

Article # 1319

Technical Note: How AccountMate Calculates and Validates Customer Credit Limit

Difficulty Level: Beginner Level AccountMate User

Version(s) Affected: AccountMate 12 for SQL and Express
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, SO

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DESCRIPTION

When you create a sales order or an AR invoice, AccountMate validates whether the customer has exceeded the credit limit if the **Allow to Exceed Credit Limit** checkbox is unmarked in **SO Module Setup** and **AR Module Setup**; then, you can create sales orders and AR invoices only when the customers have available credit.

This Technical Note presents how to calculate the Credit Available amount and the transactions that affect the calculation. This document also discusses the effects these transactions have on the accounts receivable, open order, and un-invoiced shipments balances.

SOLUTION

Credit Available Calculation

The default calculation for Credit Available is as follows:

$$\text{Credit Available} = \text{Credit Limit} - (\text{Balance} + \text{SO Backorder Amt})$$

You can set up the customer credit limit in the **Customer Maintenance ► Settings** tab. The Balance amount is equal to a customer's total invoice amount while SO Backorder Amt refers to a customer's total unshipped sales orders amount. You can review the amounts in the **Customer Maintenance ► Information** tab.

Marking the **Reduce Available Credit by Un-invoiced Shipment** checkbox in **SO Module Setup** affects the Credit Available calculation. The revised calculation is as follows:

$$\text{Credit Available} = \text{Credit Limit} - (\text{Balance} + \text{SO Backorder Amt} + \text{Un-invoiced shipments})$$

Un-invoiced shipments amount refers to a customer's total shipped sales order amount that is yet to be invoiced. To learn more about the **Reduce Available Credit by Un-invoiced Shipment** feature, refer to [Article# 1226 \(Effects of Enabling the Reduce Available Credit by Un-Invoiced Shipment in the Sales Order Module\)](#).

Transactions that Affect Credit Available and Other Customer-related Balances

Illustrated below is a matrix of transactions affecting Credit Available and their effects on the other customer-related balances:

| TRANSACTIONS | AR BALANCE | OPEN ORDER | UN- INVOICED SHIPMENTS | CREDIT AVAILABLE |
|--|------------|------------|------------------------------|---------------------|
| Create SO | No effect | ↑ | No effect | ↓ |
| Approve SQ | No effect | ↑ | No effect | ↓ |
| Generate Recurring Sales Order | No effect | ↑ | No effect | ↓ |
| Release Blanket Sales Order* | No effect | ↑ | No effect | ↓ |
| Import SO | No effect | ↑ | No effect | ↓ |
| Cancel SO Open Order | No effect | ↓ | No effect | ↑ |
| Cancelling an SO | No effect | ↓ | No effect | ↑ |
| Deleting a Line Item from the Create SO window for a previously saved SO | No effect | ↓ | No effect | ↑ |
| Ship Sales Order (Ship SO Generate Invoice option disabled) | No effect | ↓ | ↑ | ↓ ↑ |
| Ship Sales Order (Ship SO Generate Invoice option enabled) | ↑ | ↓ | Not applicable | ↑ ↓ |
| Cancel Shipment | No effect | ↑ | ↓ | ↑ ↓ |
| Generate Invoice from Shipment | ↑ | No effect | ↓ | ↑ ↓ |
| Approve Advanced Billing | ↑ | ↓ | No effect | ↑ ↓ |
| Create Invoice | ↑ | No effect | No effect | ↓ |
| Import Invoice | ↑ | No effect | No effect | ↓ |
| Generate Recurring Invoice | ↑ | No effect | No effect | ↓ |
| Voiding an AR Invoice | ↓ | No effect | No effect | ↑ |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Deleting a Line Item from the Create Invoice window for a previously saved invoice | ↓ | No effect | No effect | ↑ |
| Create Sales Return | ↓ | No effect | No effect | ↑ |
| Apply Payment | ↓ | No effect | No effect | ↑ |
| Apply Advanced Billing Payment | No effect | No effect | No effect | No effect |
| Apply Finance Charge | ↑ | No effect | No effect | ↓ |
| Adjust Finance Charge (Increase) | ↑ | No effect | No effect | ↓ |
| Adjust Finance Charge (Decrease) | ↓ | No effect | No effect | ↑ |
| Void Payment | ↑ | No effect | No effect | ↓ |
| Void Advanced Billing Applied Credit** | No Effect | No Effect | No Effect | No Effect |
| Void Applied Credit | ↑ | No effect | No effect | ↓ |
| Void Applied Adjustment | ↑ | No effect | No effect | ↓ |
| Adjust Open Credit | ↑ | No effect | No effect | ↓ |
| Void Open Credit Adjustment | ↓ | No effect | No effect | ↑ |

*Applies only to AccountMate for SQL/Express versions

**Applies only to AccountMate for LAN versions

This Technical Note can help you understand how each transaction above affects customer Credit Available and other pertinent customer-related balances. Knowing the Credit Available calculation may also help you decide whether to accommodate customer orders though it will result in the customer credit limit being exceeded.

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