Credit Management

We have introduced a few recent changes to assist with customer credit and I will discuss them and techniques for managing customer credit in this article.

Billing Review

The Noviship system records transactions for each billable event. Transactions are automatically created when these events occur:

- Shipments are submitted to carriers
- Shipments are (re-)assigned to customers
- Corrections are Approved
- Pending Shipments are Approved
- Billable Pickups are Booked

There are also **Manual Transactions** that are entered by administrators directly into a customer account.

Transactions accumulate on customer accounts but only qualify for billing when they are **reconciled**. Shipment transactions are considered **reconciled** when the shipment is marked reconciled and is not in a **pending** state. This happens automatically during EDI reconciliation. Non-Shipment transactions are always considered reconciled.

When an invoice is posted for a customer, reconciled un-posted transactions are posted to the invoice. This leads to a number of **balances** that we record :-

- The **Transactional Balance** is the sum of all transactions on an account. This is a good indicator of activity but not credit in itself because some of those transactions will never be reconciled. For example, if a customer submits a shipment to a carrier but it is never picked up it will never appear on a carrier bill.
- The **Unreconciled Balance** is the sum of all unreconciled transactions within the last 30 days. We presume that if a carrier hasn't billed a shipment in 30 days that it probably won't be billed. Therefore this is a useful way to monitor what we expect to bill the customer in the near future. It is also the best way to control short-term credit.

- The **Invoice Balance** is the sum of all posted, unpaid invoices. This is a good measure of the effective credit for a customer because it takes into account pre-payment and post-payment methods.
- The **Posting Balance** (displayed as the **Invoice** column in the customer list) shows what will appear on the invoice if it is immediately posted.
- We have introduced a new balance called **Estimated Debt** which is the sum of the **Unreconciled Balance**, **Invoice Balance** and **Posting Balance**. This represents what we believe the customer owes at any instance.

Setting Limits

In the customer properties page you can an **Unreconciled Shipment Credit Limit** and a general **Credit Limit**. The **Unreconciled Shipment Credit Limit** puts a cap on the **Unreconciled Balance** while the general **Credit Limit** puts a cap on the **Estimated Debt**. Setting these to zero implies that there is no limit. Setting them to "1" is approximate to having a zero limit.

Unreconciled Shipment Credit Limit

200

Shipping will be disabled if the total of unreconciled shipment charges for the previous 30 days exceeds this amount. Set to 0 to use the group setting.

Credit Limit

200

Shipping will be disabled if the combined unreconciled shipment balance, invoice balance and next invoice exceed this amount. Set to 0 to disable or 1 for effectively no credit allowance.

Credit Fields on the Customer Account

If a customer attempts to submit a shipment which would bring either of these balances over the given limits, the shipment will be refused indicating they would exceed their credit limits.

You can set either or both of these but they server slightly different purposes. Capping the **Unreconciled Balance** can prevent customers from shipping high numbers or values of shipments quickly without any checks while still granting them a much higher long-term credit through the general **Credit limit**.

Post-Payment

Generally you will be invoicing your customer and receiving payment at a later date. When you receive a payment you should use the **Pay Invoice** button on the Invoicing page. See Invoice Payments for more information. If you do not

indicate that the payment has been received then the system will not be able to properly measure credit. In a Post-Payment model your invoices will generally be greater than a zero amount.

Pre-Payment
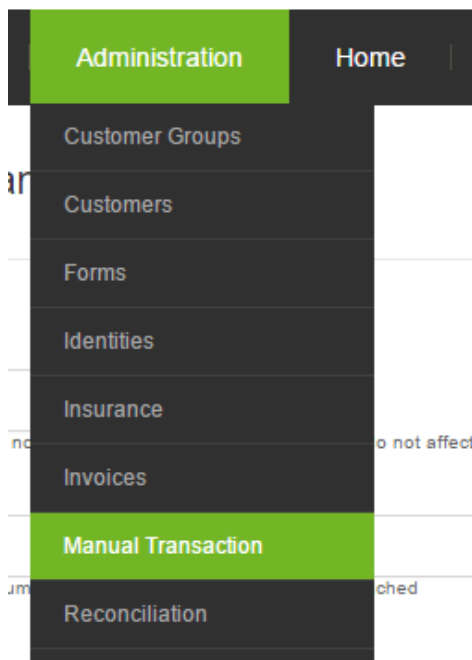
Manual Transaction Menu

In cases where you do not wish to extend credit to a customer you can use a pre-payment model. You exercise this by setting the general **Credit Limit** to "1" or some small number. Do not use zero as this indicates that the credit system is not being used. Do not set the unreconciled limit to "1" as this will effectively disable all shipping.

When you receive a pre-payment from a customer you will need to enter this as a **Manual Transaction**. You should use the **Adjustment** category (not Bill Payment) and the amount should be negative and tax-free. Because the transaction is an **Adjustment** it does not need to be reconciled. This means it contributes to the Posting Balance.

Transaction Type

Adjustment ▼   **Use Adjustment**

Note: Bill Payments do not appear on Invoices and Credit Notes do not affect the customer Balance. If you wish to credit a customer account use a negative Adjustment.

Customer

220080795 ▼

Select the Customer Number to which this transaction is to be attached

Creditor

Partner (me) ▼

Amount

Transaction Amount

-250   **Negative Amount**

Net ▼   **No Tax**

Tax #1

None ▼

Tax #2

None ▼

Calculate Taxes

Description *

Pre-Payment

This information will appear on customer invoices and statements

Notes

Received cheque #3325 from customer

A brief description that will appear on the invoice. For corrections this should include an explanation (including the correction)

Submit

Pre-Payment Manual Transaction

Front Page Analysis on Invoice

Automatic Selection ▼

This selection determines which analysis box (if any) appears on the front page of the invoice

Analysis Pages on Invoice

☐ Reference Breakdown

☐ Courier Service Breakdown

☐ User and Usergroup Breakdown

☐ Customer Breakdown for Resellers

Select which analysis pages appear at the end of the customer invoice

☐ Enable Credit Notes

This option allows negative invoices to be posted in the form of credit notes. Otherwise credits are carried forward to the next invoice.

Leave Unchecked

Invoice Alignment

None ▼

Limit shipments on invoices to a given period

Disable Credit Notes

Ensure that **Enable Credit Notes** is un-checked. Credit Notes are a means to issue negative invoices but that does not work with the pre-payment model.

When Credit Notes are disabled if you post a negative invoice (which would usually be the case) a **Credit-Carry Forward** transaction is created to raise the invoice amount to zero and a reverse is created on posting for the next invoice. The customer's pre-payment is therefore reduced with each invoice.

Summary

Total Net Shipments	82.37	
Other Charges	-100.00	
Sub-Total	-17.63	
HST @ 13%	10.72	
TOTAL	-6.91	
Credit carried forward	6.91	
DUE NOW	0.00	

Courier Service Usage

	Num	Net	Gross
Purolator			
Express Pack	4	72.94	82.43
Express Envelope	1	9.43	10.66
	5	82.37	93.09

⇐ **Credit to appear on next invoice**

Credit Carry Forward on an Invoice