in the Items table of Sales Invoices, which will allow you to account for Discounts applied on Items more efficiently. It also lets you add Default Discount Accounts for Items, which will be fetched automatically when the Item is added to a Sales Invoice.

Tax Settings

The screenshot shows the 'Accounts Settings' page in a software application. At the top, there's a breadcrumb navigation: 'E > Accounting > Accounts Settings'. To the right are search, help, and user profile icons. Below the header, a message says 'You created this 4 months ago'. The main section is titled 'Tax Settings' with the sub-instruction 'Determine Address Tax Category From'. It includes a dropdown menu set to 'Billing Address' and a checkbox for 'Automatically Add Taxes and Charges from Item Tax Template', which is checked. A note below the dropdown says 'Address used to determine Tax Category in transactions'.

1. Determine Address Tax Category From

[Tax category](#) can be set on Addresses. An address can be Shipping or Billing address. Set which address to select when applying Tax Category.

2. Automatically Add Taxes and Charges from Item Tax Template



Enabling this will populate the Taxes table in transactions if an [Item Tax Template](#) is set for an Item and that Item is selected in the transaction.

Period Closing Settings

The screenshot shows a software interface for 'Accounts Settings'. At the top, there's a navigation bar with icons for Home, Accounting, Accounts Settings, a search bar, Help, and a user profile icon. Below the navigation is a section titled 'Period Closing Settings' with three main sections: 'Accounts Frozen Till Date', 'Role Allowed to Set Frozen Accounts and Edit Frozen Entries', and 'Role Allowed to Create/Modify Entries against Frozen Accounts'. Each section contains descriptive text and a note about users with specific roles.

Period Closing Settings

Accounts Frozen Till Date

Accounting entries are frozen up to this date. Nobody can create or modify entries except users with the role specified below

Role Allowed to Set Frozen Accounts and Edit Frozen Entries

Users with this role are allowed to set frozen accounts and create / modify accounting entries against frozen accounts

Role Allowed to Create/Modify Entries against Frozen Accounts

1. Accounts Frozen Till Date

Freeze accounting transactions up to specified date, nobody can make/modify entry except the specified Role.

2. Role Allowed to Set Frozen Accounts and Edit Frozen Entries

Users with this Role are allowed to set frozen accounts and create/modify accounting entries against frozen accounts.

Deferred Accounting Settings



1. Book Deferred Entries Based On

Deferred revenue amount can be booked based on two criteria. The default option here is "Days". If "Days" is selected, the deferred revenue amount will be booked based on the number of days in each month and if "Months" is selected, then it will be booked based on number of months. For Eg: If "Days" is selected and \$12000 revenue has to be deferred over a period of 12 months, then \$986.30 will be for the month having 30 days and \$1019.17 will be booked for the month having 31 days. If "Months" is selected, \$1000 deferred revenue will be booked each month irrespective of the number of days in a month.

2. Automatically Process Deferred Accounting Entry

This setting is enabled by default. In case you don't want the deferred accounting entries to be posted automatically you can disable this setting. If this setting is disabled deferred accounting will have to be processed manually using [Process Deferred Accounting](#)



3. Book Deferred Entries Via Journal Entry

By default Ledger Entries are posted directly to book deferred revenue against an invoice. In order to book this deferred amount posting via Journal Entry, this option can be enabled.

4. Submit Journal Entries

This option is applicable only if deferred accounting entries are posted via Journal Entry. By default, the Journal Entries for deferred posting are kept in Draft state and a user has to verify those entries and submit them manually. If this option is enabled, Journal Entries will be automatically submitted without any user intervention. This option will only be displayed if Book Deferred Entries Via Journal Entry is checked.

Print Settings



1. Show Inclusive Tax In Print

The applied taxes will be shown in the print view.

2. Show Payment Schedule in Print

The Payment Schedule table is visible on using [Payment Terms](#). Enabling this will show this table in print view.

Currency Exchange Settings



The screenshot shows the 'Accounts Settings' page in the ERPNext application. The top navigation bar includes a logo, the text 'Accounting > Accounts Settings', a search bar ('Search or type a command (Ctrl + G)'), a help icon, and a profile icon. Below the navigation is a sidebar with the title 'Accounts Settings'. The main content area is titled 'Currency Exchange Settings' and contains a single checkbox labeled 'Allow Stale Exchange Rates' which is checked. There are also three small buttons at the bottom right of the content area: a blue 'Save' button, a grey '...' button, and a green 'A' button.

1. Allow Stale Exchange Rates

This should be unchecked if you want ERPNext to check the age of records fetched from the Currency Exchange in foreign currency transactions. If it is unchecked, the exchange rate field will be read-only in documents.

Stale Days is the number of days to use when deciding if a Currency Exchange record is stale. This is valid when 'Allow Stale Rates' is disabled. So, if the Stale Days is set as 10, stale rates that are 10 days will be allowed. If Allow Stale Rates is enabled, there is no time limit on the age of stale rates.

If stale rates are enabled, the order of fetching is:



- Latest rate from Currency Exchange form
- If no Currency Exchange is found latest rate as per market is fetched automatically

If stale rates are disabled, the order of fetching is:

- Latest rate from Currency Exchange form upto number of days set in 'Stale Days'
- If no Currency Exchange is found Latest rate as per market is fetched automatically

Report Settings

The screenshot shows the 'Accounts Settings' page in a software application. At the top, there is a breadcrumb navigation: 'E > Accounting > Accounts Settings'. To the right of the breadcrumb is a search bar with the placeholder 'Search or type a command (Ctrl + G)' and a help icon. Below the search bar is a 'Save' button with a green circular icon.

The main content area is titled 'Report Settings'. It contains a single checkbox labeled 'Use Custom Cash Flow Format'. Below the checkbox, a note reads: 'Only select this if you have set up the Cash Flow Mapper documents'.

1. Use Custom Cash Flow Format

You may choose to use Custom Cash Flow Formats to customize what the Cash Flow report looks like. To know more, [visit this page](#).



Chart Of Accounts

The Chart of Accounts is the blueprint of the accounts in your organization.

The overall structure of your Chart of Accounts is based on a system of double entry accounting that has become a standard all over the world to quantify how a company is doing financially.

Chart of Accounts is a tree view of the names of the Accounts (Ledgers and Groups) that a Company requires to manage its books of accounts. ERPNext sets up a simple chart of accounts for each Company you create, but you can modify it according to your needs and legal requirements.

For each company, the Chart of Accounts signifies the way to classify the accounting entries, mostly based on statutory (tax, compliance to government regulations) requirements.

Chart of Accounts		Expand All	View	Create	Financial Statements	...	+ New
Unico Plastics Inc.							
Application of Funds (Assets) - UP					₹ 30,22,689.52 Dr		
Current Assets - UP					₹ 30,31,625.00 Dr		
Fixed Assets - UP					₹ 8,935.48 Cr		
Investments - UP					₹ 0.00 Cr		
Temporary Accounts - UP					₹ 0.00 Cr		
Source of Funds (Liabilities) - UP					₹ 83,000.00 Cr		
Capital Account - UP					₹ 25,000.00 Cr		
Current Liabilities - UP					₹ 58,000.00 Cr		
Income - UP					₹ 1,625.00 Cr		
Direct Income - UP					₹ 1,625.00 Cr		
Indirect Income - UP					₹ 0.00 Cr		
Expenses - UP		Edit	Delete	Add Child	View Ledger		₹ 51,064.52 Dr
Direct Expenses - UP							₹ 0.00 Cr
Indirect Expenses - UP							₹ 51,064.52 Dr

The Chart of Accounts helps you to answer questions like:

- What is your organization worth?
- How much debt have you taken?
- How much profit are you making (and hence paying tax)?
- How much are you selling?
- What is your expense break-up?

As someone managing a business, it is very valuable to see how well your business is doing.



Tip: If you can't read a Balance Sheet it's a good opportunity to start learning about this. It will be worth the effort. You can also take the help of your accountant to set up your Chart of Accounts.

To access the Chart of Accounts list, go to:

Home > Accounting > Accounting Masters > Chart of Accounts

1. How to Create/Edit Accounts

ERPNext comes with a standard set Chart of Accounts. Instead of creating/modifying, you can also use the [Chart of Accounts Importer](#) tool. Note that the existing Chart of Accounts will be overwritten when this tool is used.

1. Go to the Chart of Accounts list.

Here you can open group accounts which contain other accounts.

There are options to “Add Child” in an account, Edit or Delete the



account.

Account Type	Sub-Accounts	Balance
Application of Funds (Assets) - UP	Current Assets - UP Fixed Assets - UP Investments - UP Temporary Accounts - UP	\$ 0.00 Cr
Source of Funds (Liabilities) - UP		\$ 0.00 Cr
Equity - UP	Income - UP Expenses - UP	\$ 0.00 Cr

2. The option to create a child account will only appear if you click on a Group (folder) type Account.
3. Enter a name for the account.
4. Enter a number for the account.
5. Tick 'Is Group' if you want this to be a group account which can contain other accounts.
6. Select the Account Type. Selecting this is important as some fields allow selecting only specific types of accounts.

7. Change the currency if this account will be used for transactions with different currencies. By default, it's the Company's currency. To know more, visit the [Multi Currency Accounting](#) page.
8. Click on Create New.

Typically, you might want to create Accounts for:

- Travel, salaries, telephone, etc. under Expenses.
- Value Added Tax (VAT), Sales Tax, Equity, etc. under Current Liabilities.
- Product Sales, Service Sales, etc. under Income.
- Building, machinery, furniture, etc. under Fixed Assets.

The screenshot shows the 'Chart of Accounts' screen in a software application. At the top, there is a navigation bar with icons for Home, Accounting, Search, Help, and BS. Below the navigation bar, the title 'Chart of Accounts' is displayed, followed by a dropdown menu set to 'Unico Plastics Inc.' and several action buttons: 'Expand All', 'View', 'Create', 'Financial Statements', and '+ New'. A red speech bubble highlights the word 'Company' in the title area. The main content area shows a tree view of accounts under 'Unico Plastics Inc.'. A red speech bubble highlights the 'Root Accounts' level. The accounts listed are:

Account Type	Description	Debit (\$)	Credit (\$)
Application of Funds (Assets) - UP		\$ 31,656,650.00 Dr	
Source of Funds (Liabilities) - UP		\$ 22,142,200.00 Cr	
Equity - UP		\$ 0.00 Cr	
Income - UP		\$ 30,050,000.00 Cr	
Expenses - UP		\$ 20,535,550.00 Dr	



Tip: Accounts with different currencies are created when you receive or make payments to or from different currencies. For example if you are based in India and transact with the USA, you may need to create accounts like 'Debtors US', 'Creditors US', etc.

Let us understand the main groups of the Chart of Accounts.

2. Account Types

Account types are mainly classified as income, expense, asset, or liability.

2.1 Balance Sheet Accounts

Balance Sheet accounts are 'Application of Funds (Assets)' and 'Sources of Funds (Liabilities)' that signifies the net-worth of your company at any given time. When you begin or end a financial period, all the Assets are equal to the Liabilities.

A note on Accounting: If you are new to accounting, you might be wondering, how can Assets be equal to Liabilities? That would mean the company has nothing of its own. That's correct! All the "investments" made in the company to buy assets (like land, furniture, machines) is made by the owners. The owners are a liability to the company since the profits belong to the owners.

If a company were to shut down, it would need to sell all the assets and pay back all the liabilities (including profits) to the owners, leaving itself with nothing.

All the accounts under Balance Sheet accounts represent an asset owned by the company like "Bank Account", "Land and Property", "Furniture" or a liability (funds that the company owes to others) like "Owners funds", "Debt" etc.

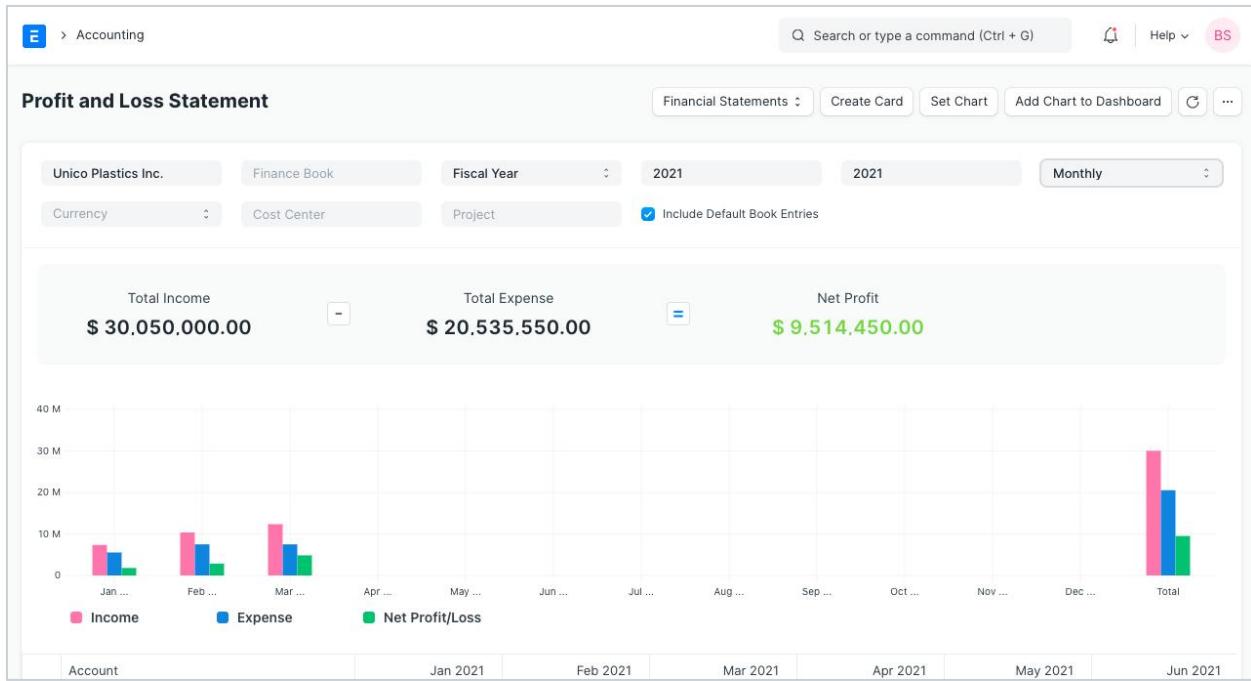
Two special accounts to note here are Accounts Receivable (money you have to collect from your Customers) and Accounts Payable (money you have to pay to your Suppliers) under Assets and Liabilities respectively.

2.2 Profit and Loss Accounts

Profit and Loss is the group of 'Income' and 'Expense' accounts that represent your accounting transactions over a period.

Unlike Balance Sheet accounts, Profit and Loss accounts (or PL accounts) do not represent net worth (Assets), but rather represent the amount of money spent and collected in servicing customers during the period. Hence, at the beginning and end of your Fiscal Year, they become zero.

In ERPNext it is easy to keep track of Profit and Loss via the Profit and Loss chart.



Note that, on the first day of the year you have not made any profit or loss, but you still have assets, hence balance sheet accounts never become zero at the beginning or end of a period.

2.3 Groups and Ledgers

There are two main kinds of Accounts in ERPNext – Group and Ledger. Groups can have sub-groups and ledgers within them, whereas ledgers are the leaf nodes of your chart and cannot contain more accounts in them.

Accounting Transactions can only be made against Ledger Accounts (not Groups)

Info: The term "Ledger" means a page in an accounting book where entries are made. There is usually one ledger for each account (like a Customer or a Supplier).

Note: An Account "Ledger" is also sometimes called an Account "Head".

The screenshot shows the 'Chart of Accounts' page in ERPNext. At the top, there's a search bar and a toolbar with buttons for 'Expand All', 'View', 'Create', 'Financial Statements', and '+ New'. The main area displays a hierarchical list of accounts for 'Unico Plastics Inc.'.

- Unico Plastics Inc.**
 - Group** (highlighted by a red oval)
 - Ledger** (highlighted by a red oval)
 - Application of Funds (Assets) - UP
 - Current Assets - UP
 - Accounts Receivable - UP
 - Bank Accounts - UP
 - 1001 - Citi - UP
 - 1003 - Capital One - UP
 - Cash In Hand - UP
 - Loans and Advances (Assets) - UP
 - Securities and Deposits - UP
 - Stock Assets - UP
 - Tax Assets - UP
 - Fixed Assets - UP
 - Investments - UP

At the bottom of the list, there are buttons for 'Edit', 'Delete', 'Add Child', and 'View Ledger'. The right side of the screen shows numerical values for each account category.

2.4 Other Account Types

In ERPNext, you can also specify more information when you create a new Account, this is there to help you select that particular account in a scenario like 'Bank Account' or a 'Tax Account' and has no effect on the Chart itself.

Explanation of account types:

- **Accumulated Depreciation:** To store the total accumulated depreciation information of the Company Assets. Accumulated depreciation appears on the balance sheet.

- Asset Received But Not Billed: A temporary liability account which holds the value of Asset received but not billed yet.
- Bank: The account type under which bank accounts will be created.

There must be at least one group account of type "Bank" in the CoA.

- Cash: The account type under which cash account will be created.

There must be at least one group account of type "Cash" in the CoA.

- Chargeable: Additional charges applied to Items can be stored in accounts of this type. For example, "Freight and Forwarding Charges".
- Capital Work in Progress: Current charges when creating Fixed Assets are stored in CWIP accounts. For example, construction costs when constructing a building. In ERPNext Assets are booked against CWIP accounts when they are not yet being used.
- Cost of Goods Sold: An account under this type is used to book the accumulated total of all costs incurred while manufacturing/purchasing a product or service, sold by a Company.
- Depreciation: The expense account to book the depreciation of the fixed assets. This appears on the Income statement.



- **Equity:** These type of accounts represent transactions with people that own the business, i.e. the shareholders/owners.
- **Expenses Included In Asset Valuation:** The account to book the expenses (apart from the direct material costs of Assets) included in the landed cost of an Asset.
- **Expenses Included In Valuation:** The account to book the expenses (apart from direct material costs) included in the landed cost of an item/product, used in Perpetual Inventory.
- **Fixed Asset:** The account to maintain the costs of fixed assets.
- **Income Account:** This type of accounts represents any source of income or revenue booked for the Company.
- **Payable:** The account type represents the amount owed by a company to its creditors (Suppliers).
- **Receivable:** The account type represents the amount owed to a company by its debtors (Customers).
- **Round Off:** In many Invoices there can be some **rounding off** in the final amount. For accurate tracking, those amounts can be booked to accounts of this type.

- Stock: The account group under which **Warehouse accounts** will be created.
- Stock Adjustment: An expense account to book any adjustment entry of stock/inventory. Generally comes at the same level of Cost of Goods Sold.
- Stock Received But Not Billed: A temporary liability account which holds the value of stock received but not billed yet and used in Perpetual Inventory.
- Tax: All tax accounts like VAT, TDS, GST, etc. come under this type.
- Temporary: A Temporary account is useful for balancing incomes, expenses and nullifying them when shifting to ERPNext mid-year with outstanding accounting entries.

Note: When making Payment Entries, the default bank account will be fetched in the following order if set:

* Company form
* Mode of Payment default account
* Customer/Supplier default bank account
* Select manually in Payment Entry

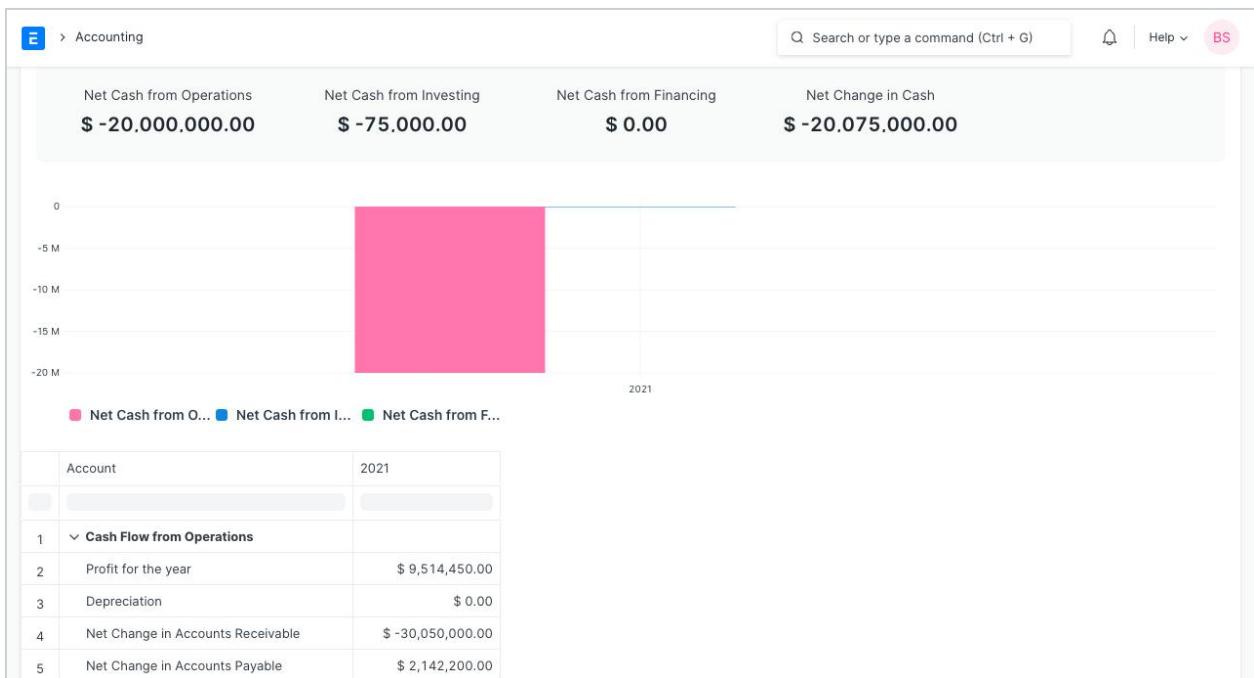
2.5 Financial statements



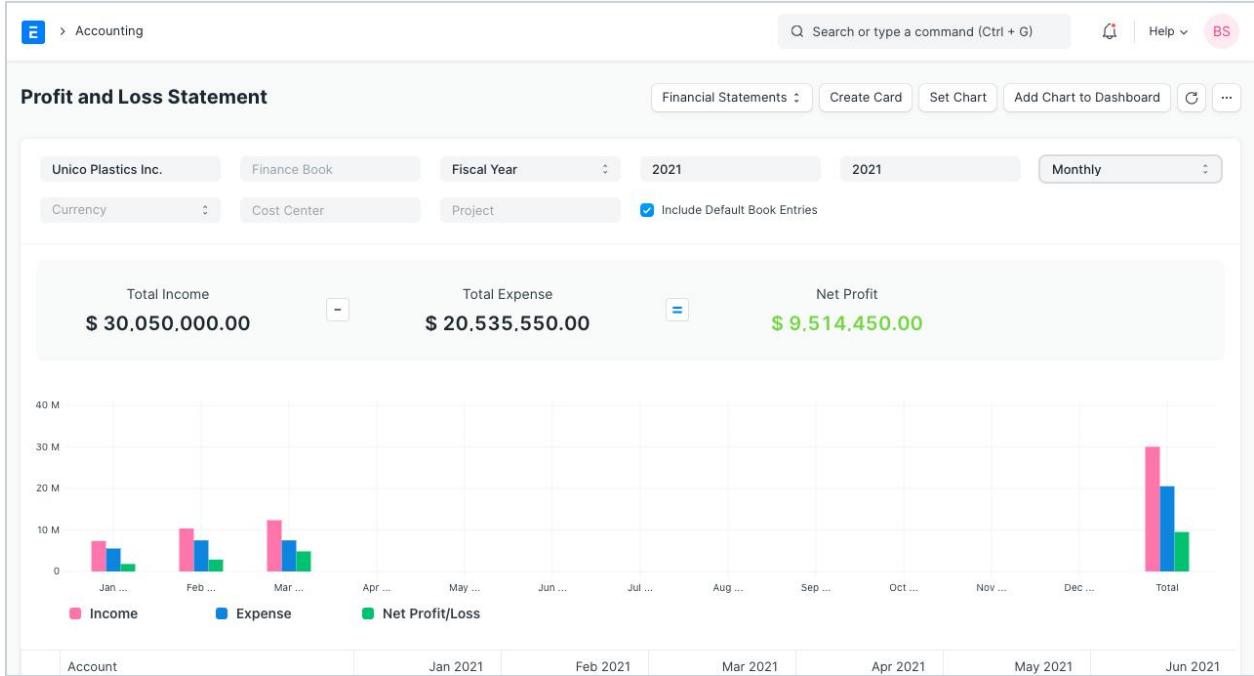
Financial statements for your company are easily viewable in ERPNext. You can view financial statements such as Balance Sheet, Profit and Loss statement, and Cash flow statement.

An Example of various financial statement are given below:

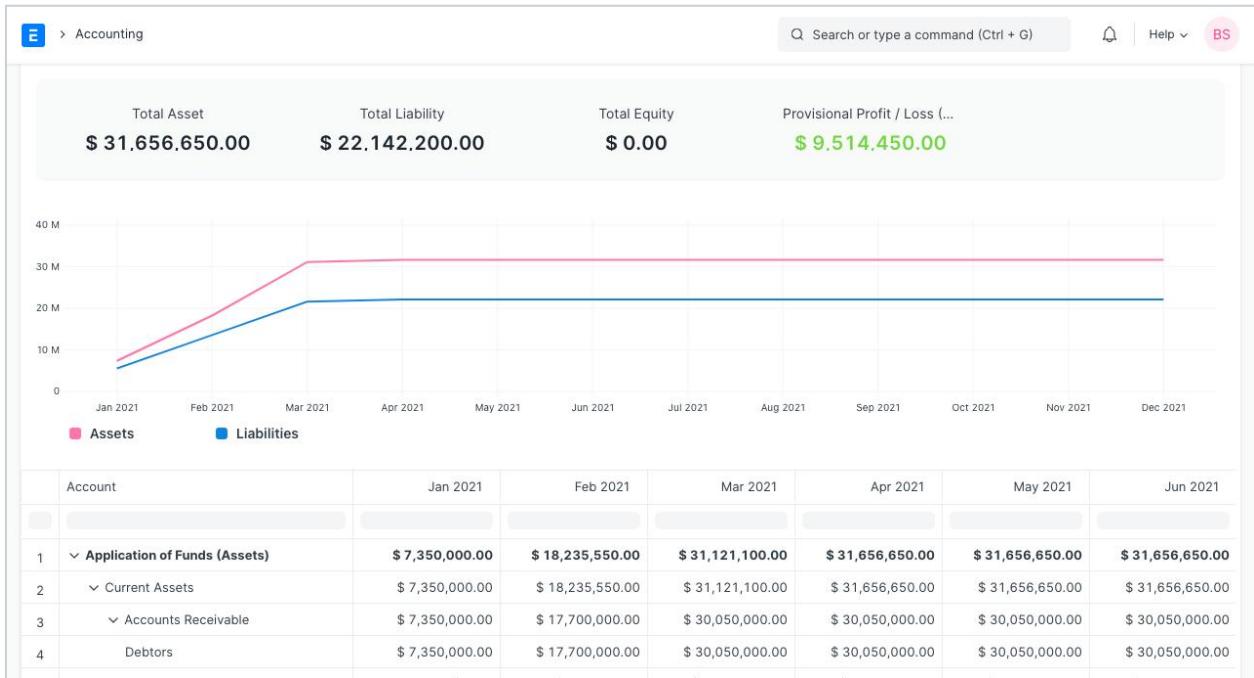
1. Cash Flow Report:



2. Profit and Loss Report:



3. Balance Sheet Report:



2.6 Account Number

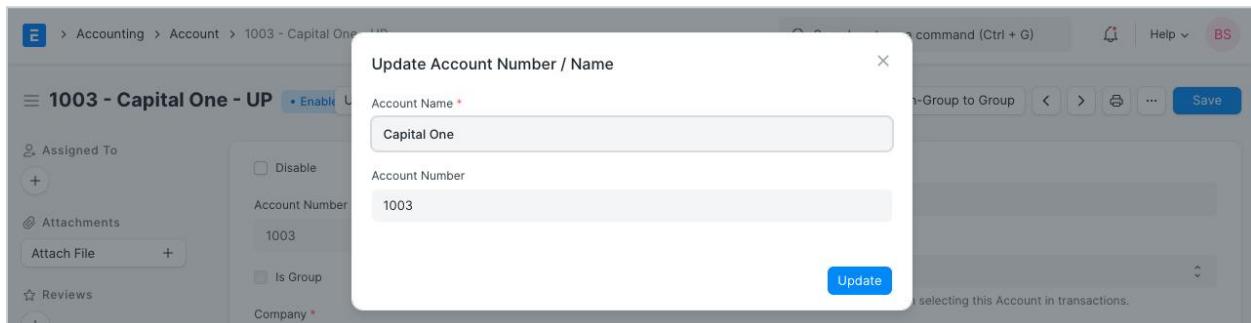
41



A standard Chart of Accounts is organized according to a numerical system. Each major category will begin with a certain number, and then the sub-categories within that major category will all begin with the same number. For example, if assets are classified by numbers starting with the digit 1000, then cash accounts might be labeled 1100, bank accounts might be labeled 1200, accounts receivable might be labeled 1300, and so on. A gap between account numbers is generally maintained for adding accounts in the future.

You can assign a number while creating an account from Chart of Accounts page.

You can also edit a number from account record, by clicking Update Account Name / Number button. On updating account number, the system renames the account name automatically to embed the number in the account name.



2.7 Adding accounts under child company

By default a user cannot add accounts (ledgers) under child companies, they have to be added to the root level company, this is done in order to maintain the same

COA structure for all the child companies under a parent company. If the user tries to add they will get a validation message as seen below

The screenshot shows the 'Chart of Accounts' screen for 'Test Company 1'. A modal window titled 'Message' displays the error: 'Please add the account to root level Company - Test Company'. The main list shows several accounts under 'Test Company 1', each with a balance of ₹ 0.0000 Cr.

Account Category	Sub-Category	Balance
Application Of Funds(Assets)	- TC1	₹ 0.0000 Cr
Sources Of Funds(Liabilities)	- TC1	₹ 0.0000 Cr
Accounts Payable	- TC1	₹ 0.0000 Cr
Equity	- TC1	₹ 0.0000 Cr
Income	- TC1	₹ 0.0000 Cr
Expenses	- TC1	₹ 0.0000 Cr

However, in some situations, users have to add accounts directly in child companies and it cannot be avoided, for this, the user can enable this setting in the Child Company master under which the account has to be added, once this is enabled the addition of accounts under child company will be allowed

The screenshot shows the 'Company' master settings for 'Test Company 1'. In the 'Accounts Settings' section, there is a checkbox labeled 'Allow Account Creation Against Child Company' which is currently unchecked. Other settings include 'Default Bank Account', 'Default Cash Account', 'Default Receivable Account', 'Default Payable Account' (set to 'Accounts Payable - TC1'), and 'Default Cost of Goods Sold Account'.

4. Related Topics

1. *Opening Balance*
2. *Accounts Settings*
3. *Journal Entry*
4. *Inter Company Journal Entry*
5. *Accounting Reports*
6. *Multi Currency Accounting*



Opening Balance in Accounts

The opening balance is the balance that is brought forward at the beginning of an accounting period from the end of a previous accounting period or when starting out.

This also applies when starting a new Company and would like your offline balances to be updated in ERPNext.

1. Introduction

If you are a new company, you will have minimal opening balances to be imported. However, if you are migrating from a legacy accounting system like Tally or a Fox Pro based software you will have considerable data to be imported as opening balance.

We recommend that you start using ERPNext for accounting from a new financial year, but you could start midway too. To set up your accounts, you will need the following for the “day” you start using accounting in ERPNext:

Assets

1. Stock assets (stock in hand).
2. Fixed assets like furnitures, computers, etc.



3. Accounts Receivables (AR) i.e. unpaid invoices which you have sent to your Customers.
4. Current assets like bank balances, cash in hand, deposits, etc.

Liabilities

1. Capital accounts like your shareholder's (or owner's) capital
2. Current liabilities like loans, salary payables etc
3. Accounts Payables(AP) i.e. unpaid invoices which your suppliers have sent you

If you were using another accounting software before, you should close financial statements in that software first. The closing balance of the accounts should be updated as an opening balance in the ERPNext. Before starting to update opening balance, ensure that your [Chart of Accounts](#) has all the Accounts required.

Opening entries can be created using the [Opening Invoice Creation Tool](#) in ERPNext.

Opening entry is only for Balance Sheet accounts and not for Profit and Loss Accounts.

2. Opening Balance of Assets

2.1 Fixed Assets

2.2 Stock Assets

2.3 Accounts Receivable

2.4 Current Assets

3. Opening Balance of Liabilities

3.1 Capital Accounts

3.2 Current Liabilities

3.3 Accounts Payable

4. Verify the Opening Balance

Once all assets and liabilities have been imported, the balance of Temporary

Opening ledger should be zero.

6. Related Topics

1. Chart of Accounts

2. Journal Entry

3. Payment Entry



4. Payment Reconciliation

Cost Center

A Cost Center is a part of an organization where costs or income can be charged.

In ERPNext you can use the Cost Center as a Profit Center.

Your Chart of Accounts is mainly designed to provide reports to the government and tax authorities.

Most businesses have multiple activities like different product lines, market segments, areas of business, etc that share some common overheads. They should ideally have their own structure to report whether they are profitable or not. For this purpose, there is an alternate structure called the Chart of Cost Centers.

A Cost Center acts like an [Accounting Dimension](#) which helps you track costing based on particular areas.

The Cost Center can be set at these levels:

- Company
- Item

- Order/Invoice

The Cost Center can be linked to the following transactions:

1. Sales Invoice
2. Purchase Invoice
3. Journal Entry
4. Payment Entry
5. Delivery Note

And other transactions which can be used for budgeting. You can also use Cost Center for Budgeting.

1. Cost Center tree

You can create a tree of Cost Centers to represent your business better. Each Income / Expense entry is also tagged against a Cost Center. If 'Allow Cost Center In Entry of Balance Sheet Account' is checked under Account Settings, the system will allow a User to tag entry in Balance Sheet Accounts against a Cost Center.

For example, if you have two types of sales:

- Walk-in Sales

- **Online Sales**

You may not have shipping expenses for your walk-in customers, and no shop-rent for your online customers. If you want to get the profitability of each of these separately, you should create the two as Cost Centers and mark all sales with either "Walk-in" or "Online" Cost Center. Mark all your purchases in the same way.

Thus when you do your analysis you get a better understanding as to which side of your business is doing better. Since ERPNext has an option to add multiple Companies, you can create Cost Centers for each Company and manage them separately.

To access the Chart of Cost Centers, go to:

Home > Accounting > Budget and Cost Center > Chart of Cost Centers

2. How to set up Chart of Cost Centers

1. Go to the Chart of Cost Centers.
2. Add region-wise nodes.
3. Add other nodes as per your needs.

Selecting a different Company will display the Cost Centers for that Company.



The screenshot shows the 'Cost Center Tree' section of a software application. At the top, there is a search bar with placeholder text 'Search or type a command (Ctrl + G)' and a help icon. Below the search bar, there are buttons for 'Expand All', 'View', 'Budget', and '+ New'. The main area displays a tree structure under 'Unico Plastics Inc.':

- Unico Plastics Inc.**
 - Unico Plastics Inc. - UP
 - Main - UP
 - PETE - UP
 - PETE - Main - UP
 - PETE - Sales - UP
 - PETE - Engineering - UP
 - PETE - Manufacturing - UP

The screenshot shows the 'Company' profile page for 'Unico Plastics Inc.'. At the top, there is a search bar with placeholder text 'Search or type a command (Ctrl + G)' and a help icon. Below the search bar, there are buttons for 'Create Tax Template', 'Create', and 'Save'. The main area is divided into several sections:

- Sales:** A line chart showing revenue over time from May 2020 to April 2021. The y-axis ranges from 0 to 20 M. The chart shows a steady increase from May 2020 to March 2021, followed by a sharp drop in April 2021.
- Connections:** A section titled 'Connections' with three sub-sections:
 - Pre Sales:** Quotation (+)
 - Orders:** Sales Order (+)
 - Delivery Note: 1 (+)
 - Sales Invoice: 4 (+)
 - Support:** Issue (+)
- Assigned To:** Unico
- Attachments:** Three files listed: unico201e83.png, unicoc2af9e.png, and unico.png.
- Reviews:** (+)
- Shared With:** (+)
- Tags:** Add a tag ...

3. Related Topics

1. Budgeting
2. Sales Invoice
3. Purchase Invoice



Distributed Cost Center

A Distributed Cost Center is a Cost Center in which multiple Cost Centers are tagged with an appropriate percentage.

If a business has a master Cost Center with dependent Cost Centers. In every master Cost Center transaction, it is difficult to update the budget, profit, and loss to each dependent Cost Center manually with the allocated percentage of the master Cost Center. This feature helps to automate the process of manual entry.

For example, In your business, If the Cost Center 'B' and 'C' depend on Cost Center 'A' by 20% and 80%. Then, you can mention 'A' as a Distributed Cost Center. It helps to reflect income, expense, and budget of 'A' in 'B' and 'C' with allocated percentages.

In ERPNext you can create a Distributed Cost Center and use them in transactions and reports.

1. How to create a Distributed Cost Center

1. Go to the Cost Center list, click on New.
2. Enter the Cost Center name.
3. Select the parent Cost Center.

4. Enable the checkbox, **Enable Distributed Cost Center**: On enabling this, the distributed Cost Center table will show. Here, select the Cost Centers and allocate the corresponding percentage.
5. Once you are done click on **Save**.

No.	Cost Center	Percentage Allocation	Edit
1	PETE - Sales - UP	40	<input type="button" value="Edit"/>
2	PETE - Engineering - UP	30	<input type="button" value="Edit"/>
3	PETE - Manufacturing - UP	30	<input type="button" value="Edit"/>

The following reports will be automatically updated when Cost Center filter is added:

- **Accounting Reports**
 - **Financial Statements**
 - **Budget Variance**
 - **General Ledger**



- Profitability Analysis

2. Related Topics

1. Cost Center



Fiscal Year

A Fiscal Year is used to record and report the transactions for the year.

It is also known as a financial year or a budget year. It is used for calculating financial statements in businesses and other organizations. The Fiscal Year may or may not be the same as a calendar year.

For tax purposes, companies can choose to be calendar-year taxpayers or fiscal-year taxpayers depending on the jurisdiction. In many jurisdictions, regulatory laws regarding accounting and taxation require such reports once per twelve months. However, it is not mandatory that the period should be a calendar year (that is, 1 January to 31 December).

A Fiscal Year usually starts at the beginning of a quarter, such as April 1, July 1 or October 1. However, most companies' Fiscal Year also coincides with the calendar year, which starts at January 1. For the most part, it is simpler and easier that way. For some organizations, there are advantages in starting the Fiscal Year at a different time.

For example, businesses that are seasonal might start their Fiscal Year on July 1 or October 1. A business that has most of its income in the fall and most of its

expenses in the spring might also choose to start its Fiscal Year on October 1. That way, they know what their income will be for that year, and can adjust their expenses to maintain their desired profit margins.

To access the Fiscal Year list, go to:

Home > Accounting > Setup > Fiscal Year

1. How to set up Fiscal Year

1. Go to the Fiscal Year list.
2. To set the Fiscal Year as default, click on the Set as Default button.

3. In case you have multiple companies sharing the same Fiscal Year, you can add it as shown in the following screenshot:

The screenshot shows the 'New Fiscal Year' creation screen in ERPNext. The 'Year Name' field is set to '2022'. Under 'Companies', there is a table with one row containing '1' and 'Unico Plastics Inc.'. A 'Save' button is visible at the top right.

No.	Company	Edit
1	Unico Plastics Inc.	

Note -

1. New Fiscal Year should be created each year, at the end of the current fiscal year.

Creation of new Fiscal Year before its beginning has been automated in ERPNext.

2. Three days prior to the end of the current Fiscal Year, system checks if new Fiscal Year for the incoming year is already created. If not, then the system automatically creates a new Fiscal Year.

2. Related Topics



1. *Finance Book*
2. *Accounting Reports*
3. *Budgeting*



Accounting Period

An Accounting Period defines a time period in which financial statements are recorded.

In ERPNext, Accounting Period is a timeframe outside which selected submittable transactions (like Sales/Purchase Invoice, Stock Entry, Payroll Entry, Journal Entry etc) are not allowed to be created. In other words, the selected transactions are only allowed to be created within the defined Accounting Period.

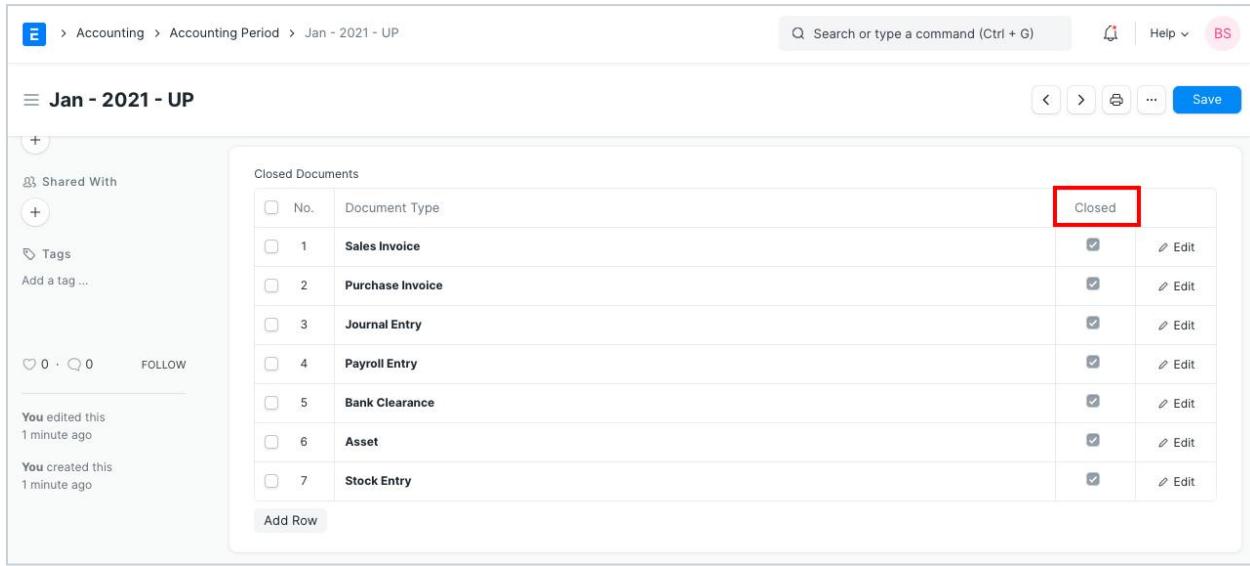
Why is the Accounting Period needed?

When transactions are submitted, they affect the ledgers and the reports which process the ledger data. This can cause issues when financial reports have to be generated for audit by authorities or for closing the accounting books for the financial year.

Here the Accounting Period can be used to limit the time period within which transactions can be submitted to preserve the integrity of the corresponding reports.

1. How to create an Accounting Period

1.1 What is the "Closed" option for the selected transactions used for?



The screenshot shows a software interface for managing accounting periods. The top navigation bar includes 'Accounting > Accounting Period > Jan - 2021 - UP'. The main area displays a table titled 'Closed Documents' with the following data:

No.	Document Type	Closed	Edit
1	Sales Invoice	<input checked="" type="checkbox"/>	<input type="checkbox"/> Edit
2	Purchase Invoice	<input checked="" type="checkbox"/>	<input type="checkbox"/> Edit
3	Journal Entry	<input checked="" type="checkbox"/>	<input type="checkbox"/> Edit
4	Payroll Entry	<input checked="" type="checkbox"/>	<input type="checkbox"/> Edit
5	Bank Clearance	<input checked="" type="checkbox"/>	<input type="checkbox"/> Edit
6	Asset	<input checked="" type="checkbox"/>	<input type="checkbox"/> Edit
7	Stock Entry	<input checked="" type="checkbox"/>	<input type="checkbox"/> Edit

On the left sidebar, there are sections for 'Shared With', 'Tags', and activity counts ('0 · 0'). Below the sidebar, status messages indicate 'You edited this 1 minute ago' and 'You created this 1 minute ago'.

The "Closed" option in the child table for transaction doctypes is used to select which of them are to be restricted after the end of the Accounting Period.

Do note that if the Accounting Period ends and if any of the selected transactions in the child table don't have "Closed" checked, then they won't be restricted after the Accounting Period ends.

1. Enter a name for the Accounting Period.
2. Define a time frame by setting Start and End Dates.
3. Add or remove transactions from the table. Note that all transactions listed in the table with "Closed" option checked will be restricted after the accounting period ends.

4. Save and Submit.

The screenshot shows the 'Jan - 2021 - UP' accounting period setup. The 'Start Date' is 01-01-2021 and the 'End Date' is 01-31-2021. The company is set to 'Unico Plastics Inc.'. On the left sidebar, there are sections for 'Attachments', 'Reviews', 'Shared With', and 'Tags'. Below these are social sharing icons and a 'FOLLOW' button. A note says 'You edited this just now' and another says 'You created this just now'. On the right, there is a table titled 'Closed Documents' listing various document types (Sales Invoice, Purchase Invoice, Journal Entry, Payroll Entry, Bank Clearance, Asset, Stock Entry) each with a checked 'Closed' checkbox and an 'Edit' link.

If you try to submit a closed transaction after its Accounting Period ends, you will see a validation error preventing you from doing so.

The screenshot shows a Sales Invoice for 'Sysco Inc.' with the status 'Draft'. A modal dialog box titled 'Message' displays the error: 'You cannot create or cancel any accounting entries with in the closed Accounting Period Jan - 2021 - UP'. The main screen shows the 'Connections' section with tabs for 'Payment', 'Reference', and 'Returns'. Under 'Payment', options include Payment Entry, Payment Request, Journal Entry, Invoice Discounting, and Dunning. Under 'Reference', options include Timesheet, Delivery Note, Sales Order, and POS Invoice. Under 'Returns', 'Sales invoice' is listed. At the bottom, there are fields for 'Customer' (Sysco Inc.), 'Date' (01-06-2021), 'Posting Time' (05:50:46), and checkboxes for 'Include Payment (POS)' and 'Is Return (Credit Note)'.

Note: No role can submit transactions defined in the Accounting Period, even the Role set in 'Role Allowed to Set Frozen Accounts & Edit Frozen Entries' in [Account Settings](#).

2. Related Topics

- [How Accounting Period is used for Closing Accounting Books](#)
- [Period Closing Voucher](#)

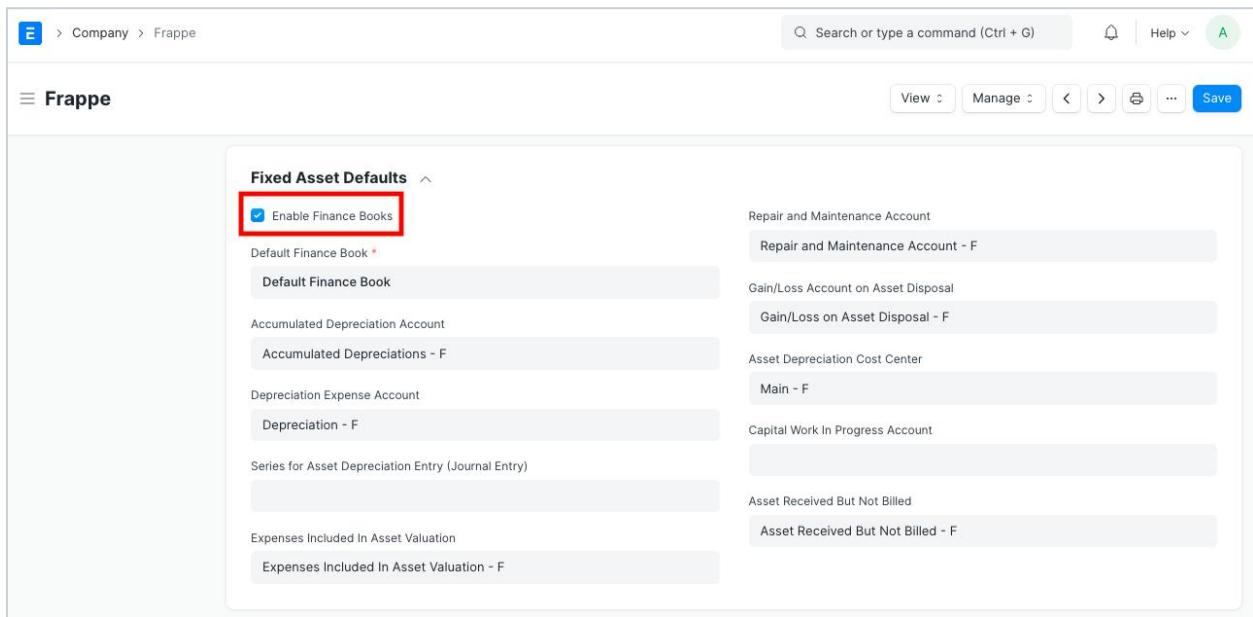


Finance Book

A Finance Book is a book against which all the accounting entries are booked.

You can have multiple finance books. For example, one book for tax authorities and another for stockholders. This is useful if you have to report depreciation and other values in different ways based on regulatory requirements. You can also use this to post alternate balance sheets for your internal reporting.

In order to use Finance Books, you need to check Enable Finance Books under the Fixed Asset Defaults section of the Company master.



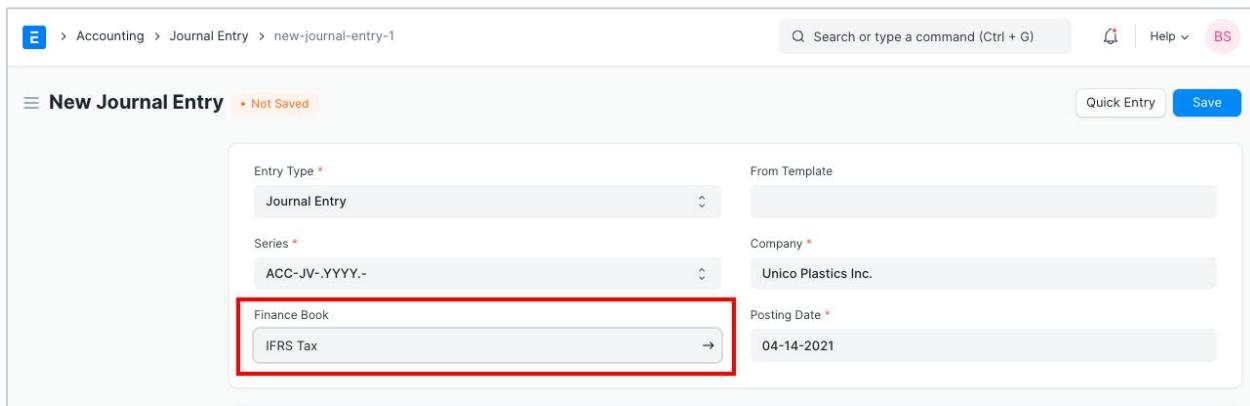
The screenshot shows the 'Fixed Asset Defaults' section of the Frappe Company master. The 'Enable Finance Books' checkbox is checked and highlighted with a red box. Other settings include: Default Finance Book (set to 'Default Finance Book'), Accumulated Depreciation Account (set to 'Accumulated Depreciations - F'), Depreciation Expense Account (set to 'Depreciation - F'), Series for Asset Depreciation Entry (Journal Entry) (empty), Expenses Included In Asset Valuation (empty), Repair and Maintenance Account (set to 'Repair and Maintenance Account - F'), Gain/Loss Account on Asset Disposal (set to 'Gain/Loss on Asset Disposal - F'), Asset Depreciation Cost Center (set to 'Main - F'), Capital Work In Progress Account (empty), Asset Received But Not Billed (empty), and Asset Received But Not Billed - F (empty).

Finance Book is not a mandatory setup. But if you choose to create multiple Finance Books, then you can make entries against a specific Finance Book by



selecting that book in Journal Entry. If a Finance Book field is blank in a Journal Entry that means the entry will be available in all finance books.

Many a times, for fixed asset depreciation, a Company may use different depreciation methods (Straight Line / Written Down Value / Double Declining Balance) for different finance books. You can set up different **depreciation schedules** for each Finance Book. Then, automatic depreciations will booked against that Finance Book according to the schedule.



The screenshot shows the Zoho Books software interface for creating a new journal entry. The top navigation bar includes links for Accounting, Journal Entry, and new-journal-entry-1. A search bar and various system icons are also present. The main form is titled "New Journal Entry" and displays the following fields:

- Entry Type *: Journal Entry
- From Template: (empty)
- Series *: ACC-JV-.YYYY.-
- Company *: Unico Plastics Inc.
- Finance Book: IFRS Tax (this field is highlighted with a red box)
- Posting Date *: 04-14-2021

Buttons for Quick Entry and Save are located at the bottom right of the form.

Related Topics

1. [Cost Center](#)
2. [Budgeting](#)



Accounting Dimensions

Introduced in Version 12

Dimensional accounting means tagging each transaction with appropriate dimensions like Branch, Business Unit, etc. This allows you to maintain each segment separately, thereby limiting the overall maintenance on GL accounts and your Chart of Accounts remains pure.

Cost Center and Project are treated as dimensions by default in ERPNext. On setting a field in Accounting Dimension, that field will be added in transactions reports where applicable.

In ERPNext you can create configurable accounting dimensions and use them in transactions and reports.

To access the Accounting Dimension list, go to:

Home > Accounting > Settings > Accounting Dimensions

1. How to create an Accounting Dimension in ERPNext.

1. Go to the Accounting Dimension list and click on New.

2. Select the Reference Document which you want to use as a custom dimension. For example, if you select Department as Reference Document, the dimension will be based on Department.
3. Enter the name of the dimension (This name will appear in the transactions for which dimensions are created).
4. Inside the Dimension Defaults table you can mention company specific default dimensions as shown in the screenshot below. This dimension will be automatically fetched in the transaction against that specific company.
5. Check "Mandatory" checkbox if you want the dimension to be mandatory in the transactions.

No.	Company	Default Dimension	Mandatory For Balance Sheet	Mandatory For Profit and Loss Acc...
1	Unico Plastics Inc.	Industrials	<input type="checkbox"/>	<input checked="" type="checkbox"/>

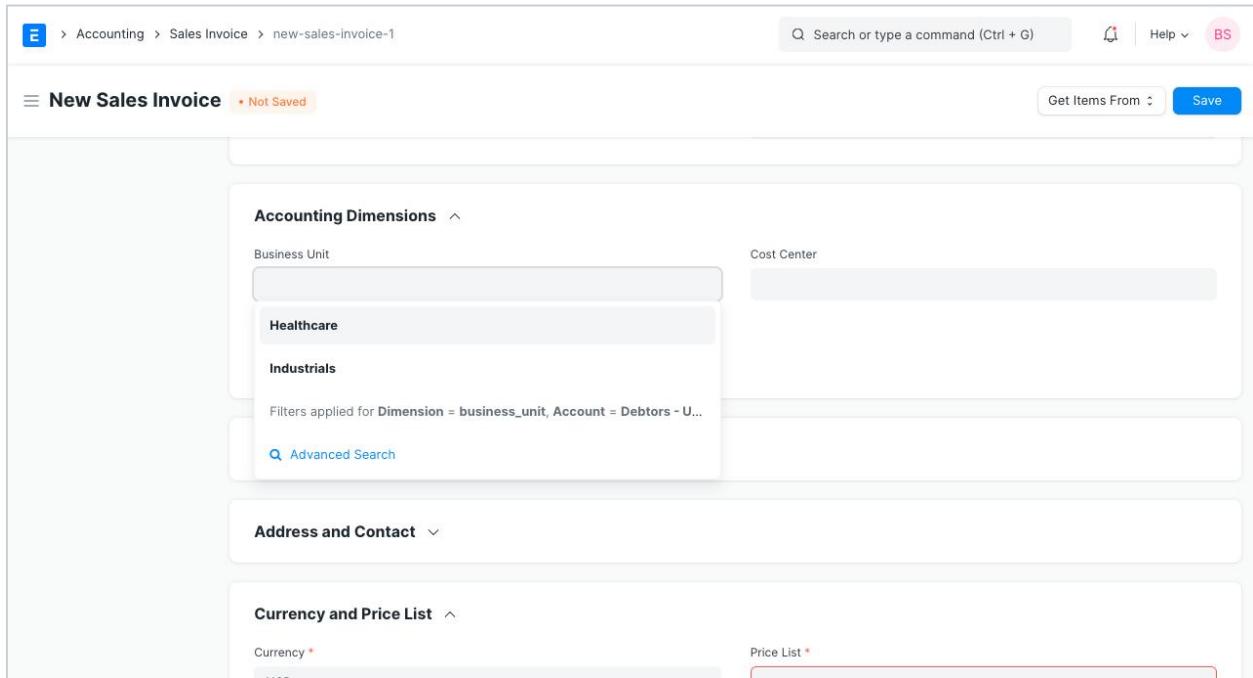
2. Features



As you create the dimension, custom fields will be created using a background job for that specific dimension. You can see them in the Accounting Dimensions section inside the transactions which have an impact on Accounting entries (GL Entry).

2.1 Using dimensions in transactions

To tag a transaction with a dimension you can select the specific dimension in the Accounting Dimensions section as shown in the screenshot below.



2.2 Filtering Reports based on dimensions

You can also filter various financial reports like Profit and Loss Statement, Balance Sheet, General Ledger based on these dimensions.

The screenshot shows the General Ledger screen with various filters applied. A red box highlights the 'Business Unit' dropdown menu under 'Party Type'.

General Ledger

Filters applied:

- Unico Plastics Inc. (Party)
- Finance Book (Party Type)
- 03-14-2021 (Date Range)
- 04-14-2021 (Date Range)
- Account (Search)
- Voucher No (Search)
- Business Unit (highlighted with a red box)
- Consider Accounting (checkbox)
- Show Opening Entries (checkbox)
- Include Default Book Entries (checkbox)
- Show Cancelled Entries (checkbox)

Search results:

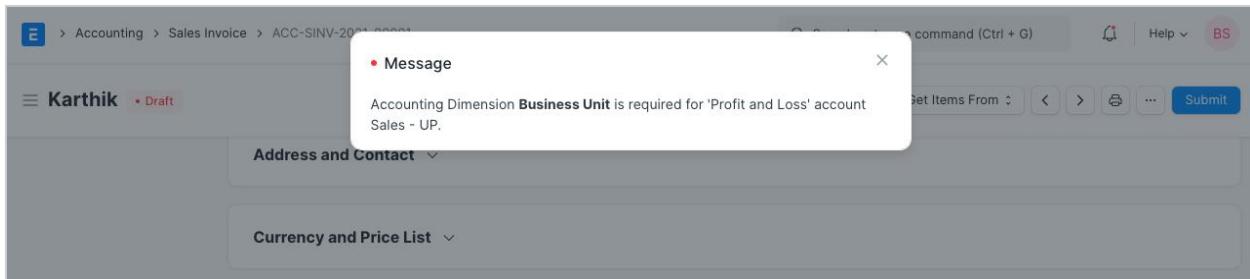
Party	Debit (USD)	Credit (USD...)	Balance (USD)	Voucher Type	Voucher No	Against Acco...	Party Type	Party
Healthcare	75,000.00	75,000.00	0.00					
Industrials	75,000.00	75,000.00	0.00					
Q Advanced Search								
2 03-23-20... Payroll Payable - UP	0.00	7,500,000.00	-7,500,000.00	Journal Entry	ACC-JV-2021-00003	Salary - UP		
3 03-23-20... Salary - UP	7,500,000.00	0.00	0.00	Journal Entry	ACC-JV-2021-00003	Payroll Payable...		
4 03-24-20... Debtors - UP	12,350,000.00	0.00	12,350,000.00	Sales Invoice	ACC-SINV-2021-00004	Sales - UP	Customer	Sysco Inc.
5 03-24-20... Sales - UP	0.00	12,350,000.00	0.00	Sales Invoice	ACC-SINV-2021-00004	Sysco Inc.		
6 04-14-20... Creditors - UP	0.00	535,550.00	-535,550.00	Purchase Invoice	ACC-PINV-2021-00001	Stock In Hand ...	Supplier	Apple Inc.
7 04-14-20... Stock In Hand - UP	535,550.00	0.00	0.00	Purchase Invoice	ACC-PINV-2021-00001	Apple Inc.		
8 Total	20,385,550.00	20,385,550.00	0.00					
9 Closing (Opening + Total)	20,460,550.00	20,460,550.00	0.00					

2.3 Making accounting dimensions mandatory for "Profit and Loss" and "Balance Sheet" Accounts

Profit and Loss is the group of Income and Expense accounts that represent your accounting transactions over a period.

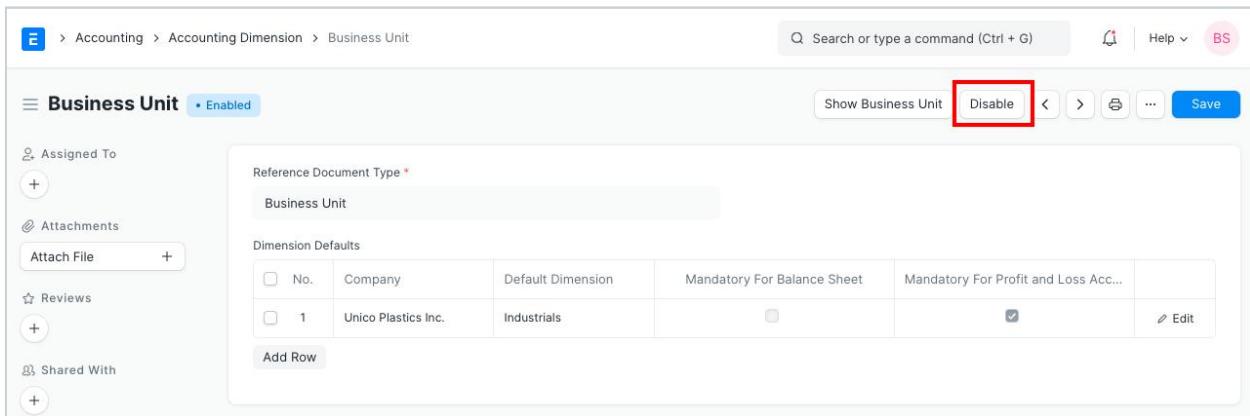
The Balance Sheet accounts are Application of Funds (Assets) and Sources of Funds (Liabilities) that signify the net-worth of your company at any given time.

By selecting the checkboxes 'Mandatory for Profit and Loss Account' or 'Mandatory for Balance Sheet' you can configure your dimensions to be mandatory for 'Profit and Loss' and 'Balance Sheet Accounts'.



2.4 Disabling accounting dimensions when no longer required

You can also disable the dimensions if you don't require them anymore. The old transactions having accounting dimensions will remain intact.



Related Topics

1. [Cost Center](#)
2. [Budgeting](#)
3. [Accounting Reports](#)

Accounting Dimensions Filters

Introduced in Version 13

In ERPNext, you can control the tagging of various accounting dimensions against a specific account. You can either allow or restrict certain accounting dimensions against an account using the accounting dimension filters

To access the Accounting Dimension Filter list, go to:

Home > Accounting > Accounting Dimension Filters

1. How to create an Accounting Dimension Filter in ERPNext.

1. Go to the Accounting Dimension Filter list and click on New.
2. Select the Accounting Dimension on which restriction has to be applied.
3. Select "Allow" or "Restrict" in the Allow Or Restrict field based on the type of restriction you want to apply.
4. Add accounts on which restriction will be applied in the Accounts table. Optionally you can also check the "Is Mandatory" checkbox if the



accounting dimension has to be made mandatory for any specific account.

5. Add dimension values in the Dimensions table that will be allowed or restricted for the mentioned accounts.

The screenshot shows the SAP Fiori interface for managing accounting dimensions. The top navigation bar includes links for Accounting, Accounting Dimension Filter, and Cost Center-00001. A search bar and various icons are also present. The main content area is titled "Cost Center-00001" and shows the following details:

- Assigned To:** Cost Center
- Company:** Unico Plastics Inc.
- Allow Or Restrict Dimension:** Allow
- Applicable On Account:** Sales - UP (Is Mandatory checked)
- Applicable Dimension:** PETE - Sales - UP

A note at the bottom of the screen states: "Note: On checking Is Mandatory the accounting dimension will become mandatory against that specific account for all accounting transactions".

2. Features

2.1 Filtering accounting dimensions in transactions

Based on the restrictions applied on the account, only allowed dimensions will be filtered and shown in the transactions.

The screenshot shows the SAP Fiori interface for creating a new sales invoice. In the 'Accounting Details' section, the 'Income Account' field is set to 'Sales - UP' and is highlighted with a red box. In the 'Cost Center' field, the value 'PETE - Sales - UP' is entered and is also highlighted with a red box. Other sections like 'Expense Account' and 'Asset' are visible but not highlighted.

2.2 Validations for Invalid and Mandatory Dimensions

In case any mandatory dimension is missing or a restricted dimension is tagged against any applicable account, the system won't allow submitting that transaction until the correct accounting dimension is selected.

The screenshot shows a validation message box stating: 'Invalid value PETE - Engineering - UP for Cost Center against account Sales - UP'. This message is displayed over the SAP Fiori interface where a sales invoice is being created. The message is triggered by an invalid entry in the 'Cost Center' field.

The screenshot shows a software application window for creating a journal entry. The title bar indicates the path: Accounting > Journal Entry > ACC-JV-2021-0000. A message box is displayed in the center, titled 'Message', stating: 'Accounting Dimension **Business Unit** is required for 'Profit and Loss' account Salary - UP.' Below the message box is a table with two rows:

	1	Salary - UP		\$ 7,500,000.00	\$ 0.00	Edit
	2	Payroll Payable - UP		\$ 0.00	\$ 7,500,000.00	Edit

Below the table are buttons for 'Add Multiple' and 'Add Row'. At the bottom of the screen, there are sections for 'Reference Number' (Total Debit \$ 7,500,000.00) and 'Reference Date' (Total Credit \$ 7,500,000.00).

Related Topics

1. [Cost Center](#)
2. [Budgeting](#)
3. [Accounting Dimensions](#)

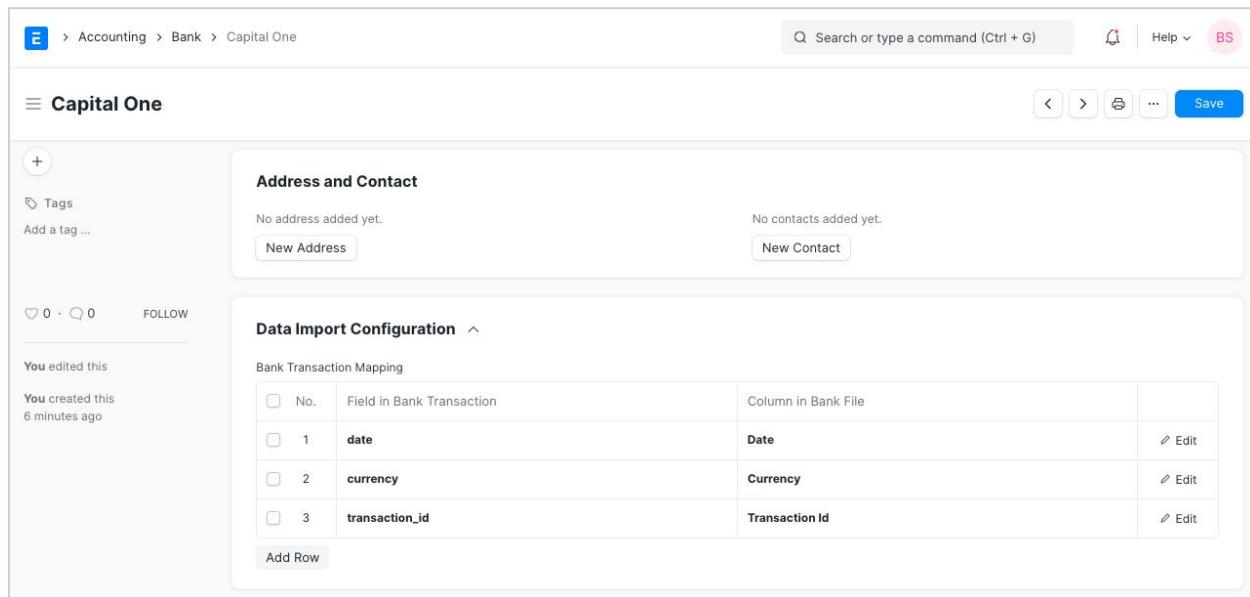


Bank

In ERPNext, saving different banks lets you upload an excel sheet and map the transactions to the ledger. The transactions are created as Bank Transactions. These can then be used for reference and reports. This is done using [Bank Reconciliation](#).

To access Bank, go to:

Home > Accounting > Bank Statement > Bank



The screenshot shows the 'Bank' setup page for 'Capital One'. The top navigation bar includes links for Accounting, Bank, and Capital One. A search bar and a help icon are also present. The main content area has two sections: 'Address and Contact' and 'Data Import Configuration'.

Address and Contact: Shows 'No address added yet.' and 'No contacts added yet.' with 'New Address' and 'New Contact' buttons.

Data Import Configuration: Titled 'Bank Transaction Mapping', it contains a table with three rows:

No.	Field in Bank Transaction	Column in Bank File	Action
1	date	Date	Edit
2	currency	Currency	Edit
3	transaction_id	Transaction Id	Edit

Buttons for 'Add Row' and 'Save' are located at the bottom of the configuration section.

1. How to create a Bank

Creating a Bank is simple, go to the Bank list, click on New, and enter a name.



1.1 Configuring data import for a Bank

1. Under 'Field in Bank Transaction' select the field to be updated in the 'Bank Statement Transaction Entry' form.
2. Under 'Column in Bank File', enter the column in the excel file exported from the bank.

On setting this up, [Bank](#) can be done smoothly.

2. Related Topics

1. [Bank Account](#)



Bank Account

In ERPNext, Bank Accounts can be created for a Company as well as other parties like Customers, Suppliers etc. Doing this lets you record all the bank transactions correctly for accounting accuracy.

You can add Bank Accounts in ERPNext for Company, Supplier, Customer, or any other party with whom transactions are carried out. Then the Bank Account can be chosen in [Payment Entries](#) as a Mode of Payment.

To access Bank Account, go to:

Home > Accounting > Bank Statement > Bank Account

The screenshot shows the 'Bank Account' creation page in ERPNext. The top navigation bar includes links for Accounting, Bank Account, and a search bar. On the left, there's a sidebar with options for Assigned To, Attachments, Reviews, Shared With, and Tags. The main form is titled '11000478 - Capital One'. It contains several input fields and checkboxes. Under 'Connections', the 'Account Name' is set to '11000478' and 'Company Account' is set to '1003 - Capital One - UP'. The 'Bank' field is filled with 'Capital One'. There are checkboxes for 'Is Default Account' (unchecked) and 'Is Company Account' (checked). A note states: 'Setting the account as a Company Account is necessary for Bank Reconciliation'. The 'Company' field is populated with 'Unico Plastics Inc.'. Below the connections section, there are fields for 'Account Type' and 'Account Subtype', both currently empty. At the bottom of the form, there's a section titled 'Account Details' which is also currently empty. The status bar at the bottom indicates: 'You edited this just now' and 'You created this just now'.



1. Prerequisites

Before creating and using Bank Account, it is advised to create the following first:

- [Bank](#)

2. How to create a Bank Account

1. Enter an Account Name.
2. Link the General Ledger account set in 'Bank Accounts' in the [Chart of Accounts](#).
3. Select a Bank.
4. Save.

2.1 Additional options when creating a Bank Account

- Is the Default Account: Enabling this will use this as the default bank account for all journal transactions.
- Is Company Account: Enable this Bank Account a Company account.
- An Account Type and Account Subtype can be set for further classification in reports etc.

3. Features



3.1 Party Details

- **Party Type:** If this is not a company account, set who this account belongs to. The available options are: Customer, Employee, Member, Shareholder, Student, and Supplier.
- **Party:** Select the specific Customer/Supplier, etc.

3.2 Account Details

For reference, the following details about a Bank Account can be stored in ERPNext:

- IBAN
- Bank Account No
- Branch Code
- SWIFT number

3.3 Address and Contact

- **Address:** A bank may have multiple in the same locality. The bank branch address can be set here.

- Contact: A Contact Person can be linked here. Banks usually provide a dedicated contact person for corporate accounts, you can add that person's contact here.
- Website: You can add the bank's website here.

3.4 Integration Details

Last Integration Date: If your bank supports [Plaid Integration](#), setting a date here will synchronize on the set date. This will create Bank Transactions entries.



Payment Terms Status Report

Payment Terms Status Report

Report to calculate status of Payment Terms based on the invoices created against that Sales Order. Invoice amount is split into the respective payment terms at runtime using FIFO method.

The screenshot shows a web browser window titled "Payment Terms Status for Sales Order". The URL is "localhost:8014/app/query-report/Payment%20Terms%20Status%20for%20Sales%20Order". The page header includes "Retail" and a search bar. Below the header is a sub-header "Payment Terms Status for Sales Order". The main content is a table with the following data:

	Sales Order	Submitted	Payment Term	Description	Due Date	Invoice Portion	Payment Amount	Paid Amount	Invoices	Status
1	SAL-ORD-2021-000...	30-11-2021	50% on 1 week	50% on first week.	07-12-2021	50%	₹ 7,200.00	₹ 7,200.00	SINV-21-000...	Completed
2	SAL-ORD-2021-000...	30-11-2021	50% on first ...	50% on first mo...	30-12-2021	50%	₹ 7,200.00	₹ 1,200.00	SINV-21-00030	Partly Paid
3	SAL-ORD-2021-000...	01-12-2021	20%	20% on first week	08-12-2021	20%	₹ 3,200.00	₹ 3,200.00	SINV-21-00036	Completed
4	SAL-ORD-2021-000...	01-12-2021	40%	40% on first mo...	31-12-2021	40%	₹ 6,400.00	₹ 2,400.00	SINV-21-000...	Partly Paid
5	SAL-ORD-2021-000...	01-12-2021	40% Delivery	40% on 100 days	11-03-2022	40%	₹ 6,400.00	₹ 0.00		Unpaid
Total						40%	₹ 30,400.00	₹ 14,000.00		

For comparison, use >5, <10 or =324. For ranges, use 5:10 (for values between 5 & 10). Execution Time: 0.005588 sec

Example:



Consider a Sales Order with a total value of 7000₹ and a payment terms of 50-50.

The screenshot shows a software application window titled "Payment Terms Status for Sales Order". The URL in the address bar is "localhost:8014/app/sales-order/SAL-ORD-2021-00019". The main content area displays the following details:

- Grand Total (INR)**: ₹ 7,000.00
- Rounding Adjustment (INR)**: ₹ 0.00
- Rounded Total (INR)**: ₹ 7,000.00
- In Words (INR)**: INR Seven Thousand only.
- Advance Paid**: ₹ 0.00
- Disable Rounded Total

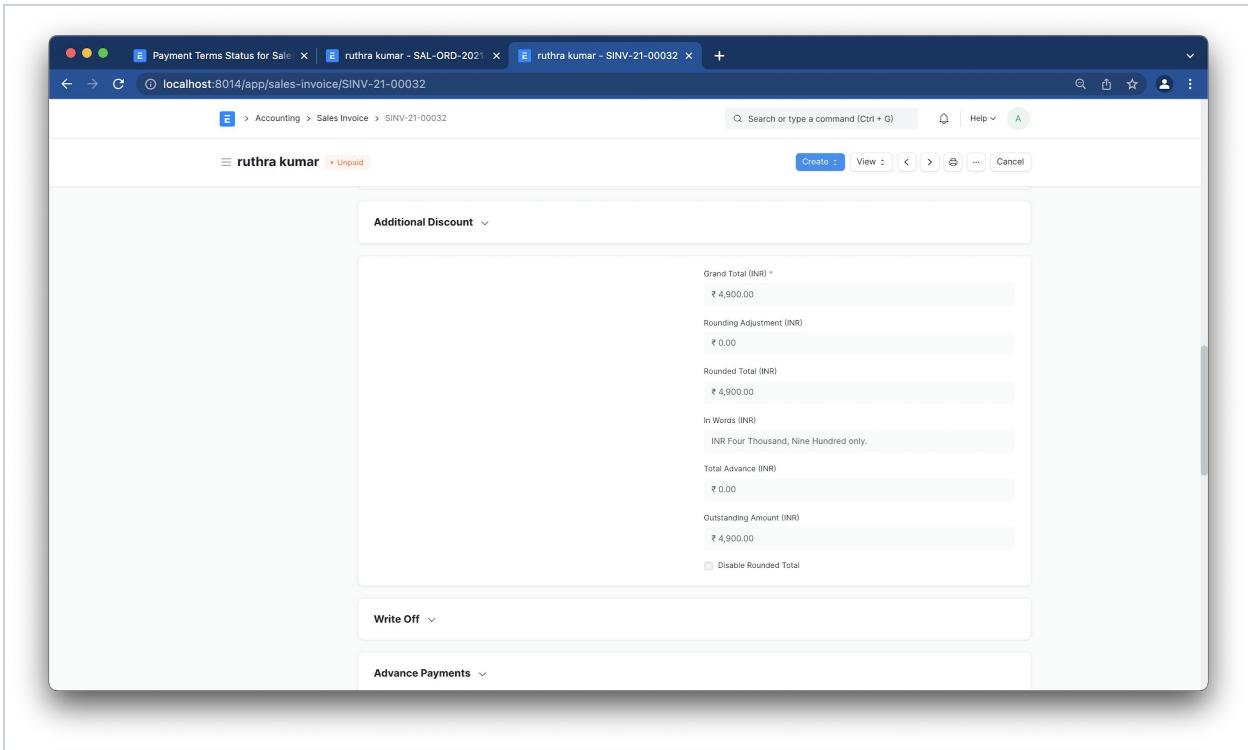
Below this, under the heading "Payment Terms", it shows:

- Payment Terms Template: 50-50
- Payment Schedule:

No.	Payment Term	Description	Due Date	Invoice Portion	Payment Amount (INR)	Edit
1	50% on 1 week	50% on first week.	05-01-2022	50%	₹ 3,500.00	<input type="button" value="Edit"/>
2	50% on first month	50% on first month	28-01-2022	50%	₹ 3,500.00	<input type="button" value="Edit"/>

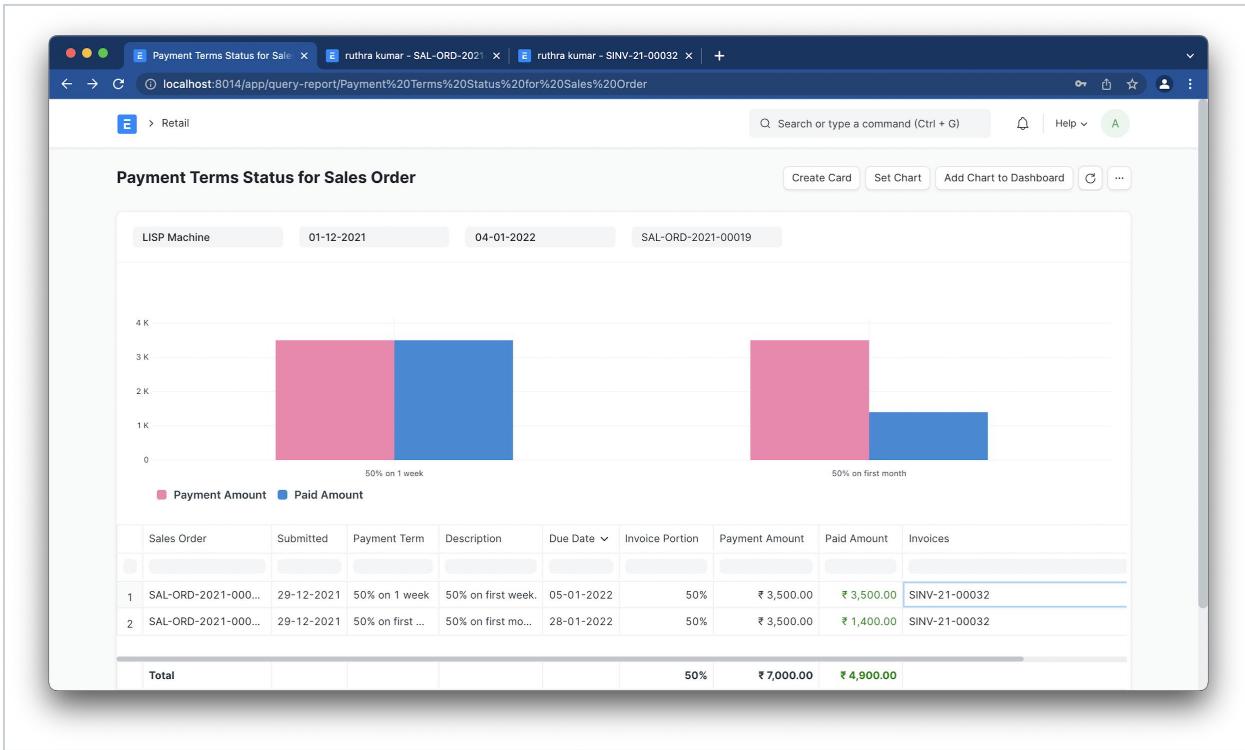


If a Sales Invoice is made against that SO for 4900₹.



Then, the report will split the invoice amount into payment terms in FIFO method and display the statuses as 'Completed' for the first 50% and 'Partly Paid' for the

second 50%.



Journal Entry

A Journal Entry is an entry made in the general ledger and it indicates the affected accounts.

A Journal Entry is a multi purpose transaction where the debit and credit accounts can be selected.

All types of accounting entries other than Sales and Purchase transactions are made using the Journal Entry. A Journal Entry is a standard accounting transaction that affects multiple Accounts and the sum of debits is equal to the sum of credits. A Journal Entry Impacts the main ledger.

Journal Entries can be used for entering expenses, opening entries, contra entries, bank payments, excise entries, etc. For example, booking running expenses, direct expenses like petrol/transport, sundry expenses, adjustment entries, and adjusting invoice amount.

Note: From version-13 onwards we have introduced an immutable ledger which changes the way cancellation of accounting entries works in ERPNext. [Learn more here.](#)

To access the Journal Entry list, go to:



1. How to create a Journal Entry

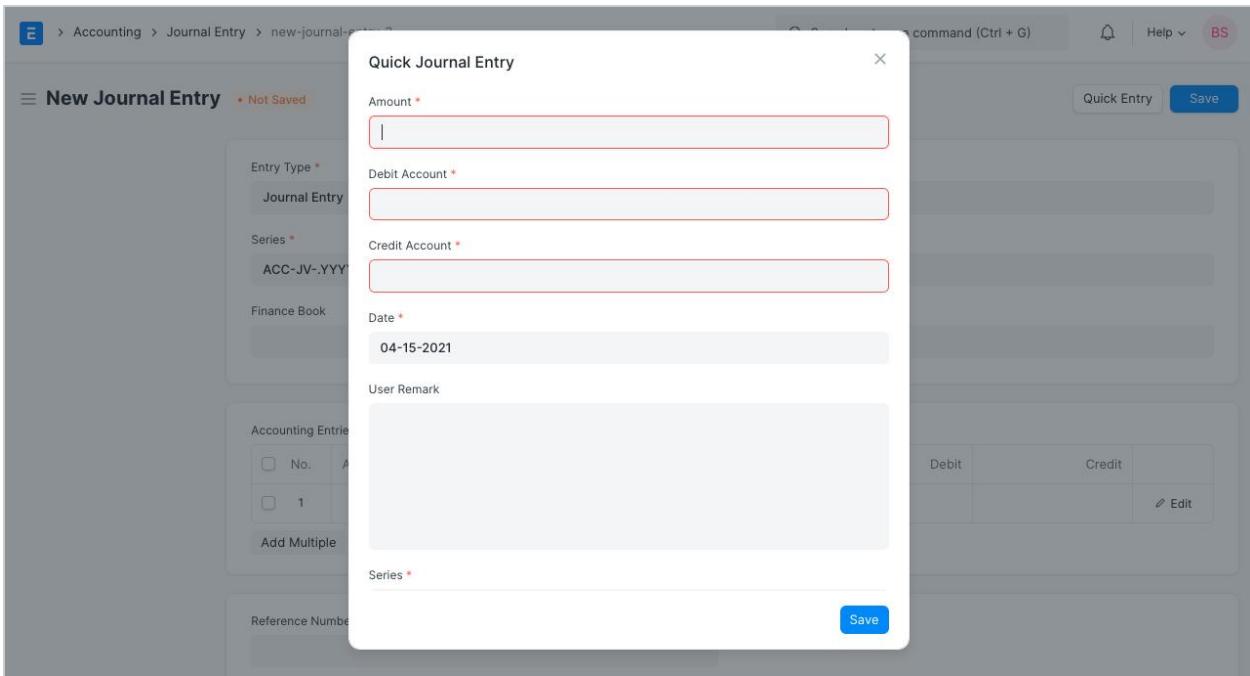
1. Go to the Journal Entry list, click on New.
2. The default Entry Type will be 'Journal Entry'. This is a general purpose entry type. Visit [section 3](#) to know more about entry types.
3. You can change the Posting Date.
4. Expand the table, select an Account from which amount is debited.
5. The above details can be added from a [Journal Entry Template](#) too with the 'From Template' field.
6. Select the Party Type and Party if it's a Debtor entry.
7. Add a row where the amount will be credited.
8. Note that, in the end, total debit and credit amounts should add up to be the same.
9. Save and Submit.

Finance Book: You can post this entry to a specific [Finance Book](#). On leaving this field blank, this Journal Entry will show up in all Finance Books. This field will only be visible if 'Enable Finance Books' under the Fixed Asset Defaults section of the Company master is checked.

1.1 Quick Entry

When creating a Journal Entry, a Quick Entry button can be seen on the top right. This makes creating the Journal Entry a bit easier. Enter the amount, select the accounts, add a remark. This will populate the 'Accounting Entries' table with the selected details.





2. Features

2.1 Accounting Entries

1. Accounting Dimensions: A Project or Cost Center can be linked here to track the costing separately. To know more, [visit this page](#).

The screenshot shows a software application window titled "New Journal Entry". At the top, there's a breadcrumb navigation: Accounting > Journal Entry > new-journal-entry-2. On the right side of the header, there's a search bar with placeholder text "Search or type a command (Ctrl + G)" and several small buttons for "Insert Below", "Insert Above", "Duplicate", and "Move". The main area is titled "Editing Row #1". It contains various input fields: "Salary - UP" (Account Balance: \$ 20,000,000.00), "Party Type" and "Party" (both empty), "Business Unit" and "Project" (both empty), "Cost Center" (empty), and "If Income or Expense" (empty). A red rectangular box highlights the "Accounting Dimensions" section, which includes fields for "Business Unit", "Project", "Cost Center", and "If Income or Expense". Below this section, there's another group of fields: "Currency" (Account Currency: USD, Exchange Rate: 1.000000000), "Party Type" (empty), and "Party" (empty).

2. Bank Account No: If you've added a [Bank Account](#), the number associated with that bank account will be fetched.
3. Reference Type: If this Accounting Entry is associated with another transaction, it can be referenced here. Select the Reference Type and select the specific document. For example, if you're creating a Journal Entry against a specific Sales Invoice. Link this Journal Entry to the invoice. The “outstanding” amount of that [invoice](#) will be affected.

4.

Editing Row #1

Account Currency	USD	Exchange Rate	1.00000000
Amount			
Debit		Credit	
Debit in Company Currency		Credit in Company Currency	
\$ 0.00		\$ 0.00	
Reference			
Reference Type	Expense Claim	Is Advance	No
Reference Name	HR-EXP-2021-00001	User Remark	
Reference Due Date			

Following are the documents that can be selected in the Journal Entry under

Reference Type:

1. Sales Invoice
2. Purchase Invoice
3. Journal Entry
4. Sales Order
5. Purchase Order
6. Expense Claim
7. Asset

8. [Loan](#)
9. [Payroll Entry](#)
10. [Employee Advance](#)
11. [Exchange Rate Revaluation](#)
12. [Invoice Discounting](#)
13. Is Advance: If this is an advance payment by a Customer, set this option to 'Yes'. This is useful when you have linked a 'Reference Type' form to this Journal Entry. Selecting "Yes" will link this Journal Entry to the transaction selected in the 'Reference Name' field. To know more, visit the [Advance Payment Entry](#) page.
14. User Remark: Any additional remarks about the entry can be added in this field.

2.2 Reverse Journal Entry

In any submitted Journal Entry, there is a dedicated button to reverse the Journal Entry. On clicking the 'Reverse Journal Entry' button, the system creates a new Journal Entry by reversing the debit and credit amount against the respective accounts.

2.3 Difference Entry

The “Difference” is the difference that remains after summing all debit and credit amounts.

As per double entry accounting system, the total debit should be equal to the total credit.

This should be zero if the Journal Entry is to be “Submitted”. If this number is not zero, you can click on “Make Difference Entry” and the system will automatically add a new row with the amount required to make the total as zero. Select the account to debit/credit and proceed.



The screenshot shows the 'New Journal Entry' screen in the ERPNext accounting module. At the top, there's a breadcrumb navigation: Accounting > Journal Entry > new-journal-entry-1. A search bar says 'Search or type a command (Ctrl + G)'. On the right, there are 'Help' and 'BS' buttons. Below the header, it says 'New Journal Entry' and 'Not Saved'. There are 'Quick Entry' and 'Save' buttons.

The main area has two sections: 'Accounting Entries' and 'Reference Number'.

Accounting Entries: A table with columns: No., Account, Party Type, Party, Debit, Credit, and Edit. One row is present: No. 1, Account: Salary - UP, Party Type, Party, Debit: \$ 7,600.00, Credit, and an 'Edit' link.

Reference Number: Fields for Reference Number (\$ 7,600.00), Reference Date (\$ 0.00), and User Remark. A 'Difference (Dr - Cr)' field shows \$ 7,600.00. A red box highlights the 'Make Difference Entry' button.

2.4 Referencing

A Reference Number can be entered manually and a Reference Date can be set. On entering a Reference Number here, a 'Remark' will be seen, for example:

Note: supplier

Reference #2321 dated 30-09-2019 ₹ 1,000.00 against Sales Invoice ACC-SING-2019-00064

In the Reference section, the following fields can be entered manually if the bill was recorded offline and not in the ERPNext system. This is only for reference purposes.

1. Bill No

2. Bill Date



3. Due Date

2.5 Multi Currency entries

If the accounts selected are in different currencies, tick the 'Multi Currency' checkbox. If this checkbox is not enabled, you will not be able to select any foreign currencies in the Journal Entry. This will show the different currency and fetch the 'Exchange Rate'. To know more, visit the [Multi Currency Accounting page](#).

The screenshot shows a journal entry screen in Zoho Books. The top navigation bar includes 'Accounting', 'Journal Entry', 'ACC-JV-2021-00010', a search bar, and a 'Save' button. The main title is 'Payroll Payable - UP' with a note '• Not Saved'. On the left, there are user activity logs: 'You edited this 1 minute ago' and 'You created this 1 minute ago'. The central area displays 'Accounting Entries' with two rows:

No.	Account	Party Type	Party	Debit	Credit
1	Payroll Payable - UP			\$ 0.00	\$ 10,000.00
2	Salary Offshore - UP			₹ 750,800.00	₹ 0.00

Below the table are buttons for 'Add Multiple' and 'Add Row'. The bottom section contains fields for 'Reference Number' (Total Debit \$ 10,000.66), 'Reference Date' (Total Credit \$ 10,000.00), 'User Remark' (Difference (Dr - Cr) \$ 0.66), and a 'Make Difference Entry' button. A checked checkbox labeled 'Multi Currency' is highlighted with a red box.

2.6 Journal Entry Template

From Template field: Selecting an option in this will load details from a Journal Entry Template.



It will fetch and add the following details to the entry:

1. Entry Type
2. Company
3. Series
4. Accounts in Accounting Entries
5. Is Opening

To learn more go to the [Journal Entry Template](#) page.

2.7 Print Settings

The screenshot shows a software application window with a toolbar at the top. The main area displays a document titled "Payroll Payable - UP" in draft mode. A red box highlights the "Printing Settings" section, which contains fields for "Pay To / Recd From" and "Letter Head", along with a "Print Heading" field below them. Below this section are "More Information" and "Add a comment" sections.

Pay To / Recd From: The name entered here will show up in the Sales Invoice. This is useful for printing cheques. Go to the print view in the Journal Entry and select the 'Cheque Printing Format'.

Letterhead

You can print your Journal Entry on your company's letterhead. Know more [here](#).

Print Headings

Journal Entries can also be titled differently for printing purposes. You can do this by selecting a Print Heading. To create new Print Headings go to:

Home > Settings > Printing > Print Heading

Read [Print Headings](#) to know more.

2.7 More Information

1. **Mode of Payment:** Whether the payment was done using Wire Transfer, Bank Draft, Credit Card, Cheque, or Cash. New Modes of Payment can also be created. If a Bank Account is set in Mode of Payment, it will be fetched here when the Mode of Payment is selected.



2. Is Opening: If the Journal Entry is of type 'Opening Entry' this field will be set to 'Yes'. To know more, visit the [Opening Balance](#) page.
3. From Template: When a template is selected, the 'Accounting Entries' table will be emptied first before loading the accounts from the template. You can add more account entries after that.

3. Journal Entry Types

Let's take a look at some of the common accounting entries that can be done via Journal Entry in ERPNext.

3.1 Journal Entry

This is a general purpose entry type which can be used for different purposes. Let's see a few examples.

Expenses (non accruing)

Many times it may not be necessary to accrue an expense, but it can be directly booked against an expense Account on payment. For example, a travel allowance or a telephone bill. You can directly debit Telephone Expense (instead of your telephone company) and credit your Bank on payment.

1. Debit: Expense Account (like Telephone expense).



2. Credit: Bank or Cash Account.

Crediting Salaries

For crediting employee salaries, 'Journal Entry' type is used. In this case,

1. Debit: The salary components.

2. Credit: The bank account.

3.2 Inter Company Journal Entry

If a transaction occurs between a parent and child company, or sister companies, or two companies belonging to the same group, this option can be used to make an Inter Company Journal Entry.

To know more visit the [Inter Company Journal Entry](#) page.

3.3 Bank Entry

Use this type when making or receiving a payment using a [Bank Account](#). For example, paying for an entertainment charges etc using the Company's bank account.

3.4 Cash Entry

This is the same as 'Bank Entry' but the payment is made via Cash Account.



3.5 Credit Card Entry

This is a type of entry to easily identify all credit card entries.

3.6 Debit Note

This is a document sent by a customer (your Company) to a supplier (your Supplier) when returning goods/items.

You can also create a Debit Note directly from a Purchase Invoice.

"Debit Note" is made for a Supplier against a Purchase Invoice or accepted as a credit note from Supplier when a company returns goods. When a Debit Note is made, the Company can either receive a payment from the Supplier or adjust the amount in another invoice.

1. Debit: Supplier Account.
2. Credit: Purchase Return Account.

To know more, [visit this page](#).

3.7 Credit Note

This is a document sent by a supplier to a customer when returning goods/items.



"Credit Note" is made for a Customer against a Sales Invoice when the company needs to adjust a payment for returned goods. When a Credit Note is made, the seller can either make a payment to the customer or adjust the amount in another invoice.

1. Debit: Sales Return Account.
2. Credit: Customer Account.

To know more, [visit this page](#).

A debit/credit note is usually issued for the value of the goods returned or lesser.

3.8 Contra Entry

A Contra Entry is booked when the transaction is booked within the same Company of types:

1. Cash to Cash
2. Bank to Bank
3. Cash to Bank
4. Bank to Cash



This is used to record withdrawing or depositing money from a Bank Account.

When this entry is used, the money does not leave the company unless it is again used to pay for something.

3.9 Excise Entry

When a Company buys goods from a Supplier, the company pays excise duty on these goods to the Supplier. And when a company sells these goods to Customers, it receives excise duty. Company will deduct payable excise duty and deposit balance in Govt. account.

When a Company buys goods with Excise duty:

1. Debit: Purchase Account, Excise Duty Account.
2. Credit: Supplier Account.

When a Company sells goods with Excise duty:

1. Debit: Customer Account.
2. Credit: Sales Account, Excise Duty Account.

Note: Applicable in India, might not be applicable for your country. Please check your country regulations.

3.10 Write Offs or Bad Debts

If you are writing off an Invoice as a bad debt, you can create a Journal Voucher similar to a Payment, except instead of debiting your Bank, you can debit an Expense Account called Bad Debts.

1. Debit: Bad Debts Written Off
2. Credit: Customer

Note: There may be regulations in your country before you can write off bad debts.

3.11 Opening Entry

This entry is useful when moving from another software to ERPNext during any time of the year. Your outstanding bills, equities etc. can be recorded to ERPNext using this entry type. Selecting type will fetch the Balance Sheet accounts.

3.12 Depreciation

Depreciation is when you write off a certain value of your assets as an expense. For example if you have a computer that you will use for say 5 years, you can distribute its expense over the period and pass a Journal Entry at the end of each year reducing its value by a certain percentage.

1. Debit: Depreciation (Expense).

2. Credit: Asset (the Account under which you had booked the asset to be depreciated).

To know more, visit the [Asset Depreciation](#) page.

Note: There may be regulations in your country that define by how much amount you can depreciate a class of Assets.

3.13 Exchange Rate Revaluation

If your Chart of Accounts has accounts with multiple currencies, a Journal Entry of type 'Exchange Rate Revaluation' helps in dealing with this situation. This entry is intended to be created from an Exchange Rate Revaluation form. To know more visit the [Exchange Rate Revaluation](#) page.

4. Related Topics

1. [Inter Company Journal Entry](#)
2. [Credit Note](#)
3. [Debit Note](#)
4. [Sales Invoice](#)
5. [Difference Entry Button](#)
6. [Finance Book](#)

Journal Entry Template

A Journal Entry Template lets you set and select a predetermined list of accounts and options while making a Journal Entry.

To access the Journal Entry Template, go to:

Home > Accounting > General Ledger > Journal Entry Template

1. How to Create and use a Journal Entry Template:

The screenshot shows the 'New Journal Entry Template' page. At the top, there's a breadcrumb navigation: Home > Accounting > Journal Entry Template > new-journal-entry-template-4. To the right are search, help, and save buttons. The main form has sections for 'Template Title *' (Salary Entry), 'Company *' (Unico Plastics Inc.), 'Journal Entry Type *' (Journal Entry), 'Is Opening' (No), 'Series *' (dropdown menu), and 'Multi Currency' (checkbox). Below this is an 'Accounting Entries' section with a table:

No.	Account	Edit
1	Salary - UP	<input type="button" value="Edit"/>
2	Payroll Payable - UP	<input type="button" value="Edit"/>

At the bottom of the table is an 'Add Row' button.

1. Go to the Journal Entry Template List and click on New.
2. Add the following details:



- **Template Title:** This will be used to select the template from Journal Entry.
- **Company:** By default the company defined in Global Defaults is selected. You can select any other company too.
- **Entry Type:** You can select from the [entry types available in Journal Entry](#) here. Default value is [Journal Entry](#).
 - There are 3 special 'Entry Types' in this:
 - [Opening Entry:](#) This will get all the accounts and load them into the "Accounting Entries" table. To learn more visit [Opening Balance](#) page.
 - [Bank Entry:](#) This will get and load the default Bank Account if set.
 - [Cash Entry:](#) This will get and load the default Cash Account if set.
 - **Is Opening:** This will be autoset to 'Yes' if 'Opening Entry' is selected as Entry Type.
 - **Series:** You can select from a list of naming series available to Journal Entry.

- Accounting Entries: Here you can select a list of accounts to add to the entry.
3. Save and go to [Journal Entry](#) and click on new.
4. In the 'From Template' field when you select the template, it will load the accounts and other options set in it. Please note it will clear the Accounting Entries table first, but you can add more accounts to the table apart from those fetched from the template.

3. Related Topics

1. [Journal Entry](#)



Payment Entry

A Payment Entry is a record indicating that payment has been made for an invoice.

Payment Entry can be made against the following transactions.

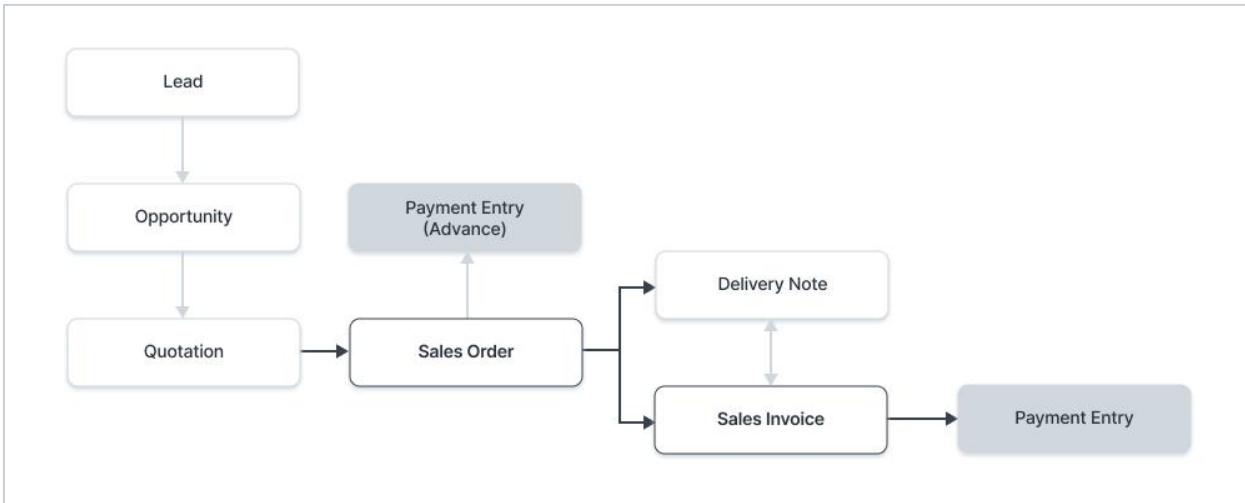
- Sales Invoice
- Purchase Invoice
- Sales Order (Advance Payment)
- Purchase Order (Advance Payment)
- Expense Claim
- Internal Transfer

In ERPNext, there are two options through which User can capture the payment:

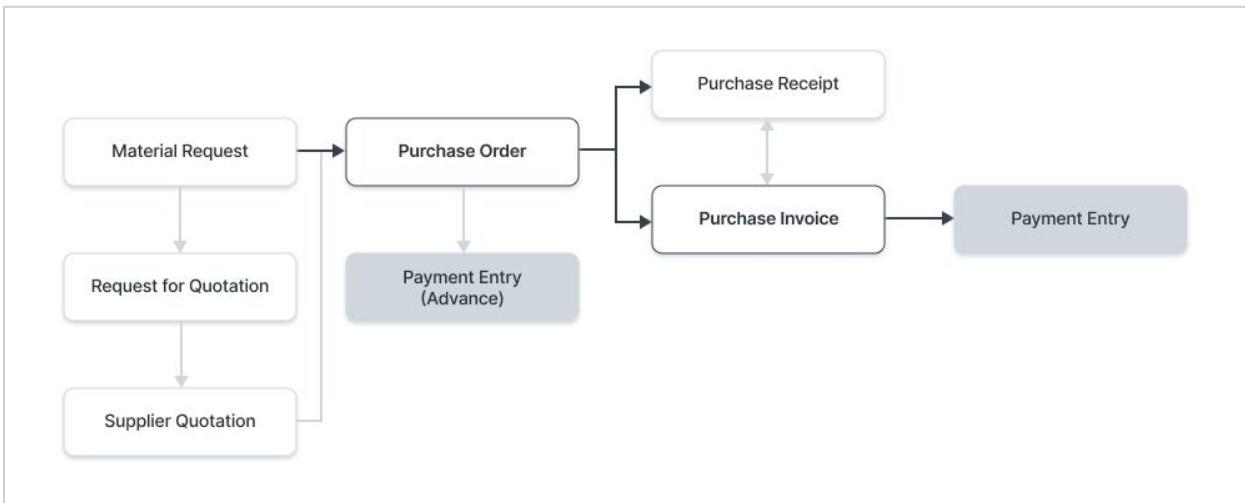
- Payment Entry (Default)
- Journal Entry

Here are diagrams to understand the flow:

In Sales:



In Purchase:



To access the Payment Entry list, go to:

Home > Accounting > Accounts Receivable/Payable > Payment Entry

1. Prerequisites

A Payment Entry can also be created directly then linked to an order/invoice later.

Before creating and using Payment Entry, it is advised to create the following first:

1. *Customer*
2. *Supplier*
3. *Bank Account*

If you're following the Sales/Purchase Cycle, you'd need the following:

1. *Sales Order* (Advance Payment)
2. *Purchase Order* (Advance Payment)
3. *Sales Invoice*
4. *Purchase Invoice*

Set up:

1. *Chart Of Accounts*
2. *Company* (for default accounts)

2. How to create a Payment Entry

On submitting a document against which Payment Entry can be made, you will find the Payment option under the Create button.

Sysco Inc. • Overdue

Connections

- Payment**
 - Payment Entry
 - Payment Request
 - Journal Entry
 - Invoice Discounting
 - Dunning
- Subscription**
 - Auto Repeat
- Reference**
 - Timesheet
 - Delivery Note
 - Sales Order
 - POS Invoice
- Return**
 - Delivery
 - Sale
 - Payment Request
 - Invoice Discounting
 - Dunning
 - Maintenance Schedule
 - Subscription

Customer

Sysco Inc.	Date *
<input type="checkbox"/> Include Payment (POS)	03-24-2021
<input type="checkbox"/> Is Return (Credit Note)	Posting Time 23:36:06

0 FOLLOW

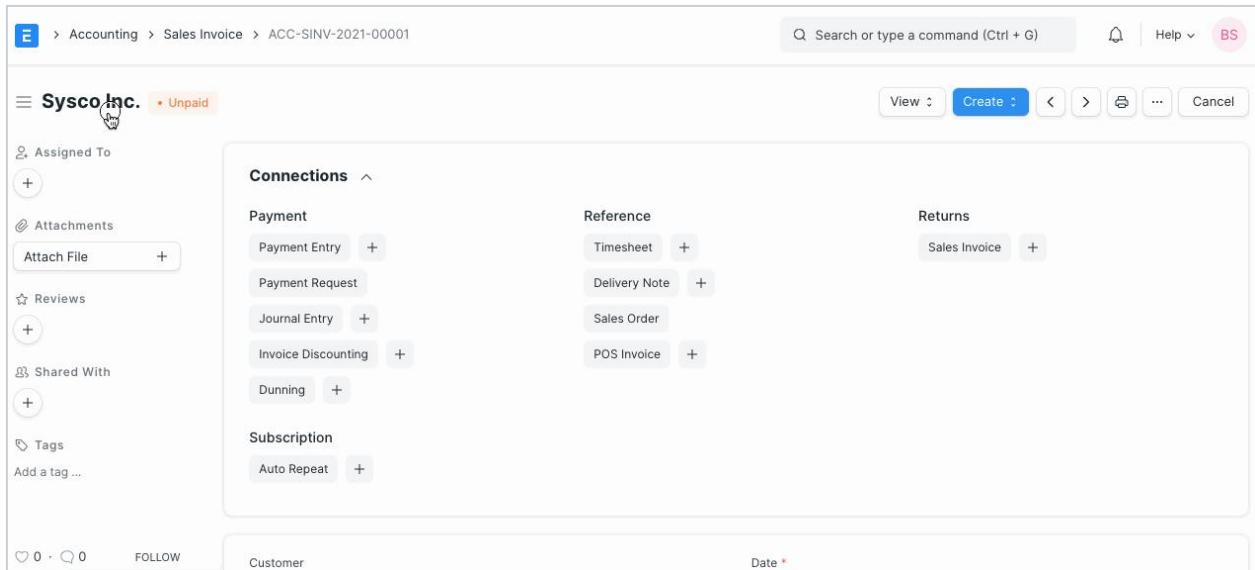
You edited this 2 days ago

You created this 2 days ago

1. Change the posting date.
2. The Payment Type will be set based on the transaction you're coming from. The types are 'Receive', 'Pay', and 'Internal Transfer'.
3. The Party Type, Party, Party Name will be fetched automatically.
4. The Account Paid To and Account Paid From will be fetched as set in the **Company form**.
5. The Amount Paid will be fetched from the Invoice.



6. Save and Submit.



2.1 Creating a Payment Manually

A Payment Entry created manually will have no order/invoice linked to it.

Payments made this way will be recorded in the Customer's/Supplier's account and can be reconciled later using the [Payment Reconciliation Tool](#).

1. Go to the Payment Entry list and click on New.
2. Select the Party Type and the respective Customer/Supplier.
3. Select the Bank Account/Cash Account Paid To and Paid From. Enter the Cheque Number and date if bank transfer.
4. Enter the Amount Paid.
5. Save and Submit.

3. Features

3.1 Setting Mode of Payment

Mode of Payment: Entering this helps classify Payment Entries based on the payment mode used. Modes of Payment can be Bank, Cash, Wire Transfer, etc.

Tip: In the **Mode of Payment** master, default Account can be set. This default payment Account will be fetched into Payment Entries.

3.2 Payment From/To

The screenshot shows a payment entry screen for 'Sysco Inc.' with the status 'Submitted'. The 'Payment From / To' section shows 'Party' as 'Sysco Inc.' and 'Party Name' also as 'Sysco Inc.'. The 'Accounts' section displays 'Party Balance' at '\$ 30,051,000.00', 'Account Paid From' as 'Debtors - UP', 'Account Currency' as 'USD', 'Account Paid To' as '1001 - Citi - UP', and 'Account Balance' at '\$ 0.00'. The left sidebar includes sections for 'Shared With', 'Tags', and 'Follow'.

- Party Type: Whether Customer, Supplier, Employee, Shareholder, Student, or NGO Member.

- **Party:** The specific party for which the Payment Entry is made.
- **Party Name:** The name of the party, this is fetched automatically.
- **Company Bank Account:** Your Company's [Bank Account](#).
- **Party Bank Account:** The Party's [Bank Account](#).
- **Contact:** If the Party is an organization, a Contact person can be stored here.

3.3 Accounts

The screenshot shows a payment entry screen with the following details:

Accounts	
Party Balance	\$ 30,051,000.00
Account Paid From *	Debtors - UP
Account Currency *	USD
Account Balance	\$ 0.00
Account Paid To *	1001 - Citi - UP
Account Currency *	USD
Account Balance	\$ 0.00

- **Party Balance:** The overall amount receivable or payable from Customer or Supplier from Invoices set in the current Payment Entry. Paid amounts will be positive and if advance payments are made, they will be negative.

- Account Paid From: The [Account](#) from which the amount will be deducted when Payment is submitted.
- Account Paid To: The [CoA account](#) from which the amount will be added when Payment Entry is submitted.
- Account Currency: The Currencies of these accounts will be fetched as set in the [Account](#) and cannot be edited here. To know about more about transactions in multiple currencies, [visit this page](#).
- Account Balance: The total amount balance from all the invoices of the selected accounts.

Paid Amount: The total amount paid for the current Payment Entry is shown in this field.

Note: When making Payment Entries, the default bank account will be fetched in the following order if set:

- Company form
- Mode of Payment default account
- Customer/Supplier default bank account
- Select manually in Payment Entry



3.4 Reference

Fetching outstanding Invoices

This can be used to make payments to multiple Sales Invoices using one Payment Entry. When creating a new Payment Entry, on clicking the Get Outstanding Invoice button all the outstanding Invoices and open Orders will be fetched for the party. You need to enter the 'Paid Amount' to see this button. From here a date range and invoices to be fetched can be selected.

If the Party has not made full payment, enter the amount paid in the 'Allocated' field.

If creating Payment Entry for a Customer, the Payment Amount will be allocated against a Sales Invoice. On the same lines, when creating Payment Entry for a Supplier, Payment Amount will be allocated against a Purchase Invoice.

Payment References table

- Type: Whether the payment is being made against a Sales Order, Sales Invoice, or a Journal Entry.
- Name: The particular transaction ID is fetched/selected here.
- Total Amount: The total amount of one Invoice/Journal Entry in the row.

- **Outstanding:** The amount to receive/to pay for this invoice.
- **Allocated:** If the Paid Amount is less than the invoice amount only the paid amount will be allocated to the invoice(s) fetched in the Payment Entry. The payment may be made in parts, for example, if there are three invoices of amounts 20, 20, 20, the Paid Amount is 60 then this Paid Amount will be distributed equally. **Payment Terms** may also be involved.

The screenshot shows the ERPNext Payment Entry screen for customer 'Sysco Inc.' (Not Saved). The 'Reference' section contains a button 'Get Outstanding Invoice' (highlighted with a red box) and a table of payment references. The table has columns: No., Type, Name, Grand Total, Outstanding, and Allocated. One row is highlighted with a red box, showing '1' in the No. column, 'Sales Invoice' in the Type column, 'ACC-SINV-2021-00004' in the Name column, '\$ 12,350,000' in the Grand Total column, '\$ 12,350,000' in the Outstanding column, and '\$ 35,000' in the Allocated column. The 'Writeoff' section shows total allocated amount (\$ 35,000.00), unallocated amount (0.00), and difference amount (\$ 0.00).

No.	Type	Name	Grand Total	Outstanding	Allocated
1	Sales Invoice	ACC-SINV-2021-00004	\$ 12,350,000	\$ 12,350,000	\$ 35,000

What is an Unallocated Amount?

When a Payment Entry is made in ERPNext and the Paid Amount is more than the total invoice amount, it is stored in the Customer's/Supplier's account. This

amount is hence currently 'Unallocated'. Unallocated amount can be used against future invoices.

For example, you create a Sales Invoice totaling 1,000 and the Customer paid 1,500. When another invoice is created for this Customer in the future for 1,000 again, the previously paid 500 can be used.

3.5 Deductions or Loss

When a Payment Entry is created against an invoice, there could be some difference in the actual Paid Amount and the invoice outstanding amount. This difference could be due to rounding errors or changes in the currency exchange rate. You can set an Account here where this difference amount will be booked.

The loss/deductions can be written off. Let's see an example here where the paid amount is 25 but the allocated amount is 30 since 30 is the amount to be collected as per the invoice. The 'Difference Amount' will be 5 in this case. This difference amount can occur due to discounts or Currency Exchange. The Difference Amount needs to be 0 in order to submit the Payment Entry. This can be adjusted using the Make Difference Entry button. The amount will be adjusted in the Write Off account.

The screenshot shows the Zoho Inventory software interface. At the top, it displays the path: Accounting > Sales Invoice > ACC-SINV-2021-00006. On the right, there is a search bar with placeholder text "Search or type a command (Ctrl + G)" and a help icon. Below the header, the main content area shows a customer record for "Sysco Inc." with a status of "Unpaid". The left sidebar contains sections for Assigned To, Attachments (with an "Attach File" button), Reviews (with an "+"), Shared With (with an "+"), and Tags (with an "Add a tag ..."). The right side features a "Connections" section with tabs for Payment, Reference, and Returns. Under Payment, there is a list with "Payment Entry" (marked as 1) and a "+" button. Under Reference, there are "Timesheet", "Delivery Note", "Sales Order", and "POS Invoice" with their respective "+" buttons. Under Returns, there is a "Sales Invoice" with a "+" button. There are also sections for "Subscription" and "Dunning". At the bottom, there are buttons for "View", "Create", and navigation arrows, along with a "Cancel" button.

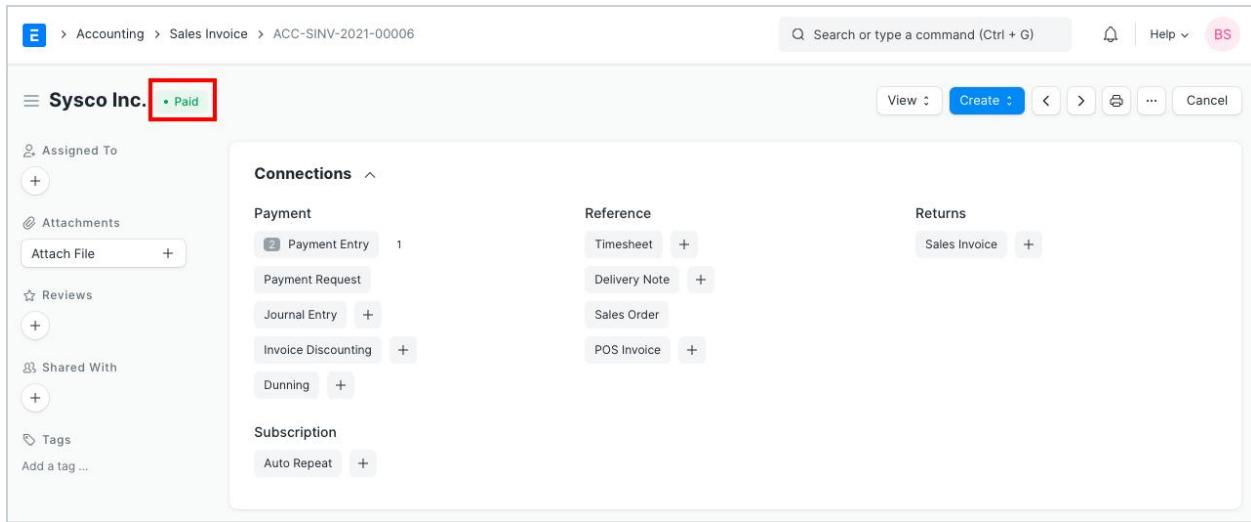
3.6 Write Off

Write off happens when the paid amount is less than the allocated amount. I.e. the remaining amount is considered as lost in miscellaneous charges or that amount isn't going to be paid. This is considered as loss.

3.5 After Submitting

Save and Submit Payment Entry. On submission, outstanding will be updated in the invoices.





If payment entry was created against Sales Order or Purchase Order, the field 'Advance Paid' will be updated in them. When creating Invoice against those transactions, Payment Entry will be auto-updated in that Invoice so that you can allocate invoice amount against advance payment entry.

For incoming payment, the accounts posting will be done as follows.

- Debit: Bank or Cash Account
- Credit: Customer (Debtor)

For outgoing payment:

- Debit: Supplier (Creditor)
- Credit: Bank or Cash Account

4. Other cases

4.1 Multi Currency Payment Entry

If you want to maintain a receivable/payable account in foreign currency, then create accounts with foreign currency (different from Company currency) and link it in the party account. For example:

The screenshot shows the ERPNext software interface. At the top, there's a navigation bar with icons for Home, Selling, Customer, and Excellent GmbH. To the right of the navigation is a search bar labeled 'Search or type a command (Ctrl + G)' and various system icons. Below the navigation, the customer details for 'Excellent GmbH' are shown, with a status indicator 'Enabled'. On the left, there's a sidebar with sections like Accounting, Credit Limit and Payment Terms, More Information, and Loyalty Points. The main content area is titled 'Accounting' and contains a table for managing accounts. The table has columns for 'No.' and 'Account'. One row is visible, showing '1' in the 'No.' column and 'Unico Plastics Inc.' in the 'Account' column. To the right of the table is a red rectangular box highlighting the 'Account' column. Below the table is a button labeled 'Add Row'. Further down, there are sections for 'Credit Limit and Payment Terms', 'More Information', and 'Loyalty Points'.

ERPNext allows you to maintain accounts and invoicing in **multiple currency**. If an invoice is made in the party currency, **Currency Exchange Rate** between the Company's base currency and party currency is also entered in the invoice.

Note: A separate Debtor/Creditor account needs to be created and selected in the Sales Invoice/Order for currency exchange to work correctly. For example, if the Customer is from the US, create a receivable account called 'Debtors US'.

When creating Payment Entry against that invoice, the current exchange rate will be fetched, but you can set the Currency Exchange Rate at the time of payment to match your records.

Click on the Set Exchange Gain/Loss button to automatically add a row to write off the difference amount.

The screenshot shows the 'New Payment Entry' screen in Odoo. At the top, it says 'Accounting > Payment Entry > new-payment-entry-1'. The main area has a red box around the 'Amount' section. In this section, 'Paid Amount (EUR)' is listed as 3,000.00 and 'Received Amount (USD)' is listed as 3,591.00. Below these, 'Exchange Rate' is shown as 1.197, with the formula '1 EUR = [?] USD' underneath. A second red box surrounds the 'Reference' section, which contains buttons for 'Get Outstanding Invoice' and 'Payment References'.

Since Currency Exchange Rate fluctuates all the time, it can lead to a difference in the payment amount against invoice total. This difference amount can be booked in the Currency Exchange Gain/Loss Amount.

The screenshot shows the 'New Payment Entry' screen with the following details:

- Writeoff:**
 - Total Allocated Amount (EUR): € 3,000.00
 - Unallocated Amount (EUR): 4.68
 - Total Allocated Amount (USD): \$ 3,591.00
 - Difference Amount (USD): \$ 0.00
- Deductions or Loss:**

No.	Account	Cost Center	Amount
1	Exchange Gain/Loss - UP	Main - UP	5.60

Payments can also be made independent of invoices by creating a new Payment Entry.

To know more about managing transactions in multiple currencies [visit this page](#).

4.2 Internal Transfer

Internal Transfer is used in cases where the money is transferred between the same Company's accounts. For example, if a customer from the US using PayPal,



transferring money from PayPal to a bank account can be considered as Internal Transfer.

Following internal transfers can be managed from the Payment Entry.

1. Bank - Cash

2. Bank - Bank

3. Cash - Cash

4. Cash - Bank

The screenshot shows the Zoho Books interface for creating a new payment entry. The 'Payment Type' is set to 'Internal Transfer'. The 'Accounts' section is highlighted with a red box. It displays the accounts involved in the transfer: 'Account Paid From' is 1003 - Capital One - UP, and 'Account Paid To' is 1002 - SBI - UP. The 'Account Currency' for the from account is USD, and for the to account is INR. The 'Amount' section shows the paid amount in USD as 1,000.00 and the received amount in INR as 71,000.00.

4.3 Managing Different Payment Scenarios

For an unpaid invoice, outstanding amount = grand total. When creating Payment Entries, the value in the outstanding amount will reduce.

In most cases, apart from retail sales, billing and payments are separate activities.

There are several combinations in which these payments are done. These cases apply to both Sales and Purchases.

- They can be upfront (100% in advance).
- Post shipment. Either on delivery or within a few days of delivery.
- Part in advance and part on or post delivery.
- Payments can be made together for a bunch of invoices.
- Advances can be given together for a bunch of invoices (and can be split across invoices).

ERPNext allows you to manage all these scenarios. All accounting entries (GL Entry) can be made against a Sales Invoice, Purchase Invoice or Payment Entry of advance payment (in special cases, an invoice can be made via a Sales Invoice too).

The total outstanding amount against an invoice is the sum of all the accounting entries that are made “against” (or are linked to) that invoice. This way you can combine or split payments in Payment Entry to manage the scenarios.

4.4 Difference between Payment Entry and Journal Entry

1. Using Journal Entry requires an understanding of which Account will get Debited or Credited. In the Payment Entry, it is managed in the backend, hence simpler for the User.
2. Payment Entry is more efficient in managing payments in foreign currencies.
3. Cheques can be printed from Payment Entries using the Cheque Print Format.
4. Journal Entry can still be used for:
 - Updating opening balance in Accounts.
 - Fixed Asset Depreciation entry.
 - For adjusting Credit Note against Sales Invoice and Debit Note against Purchase Invoice, in case there is no payment happening at all.

4.5 Payments Using Journal Entry

To make payment using Journal Entry follow these steps:



1. Activate Payment via Journal Entry. Go to Accounting > Accounting Masters > Accounts Settings, check the box 'Make Payment via Journal Entry'.

The screenshot shows the 'Accounts Settings' page in the Odoo interface. On the left, there's a sidebar with options like 'Assigned To', 'Attachments' (with an 'Attach File' button), 'Reviews' (with a '+'), 'Shared With' (with a '+'), and social sharing counts ('0'). Below that, it says 'You edited this just now' and 'Administrator created this yesterday'. The main area has sections for 'Books Closed Through', 'Role Allowed to Close Books & Make Changes to Closed Periods', 'Determine Address Tax Category From', and 'Over Billing Allowance (%)'. On the right, there's a 'Credit Manager' section with several checkboxes, one of which, 'Make Payment via Journal Entry', is checked and highlighted with a red box. Other checked boxes include 'Unlink Payment on Cancellation of Invoice', 'Unlink Advance Payment on Cancellation of Order', 'Book Asset Depreciation Entry Automatically', and 'Automatically Add Taxes and Charges from Item Tax Template'. There are also unchecked boxes for 'Check Supplier Invoice Number Uniqueness', 'Automatically Fetch Payment Terms', and 'Delete Accounting and Stock Ledger Entries on deletion of Transaction'. At the bottom, there's a 'Deferred Accounting Settings' section.

2. On submitting a document against which Journal Entry can be made, you will find the Payment under the Create button.
3. Save and submit the journal entry to record the payment against the invoice

5. Related Topics

1. [Payment Request](#)
2. [Payment Terms](#)



3. Sales Invoice

4. Purchase Invoice

Dunning

A document to be sent as a persistent demand for debt payment.

Dunning is a document to store and send as a persistent demand for debt payment against an unpaid Sales Invoice.

To access the Dunning list, go to:

Home > Accounting > Dunning

1. Prerequisites

- Sales Invoice

A Dunning can only be created against an overdue Sales Invoice.

- Dunning Type

A Dunning Type is used to pre-fill interest, fees and text blocks in a new Dunning.



2. How to create a Dunning

A Dunning is created against a list of overdue scheduled payments. You can create a dunning in two different ways:

a) Create a new Dunning

1. Go to the Dunning list and click on "Add Dunning".
2. Select a Customer and click "Fetch Overdue Payments". This will show a list of overdue Sales Invoices for this customer. Select the ones you would like to fetch into this Dunning and click on "Get Items".

b) Create a Dunning from an overdue Sales Invoice

1. Go to the Sales Invoice list and open any overdue Sales Invoice.
2. Click on "Create > Dunning". This will fetch all overdue payments from the invoice's payment schedule table into a new Dunning.

Fill the remaining fields

1. Select a Dunning Type to fill interest, dunning fees and text blocks with predetermined values. Or you can set these values manually as well.



2. You can already set an income Account (for example, "Other interest and similar income") and Cost Center for the income generated from interest and dunning fees. These will be used once a Payment Entry is created from this Dunning.



3. Save and submit the Dunning before sending it to the Customer.



E > Accounting > Dunning > DUNN-10-21-00003

Search or type a command (Ctrl + G)

A

• Unresolved

Resolve
Create :
<
>
...
Cancel

Assigned To

Attachments
Attach File

Shared With

Tags
 Add a tag ...

0 ·
 0 FOLLOW

You edited this 18 minutes ago
 You created this 42 minutes ago

Currency
 Currency: EUR Conversion Rate: 1

Address and Contact

Dunning Type: Zweite Mahnung Rate of Interest (%) Yearly: 8

Overdue Payments

No.	Sales Invoice	Dunning Level	Overdue Days	Outstanding	Interest	⋮
1	R-2021-156	2	7	€ 11.424,00	€ 17,53	Edit

Total Interest: € 17,53 Dunning Amount: € 27,53

Dunning Fee: € 10,00 Dunning Amount (Company Currency): € 27,53

Total Outstanding: € 11.424,00
 Grand Total: € 11.451,53

Printing Settings

Print Language: de Letter Head:



2.1 What is a Dunning Type

Dunning Type stores default values for dunning fee, interest rate and text blocks to be included. For example, a Dunning Type "First Notice" will not have any fees, but Dunning Type "Second Notice" will have a dunning fee and interest charged on the outstanding amount.

The screenshot shows the 'First Dunning' configuration page. At the top left, there's a breadcrumb navigation: E > Accounting > Dunning Type > First Dunning. On the right, there's a search bar 'Search or type a command (Ctrl + G)', a help icon, and a user profile icon. Below the header, the title 'First Dunning' is displayed with a three-dot menu icon and a 'Save' button. To the left, there are several sidebar buttons: 'Assigned To' (with a plus sign), 'Attachments' (with 'Attach File' and a plus sign), 'Shared With' (with a plus sign), and 'Tags' (with 'Add a tag ...'). In the main content area, there's a section for 'Dunning Fee' (value: 0,00) and 'Rate of Interest (%) Yearly' (value: 0,000). Below this is a 'Dunning Letter' section with a note: 'This section allows the user to set the Body and Closing text of the Dunning Letter for the Dunning Type based on language, which can be used in Print.' A table is shown with one row: No. 1, Language en, Body Text Hi, Closing Text Thanks, and an 'Edit' button. At the bottom left of the main area, there are status messages: 'You edited this just now' and 'You created this 5 days ago'. The footer of the page includes icons for back, forward, print, and more options.

2.2 Statuses

These are the statuses that are auto-assigned to Dunning.

- Draft: A draft is saved but yet to be submitted.



- **Unresolved:** The Dunning is unresolved when it is submitted but no payments have been received.
- **Resolved:** The Dunning is resolved when the outstanding payment has been received.
- **Canceled:** A canceled status is a cancelled Dunning document.

3. Payment

When you receive a full payment, including interest and fees, please open the unresolved Dunning and click on "Create > Payment". This will create a Payment Entry against the outstanding scheduled payments and record the interest and fees as "Payment Deductions or Loss". The Payment Entry will automatically set the Dunning's status to resolved.

Deductions or Loss

No.	Account	Cost Center	Amount (EUR)	Action
1	71000 - Sonstige Zinsen und ähnlich	Main	27,53	Edit

Add Row

GST Details

Transaction ID

Cheque/Reference No

Cheque/Reference Date

4. Related Topics

1. [Payment Entry](#)
2. [Sales Invoice](#)



Payment Request

A Payment Request is used to request payment from a Customer for a Sales Order or Invoice.

Payment Request is sent via email and will contain a link to a Payment Gateway if set up. You can create a payment request via a Sales Order or a Sales Invoice. A Payment Request can also be set up against a Purchase Order or a Purchase Invoice for internal records. Then, payments can be processed in bulk using a [Payment Order](#).

To access Payment Request go to:

Home > Accounting > Accounts Receivable > Payment Request

1. Prerequisites

Before creating and using Payment Request, it is advisable to create the following first:

1. [Sales Invoice](#)
2. [Purchase Invoice](#)
3. [Sales Order](#)

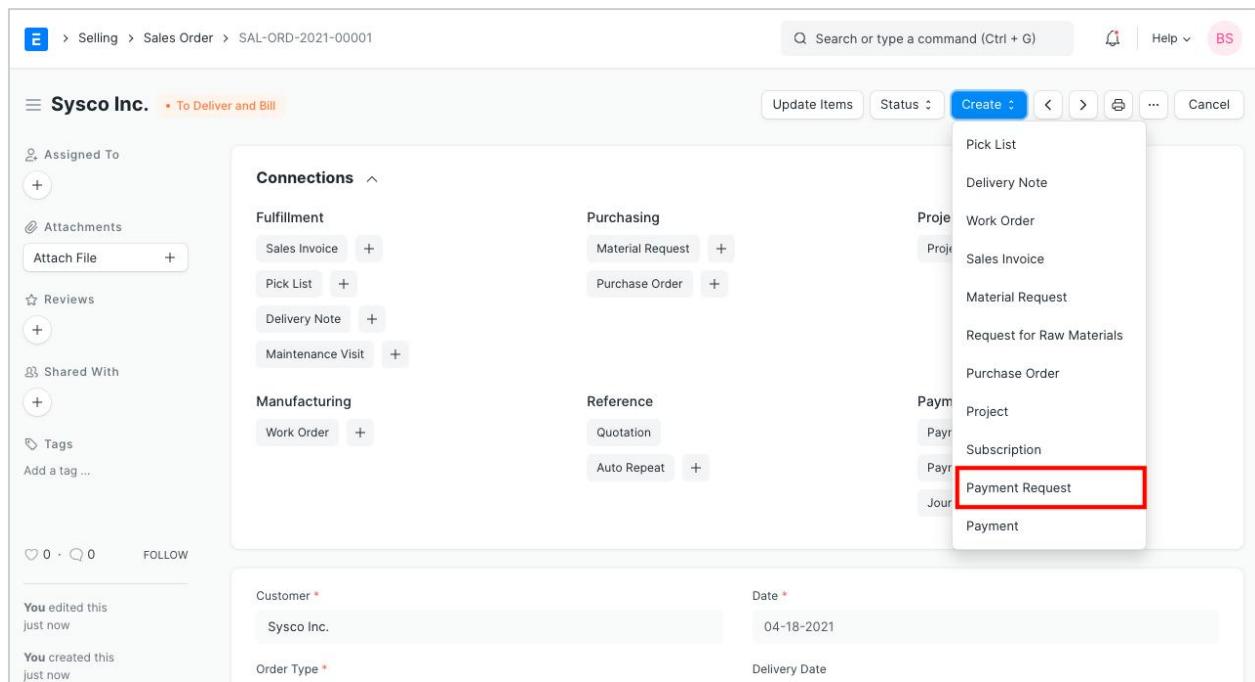
4. Purchase Order

2. How to create a Payment Request

A Payment Request cannot be created manually, it is created from a Sales/Purchase Order or Invoice.

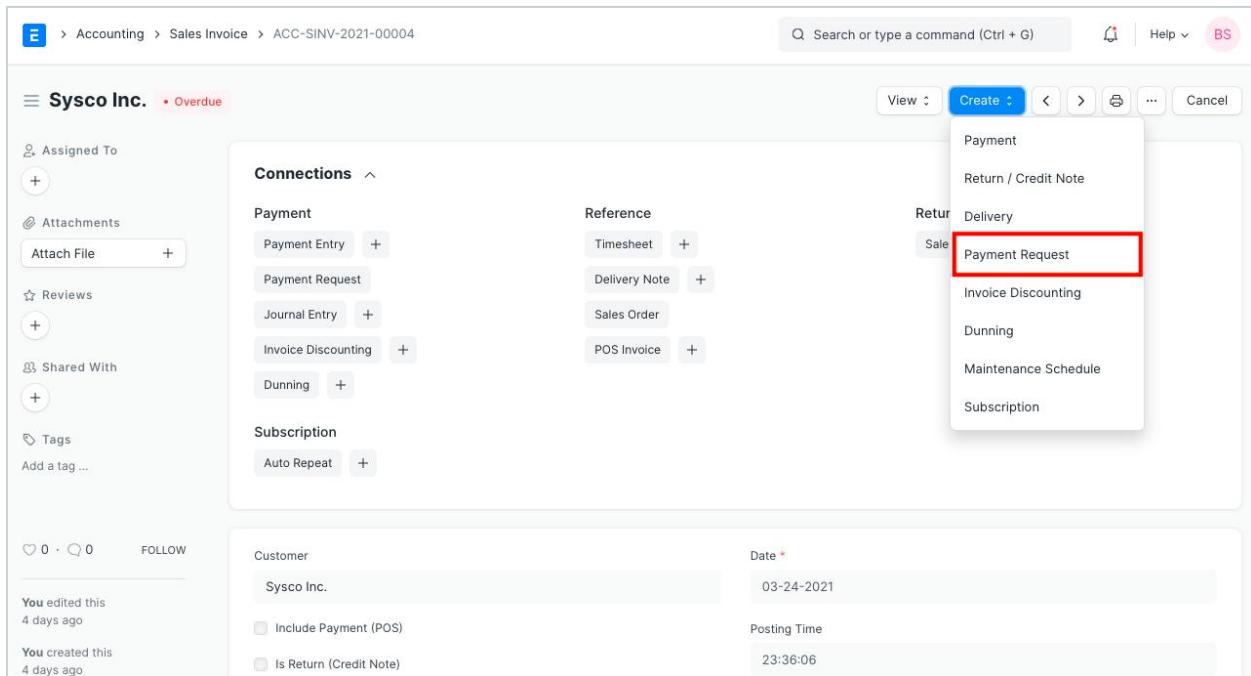
2.1 Creating Payment Request via Sales Order

In a Sales Order, click on Create and then click on Payment to make an advance payment. To know more about advance payment, visit the [Advance Payment Entry page](#).



2.2 Creating Payment Request via Sales Invoice

In a Sales Invoice, click on Create and then click on Payment to make payment against the invoice.



Select appropriate Payment Gateway Account on Payment Request for accounts posting. Account head specified on the payment gateway will be considered to create a Journal Entry.

Note: Invoice/Order currency and 'Payment Gateway Account' currency should be the same.

The screenshot shows a payment request form titled "ACC-PRQ-2021-00001". The left sidebar contains links for Accounting, Payment Request, and the specific document number. A search bar at the top right has the placeholder "Search or type a command (Ctrl + G)". The main content area includes:

- Attachments:** Attach File, +
- Reviews:** +
- Shared With:** +
- Tags:** Add a tag ...
- Metrics:** 0 likes, 0 comments, FOLLOW
- Activity Log:** You edited this just now, You created this just now.
- Party Details:**
 - Party Type: Customer
 - Reference DocType: Sales Invoice
 - Party: Sysco Inc.
 - Reference Name: ACC-SINV-2021-00004
- Transaction Details:**
 - Amount: 12,350,000.00
 - Transaction Currency: USD

2.3 Notifying the Customer

You can notify customers from Payment Requests using [Print Format](#). If the customer contact email is set, it will be fetched automatically. If not so you can set an email address in Payment Request.

Recipient Message And Payment Details

To: basawaraj@erpnext.com

Subject: Payment Request for ACC-SINV-2021-00004

Message

```
<p>Hello,</p>
<p>Requesting payment against Sales Invoice ACC-SINV-2021-00004 for amount $ 12,350,000.00</p>
<a href="{{ payment_url }}>Make Payment</a>
<p>If you have any questions, please get back to us.</p>
<p>Thank you for your business!</p>
```

2.4 Request Mail

Here is an example request email. The URL is generated automatically if you've set up the respective payment integration. To know more about integrations, [visit this page.](#)



Payment Request for SO-00004

Inbox

saurabh6790@gmail.com
to saurabh

1:06 PM (1 hour ago)

Dear User,

Thank You for being a part of Organization.

Please find enclosed the E Bill statement.

We don't want you to be spending time running around in order to pay for your Bill. After all, life is beautiful and the time you have in hand should be spent to enjoy it! So here are our little ways to help you get more time for life!

Pay your bill via,

http://localhost:8000/api/method/erpnext.accountsdoctype.payment_request.payment_request.generate_payment_request?name=PR000003

Sent via ERPNext

2.5 Payment Request without using any Gateway

In case you don't want to use any integration or payment gateway and only want to send a notification, simply set the Bank Account. You'll have to compose the message accordingly with bank details. The party can then transfer the amount to the mentioned bank account.

3. Related Topics

1. [Payment Entry](#)

2. [Payment Terms](#)

3. Sales Invoice

4. Purchase Invoice



Mode of Payment

The Mode of Payment stores the medium through which payments are made or received.

To access the Mode of Payment list, go to:

Home > Accounting > Settings > Mode of Payment

1. How to create a Mode of Payment

1. Go to the Mode of Payment list and click on New.
2. Enter a name for the Mode of Payment.
3. Set a type whether Cash, Bank, or General. This is useful for knowing the mode of payment used in [Point Of Sales \(PoS\)](#).
4. Set a default payment Account for all the companies.

5. Save.

Wire Transfer • Enabled

Type: Bank

No.	Company	Default Account
1	Unico Plastics Inc.	1001 - Citi - UP

Add Row

Add a comment

Ctrl+Enter to add comment

Comment

Tip: Setting the default Account will this account fetched into Payment Entries.

Wire Transfer • Enabled

Type: Bank

No.	Company	Default Account
1	Unico Plastics Inc.	1001 - Citi - UP

Add Row

Add a comment

Ctrl+Enter to add comment

Note: When making Payment Entries, the default bank account will be fetched in the following order if set:



- * Company form
- * Mode of Payment default account
- * Customer/Supplier default bank account
- * Select manually in Payment Entry

2. Related Topics

1. *Payment Entry*
2. *Payment Request*

Payment Terms

A Payment Term helps to set a schedule according to which payments will be made.

A Payment Term defines a specific payment slab. For example, 50% payment on shipping and 50% on delivery of the item. You can save your business's payment terms on ERPNext and include them in all documents in the sales/purchase cycle. ERPNext will make all the General Ledger entries accordingly.

In ERPNext, the Payment Terms form only defines portion percentages. The actual payment schedule can easily be applied using the Payment Terms Template.

You can use Payment Terms in the following documents:

- Sales Invoice
- Purchase Invoice
- Sales Order
- Purchase Order
- Quotation

To access Payment Term go to:

The screenshot shows the Odoo Accounting module. At the top, the path is Home > Accounting > Payment Term > 30 Credit Days. The main area is titled '30 Credit Days' and contains the following fields:

- Connections:** Sales (Sales Invoice, Sales Order, Quotation) and Purchase (Purchase Invoice, Purchase Order).
- Invoice Portion (%):** 100.
- Due Date Based On:** Day(s) after invoice date.
- Mode of Payment:** Credit Days.
- Credit Days:** 30.

On the left sidebar, there are links for Assigned To, Attachments (Attach File), Reviews, Shared With, and Tags.

1. How to create a Payment Term

1. Go to the Payment Term list and click on New.
2. Enter a name for the Payment Term (eg: 50% post-shipment).
3. Enter the Invoice portion. If you enter 50, the portion will be 50 percent of the Invoice amount.
4. Select a Due Date type.
5. Under Credit Days enter the number of days after which the remaining amount has to be paid.
6. Save.

The fields are explained as follows:



- Payment Term Name: The name for this Payment Term.
- Due Date Based On: The basis by which the due date for the Payment Term is to be calculated. This is calculated X number of days from the posting date of the invoice/order. There are three options:
 - Day(s) after invoice date: Due date should be calculated in days concerning the posting date of the invoice. For example, if 7 is entered on date 20th, the due date will be 27.
 - Day(s) after the end of the invoice month: Due date should be calculated in days concerning the last day of the month in which the invoice was created. For example, if 7 is entered in the current month and the last day of the month is 30th, the due date will be the 7th of the next month.
 - Month(s) after the end of the invoice month: Due date should be calculated in months concerning the last day of the month in which the invoice was created. For example, if 3 is entered on the 20th of January, the due date will be on 20th March.



- **Invoice Portion:** The portion of the total invoice amount for which this Payment Term should be applied. The value given will be regarded as percentage i.e $50 = 50\%$ of the invoice/orders Grand Total
- **Credit Days (optional):** The number of days or month credit is allowed depending on the option chosen in the Due Date Based On the field. 0 means no credit allowed.
- **Description: (optional)** A brief description of the Payment Term.

1.1 Setting up Discount on Early Payments

You can set up a discounted payment terms such that if payment is done within the specified period then some amount/percentage of the invoice value will be discounted. The following fields define the discount configuration:

- **Discount Type:** Default is Percentage. You can also change it to Amount.
- **Discount:** In terms of Percentage or Amount (eg. 10% or ₹ 5,000).
- **Discount Validity Based On:** This field acts similar to the Due Date Based On the field in the previous section.



- **Discount Validity:** The number of days or months the discount is valid with respect to the invoice date (eg. 10 days after the invoice date).

10% discount on Early Payment

Connections

Invoice Portion (%)	100	Due Date Based On	Day(s) after invoice date
Mode of Payment		Credit Days	30

Discount Settings

Discount Type	Percentage	Discount Validity Based On	Day(s) after invoice date
Discount	10.000	Discount Validity *	10

You can now link the Payment Terms with an Invoice and on creating the payment against such invoice, the discount will be applied automatically.

1.2 Payment Terms in Converted Documents

When converting or copying documents in the sales/purchase cycle, the attached Payment Term(s) will be copied. When creating a Sales Order from a Quotation, the Due Date in the Payment Terms will be according to the Quotation, this needs to be updated.

For ease of use, you can also set a Payment Terms Template and simply reselect it.

1.3 Adding Payment Terms To Documents

Once you have composed the Payment Terms Template, you can use them in sales and purchase transactions. Based on the value defined for Payment Terms and transaction value, the payment schedule will be defined, with a Due Date for each payment slab.

Customer Name:	Sysco Inc.			Date:	04-18-2021		
				Payment Due Date:	05-18-2021		
Business Unit:	Industrials						
Sr	Item	Description	Quantity	Discount Amount	Rate	Amount	Rate of Stock UOM
1	PETE	PETE	Nos 1	\$ 0.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00
Total Quantity:			1	Total	\$ 35,000.00		
				Grand Total:	\$ 35,000.00		
				Rounded Total:	\$ 35,000.00		
				In Words:	USD Thirty Five Thousand only.		
Sr	Due Date			Invoice Portion		Payment Amount	
1	04-18-2021			50.0%		\$ 17,500.00	
2	05-18-2021			50.0%		\$ 17,500.00	

Note: The Payment Schedule can be shown in the Print View using the [Print Format Builder](#).

2. Related Topics

1. Sales Invoice
2. Purchase Invoice

150



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Payment Terms Template

Payment Terms Template allow you to club multiple payment terms together and fetch in transactions.

After creation, the Payment Terms Table can be set to a specific Customer/Supplier. On selecting the Customer/Supplier in a transaction, the Payment Terms Template will be fetched automatically into the transaction.

For example:

If you receive payment in the slab of 30-70, then you can define Payment Term for each slab, i.e. 30% and 70%.

In the Payment Terms Template, you can select all the Payment Terms and define a template which can be easily applied in the sales and purchase transactions.



No.	Payment Term	Description	Invoice Portion (%)	Due Date Based On	Credit Days
1	Advance		50	Day(s) after invoice da...	0
2	N30		50	Day(s) after invoice da...	30

1. Prerequisites

Before creating and using Payment Request, it is advisable to create the following first:

1. Payment Terms

2. How to create a Payment Terms Template

A Payment Terms Template tells ERPNext how to populate the table in the 'Payment Terms Schedule' section of the sales/purchase document.

You should use it if you have a set of standard Payment Terms or for ease of use.

1. Go to the Payment Term Template list and click on New.

2. Enter a name for the template.



3. Add the created Payment Terms in the table rows.
4. Make sure that the total Invoice Portion adds up to 100.
5. Save.

Advance Payment Entry

Payment done by the Customer/Supplier before the invoice is sent is an Advance Payment.

Generally, advance payment is done in the case of high value deals. Consider a Customer- Jane D'souza placing an order for a luxury furniture item costing ₹24,000. She is asked to give some advance before the furniture house begins work on her order. She gives them ₹10,000 in cash.

In ERPNext, advance payment entry is created using Payment Entry. If there exist a Sales Order, you can directly create a Payment Entry for the advance amount. Or else, you can also create a standalone Payment Entry for the Customer. Same way, you can also create advance Payment Entry for Supplier, via Purchase Order.

The screenshot shows a software interface for managing sales orders. The main window displays a sales order for 'Sysco Inc.' with details like customer name, order type (Sales), delivery date (04-18-2021), and delivery location (Customer's Purchase Order). On the right, a context menu is open over the 'Customer' field, listing various options such as Pick List, Delivery Note, Work Order, Sales Invoice, etc. The 'Payment' option is highlighted with a red box.

Note: If payment is not linked to an invoice, it is considered as an advance payment. The advance payments are reflected in the Accounts Receivable and Payable reports.

1. Prerequisites

To create an advance payment entry, these need to be created first:

- Party (Customer/ Supplier)
- Payment Account (Bank or Cash account)

2. How to create Advance Payment Entry



Once a Sales Order or Purchase Order is submitted, you will find an option to create a Payment against it. You can also create new Payment Entry and manually select values (like Party and payment account). Here are the steps to create Advance Payment against Sales Order.

1. Go to Sales Order and click on Make > Payment Entry.
2. Set/check the accounts.
3. Save and Submit.

Any Payment Entry that is not linked to an invoice is considered as advance payment by the ERPNext system.

If the Customer has given \$5,000 as cash advance, it will be recorded as a credit entry against the Customer's Receivable account. To balance it [as per the Double accounting system], \$5000 is debited against the Company's cash account.

2.2 Allocating Advance Payment in Invoice

When creating an invoice, you can check if there is an Advance Payment against that Party.

The screenshot shows a software interface for creating a new sales invoice. At the top, there's a navigation bar with 'Accounting > Sales Invoice > new-sales-invoice-1'. On the right, there's a search bar ('Q. Search or type a command (Ctrl + G)'), a help icon ('Help'), and a user profile ('BS'). Below the navigation, the title 'New Sales Invoice' is displayed with a note 'Not Saved'. To the right are buttons for 'Get Items From' and 'Save'.

The main area is divided into sections: 'Advance Payments' (with a checkbox for 'Allocate Advances Automatically (FIFO)' and a red box around the 'Get Advances Received' button), 'Advances' (a table with one row showing an advance entry), 'Payment Terms' (collapsed), 'Write Off' (collapsed), and 'Terms and Conditions' (collapsed). The 'Get Advances Received' button is highlighted with a red box.

No.	Reference Name	Remarks	Advance amount	Allocated amount	Action
1	ACC-JV-2021-00011	Reference #7856 dated 04-18-2021 \$ 35,000.00 against Sales Order SAI -	\$ 35,000.00	\$ 35,000.00	

On clicking Get Advance Received button, it will fetch the Advance Payment

Entries found for that party. Once Advance Payment Entries are fetched, you can allocate the Amount of advance against this invoice. The allocation will reduce the Outstanding Amount for that invoice right-away.

Save and submit the Sales Invoice.

3. Related Topics

1. [Sales Invoice](#)
2. [Journal Entry](#)
3. [Payment Entry](#)





Inter Company Journal Entry

An Inter Company Journal Entry is done between organizations that belong to the same group.

You can create Inter Company Journal Entry if you are making transactions with multiple Companies. You can select the Accounts which you wish to use in the Inter Company transactions. A possible use case would be a company buying goods on behalf of another company.

Before creating an Inter Company Journal Entry, you need to set up your Chart of accounts.

1. Go to: Accounts > Company and Accounts > Chart Of Accounts.
2. Select the Account which you would like to set as an Internal Account for the transaction, and check the 'Inter Company Account' checkbox.

This account can now be used for Inter Company Journal Entry transactions. It is recommended to create a new account for inter

company transactions.

The screenshot shows the 'Accounting > Account > Cash Paid To Subsidiary - UH' screen. On the left, there are sidebar links for Assigned To, Attachments, Reviews, Shared With, and Tags. The main form fields include: 'Disable' (unchecked), 'Is Group' (unchecked), 'Company *' (set to 'Unico Holdings Inc.'), 'Root Type' (set to 'Asset'), 'Report Type' (set to 'Balance Sheet'), 'Currency' (set to 'USD'), 'Parent Account *' (set to 'Cash In Hand - UH'), 'Account Type' (set to 'Cash'), 'Frozen' (set to 'No'), and 'Balance must be' (empty). A note states: 'Setting Account Type helps in selecting this Account in transactions.' Below these fields is a checkbox labeled 'Inter Company Account' which is checked and highlighted with a red box. At the bottom, there is a section for 'Add a comment'.

You need to do the same for all the Companies' Accounts which you want to use for Inter Company Journal Entry transactions.

In case of parent-child companies, when an account is created in the parent company, it gets added in the child company. This works only if you've selected the option to create Chart of Accounts for child Company based on the parent Company.

Inter company Journal Entries are created using the Journal Entry form in ERPNext. To access the Journal Entry list, go to:

Home > Accounting > Company and Accounts > Journal Entry

1. Prerequisites

Before creating an Inter Company Journal Entry, you need the following:

- At least two *Companies*
- Setting inter company accounts in *Chart of Accounts*

2. How to create an Inter Company Journal Entry

1. Go to the Journal Entry list, and click on New.
2. Select Entry Type as 'Inter Company Journal Entry'.
3. Set the Company that is buying Items on behalf of another company.
4. Add rows for the individual accounting entries. Only inter company accounts can be fetched here.
5. In each row, you must specify:
 - The Internal account that will be affected.
 - The amount to Debit or Credit.
 - The Cost Center (If it is an Income or Expense).

6. On submitting the Journal Entry, you will find a button on the top right corner, Make Inter Company Journal Entry.

The screenshot shows a software interface for creating a journal entry. The title bar indicates the path: Accounting > Journal Entry > ACC-JV-2021-00022. The main area is titled "Cash (USD) - UH" and has a sub-tab "Inter Company Journal Entry". The form includes the following fields:

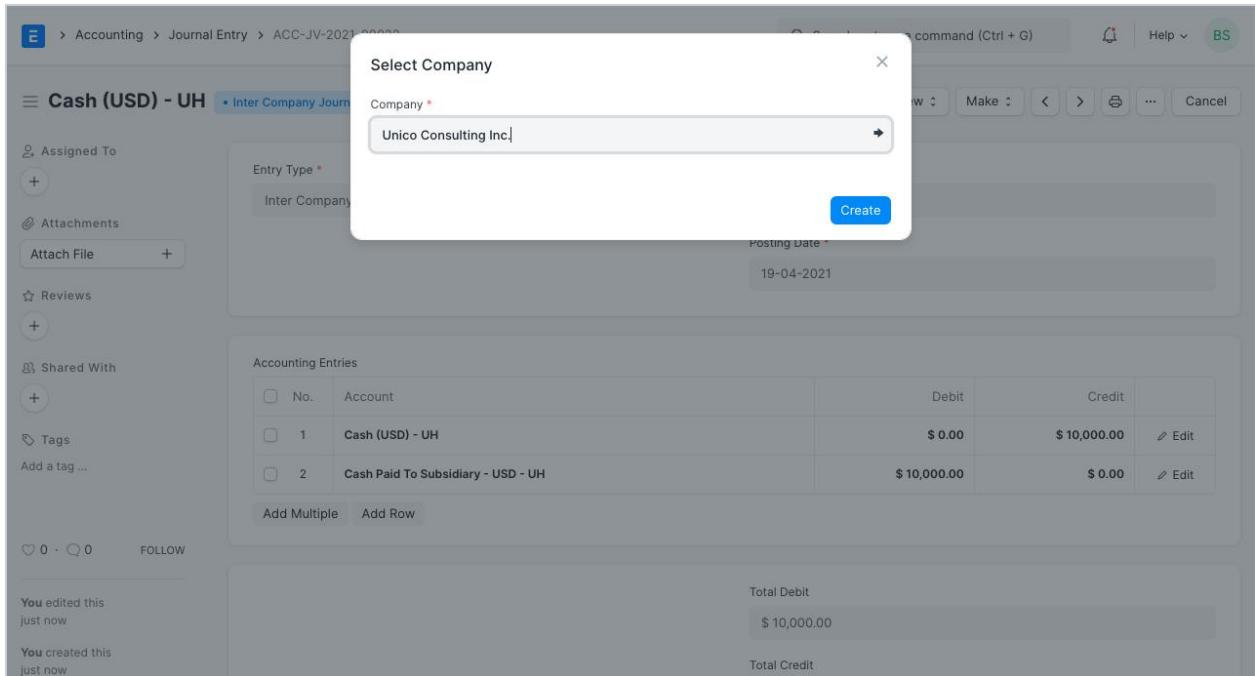
- Entry Type ***: Inter Company Journal Entry
- Company ***: Unico Holdings Inc.
- Posting Date ***: 19-04-2021

Accounting Entries

No.	Account	Debit	Credit	Action
1	Cash (USD) - UH	\$ 0.00	\$ 10,000.00	<input type="button" value="Edit"/>
2	Cash Paid To Subsidiary - USD - UH	\$ 10,000.00	\$ 0.00	<input type="button" value="Edit"/>

Total Debit: \$ 10,000.00

7. Click on the button. Now, you will be asked to select the Company against which you wish to create the linked Journal Entry.



8. On selecting the Company, you will be routed to another Journal Entry where the relevant fields will be mapped, i.e. Company,

Voucher Type, Inter Company Journal Entry Reference etc.

No.	Account	Debit	Credit	
1	Cash (USD) - UCI	₹ 10,000.00		<input type="checkbox"/> Edit
2	Cash Received From Parent - USD - UCI		10,000.00	<input type="checkbox"/> Edit

Reference Number Total Debit

9. Select the Internal accounts for the second Company in the table.
10. Submit the Journal Entry.
11. Make sure the total Debit and Credit Amounts are same as the previously created Journal Entry's total Credit and Debit Amounts respectively but the debits and credits will be opposite.

Note: The accounts in second Journal Entry should be the opposite of what you did in the first Journal Entry. For example, Company A is buying something from Company B. This is how the payment cycle between the two companies will look like using Inter Company Journal Entry.



1. Debit Bank Account by 500 and credit Debtors account of Company B by 500.
2. Now, in the Inter Company Journal Entry, debit Creditors account of Company A by 500 and credit Bank Account by 500.
3. You also need to select the parties for Creditors and Debtors account before proceeding with the Journal Entry.

You can also find the reference link at the bottom, which will be added in both the linked Journal Entries and will be removed if any of the Journal Entries are cancelled.

3. Related Topics

1. [Journal Entry](#)
2. [Inter Company Invoices](#)

