



## Article # 1227

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### Technical Note: Adjusting Finance Charges Applied to Accounts Receivable Invoices

**Difficulty Level:** Beginner Level AccountMate User

**Version(s) Affected:** AccountMate 11 for SQL and Express  
AccountMate 10 for SQL, Express, and LAN  
AccountMate 9 for SQL, Express, and LAN  
AccountMate 8 for LAN

**Module(s) Affected:** AR

**Posting Date:** 10/21/2020

#### DESCRIPTION

Most businesses apply finance charges when customer accounts become overdue. Finance charges are additional fees you impose upon your customers for nonpayment of their obligations within a specific period. AccountMate's **Apply Finance Charge** function in the Accounts Receivable module provides the ability to review and to manually change the calculated finance charges before these are applied to invoices.

There may be instances, however, when the finance charges are applied to the incorrect AR invoices or customers, the applied finance charge rates or amounts are erroneous, or you grant a customer's request for a lower finance charge. In these instances, it is necessary to amend or void the applied finance charges. The **Adjust Finance Charge** function allows you to adjust or void finance charges that had been previously applied either to the customers' past due balances or to AR invoices. This function also allows you to view the finance charge transactions and invoice adjustment history.

This Technical Note discusses the procedures necessary to assign user access rights to the **Adjust Finance Charge** function and to adjust or void previously applied finance charges. It also discusses the relevant General Ledger (GL) entries and reports.

#### SOLUTION

##### Grant access right

Use the **Setup ► Security ► Group/User Setup** function in the AccountMate Administrator program to grant users the access right to the **Adjust Finance Charge** function.

##### Adjust finance charges

Perform these procedures to adjust the finance charges previously applied to the past due customer balances or past due AR invoices (*see Figure 1*):

Customer Information		Invoice Information	
Customer #	ACC1	Invoice #	30003
Company	Access Communications, Inc.	Invoice Date	01/31/19
Address	3398 Lincoln Ave Bldg. A	Currency Code	USD 1.000000
City	San Rafael	Invoice Amt	2,788.50
State	CA	Total Fin Chg	70.78
Zip	94901	Total Paid	1,359.96
Adjust Date	09/30/20	Invoice Balance	1,499.32
		Adjust Amount	0.00

**Figure 1. Adjust Finance Charge function**

1. Access the **Adjust Finance Charge** function from the **Maintenance** menu.
2. Enter the relevant customer number in the **Customer #** field.
3. Select in the **Invoice # Full Search –Current & History** window the invoice for which you want to adjust the finance charge.

**Note:** The **Invoice # Full Search – Current & History** window that is displayed from the **Adjust Finance Charge** function lists only the FCHG invoices and the regular invoices to which finance charges have been applied. AccountMate creates the FCHG invoices (i.e., invoices assigned with "FCHG" invoice numbers) during application of finance charges when the **AR Module Setup ► Finance Charge ► Charge on Past Due Statement Balance** option is chosen.

4. Review and, if necessary, amend the default adjustment date, which is the system date.
5. Click the **Total Fin Chg Detail Analysis** button to review the invoice finance charge history in the **Finance Charge for Invoice # [xxx]** window (see Figure 2).
6. Enter in the **Adjust Amount** field the appropriate adjustment amount as follows:
  - a. If you want to reduce the applied finance charge, enter a negative amount equivalent to the amount by which the finance charge will be reduced.
  - b. If you want to increase the applied finance charge, enter the amount by which the finance charge will be increased.
  - c. If you want to void the applied finance charge, enter a negative amount equivalent to the current total finance charge.
7. Click the **Save** button in the Maintenance toolbar to save your changes.
8. When AccountMate displays the message "Finance Charge Adjustment has been posted," click **OK** to close the message window.
9. Click **Close** to exit from the function.



- **Finance Charge Exception Report**  
This report provides details of the FCHG invoices or AR invoices that contain finance charges only. FCHG invoices are created when finance charges are applied on the customer's entire balance (i.e., the **Charge on Past Due Statement Balance** option is chosen in **AR Module Setup > Finance Charge** tab). This report shows the finance charge amounts and invoice balances, adjusted by the finance charge adjustments.
- **AR Status Report**  
The **AR Status Report > FinChgAmt** column shows the applied finance charges, net of any finance charge adjustments.
- **AR Aging Report**  
This report shows the invoice balances adjusted by the finance charges and finance charge adjustments.
- **Customer Transactions Summary Listing**  
If you need a quick view of all transactions affecting the customer balance including the applied finance charges and finance charge adjustments, generate the Customer Transactions Summary Listing. This report shows the description "Finance Charge" for each finance charge and finance charge adjustment transaction.
- **Customer Transactions Detail Listing**  
This report shows the items that comprise each invoice's balance including the applied finance charges and finance charge adjustments.
- **Customer Statement**  
The **Customer Statement > Finance Charge** column displays the finance charges, net of the total finance charge adjustments, applied to either the customer's invoice or customer's balance. The amount in the **Balance** column is also adjusted by the finance charges and finance charge adjustments.
- **AR Transfer to GL Report**  
This report includes the journal entries generated for the finance charge adjustments.

Any changes to the applied finance charges have a direct effect on accounts receivables and revenues; thus, you must take extreme caution when recording them. Understanding how to properly record finance charge adjustments helps ensure the accuracy of accounts receivable and finance charge revenue (e.g., Interest Income) GL Account ID balances in the financial statements. It also helps ensure the reliability of customer-related reports including those that are used for management's decision-making purposes.

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