

## Dealing with Settlement Discounts

If a supplier offers settlement discount for early payment of bill, the discount taken has to be accounted for.

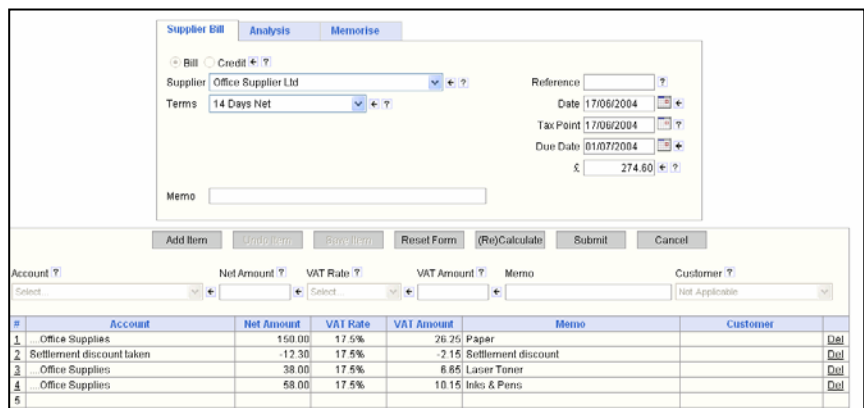
You may deal with this in the system in a number of ways.

Enter the bill either gross or net, and when you are ready to pay, adjust the bill entry to the amount you intend to pay.

This is less easy if you and your supplier are VAT registered. The VAT registered supplier is obliged to calculate the tax value on the discounted amount. This is the amount allowed for input tax even if you do not take up the offer.

Deal with this by creating an account such as **Settlement Discounts Taken**, as an **Other Income Account**. Use **Add a Custom Account** from the **ACCOUNTS** menu. See **Chart of Accounts** user guide for more details.

- ◆ Enter a bill in the usual way. See **Receiving Supplier Bills** and **Paying Supplier Bills** user guides
- ◆ The discount taken can then be entered as a line item using the account set up.
- ◆ The VAT figure will be correct.
- ◆ Select the **Terms** which would correspond with discount offer. This will provide a reminder for payment purposes.
- ◆ If you decide not to take the settlement discount, again amend the bill before paying. Set to zero the Net amount of the settlement discount line item, but **overtyp**e the VAT Amount with the negative amount previously shown. You need to overtype the amount, because the system will recalculate the VAT on the basis of the zero figures. **Save Item** followed by **Submit** to confirm.



#	Account	Net Amount	VAT Rate	VAT Amount	Memo	Customer
1	Office Supplies	150.00	17.5%	26.25	Paper	
2	Settlement discount taken	-12.30	17.5%	-2.15	Settlement discount	
3	Office Supplies	38.00	17.5%	6.65	Laser Toner	
4	Office Supplies	58.00	17.5%	10.15	Inks & Pens	