

CHAPTER 7: PREPAYMENTS

Objectives

The objectives are:

- Explain the requirements for setting up prepayments.
- Set up and assign prepayment General Ledger accounts.
- Set up prepayment numbering for sales and purchases.
- Set up default prepayment percentages on customers and vendors.
- Set up default prepayment percentages for Customer-Item and Vendor-Item combinations.
- Set up prepayment posting verification for sales and purchases.
- Explain the prepayment processing flows for sales and purchase orders.
- Describe the prepayment-specific fields on sales and purchase orders.
- Create sales and purchase orders with prepayment percents and amounts.
- Create prepayment invoices from sales and purchase orders.
- Explain the processes available to correct posted prepayment invoices.

Introduction

Prepayments are payments that are invoiced and posted to a sales or purchase prepayment invoice before final invoicing.

In Microsoft Dynamics NAV 2009® users can define prepayment requirements on customers and vendors for all items or selected items.

After completing the required setup, a user can generate prepayment invoices from sales and purchase orders for the calculated prepayment amount, and correct prepayment invoices as needed.

Prepayments Setup Overview

Prepayments are available for both sales and purchases in Microsoft Dynamics NAV 2009.

- On the sales side, prepayments are used to require customers to pay a part of the total amount of their order-specified as an amount or a percentage-in advance of the final invoice.
- On the purchases side, prepayments are used to document and process prepayments that vendors require.

Microsoft Dynamics NAV 2009 can be set up to require:

- Selected customers to prepay a specific percentage for all items.
- Specified prepayment percentages for particular combinations of customers or customer price groups and items.
- All customers to prepay a specific percentage for selected items.
- Specified prepayment percentages to selected vendors for all items.
- Specified prepayment percentages for selected combinations of vendors and items.
- Verification that the prepayment is made before shipping or receiving items.

Setting Up Prepayments

To use prepayments, you must set up the following:

- General Ledger accounts and Posting Groups for prepayments
- Number Series for prepayment documents
- Prepayment percentages for selected vendors and customers
- Prepayment percentages for combinations of:
 - Customers, customer groups, or all customers and items
 - Vendors and items
- Check boxes to require before the posting of sales shipments or purchase receipts:
 - The receipt of prepayment amounts from customers for sales
 - The issue of prepayment amounts from vendors for purchases

Set Up Prepayment General Ledger Accounts

Because the prepayment amount belongs to the buyer until he or she has received the goods or services, companies must set up General Ledger accounts to post the prepayment amounts until the final invoice is posted. To recognize ownership, companies must set up Microsoft Dynamics NAV 2009 to record:

- Customer prepayments in a liability account until the items are shipped.
- Vendor prepayments in an asset account until the items are received.

NOTE: A separate General Ledger account is required for each VAT identifier.

Set Up Prepayment General Ledger Accounts

To set up General Ledger accounts for prepayments, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **General Ledger**, and then select **Chart of Accounts**.
2. Create the new accounts for sales prepayments and purchase prepayments by filling in the following fields:
 - No.
 - Name
 - Income/Balance
 - Account Type
 - Gen. Bus. Posting Group
 - Gen. Prod. Posting Group
 - VAT Bus. Posting Group
 - VAT Prod. Posting Group
3. Close the **Chart of Accounts** window.

Assign Prepayment General Ledger Accounts

After the prepayment accounts are created, they are assigned to the relevant posting setup combinations in the **General Posting Setup** window. To complete this setup, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Administration**, click **Application Setup**, click **Financial Management**, click **Posting Groups**, and then select **General Posting Setup**.
2. In the **Choose Column** feature, add **Sales Prepayments Account** and **Purch. Prepayments Account**.
3. Click **OK** to close the **Choose Column** window.

4. For every line that contains a combination of business group and product group that requires sales or purchase prepayments, enter the following:
 - In the **Sales Prepayments Account** field, enter the number of the General Ledger account to use for posting sales prepayment amounts.
 - In the **Purch. Prepayments Account** field, enter the number of the General Ledger account to use for posting purchase prepayment amounts.
5. Close the **General Posting Setup** window.

Set Up Number Series for Prepayment Documents

Companies must set up a number series for every type of prepayment document that is used. The prepayment documents are as follows:

- Sales prepayment invoices
- Sales prepayment credit memos
- Purchase prepayment invoice
- Purchase prepayment credit memos

The same number series can be used for:

- Prepayment invoices and credit memos.
- Regular invoices and credit memos.

Alternatively, you can use different number series. When you are using different number series, each number series must be unique so you can navigate effectively on posted transactions.

Set Up Prepayment Numbering for Sales

To set up prepayment number series for sales, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, and then select **Sales & Receivables Setup**.
2. Click the **Numbering** FastTab.
3. In the **Posted Prepmt. Inv. Nos.** field, click the drop-down list and select the number series to use to assign numbers to sales prepayment invoices when they are posted.

4. In the **Posted Prepmnt. Cr. Memo Nos.** field, click the drop-down list and select the number series to use to assign numbers to sales prepayment credit memos when they are posted.
5. Click **OK** to close the **Sales & Receivables Setup** window.

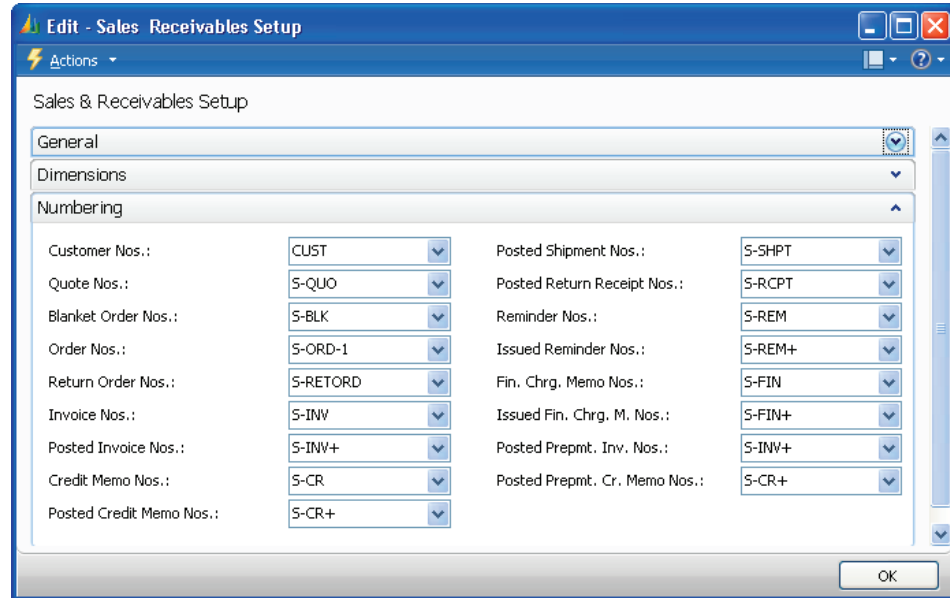


FIGURE 7.1 SALES RECEIVABLES SETUP - NUMBERING FASTTAB

Set Up Prepayment Numbering for Purchases

To set up prepayment number series for purchases, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, and then select **Purchases & Payables Setup**.
2. Click the **Numbering** FastTab.
3. In the **Posted Prepmnt. Inv. Nos.** field, click the drop-down list and select the number series to use to assign numbers to purchase prepayment invoices when they are posted.

4. In the **Posted Prepmnt. Cr. Memo Nos.** field, click the drop-down list and select the number series to use to assign numbers to sales prepayment credit memos when they are posted.
5. Click **OK** to close the **Purchases & Payables Setup** window.

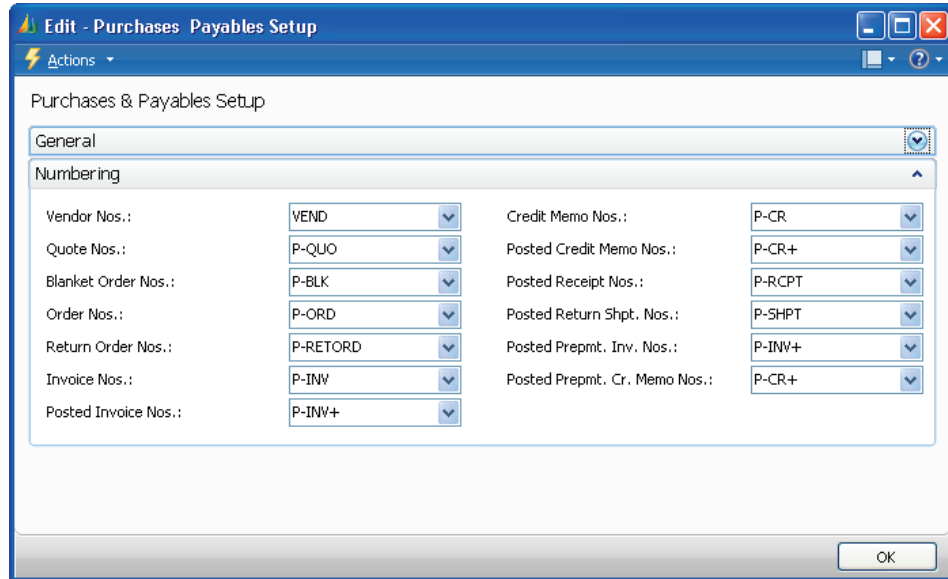


FIGURE 7.2 PURCHASES & PAYABLES SETUP - NUMBERING FASTTAB

Set Up Prepayment Percentages for Customers and Vendors

Companies can specify a default percentage for prepayments to use for all items for customers and vendors. As soon as the percentage is specified, it is automatically populated on the **Prepayment** FastTab of sales or purchase orders.

To set up a default prepayment percentage for all items, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, select **Customers** or, click **Financial Management**, click **Payables**, and then select **Vendors**.
2. Locate and select the customer or vendor that requires a default prepayment percentage.
3. Click the **Invoicing** FastTab.
4. In the **Prepayment %** field, enter the default percentage.
5. Close the **Customer Card** or **Vendor Card** window.

***NOTE:** Prepayment percentages specified on customers and vendors apply to all lines entered on sales and purchase orders, not only items.*

Set Up Prepayment Percentages for Customer-Item and Vendor-Item Combinations

Companies can set up a default prepayment percentage for an item being sold to all customers, a specific customer, or a customer price group.

Various combinations of items and customers can be set up from the **Customer Card** or the **Item Card**. The same **Sales Prepayment Percentages** window is used from both locations. However, the preset filters differ, depending on whether the window is opened from the **Customer Card** or the **Item Card**.

Companies can also set up a default prepayment percentage for an item being purchased for a specific vendor.

The various combinations of items and vendors can be set up from the **Vendor Card** or from the **Item Card**. The same **Purchase Prepmnt. Percentages** window is used from both locations. However, the preset filters differ, depending on whether the window is opened from the **Vendor Card** or from the **Item Card**.

Set Up Prepayment Defaults for an Item-Customer Combination

To set up prepayment defaults for an item-customer combination, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Warehouse**, click **Planning & Execution**, and then click **Items**.

2. Locate and select the item that requires a prepayment.
3. Click **Related Information**, point to **Sales**, and then select **Prepayment Percentages**.

Sales Type	Sales Code	Item No.	Starting Date	Ending Date	Prepayment %
Customer		1000			0

FIGURE 7.3 SALES PREPAYMENT PERCENTAGES - ITEM

4. In the **Sales Type** field, click the drop-down list and select either Customer, Customer Price Group, or All Customers.
5. In the **Sales Code** field, click the drop-down list and select the particular Customer or Customer Price Group for whom this prepayment percentage applies or All Customers.
6. In the **Item No.** field, click the drop-down list and select the item for which the prepayment percentage applies.
7. In the **Starting Date** field, enter the date to start charging the prepayment percentage.
 - Set the **Starting Date** to the current date by leaving the field blank.
 - If a future date is entered, the rule starts automatically on that date.
8. In the **Ending Date** field, enter the date to stop charging the prepayment percentage.
 - If the **Ending Date** field is left blank, the rule does not expire until it is edited or removed.
 - If a future date is entered, the rule expires automatically on that date.
9. In the **Prepayment %** field, enter the percentage of the item cost to charge as a prepayment. For example, if a prepayment of 10 percent is charged on this item, enter 10 in this field.
10. Close the **Sales Prepayment Percentages** and **Item Card** windows.

NOTE: The rules for Starting Dates, Ending Dates, and Prepayment % are the same for each combination.

Set Up Prepayment Defaults for a Customer-Item Combination

To set up prepayment defaults for a customer-item combination, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Receivables**, and then select **Customers**.
2. Locate and select the customer from whom a prepayment is required.
3. Click **Related Information**, point to **Sales**, and then select **Prepayment Percentages**.

Sales Type	Sales Code	Item No.	Starting Date	Ending Date	Prepayment %
Customer	10000				0

FIGURE 7.4 SALES PREPAYMENT PERCENTAGES - CUSTOMER

4. In the **Sales Type** field, click the drop-down list and select either Customer, Customer Price Group, or All Customers.
5. In the **Sales Code** field, click the drop-down list and select the particular Customer or Customer Price Group for whom this prepayment percentage applies.
If the **Sales Type** is set to All Customers, leave the **Sales Code** field blank.
6. In the **Item No.** field, click the drop-down list and select the item for which the prepayment percentage applies.
7. In the **Starting Date** field, enter the date to start charging the prepayment percentage.
8. In the **Ending Date** field, enter the date to stop charging the prepayment percentage.

9. In the **Prepayment %** field, enter the percentage of the item cost to charge as a prepayment.
10. Close the **Sales Prepayment Percentages** and **Customer Card** windows.

Set Up Prepayment Defaults for a Vendor-Item Combination

To set up prepayment defaults for vendor-item combinations, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Financial Management**, click **Payables**, and then select **Vendors**.
2. Locate and select the vendor that requires a prepayment.
3. Click **Related Information**, point to **Purchases**, and then select **Prepayment Percentages**.

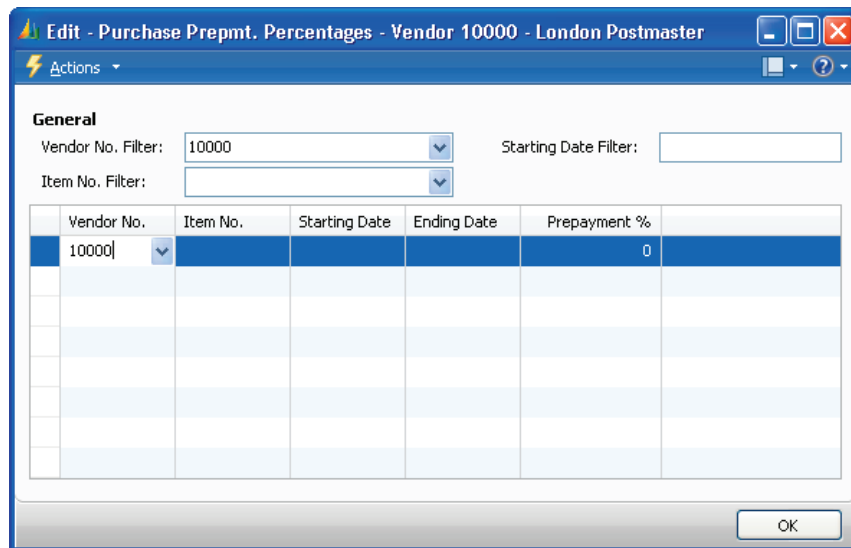


FIGURE 7.5 PURCHASE PREPMT. PERCENTAGES - VENDOR

4. In the **Vendor No.** field, click the drop-down list and select the particular vendor for whom this prepayment percentage applies.
5. In the **Item No.** field, click the drop-down list and select the item for which the prepayment percentage applies.
6. In the **Starting Date** field, enter the date to start charging the prepayment percentage.
7. In the **Ending Date** field, enter the date to stop charging the prepayment percentage.
8. In the **Prepayment %** field, enter the percentage of the item cost to charge as a prepayment.
9. Close the **Purchase Prepmt. Percentages** and **Vendor Card** windows.

Set Up Prepayment Defaults for an Item-Vendor Combination

To set up prepayment defaults for an item-vendor combination, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Warehouse**, click **Planning & Execution**, and then select **Items**.
2. Locate and select the item that requires a prepayment.
3. Click **Related Information**, point to **Purchases**, and then select **Prepayment Percentages**.
4. In the **Vendor No.** field, click the drop-down list and select the particular vendor for whom this prepayment percentage applies.
5. In the **Item No.** field, click the drop-down list and select the item for which the prepayment percentage applies.
6. In the **Starting Date** field, enter the date to start charging the prepayment percentage.
7. In the **Ending Date** field, enter the date to stop charging the prepayment percentage.
8. In the **Prepayment %** field, enter the percentage of the item cost to charge as a prepayment.
9. Close the **Purchase Prepmt. Percentages** and **Item Card** windows

Set Up Check Prepayment When Posting

When posting a prepayment invoice to a customer or vendor, users can set up Microsoft Dynamics NAV 2009 to verify that:

- Prepayments due from a customer have been received.
- Prepayments due to a vendor have been issued.

This feature ensures that inventory is not shipped to a customer before the receipt of the prepayment amount.

Set Up Prepayments Verification for Sales

To set up the prepayments verification when posting sales, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, and then select **Sales & Receivables Setup**.
2. On the **General** FastTab, place a check mark in the **Check Prepmt. When Posting** check box to prevent posting invoices before receipt of the prepayment amount.
3. Close the **Sales & Receivables Setup** window.

Set Up Prepayments Verification for Purchases

To set up the prepayments verification when posting purchases, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Administration**, click **Application Setup**, click **Financial Management**, click **Finance**, and then select **Purchases & Payables Setup**.
2. On the **General** FastTab, place a check mark in the **Check Prepmnt. When Posting** check box to prevent posting invoices before you issue the prepayment amount.
3. Close the **Purchases & Payables Setup** window.

Lab 7.1 - Set Up Prepayments for Sales

Scenario

As the accounts receivable administrator for CRONUS International Ltd., you are responsible for setting up prepayments for particular items and customers. You have to charge a prepayment of 10 percent on all orders for Item 1896-S. You also have to charge Customer 10000 a prepayment of 20 percent on all orders.

Challenge Yourself!

1. Enter the prepayment requirement for the item as specified in the scenario.
2. Enter the prepayment requirement for the customer as specified in the scenario.

Need a Little Help?

1. Open the **Prepayment Percentages** window from the **Item card** window.
2. Enter the prepayment requirement for the item as specified in the scenario.
3. Open the **Customer Card** window for customer 10000.
4. Enter the **Prepayment %** for the customer as specified in the scenario.

Step by Step

1. On the Navigation Pane, click the **Departments** button, click **Warehouse**, click **Planning & Execution**, and then select **Items**.
2. Locate and select item 1896-S.
3. Click **Related Information**, point to **Sales**, and then select **Prepayment Percentages**.
4. In the **Sales Type** field, click the drop-down list and select All Customers.
5. In the **Prepayment %** field, enter 10.
6. Close the **Sales Prepayment Percentages** window.
7. Close the **Item Card** window.
8. On the Navigation Pane, click **Sales & Marketing**, click **Order Processing**, and then click **Customers**.
9. Locate and select customer 10000.
10. Click the **Invoicing** FastTab.
11. In the **Prepayment %** field, enter 20.
12. Close the **Customer Card** window.

Prepayments Processing Flows

Users can create prepayment invoices from a sales or purchase order with the prepayment invoice option.

The prepayment amount on the order is calculated based on the prepayment percentage specified on items, customers, or vendors. Users can edit this prepayment percentage or amount on the individual sales or purchase order.

Prepayment Sales Order Process

The following steps list the typical process flow for prepayment sales orders:

1. Create a sales order with a prepayment requirement.
2. Send a prepayment invoice for the prepayment amount to the customer.
3. The customer pays the prepayment amount.
4. Apply the prepayment amount to the sales order.
5. Ship the order to the customer.
6. Create a sales invoice for the total amount of the sales order minus the prepayment amount.
7. Receive payment from the customer and post the payment to the sales order.

Prepayment Purchase Order Process

The following steps list the typical process flow for prepayment purchase orders:

1. Create a purchase order with a prepayment requirement.
2. Post a prepayment invoice for the prepayment amount.
3. Send the prepayment amount to the vendor.
4. Apply the prepayment amount to the purchase order.
5. After the vendor ships the order, create a purchase invoice for the total amount of the purchase order minus the prepayment amount.
6. Send the payment to the vendor and post the payment to the purchase order.

Prepayment Sales and Purchase Orders Overview

The Sales and Purchase Order with the **Prepayment** FastTab is accessed from the **Customer Card** or the **Vendor Card**.

In this lesson, the fields specific to prepayments on the sales and purchase order header and lines are defined. In addition, the prepayment percentage priority is explained.

Sales and Purchase Order Header Overview

The sales and purchase order header contain the following fields on the **Prepayment** FastTab, related to prepayments:

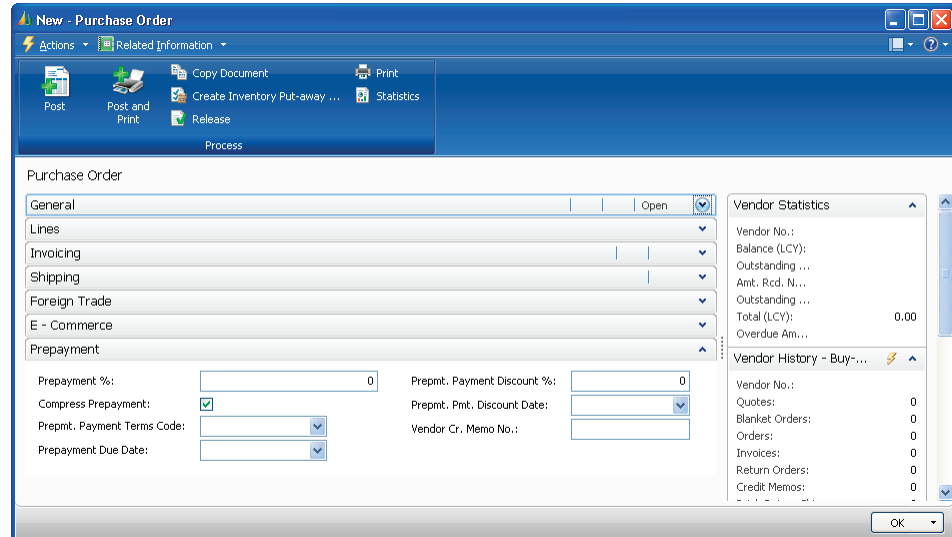


FIGURE 7.6 PURCHASE ORDER - PREPAYMENT FASTTAB

- **Prepayment %** - the percentage to be applied to all lines on the order. If there is a default prepayment percentage specified on the customer or vendor, this field is automatically populated with that amount.
However, the prepayment percentage specified on the customer or vendor only applies to lines that do not have a default prepayment percentage set up for the customer-item or vendor-item combination.
- **Compress Prepayment** - if this field is selected, prepayment lines on the invoice are combined when:
 - They have the same General Ledger account for prepayments (as defined in the General Posting Setup window).
 - They have the same dimensions.
 If not selected, you can create an invoice by using a separate line for each prepayment amount.
- **Prepayment Payment Terms Code** - the payment terms for prepayment invoices. As a default, this code is retrieved from the **Payment Terms Code** field on the **Invoicing** FastTab of the order. The prepayment payment terms are used to calculate the due date, payment discount date, and payment discount percentages for prepayment amounts.
- **Prepayment Due Date** - the date the prepayment invoice for the order is due. The date is calculated with the date formula in the **Due Date Calculation** field related to the payment term and the **Document Date** on the order.

- **Prepmt. Payment Discount %** - the payment discount percentage that is given on the prepayment if the order is paid on or before the date entered in the **Prepmt. Pmt. Discount Date** field. **Prepmt. Pmt.**
- **Discount Date** - the last date the prepayment invoice can be paid and still receive a payment discount on the prepayment amount. The **Prepmt. Payment Terms Code** and **Document Date** fields are used to calculate the date.

Prepayment Status

The **Status** field on the **General** FastTab on the order has an option of **Pending Prepayment**. This status is used when the order has one or more lines with a prepayment amount, but the prepayment invoice has not yet been posted.

The **Status** field is set to:

- Open when an order is created.
- Pending Prepayment when:
 - The order is released by clicking **Related Information**, pointing to **Functions**, and then selecting **Release**.
 - The order is approved, if document approvals are used.

- Released when the Prepayment invoice is posted.

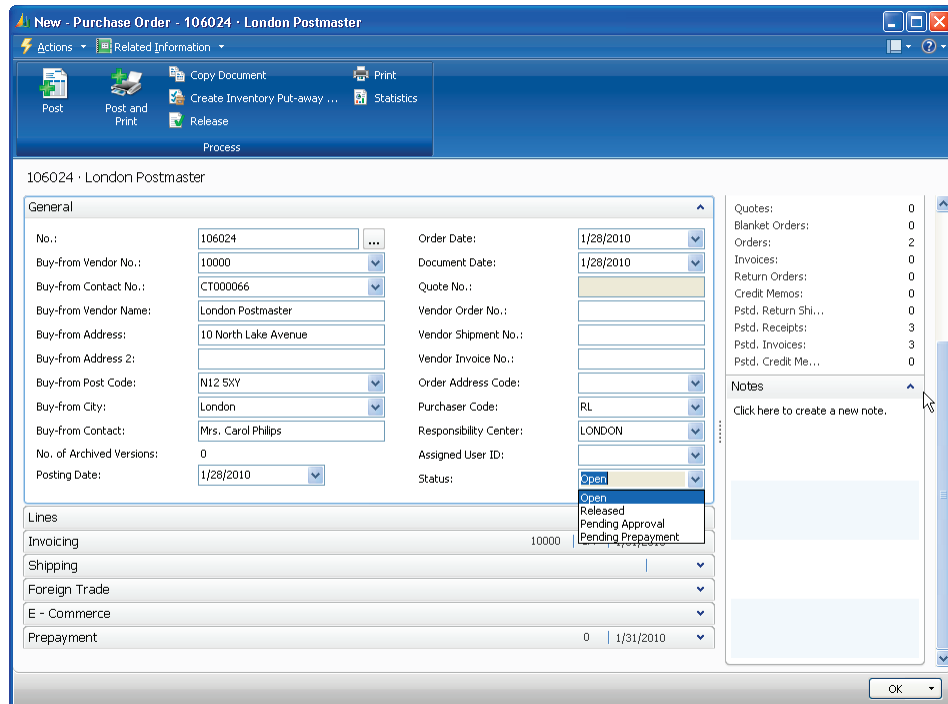


FIGURE 7.7 PURCHASE ORDER - GENERAL FASTTAB

Sales and Purchase Order Lines Overview

The sales and purchase order lines contain the following fields, related to prepayments. Notice that you must show these fields with the **Choose Column** function.

- Prepayment %** - the contents of this field are determined as follows:
 - If a default prepayment percentage is set up for the item on the line, it is automatically copied into the **Prepayment %** field.
 - If no default prepayment percentage is set up for the item, the prepayment percentage from the customer or vendor card is copied from the order header.
 - The **Prepayment %** field can be entered or changed manually on a line-by-line basis.
- Prepmt. Line Amount Excl. VAT** - the prepayment amount of the line, if a Prepayment percent is specified for the sales line.
- Prepmt. Amt. Inv. Excl. VAT** - the prepayment amount that has already been invoiced to the customer for this sales line. The contents of this field cannot be changed.

To void the prepayment, you must post a Prepayment Credit Memo for the sales line.

- **Prepmt. Amt to Deduct Excl. VAT** - the prepayment amount that will be deducted from the next ordinary invoice for this line. When you create an invoice for the order, the system suggests an amount proportional to the amount of the order that is being invoiced. You can change the amount to deduct before posting the invoice.
- **Prepmt Amt Deducted Excl. VAT** - the prepayment amount that has already been deducted from ordinary invoices posted for this order line. The contents of this field cannot be changed.

Prepayment Percentage Priority for Order Lines

A sales or purchase order can have a prepayment percent on the header and a different percentage for the items on the lines. For each sales or purchase order line, Microsoft Dynamics NAV 2009 searches for the prepayment percentage and applies the first default that it finds in the following order:

1. A prepayment percentage for the item on the line and the customer or vendor on the order header.
2. A prepayment percentage for the item on the line and the customer price group for the customer.
3. A prepayment percentage for the item on the line for all customers.
4. The prepayment percentage on the sales or purchase header.
5. A prepayment percentage for the customer or vendor on the order header.

***NOTE:** The priority order followed by Microsoft Dynamics NAV 2009 means that the prepayment percentage specified on the customer or vendor only applies if there is no prepayment percentage set up for the selected item.*

Test Your Knowledge: Payment Percentage Priority

Microsoft Dynamics NAV 2009 searches items, customers, vendors, and price groups for default prepayment percentages when an order is created. What default prepayment percentage is searched for first?

Process Prepayment Sales and Purchase Orders

When an order is created for an item, customer, or vendor that has a prepayment rule defined, Microsoft Dynamics NAV 2009 retrieves the prepayment requirement from the item, customer, or vendor card and enters it into the order.

Create Prepayment Orders Using Percentages

Creating prepayment orders resembles creating other sales and purchase orders. To create a prepayment sales order, follow these steps:

1. On the Navigation Pane, click the **Departments** button, click **Sales & Marketing**, click **Order Processing**, and then select **Sales Orders**.
2. Click **New** to create a new sales order.
3. In the **Sell-to Customer No.** field, click the drop-down list and select the relevant customer.
4. Click the **Prepayment** FastTab. Review the settings and update the fields as needed.
5. In the **Lines** FastTab, in the **Type** field, click the drop-down list.
6. Select the relevant line type to add to the order.
7. In the **No.** field, click the drop-down list and select the relevant number of the type selected in the **Type** field.
8. In the **Quantity** field, enter the number of items to be sold.
9. Review the prepayment fields to verify the settings.
10. Press the **ARROW DOWN** to insert another line.
11. Repeat steps 7-11 for the new line.

The same steps are used to create a purchase order, except:

- The purchase order is accessed by clicking the **Departments** button, clicking **Purchase**, clicking **Order Processing**, and then selecting **Purchase Orders**.
- The **Buy-from Vendor No.** is selected from the **Vendor List**

Assign Prepayment Percentage to All Order Lines

Although there can be different prepayment percentages for each of the order lines, a single prepayment percentage can be applied to the whole order. Perform this after all the order lines are completed.

To enter a single prepayment percentage that applies to all the order lines, follow these steps:

1. Complete the sales or purchase order header and lines.
2. Click the **Prepayment** FastTab.
3. In the **Prepayment %** field, enter the prepayment percentage to be applied to all the lines of the order.

Click **Yes** to the message on updating the lines; the **Prepayment %** is updated on all the lines to match the header.

***NOTE:** As soon as a number is entered into the **Prepayment %** field on the header and the lines are updated, you cannot revert to the individual prepayment percentages that existed for each line.*

*To return to the individual prepayment percentages, either delete and reenter the lines, or manually enter the **Prepayment %** on each line.*

Specify Prepayment Amounts

Instead of using prepayment percentages, you can define a prepayment amount for the whole sales or purchase order. Prepayment amounts are set in the **Sales Order Statistics** and the **Purchase Order Statistics** windows.

To apply a total prepayment amount to the order, follow these steps:

1. On the completed order, click **Related Information**, point to **Order**, and then select **Statistics**.
2. Click the **Prepayment** FastTab.
3. In the **Prepmt. Amount Excl. VAT** field, enter the prepayment amount to be charged for the whole order.

The amount in the **Prepayment Amount Excl. VAT** field is distributed proportionately between all lines in the order, except those that have zero in the **Prepayment %** field.

***NOTE:** If the **Prices Including VAT** check box does not contain a check mark, the **Prepayment Amount Excl. VAT** field is editable.*

*If the **Prices Including VAT** check box on the sales header contains a check mark, the **Prepayment Amount Incl. VAT** field is editable.*

Process Prepayment Sales and Purchase Invoices

After entering a sales or purchase order, you can create a prepayment invoice. The default percentages for each sales or purchase line can be used, or the amounts can be adjusted as necessary.

When the final invoice is posted, Microsoft Dynamics NAV 2009:

- Verifies receipt or issue of the Prepayment amount based on setup.
- Deducts the prepayment amount from the amount due.
- Reverses prepayment amounts previously posted to the balance sheet as assets or liabilities.

Create Prepayment Invoices

To create a prepayment invoice, follow these steps:

1. Click **Actions**, point to **Posting**, and then select **Prepayment**.
2. Select from the following prepayment options:
 - To print a test report before posting the prepayment invoice, click **Prepayment Test Report**.
 - To post the prepayment invoice, click **Post Prepayment Invoice**.
 - To post and print the prepayment invoice, click **Post and Print Prepm. Invoice**.
3. Complete the process as indicated by the selected prepayment option.

Create Additional Prepayment Invoices

To create additional prepayment invoices for an order, follow these steps:

1. Increase the prepayment amount on one or more lines.
2. Adjust the document date, if required.
3. Click **Actions**, point to **Posting**, click **Prepayment**, and then select **Post Prepayment Invoice**.

A new invoice is created for the difference between the invoiced prepayment amount and the new prepayment amount.

Correct Prepayments

After posting a prepayment invoice, you can process corrections or updates by adding new lines to the order and posting another prepayment invoice. Lines cannot be deleted from an order when a prepayment is invoiced for the line.

You can correct a prepayment using any of following options:

- Refund all invoiced prepayments for an order.
- Reduce the quantity on sales or purchase lines.
- Add new lines to an order after issuing a prepayment.
- Increase the prepayment amount.

Refund all Invoiced Prepayments for an Order

To refund all invoiced prepayments for an order, follow these steps:

1. On the order, click **Actions**, point to **Posting**, click **Prepayment**, and then select **Post Prepayment Credit Memo**.
2. If it is required, re-create the correct entries.

Reduce the Quantity on Sales or Purchase Lines

To reduce the quantity on a sales or purchase line, follow these steps:

1. Increase the **Prepayment %** on the line so that the **Prepmt. Line Amount** is not decreased lower than the amount in the **Prepmt. Amt. Inv.** field.
2. Reduce the amount in the **Line Amount** field.

Add New Lines to an Order after Issuing a Prepayment

To add new lines to an order after issuing a prepayment, follow these steps:

1. Add the additional lines to the order.
2. Click **Actions**, point to **Posting**, click **Prepayment**, and then select **Post Prepayment Invoice**.

A prepayment invoice is created for the new line.

Increase the Prepayment Amount

To increase the prepayment amount, follow these steps:

1. Increase the **Prepayment %** on one or more lines.
2. Click **Actions**, point to **Posting**, click **Prepayment**, and then select **Post Prepayment Invoice**.

A new invoice is created for the difference between the prepayment amount invoiced to this point and the new prepayment amount.

Summary

Prepayments are used in sales or purchases and provide the ability to charge either a percentage of the total order or a specific amount before shipping items to customers. Companies can also use prepayments to record prepayments to vendors.

The Prepayments functionality in Microsoft Dynamics NAV 2009 assists in:

- Invoicing and collecting deposits required from customers or remitting deposits to vendors.
- Posting and tracking prepayment amounts to specific accounts.
- Accurately creating invoices that reflect the total order amount minus any prepayments.

Test Your Knowledge

1. What status do you use when an order has one or more lines with a prepayment amount, but a prepayment invoice has not yet been posted?
 - Prepayment Issued
 - Pending Prepayment
 - Prepayment awaiting
 - Issued Prepayment

2. Which of the following methods can you use to correct prepayment invoices? (Select all that apply)
 - Delete invoiced prepayment lines from the order.
 - Increase the prepayment amount.
 - Reduce the quantity on sales and purchase lines.
 - Add new lines to an order after issuing a prepayment.

3. To recognize prepayment ownership, Microsoft Dynamics NAV 2009 must be set up to perform which if the following? (Select all that apply.) (Select all that apply)
 - Record purchase prepayments in a liability account until the items are received.
 - Record purchase prepayments in an asset account until the items are received.
 - Record sales prepayments in an asset account until the items are shipped.
 - Record sales prepayments in a liability account until the items are shipped.

4. How do you enter a default prepayment percentage on an Item Card?

5. Explain how to apply a single prepayment percentage to a whole order.

Fill in the Blanks

Fill in the blanks to test your knowledge of this section.

6. On a sales or purchase order, you can enter a prepayment percent on the _____ FastTab.
7. To charge a prepayment amount instead of a prepayment percent to an order, open the _____ window.

Quick Interaction: Lessons Learned

Take a moment and write down three key points you have learned from this chapter

1.

2.

3.

Solutions

Prepayment Sales and Purchase Orders Overview

Test Your Knowledge: Payment Percentage Priority

Microsoft Dynamics NAV 2009 searches items, customers, vendors, and price groups for default prepayment percentages when an order is created. What default prepayment percentage is searched for first?

MODEL ANSWER:

A prepayment percentage for the item on the line and the customer or vendor on the order header.

Test Your Knowledge

1. What status do you use when an order has one or more lines with a prepayment amount, but a prepayment invoice has not yet been posted?
 - Prepayment Issued
 - Pending Prepayment
 - Prepayment awaiting
 - Issued Prepayment
2. Which of the following methods can you use to correct prepayment invoices? (Select all that apply)
 - Delete invoiced prepayment lines from the order.
 - Increase the prepayment amount.
 - Reduce the quantity on sales and purchase lines.
 - Add new lines to an order after issuing a prepayment.
3. To recognize prepayment ownership, Microsoft Dynamics NAV 2009 must be set up to perform which if the following? (Select all that apply.) (Select all that apply)
 - Record purchase prepayments in a liability account until the items are received.
 - Record purchase prepayments in an asset account until the items are received.
 - Record sales prepayments in an asset account until the items are shipped.
 - Record sales prepayments in a liability account until the items are shipped.

4. How do you enter a default prepayment percentage on an Item Card?

MODEL ANSWER:

Click Related Information, point to Sales and then click Prepayment Percentages and enter the default prepayment percentage in the Prepayment Percentages window.

5. Explain how to apply a single prepayment percentage to a whole order.

MODEL ANSWER:

After the order lines are complete, click the Prepayment FastTab. In the Prepayment % field, type the prepayment percentage for the whole order. When you exit the Prepayment % field, the order lines are updated with the prepayment percentage in the header.

Fill in the Blanks

Fill in the blanks to test your knowledge of this section.

6. On a sales or purchase order, you can enter a prepayment percent on the Prepayment FastTab.
7. To charge a prepayment amount instead of a prepayment percent to an order, open the Statistics window.