Finance Charges

[1.0]

Faradyana Azman

[03/11/2021]
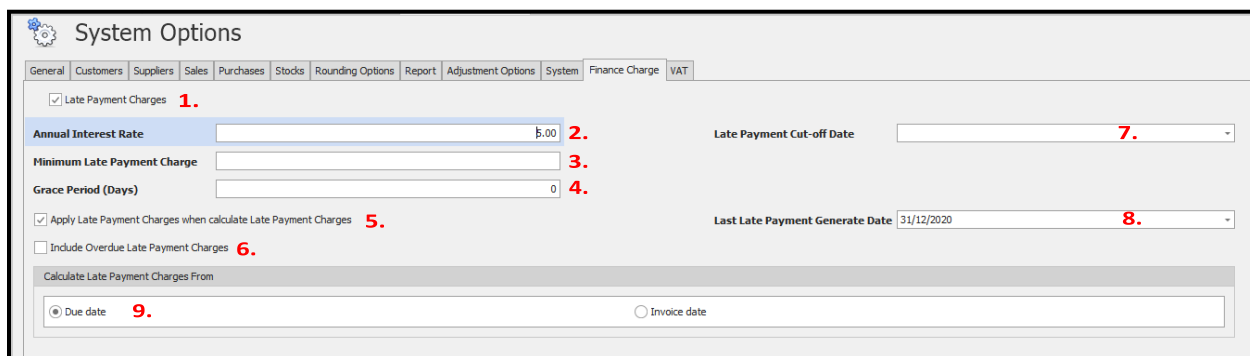
REV. No	Nature of Change	Prepared By	Prepared Date	Reviewed & Approved by
1.0	Creation	Faradyana Azman	03/11/2021	

Amendment Record

SCENARIO

Finance Charge Module normally is using for Property Maintenance Management. With using Finance Charge Module, system will calculate the chargeable amount based on the overdue Invoices automatically. Please take note that Finance Charge Module is an additional module, additional charges will occur.

Step 1: Setup Finance Charge (Go to File -> System Options -> Finance Charge)

1. Tick Late Payment Charge : To enable the Finance Charge

2. Annual Interest Rate (%) : Enter the annual interest rate for the calculation of the finance charge

3. Minimum Finance Charge : To set minimum amount to be charged
    - Enter the minimum finance charges amount if the total finance charges for the particular customer is less than the minimum finance charge amount
    - Example, the minimum charges is RM5.00, total overdue balance for debtor XYZ Company is RM85
    - If the annual interest Rate is set 5 %, the charges should be RM85 * 5% = RM4.25
    - Debtor paid amount will be RM5.00

4. Grace Period (Days): To set number of days allow to extend for the late payment before finance charge

5. & 8. Apply Late Payment Charges when calculate Late Payment Charges:
    Apply to users who are newly using QNE software and calculate finance charge for for past invoice.

    (8) Last Late Payment Generate Date: User need to set up a date so that system will calculate **past invoice** finance charge based on "Last Late payment generate Date" instead of the past invoice date

    Sample setting as below, system will calculate the past invoice finance charge date based on 31/12/2020 instead of 1/12/2020

Financial Cut Off Date	1/1/2021
Past Invoice Date	1/12/2020
Last Late Payment Generate Date	31/12/2020
Next Finance Charge Date	31/1/2021

6. Include Overdue Late Payment Charge: When Calculate Finance Charges: System will include the previous month overdue finance charges when calculate the finance charges
   - Example last month finance charges is RM 55, and the total invoice charges for this month is RM500, system will calculate as RM555 as this month finance charges amount

7. Late Payment Cut-Off Date   : To determine finance charge start date
   If the database Financial Cut Off Date as 1/1/2019, user set Late Payment Cut Off date as 1/1/2021, system will not create finance charge for the invoice before 1/1/2021

8. Refer to point no. 5.

9. Calculate Finance Charge from

   Due Date - It is referred to the number of days calculate for finance charges. For this option, it's start calculate finance charges after credit term
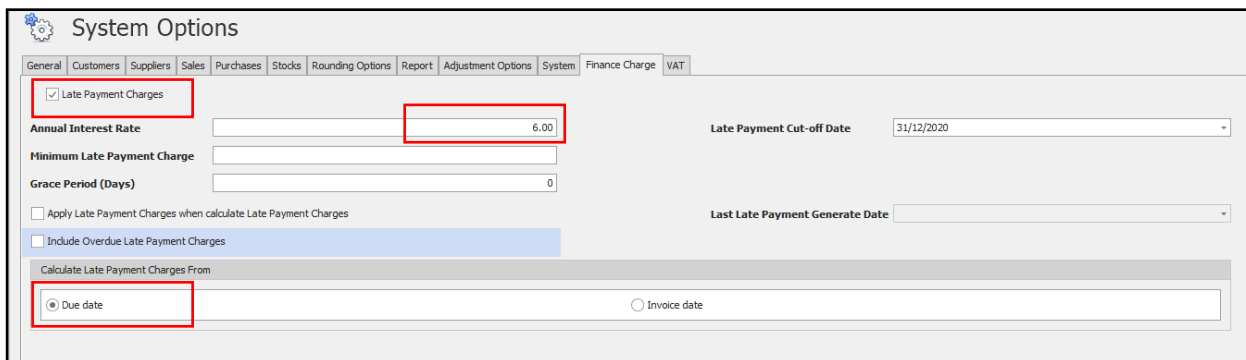
   Invoice Date - It is referred to the number of days calculate for finance charges. For this option, once over the term, system will start calculate after the invoice day

   - Let try to follow the steps and learn how to generate finance charges

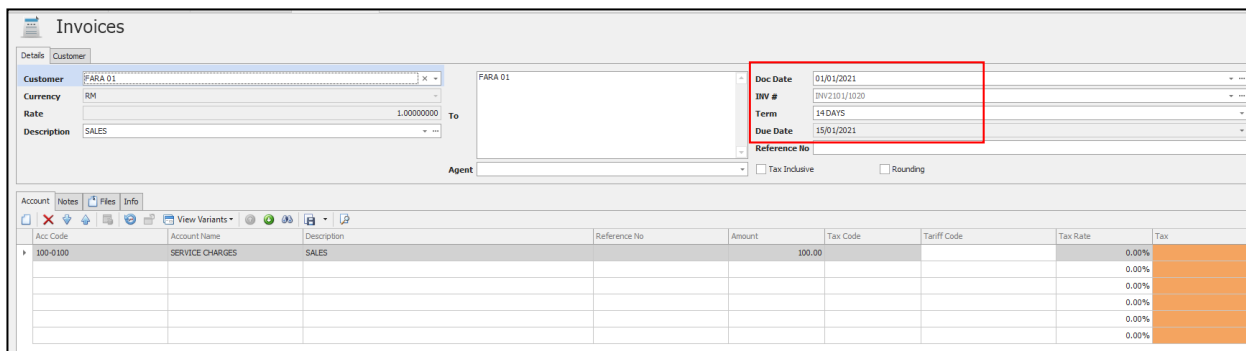## Finance Charge based on Due Date

Settings
- ✓ Tick "Late Payment Charges"
- ✓ Insert Number for Annual Interest Rate (%)
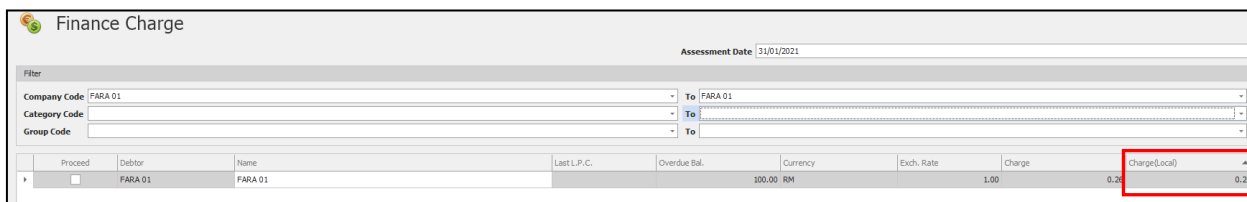- ✓ Select "**Due Date**"

1. Create invoice on JAN Customer FARA 01
   - ➢ Date : 01/01/2021
   - ➢ Term : 14 Days
   - ➢ But the customer does not make payment, user generate Finance Charge on 31/1/2021
   - ➢ Due Date : By default it is not display, you can custimize it rfom the layout. Take note that the due date is 15/1/2021 which system will start calculate from 2/1/2021 until 15/1/2021 (14 days)

When user generates Finance Charge as at 31/1/2021, system will calculate the charges as RM 0.26

Calculation for January

= [(Jan Invoice Amount   x   Annual Interest Rate) x **No. Of Day Overdue**]   /   No. Of Days in current Year]

= (RM100 X 6%) * (16/ 365)
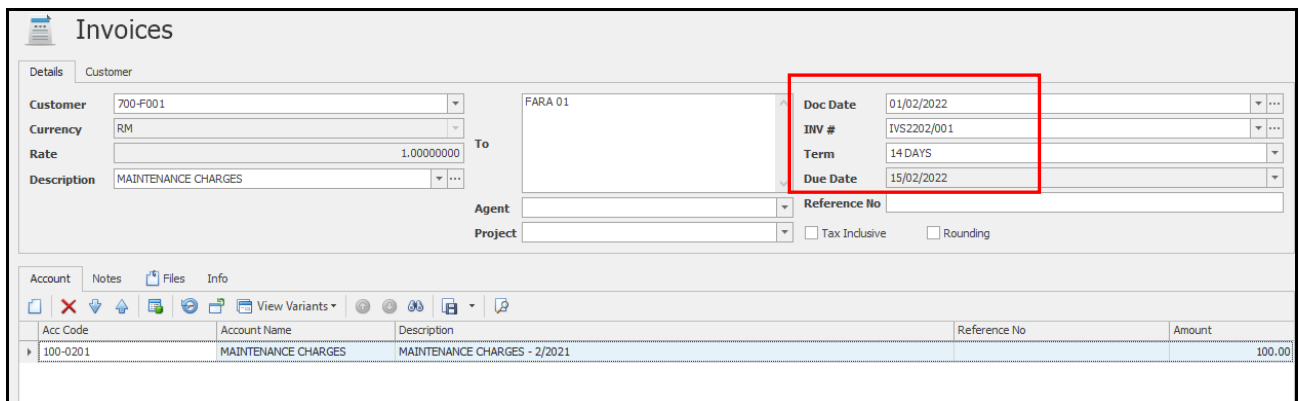
= [96/365]

= RM 0.26

*Note 1 : **No Of Day Overdue** = Range between **"Charge Date From"** until **"Charge Date To"***

No.	Invoice No.	Invoice Date	Term	Due Date	Charge Date From	Charge Date To	Amount Due	Payment R'cd	6% Interest/day	No. of Day Overdue	Amount (RM)
1	INV2101/1020	01/01/2021	14 days	15/01/2021	16/01/2021	31/01/2021	100.00		0.01643835616	16	0.26301
2											
3											
										Total Calculated LPC =	0.26
										Rouding	0.26

2. On February, user issue invoice on FEB for same customer FARA 01
    ➢ Invoice Date : 01/02/2021
    ➢ Term : 14 days
    ➢ FARA 01 still not make payment for Jan & Feb invoices
    ➢ User generates finance charges on 28/2/2021
    ➢ Notice that system will calculate finance charge for Jan & Feb invoices

Customer > Finance Charge

When user generate Finance Charges as at 28/2/2021, system display the finance charge as RM 0.67

Calculation for February

= [(Feb Invoice Amount   x   Annual Interest Rate)   x No. Of Day Overdue]   /   No. Of Days in current Year]

+ [(Jan Invoice Amount   x   Annual Interest Rate)   x No. Of Day Overdue]   /   No. Of Days in current Year]

= [(100 x 6%) x (13)] / 365   +   [(100 x 6%) x 28] / 365]

= [78/365] + [168/365]

= 0.21 + 0.460

= RM 0.67

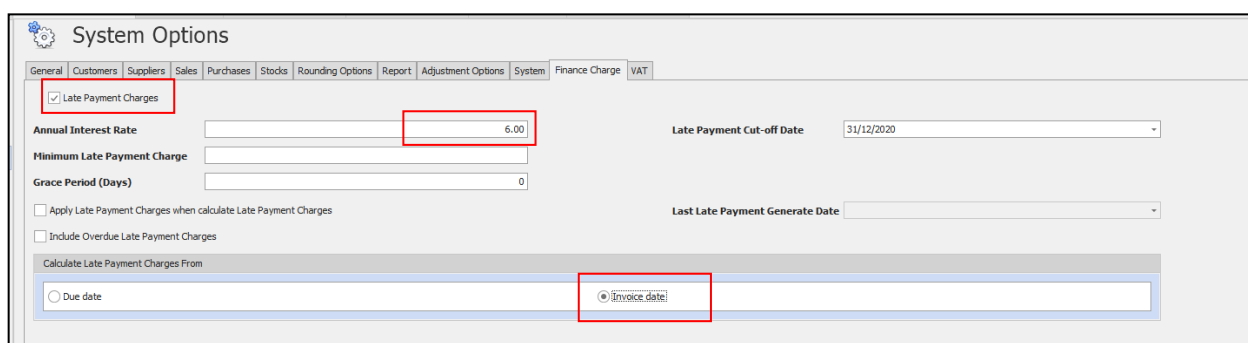| No.	Invoice No.	Invoice Date	Term	Due Date	Charge Date From	Charge Date To	Amount Due	Payment R'cd	6% Interest/day	No. of Day Overdue	Amount (RM)
1	INV2101/1020	01/01/2021	14 days	15/01/2021	01/02/2021	28/02/2021	100.00		0.01643835616	28	0.46027
2	INV2102/0683	01/02/2021	14 days	15/02/2021	16/02/2021	28/02/2021	100.00		0.01643835616	13	0.21370
3											
										Total Calculated LPC =	0.67
										Rouding	0.67

Note:

- Finance Charge based on Due Date calculation; system will calculate the finance charge for those outstanding invoices after due date

- System calculates the term day on January Invoice, so on February system will start calculates based on 1/2/2021 until 28/2/2021 (28 days)
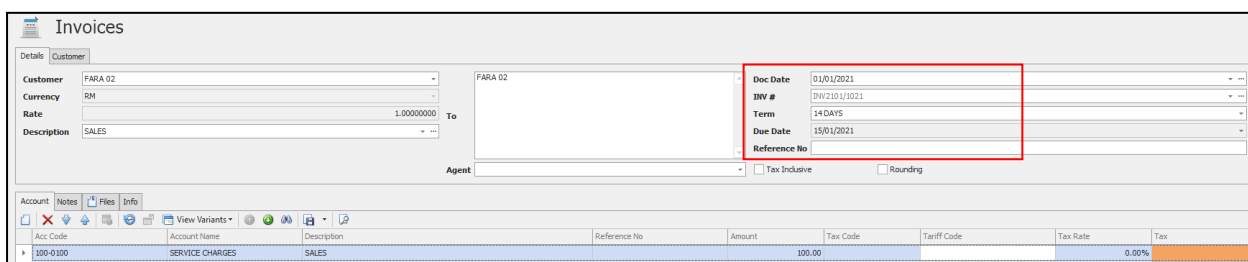
Finance Charges Based on Invoice Date

Settings
- ✓ Tick "Finance Charge"
- ✓ Insert Number for Annual Interest Rate (%)
- ✓ Select "**Invoice Date**"
- ✓ By selecting Invoice Date, system calculates the finance charge based on invoice date if the invoice is outstanding after the term.
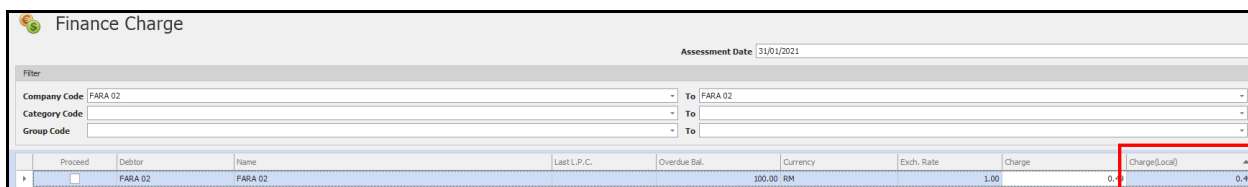- ✓ System calculates 1 day after invoice date

1. Create invoice on JAN Customer FARA 02
   - ➢ Date : 01/01/2021
   - ➢ Term : 14 Days
   - ➢ But the customer does not make payment, user generate Finance Charge on 31/1/2021

Customer > Finance Charge

When user generate Finance Charge, system calculate as RM 0.49

Calculation for January

= [(Jan Invoice Amount   x   Annual Interest Rate)   x   **No. Of Day Overdue**]   /   No. Of Days in current Year
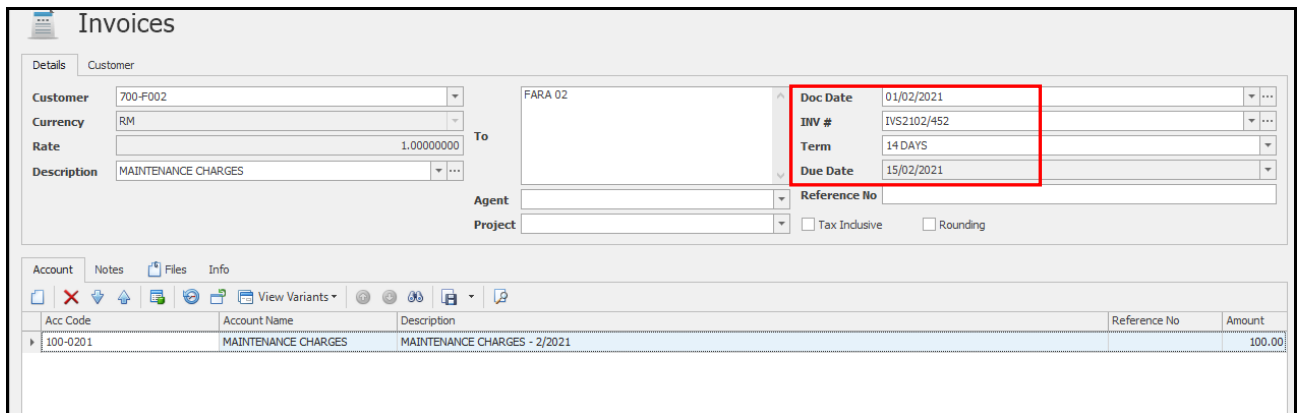
= [(100 x 6%) x (31-1)] x 365

= 180/365

= RM 0.49

Note: "**No. of Day Overdue**" include the term days. As long as the invoice is overdue, system will calculate from the next day of invoice day.
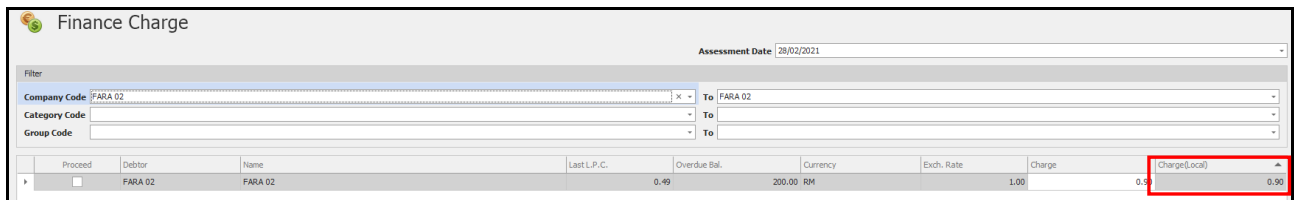
No.	Invoice No.	Invoice Date	Term	Due Date	Charge Date From	Charge Date To	Amount Due	Payment R'cd	6% Interest/day	No. of Day Overdue	Amount (RM)
1	INV2101/1020	01/01/2021	14 days	15/01/2021	02/01/2021	31/01/2021	100.00		0.01643835616	30	0.49315
2											
3											
										Total Calculated LPC =	0.49
										Rouding	0.49

2. On February, user issue invoice on FEB for same customer FARA 02
   ➢ Invoice Date : 01/02/2021
   ➢ Term : 14 days
   ➢ FARA 02 still not make payment for Jan & Feb invoices
   ➢ User generates finance charges on 28/2/2021
   ➢ Notice that system will calculate finance charge for Jan & Feb invoices

Customer > Finance Charge

When user generates Finance Charges on 28/2/2021, system will calculate the finance charges as RM 0.90

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Calculation for February

= [(Feb Invoice Amount   x   Annual Interest Rate)   x No. Of Day Overdue]   /   No. Of Days in current Year

+ [(Jan Invoice Amount   x   Annual Interest Rate)   x No. Of Day Overdue]   /   No. Of Days in current Year

= [(100 x 6%) x (27)] / 365   +   [(100 x 6%) x 28] / 365
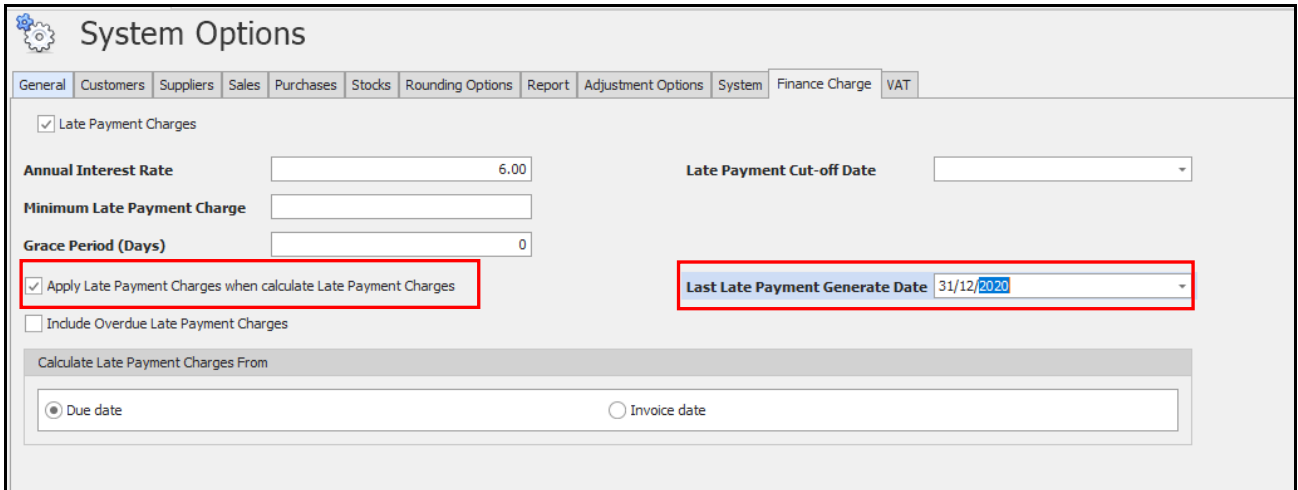
= (162/365) + (168/365)

= 0.44 + 0.46

= RM 0.90

No.	Invoice No.	Invoice Date	Term	Due Date	Charge Date From	Charge Date To	Amount Due	Payment R'cd	6% Interest/day	No. of Day Overdue	Amount (RM)
1	INV2101/1020	01/01/2021	14 days	15/01/2021	01/02/2021	28/02/2021	100.00		0.01643835616	28	0.46027
2	INV2102/0684	01/02/2021	14 days	15/02/2021	02/02/2021	28/02/2021	100.00		0.01643835616	27	0.44384
3											
										Total Calculated LPC =	0.90
										Rouding	0.90

FINANCE CHARGES – APPLY LATE PAYMENT CHARGE

Settings

✓ Tick "Late Payment Charges"

✓ Insert Number for Annual Interest Rate (%)

✓ Tick "**Apply Late Payment Charges**"; Last Late Payment Generate Date as 31/12/2020
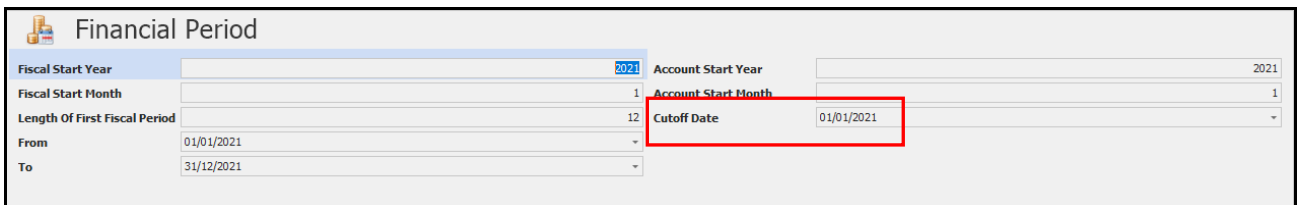
Notice that the Financial Cut Off Date as 1/1/2021

1. Create a Past Invoice invoice on December 2020 for Customer LEE MEI LING

➢ Date : 01/12/2020

➢ Term : 14 Days

➢ But the customer does not make payment, user generates Finance Charge on 31/1/2021

2.System will calculate as RM 1.02 when user generates Finance Charge as at 31/1/2021

Calculation for the Past Invoice

= [(Past Invoice Amount   x   Annual Interest Rate)   x No. Of Day Overdue]   /   No. Of Days in current Year

= [(200 x 6%) x (31)] / 365]

= **RM 1.019**

= **RM 1.02 (After Rounding)**

No.	Invoice No.	Invoice Date	Term	Charge Date From	Charge Date To	Amount Due	Payment R'cd	6% Interest/day	No. of Day Overdue	Amount (RM)
1	INV2012/0012	01/12/2020	14 days	01/01/2021	31/01/2021	200.00		0.03287671233	31	1.01918
2										
3										
									Total Calculated LPC =	1.02
									Rouding	1.02

Note: System calculate past invoice finance charge based on "Last Late Payment Generate Date"