# ABM CUSTOMER CREDIT POLICIES

## Introduction

Credit Policies can be set-up which determine how the company deals with it's customers. The terms and default credit limit, prompt payment discount and overdue interest can be specified.

1. A credit policy is set up for the company as a whole. Credit policies can then be applied to a range of customers. Customers can either be assigned to a credit policy, or they will have their own "Manual Settings".

2. Whether applied as part of a credit policy, or using manual settings, a Credit Action is the action that will occur whenever a transaction is processed for a customer. The actions are:

a. Ok: The transaction will be allowed to process as normal.

b. Remind: A pop-up message will be displayed to the operator whenever a transaction (of the relevant type) is processed, but the transaction will then be allowed to be processed as normal.

c. Password: A supervisor password (someone who is authorised to change credit control settings) is required to continue processing the transaction.

d. Hold: The transaction will not be allowed to be processed.

3. One advantage of using credit policies is that the respond to Events. An Event is something that occurs that should affect the customer's credit status. The events are:

a. Credit Limit Exceeded

b. Credit Limit Exceeded by a percentage

c. Debt has aged once

d.Debt has aged twice

e.Debt has aged thrice

4. When an event occurs the customer's credit Action will be updated automatically to the Action specified for that event on the customer's credit policy. This will either occur when a new transaction is processed (typically where the credit limit is exceeded or exceeded by a percentage), or as part

of the daily aged balances check that runs automatically when the first user logs into the company each day (typically where a debt has now aged once, twice or thrice).

5. If none of these event applies to a given customer's situation, then the daily aged balances check will reset their credit Action to "Ok".

6. If the customer is set to "Manual Settings", then the customer's credit Actions will not be automatically updated by an Event occurring. It is up to a user to change the customer's credit Actions manually as needed.

7. Thus, the Actions that you see when viewing individual customer accounts are the actions that will occur when you process a transaction of the relevant type for that customer.

Thus, if a customer is set to "Remind" then a reminder will ALWAYS pop up (for the selected transaction type) when the customer has exceeded their limit. Similarly, if the customer is set to Password or Hold, then these actions will apply even if the customer has not reached their credit limit. Obviously these situations would generally only occur if the customer is set to "Manual Settings", however they could also occur if the customer pays their debt, because the system will not automatically change their credit Action as the payment transaction is processed, but if they are using a Credit Policy their Action will be updated to "Ok" automatically during the next daily aged balances check.

**Setup Credit Policies**
To Set-up a Credit Policy select Tools\Options and the select the tab Credit. This will open the following screen, which will allow you to add a new policy, or edit an existing policy.
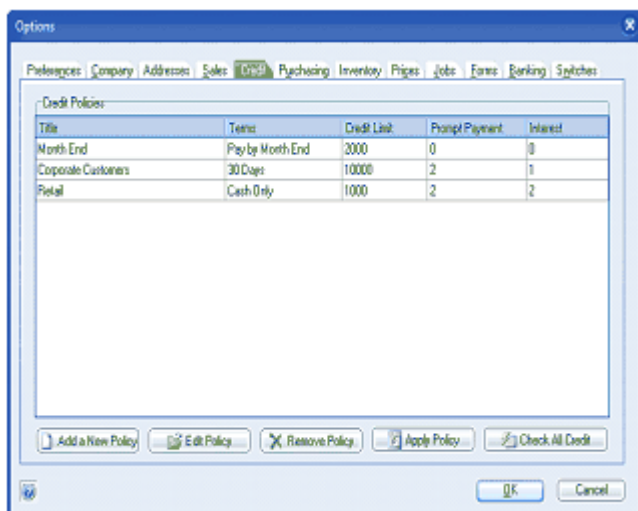
Add New Policy: To add a new policy, select Add New Policy and the following screen will appear.
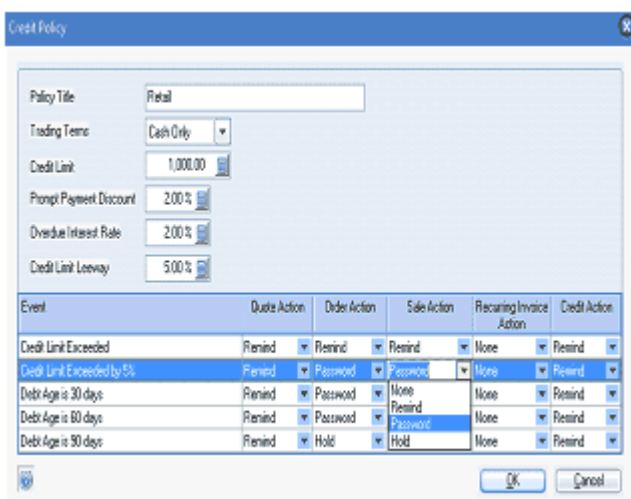


Policy Title: Enter a title that is appropriate to this policy. Example "Retail" for a policy covering all retail customers.

Trading Terms: Select the trading terms from the drop down list that will apply to this policy.

Credit Limit: Enter a credit limit that will apply to customers under this policy.

Overdue Interest Rate: Enter a rate that you wish to use to charge interest on overdue accounts by customers covered by this policy.

Credit Limit Leeway: You can enter a percentage so that when the customer exceeds the stated credit limit they would have a leeway before applying any sanction that maybe required.

Actions to be Applied: You can apply an action to any of the transactions listed and for any of the events for that transaction as follows.

Remind: The operator can be reminded if an event has been triggered. Example when processing a sales invoice and the credit limit has been exceeded then the operator will be reminded that the credit limit has been exceeded.

Password: The event can be set so that a supervisor password is required to continue processing.

Hold: Transactions can be put on hold if an event is triggered.

None: No action is required.

Events:

Credit Limit Exceeded: You can apply an action for each of the transactions if the credit limit which has been set for this policy is exceeded.

Credit Limit Exceeded by %: When you set the Leeway percentage then this event will be triggered when the credit limit is exceeded by the credit limit plus this percentage.

Debtors Age is: You can apply an action when the debtors age balance is either 30, 60 or 90 days overdue.

**Applying Credit Policies**
You can apply a credit policy to a customer, or a group of customers from either the Tools\Options\Credit section, or by applying the policy to an individual customer.

**Applying a Policy from the Credit Policy Tab**

To apply the credit policy, select a policy, and then select the Apply Policy button. **Note:** if you apply a credit policy to a customer then you will not be able to amend the credit details, such as terms, or credit limit for that customer unless you change the customer to Manual Settings. Instead, the customer's terms, credit limit and credit actions will be derived from the credit policy that has been applied to them.
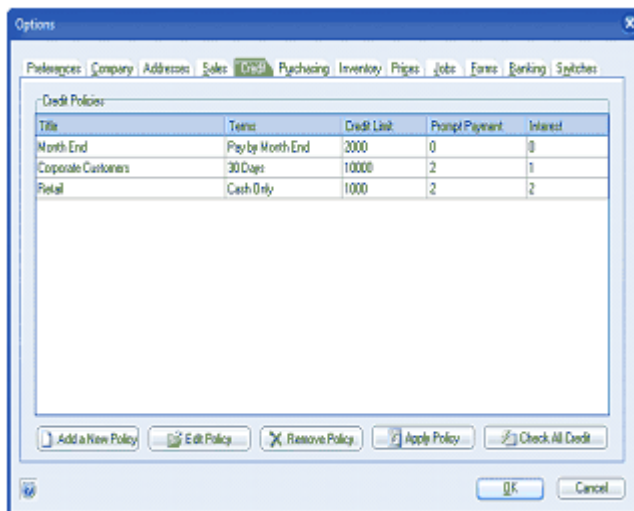
The Apply button will bring up the following screen and you can then select an option from the drop down list. On clicking OK the Credit Policy will be applied to all the customers matching the selected criteria.
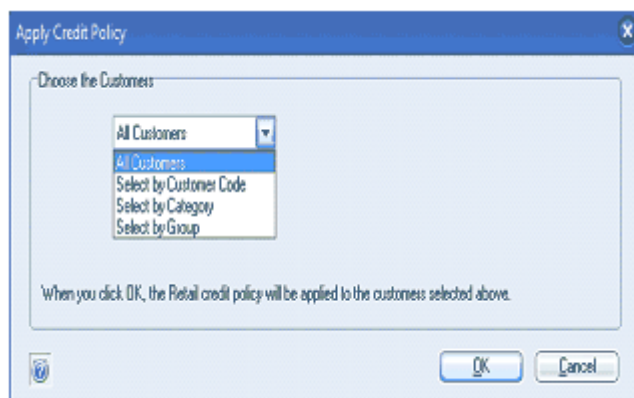


**Editing A Credit Policy:** You can change a credit policy by selecting that policy, and selecting the button "Edit Policy". When you have finished making the changes select "Check All Credit" and the changes will be applied to all customers governed by that policy. If you do not "Check All Credit" then the checks will be done automatically when the first user logs into the system the next day.

**Applying a Policy to an Individual Customer:**

To apply a policy to an individual customer, or change that customer to another existing policy, select the customer from the customer list and open the customer maintenance screen.
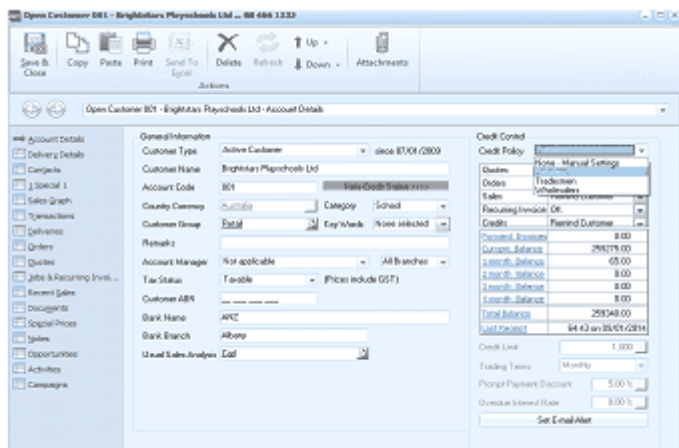
You can now select a Credit Policy from the drop down list at the top right of the screen. Once you select the policy the status for the various processes will be displayed. **Example** if the customer has exceeded their credit limit, Sales will display the appropriate action such as "Password Required"

**Applying Manual Settings:** You can change the customers credit policy to any existing policy, or set it to "Manual Settings". If "Manual Settings" is selected, then you need to select an action for each of the processes (quotes, orders, sales, recurring invoices and credits). The actions that can be applied are selectable from the drop down list as follows:

Remind: The operator will be reminded to advise the customer that their credit limit has been exceeded. This will appear as a Pop-Up message for the user. **Example** when processing a sales invoice and the credit limit has been exceeded, the operator will be reminded that the credit limit has been exceeded.

Password: A supervisor password (someone who is authorised to change credit control settings) is required to continue processing.

Hold: Transactions cannot be processed.

OK: Nothing will occur if an event is triggered.

**Note:** If manual settings are applied, then the actions set will apply to that transaction type at all times (until changed)

**Note:** If "Manual Settings" are in use then the action may be triggered all the time, depending on the action selected. In the case of "Remind", the

reminder will be triggered when the credit limit is exceeded, whereas Password or Hold, will apply all the time irrespective of whether the credit limit is exceeded or not. Therefore, if you set Invoicing to Require a Password, a password is required each time an invoice is processed, as opposed to being applied when an event is triggered on a Credit Policy. Example, on a Credit Policy when the credit limit is exceeded, this will trigger the event which will require a password. However, with the customer set to Manual Settings, and Requiring a Password, the password will be required even if their credit limit is ok.

**Automatic Credit Policy Checks:**

When the first user logs into a company database each day ABM will check the credit policy rules as part of the automatic aged balances recalculation. If any customers are linked to a credit policy with an action for debt that has aged to 30, 60 or 90 days, their credit status will be automatically updated.

During the day, the credit status is also checked as new transactions are processed. Thus if a new transaction takes the customer over their credit limit, and the action on the customer's credit policy for "Credit Limit Exceeded" is to "Remind", then the customer's credit status will be updated as soon as that transaction is processed.

**Note** that if a customer is set to use a manual credit policy, then the system will not automatically change their credit status.

**Processing Transactions where a Credit Policy is in Place:**

When you process transactions which invoke a credit policy action, then the following will apply.

**Sales Transaction:**

When you select a sales transaction, such as an order, then you will see the amount of credit remaining at the bottom of the screen. As you add line items to the order, the amount of credit remaining will reduce according to the value of the line item added (including Tax). When the credit limit is exceeded, the colour of the message will change. **Note:** Where the customer's credit limit has not been exceeded, the message stating the amount of credit remaining will in Green Background.
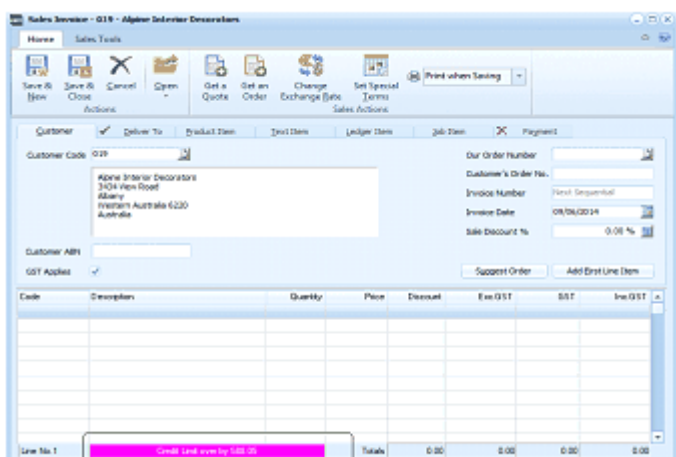
## Messages that will appear when an Action is invoked during processing.

**Remind:** If the action is to remind the customer, then when you click Save and Close or Save and New, a message will appear asking you to advise the customer that their credit limit has been exceeded. This message will state the credit limit, and the amount that the limit has been exceeded by.
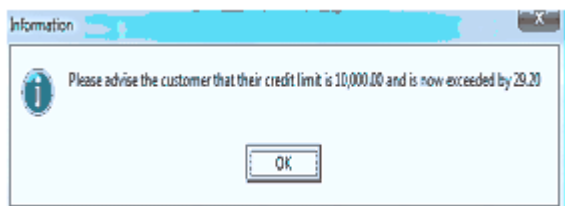


**Password:** If a password is required, then a dialogue box requesting a password will appear. You will need to select a user who has the security option selected set to "Can Change Credit Control Settings" from the drop down list, and enter the password for that user. If your user name is not on the list, then you will need to get one of the users on that list to enter their password.
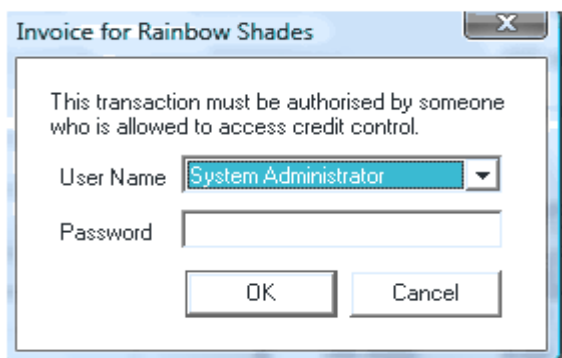
**Hold:** If the transaction is to be placed on hold, then a message stating that the credit limit has exceeded will appear. If this message appears you will not be able to process the transaction.
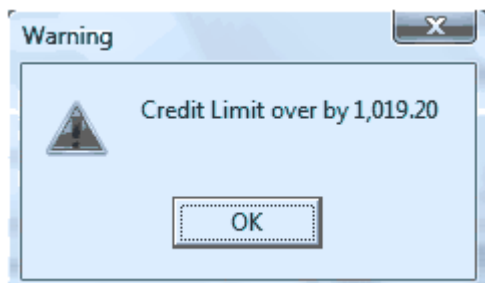


**What can be done to process a transaction if an action is invoked:**

If the transaction has invoked an action set for the specific credit policy, you can either, remove some of the line items so that the credit limit is not exceeded, or

if you are processing a Sales Order, Sales Invoice or Point of Sale Invoice, you could obtain payment from the customer, and enter it by selecting the Payment tab, and entering the payment details. Otherwise you will need to cancel the transaction

**Receipts:** The processing of a receipt to a customer account will reduce the amount owed by that customer, and may increase the amount of credit remaining for that customer providing such receipt reduces the balance below the credit limit set.

**Refunds:** As refunds are usually the result of a Credit Note being issued, the Policy will have already applied to the issuing of the Credit Note. Therefore, no action will be taken on refunds.

**Journal Adjustments:** Whilst journal adjustments will affect the credit policy (either increase or decrease the balance), no messages will appear during processing, as a journal adjustment is an internal process which has the intention of making an adjustment to the account.

**Charge Interest:** If a company is normally charging interest on overdue accounts, then the interest will still be charged irrespective of the Credit Policy applied. Accordingly no action will be taken when processing Interest Charges.

**Fulfillment Wizard:** When processing transactions through the Fulfillment Wizard the following will apply;

**Customers on Hold:** When you select the list of orders, and the customer is already on hold, a Flag indicating that the customer is on hold will be displayed next to the order. If the order, or the accumulation of orders, triggers the even to place the customer on hold, then a message will appear in relation to that customer when the invoices are being processed, and no deliveries or invoices will be processed.

**Password Required:** When you select the list of orders, and the customer's status is that a "Password is Required", then the password will not be requested until the transaction is being processed. Similarly, if the order, or the accumulation of orders, triggers the event to "Require a Password", then a password will be requested when the invoices are being processed.

**Remind:** No reminder message will be displayed when processing transactions through the Fulfillment Wizard.

**Recurring Invoicing:** When processing recurring invoices the following will apply;

**Customers on Hold:** If the invoice, or the accumulation of invoices, triggers the event to place the customer on hold, then a message will appear in relation to that customer when the invoices are being processed, and no invoices will be processed.

**Password Required:** If the invoice, or the accumulation of invoices, triggers the event to "Require a Password", then a password will be requested when the invoices are being processed.

**Remind:** No reminder message will be displayed when processing Recurring Invoices.