BUSINESS AND FINANCE

Accounts and Budget service level IV

UNIT OF COMPETENCE**: MANAGE OVERDUE CUSTOMER ACCOUNTS**

MODUL TITLE: MANAGING OVERDUE CUSTOMER ACCOUNTS

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MANAGE OVERDUE CUSTOMER ACCOUNTS

Learning out comes;

Lo1. Identify customers requiring collection activity

Lo2. Establish contact and attempt to resolve outstanding payment matters

Lo3. Negotiate resolution of outstanding payments

Lo4. Agreement is monitored to ensure adherence

Lo1. Identify customers requiring collection activity

21.2.2 Understanding Credit and Collection Activity

After you run Credit Analysis Refresh (R03B525), you can review the latest credit and collection information online so that you can perform credit and collection activities. Because the system sends workflow messages regarding customers who have exceeded their credit limit, require a credit review, or have past due account balances, you can use the JD Edwards EnterpriseOne Workflow Management system to manage accounts, or access the programs from the Credit/Collections Management menu (G03B15).

When you manage accounts for collection, you use the system to track the customer contacts that you initiate. For example, if customer XYZ has past due balances, you contact the billing person to determine whether the payment was sent or when to expect payment. You record the collection effort and the result that you expect in the system, and you create a tickler message to prompt you to review the account again if payment is not received by that date.

Similarly, you review customers who have exceeded their credit limit or who are past the credit review date that you establish in the customer record.

21.2.2.1 Account Activity Log

As part of credit and collection efforts, you can use the Account Activity Log program (P03B31) to review a history of credit and collection efforts and to show patterns and trends of customer habits. The account activity log enables you to review a list of all the credit and collection activities associated with a customer, such as the date when statements, delinquency notices, and delinquency fees were generated, as well as when their credit limit was changed or reviewed.

From the list of activities associated with an account, you can access and review detailed information about a specific activity. For example, if the activity indicates Over Credit Limit, you can access credit review information that displays how much the customer has exceeded the credit limit and the customer's original credit limit.

If an account has many delinquency processes or collection reviews associated with it, you might consider it a problem account. However, if very little activity is associated with an account, then you might consider it to be performing well.

The system displays activities for an account by activity date and priority.

In addition to reviewing credit and collections activities associated with a customer online, you can print the activity log using the Print Activity Log program (R03B31). This enables you to review and manage account activities from a printed copy. You can use data selection to limit the report to specific customers or to a specific activity type. You can also change the data sequence to print the report by activity type or activity date.

The system stores information about the activity log in the Customer Activity Log table (F03B31).

21.2.2.2 Purging the Account Activity Log

When you want to remove activity messages generated for an entire period or all messages for a particular customer or activity, you can purge the account activity log. This enables you to permanently remove activity messages from the activity log without having to manually select individual records.

The Customer Activity Log Purge program (R03B312) has a processing option that enables you to purge all records as of a specific date; however, you can also use data selection to limit the purge to specific customers or activity types.

The system does not store purged activity messages in a separate table. The system permanently removes records from the F03B31 table.

21.2.3 Prerequisite

Run the Credit Analysis Refresh program (R03B525) to update account information.

21.2.4 Forms Used to Manage Accounts for Credit and Collection Activity

Form Name	FormID	Navigation	Usage
Account Activity Log	W03B31A	Credit/Collections Management (G03B15), Account Activity Log	Review and delete account activity messages. As an alternative to deleting account activities, you can purge them. Manually add activity messages.
Activity Messages	W03B31G	Click Add on the Account Activity Log form on the account activity log form.	The system does not automatically process activity messages for new activity codes that you create. You must manually add activity messages for any activities that use the new activity codes.

You can apply a receipt to an open debit item before cash is actually received from the bank. Receipts with a Standard remittance method are considered at risk if they have been confirmed, but not yet cleared. Receipts with a Factored remittance method are considered at risk if they have not yet been risk-eliminated.

By default Oracle Fusion Receivables displays receipts at risk as part of the customer open balance. Enable the **Exclude receipts at risk** option to remove these receipt amounts from the open balance calculation.

What is the total open receivables amount?

This is the amount per currency of the amount in the **Total Transaction Due Amount** column less the amount in the **Receipts Pending Application Amount** column. This amount provides the current receivables position of a customer account.

What is the last transaction and last receipt?

The contextual area of the Review Customer Account Details page displays information about the most recent transaction and the most recent receipt belonging to the selected customer account. If there were multiple transactions or receipts on the same date, Oracle Fusion Receivables displays the transaction and receipt with the largest amount.

This display is by date and, if applicable, by amount only. The transaction and receipt displayed do not necessarily reference the same business unit or share the same entered currency.

What's the difference between account activity and transaction activity?

Activity against a customer account refers to the transactions and payments that go into the details of the account.

Customer account activities include:

- Invoice
- Credit Memo
- Debit Memo
- Chargeback
- Payment (receipt)

Activity against an individual transaction or receipt refers to the specific debits, credits, reversals and adjustments that constitute the history of one receivables item.

Process Late Charges

Lo2. Establish contact and attempt to resolve outstanding payment matters

Late Charge Interest Calculation Methods: Explained

When you set up a late charge profile for your customers, you must decide the method to use to calculate late charges.

Interest Calculation Methods

You select the calculation method in the **Late Charge Calculation Method** field in the Credit Limits and Late Charges tab of the Customer Profile Class pages, or on the applicable customer or customer site profile.

The interest calculation methods are:

- Average Daily Balance: Calculate late charges based on the average daily balance of overdue invoices. This method is for balance forward bills only.
- Late Payments Only: Calculate late charges based on the number of days between the payment due date and the actual payment date. This method uses the paid amount as the overdue invoice amount when calculating the late charge.

- Overdue Transactions Only: Calculate late charges for transactions based on the number of days a payment is late when you submit the Create Late Charges program.
- Overdue Transactions and Late Payments: Calculate late charges on both overdue transactions and late payments. This option levies the largest late charge amount on a customer.

For example, your enterprise calculates late charges on the 15th and 30th of each month. Your customer has an overdue invoice of $100 that falls due on November 16:

  - On November 30, you run the Create Late Charges program. Oracle Fusion Receivables calculates late charges for this overdue invoice.
  - On December 10, your customer pays the invoice.
  - On December 15, you run the Create Late Charges program again. Receivables assesses further charges for the additional 10 days that the payment was overdue.

Late Charge Interest Calculation Formulas: Explained

When you set up a late charge profile for your customers, you must decide the formula to use to calculate late charges.

Interest Calculation Formulas

You select the calculation formula in the **Interest Calculation Formula** field in the Charge Calculation Setup region in the Credit Limits and Late Charges tab of the Customer Profile Class pages, or on the applicable customer or customer site profile.

The interest calculation formulas are:

- Flat Rate: Use a flat rate to calculate the late charge amount. Receivables ignores the number of days that a payment is overdue. If you use balance forward billing and the average daily balance calculation method, then this is the calculation formula used. The formula is:

Amount Overdue * (Interest Rate/100)

- Simple: Calculate late charges on overdue transactions only. If you use interest tiers and charge schedules to create late charges and penalties, then this is the calculation formula used. The formula is:

Amount Overdue * (Interest Rate/100) * (Number of Days Late/Number of Days in Period)

- Compound: Calculate late charges on the sum of overdue transactions and prior late charges. The formula is:

(Amount Overdue + Prior Late Charges) * (Interest Rate/100) * (Number of Days Late/Number of Days in Period)

Late Charges: How They Are Calculated Using Interest Tiers

Use interest tiers and charge schedules to assess increasingly higher late charges the longer a payment is overdue. You can define interest tiers and charge schedules for late charges and, if applicable, for additional penalty charges.

The interest tier provides period ranges for number of days overdue, and the charge schedule indicates the flat amount or percentage to charge in each overdue period.

Note

The charge schedule approach provides you with a convenient method to update interest rates or amounts when your late charge policy changes, because you can simply apply a new charge schedule to the applicable interest tiers. If you do not use charge schedules, then when your late charge policy changes you must update each of your applicable customer profiles with the new rates.

Settings That Affect Late Charge Calculation Using Interest Tiers

These settings affect late charge calculation using interest tiers:

- Interest Tiers: Use the Manage Interest Tiers page to define a set of interest tiers based on ranges of late days. Use these settings for each set of interest tiers:
    - **Aging Type**: Select the value Interest Tier.
    - **Sequence Number**: Use a numbering scheme to reflect the order in which to consider each period.
    - **Detail Type**: Select the value Past Due.
    - **From Days/To Days**: Enter the date range for each period.

- Charge Schedules: Use the Manage Charge Schedules page to assign late charge rates to the periods of the sets of interest tiers that you have defined. Use these settings for each charge schedule:
    - **Charge Method**: Select the charge method to use for the interest tier periods:
        - Amount: Apply a flat amount against overdue transactions that fall within the specified period ranges.
        - Percentage: Apply a percentage of the overdue transactions that fall within the specified period ranges.
    - **Tier Levels Rate**: Assign the rate, either a flat amount or percentage of the outstanding balance, to each period in the interest tier.
- Profile Class: Specify these values on the related profile class, or customer or customer account profile:
    - **Use multiple interest rates** option: If you set the **Use multiple interest rates** option, then if the effective dates for two charge schedules occur within the same charge calculation period, both rates apply to late charge calculations during that period.

Note

This applies to interest invoices only.

    - Currency Settings: Enter for each currency in which you intend to calculate late charges, the charge schedules to use for late charges and, if applicable, penalty charges:
        - **Interest Charge Type** field and **Penalty Charge Type** field: Enter the value Charge Schedule.
        - **Interest Charge Schedule** field and **Penalty Charge Schedule** field: Enter the charge schedules that you previously defined to use for late charges and penalty charges.

How Late Charges Using Interest Tiers Are Calculated

Oracle Fusion Receivables uses the active interest tier and charge schedule values to calculate late charges using the Simple calculation formula.

The Simple calculation formula is the amount overdue multiplied by the rate and days overdue in the period:

Amount Overdue * (Interest Rate/100) * (Number of Days Late/Number of Days in Period)

This table provides an example of a charge schedule with four interest tier periods, each with an assigned interest rate.

Days Overdue Tiers	**Interest Rate**
1-30 days	2%
31-45 days	3%
46-60 days	4%
Over 60 days	5%

In this example:

- An invoice for $1,000 is 45 days overdue.
- There are 30 days in the billing period.

The late charges are calculated as follows:

$1,000 * (3/100) * (45/30) = $45

After an additional 15 days (60 days overdue), the late charges are calculated as follows:

$1,000 * (4/100) * (60/30) = $80

Late Charges: How They Are Calculated Using Average Daily Balance

If you use balance forward billing, use the Average Daily Balance charge calculation method to calculate late charges.

Settings That Affect Late Charge Calculation Using Average Daily Balance

These settings affect late charge calculation using average daily balance:

- Billing and Revenue System Options: Set these system options for late charges in the Late Charges region of the Billing and Revenue tab of the Create System Options page:
    - **Assess late charges** option: Set the **Assess late charges** option to indicate that your enterprise assesses late charges on overdue transactions. Oracle Fusion Receivables reviews this option first, before reviewing the various aspects of your late charge policy defined in system options or customer profiles.
    - **Average Daily Balance Calculation Basis** field: Select a calculation basis to include or exclude as part of the balance calculation any debit items that were billed after the most recently generated balance forward bill:
        - Include Post-Billing Debit Items: The average daily balance formula includes debit items that were created after the previous balance forward bill cutoff date.
        - Exclude Post-Billing Debit Items: The average daily balance includes only those debit items that were already included on the last balance forward bill.
    - **Average Daily Balance Calculation Period** field: Select the period that Receivables uses to calculate the average daily balance:
        - Due-Date to Run Date: Receivables computes the sum of the applicable debits and credits for each day that falls between the balance forward bill due date and the Create Balance Forward Bill program submission date. To calculate the average daily balance, Receivables divides the sum by the number of days.
        - Run-Date to Run-Date: Receivables computes the sum of the applicable debits and credits for each day that falls between the last submission date and current submission date of the Create Balance Forward Bill program. To calculate the average daily balance, Receivables divides the sum by the number of days.
- Customer Profile Class: Set these options for late charges in the Credit Limits and Late Charges tab on the Create Receivables Customer Profile Class page, or on the applicable customer or customer site profile:
    - **Enable late charges** option: Set the **Enable late charges** option to enable the assessment of late charges for customers assigned this profile.

- **Late Charge Calculation Method** field: Select the calculation method Average Daily Balance.
- **Receipt Grace Days** field: Enter the number of receipt grace days after the transaction due date before late charges are calculated.

Note

After the grace days expire, Receivables calculates the number of days overdue using the original due date.

How Late Charges Using Average Daily Balance Are Calculated

The Average Daily Balance charge calculation method is based on the average daily balance of overdue invoices for balance forward bills. The formula is:

(Daily Balance/Number of Days in Billing Cycle) * (Interest Rate/100)

This table provides an example of an average daily balance calculation. In this example, there are five days in the billing period, and a student enrolls in a class and makes a partial payment two days later.

Date	**Activity**	**Student Balance**
June 1	No activity	$0
June 2	Enroll in class	$1,000
June 3	No activity	$1,000
June 4	$250 payment	$750
June 5	No activity	$750

In this example:

- The beginning balance for this customer is $0 and there is no account activity on the first, third, and fifth day.
- When the student enrolls in a class on June 2, there is a single charge of $1,000.

- The student makes a partial payment of $250 against the enrollment fee on June 4.
- The last column represents the daily balance. The average daily balance is $700.

If the interest rate is 10%, then the total late charge for this billing period is $70. This is calculated as follows:

($0 + $1,000 + $1,000 + $750 + $750 = $3,500) / 5 days = $700

$700 * 10% interest rate = $70 total late charge

Recording and Presenting Late Charges: Critical Choices

During your late charges setup, you must decide how to record and present late charges to your customers.

You can record late charges as one of three documents:

- Adjustments
- Debit Memos
- Interest Invoices

You must complete the entire setup for late charges. In addition, you must complete specific steps for the document that you intend to use.

Note

Because Oracle Fusion Receivables treats interest invoices and debit memos as regular transactions, tax may be calculated on these transaction amounts.

Adjustments

If you record late charges as adjustments, then Receivables combines all interest charges relating to an overdue transaction, and creates a single late charge adjustment against that transaction.

If you also assess penalty charges, then Receivables creates two adjustments.

If you select Credit Items in the **Charge Reductions** field of the applicable customer profile, then credit items reduce the outstanding overdue amount during late charge calculations.

You must complete these steps to record late charges as adjustments:

1. Select Adjustment in the **Late Charge Type** field on the Credit Limits and Late Charges tab of the applicable customer profile.

2. Define a Late Charges receivables activity and enter an activity GL account.

3. If you assess penalties in addition to late charges, then define a separate Late Charges receivables activity for penalties and enter an activity GL account. Receivables creates penalties as a separate adjustment against the overdue transaction.

4. Assign these activities to Billing and Revenue system options:

    - Select the receivables activity for late charges in the **Interest Charge Activity** field in the Late Charges region.

    - Select the receivables activity for penalties in the **Penalty Charge Activity** field in the Late Charges region.

Debit Memos

If you record late charges as debit memos, then Receivables creates one debit memo per overdue transaction.

If you also assess penalty charges, then Receivables includes a separate line for penalty charges on the debit memo.

If you select Credit Items in the **Charge Reductions** field of the applicable customer profile, then credit items reduce the outstanding overdue amount during late charge calculations.

You must complete these steps to record late charges as debit memos:

1. Select Debit Memo in the **Late Charge Type** field on the Credit Limits and Late Charges tab of the applicable customer profile.

2. Define a transaction source for late charges with a type of Imported. Receivables creates a debit memo batch using the Invoice API.

3. Define a transaction type for late charges:

    - Select a class of Debit Memo.

    - Specify the receivable and revenue accounts for this transaction type. Receivables uses these accounts instead of AutoAccounting when generating late charges.

4. Assign the transaction source and transaction type to Billing and Revenue system options:

- Select the debit memo transaction type in the **Debit Memo Charge Transaction Type** field in the Late Charges region.
- Select the debit memo transaction source in the **Late Charge Transaction Source** field in the Late Charges region.

5. Select payment terms for the applicable customer profiles to indicate the debit memo due date.

Interest Invoices

If you record late charges as interest invoices, then Receivables creates a single interest invoice per customer site and currency. The interest invoice consolidates and itemizes charges for a period, and includes details about charges for each overdue transaction.

If you also assess penalty charges, then Receivables includes a separate line for penalty charges on the invoice.

If you select Credit Items in the **Charge Reductions** field of the applicable customer profile, then Receivables calculates negative charges on existing credit items, and includes those negative charges as lines on the interest invoice.

You must complete these steps to record late charges as interest invoices:

1. Select Invoice in the **Late Charge Type** field on the Credit Limits and Late Charges tab of the applicable customer profile.
2. Define a transaction source for late charges with a type of Imported. Receivables creates an interest invoice batch using the Invoice API.
3. Define a transaction type for late charges:
    - Select a class of Invoice.
    - Specify the receivable and revenue accounts for this transaction type. Receivables uses these accounts instead of AutoAccounting when generating late charges.
4. Assign the transaction source and transaction type to Billing and Revenue system options:
    - Select the interest invoice transaction type in the **Interest Invoice Transaction Type** field in the Late Charges region.
    - Select the interest invoice transaction source in the **Late Charge Transaction Source** field in the Late Charges region.

5. If you use interest tiers and charge schedules to assess increasingly higher late charges the longer a payment is overdue, you can set the **Use multiple interest rates** option on the related profile class, or customer or customer account profile.

If you set this option, then if the effective dates for two charge schedules occur within a charge calculation period, both rates apply to late charge calculations during that period.

6. Select payment terms for the applicable customer profiles to indicate the interest invoice due date.

Using a Minimum Customer Balance with Late Charges: Examples

In situations where it is not cost effective to calculate and collect late charges for small amounts, you can set a minimum customer balance for late charges.

You set a minimum customer balance per currency on the Credit Limits and Late Charges tab of the Create Receivables Customer Profile Class page, or on the applicable customer or customer site profile. Oracle Fusion Receivables only assesses late charges when the minimum balance of the applicable customers is exceeded.

These examples illustrate the difference between calculating the minimum customer balance using the Overdue Transactions Only charge calculation method and the Average Daily Balance charge calculation method. In these examples, the minimum customer balance is $250.

These examples also illustrate how submitting the Create Late Charges program on different dates (May 20 or May 30) can potentially change the activity that is selected for late charge calculation.

This table includes a timeline of debits and credits to a customer account:

Date	**Charge Type**	**Amount**
April 10	Debit	$200
April 12	Debit	$200
May 4	Debit	$100
May 6	Credit	$50

May 13	Credit	$25
May 18	Credit	$200
May 24	Credit	$50
May 27	Debit	$100

In these examples:

- The billing date is May 1 and the billing cycle is from the first day of the month to the last day of month inclusive.
- The due date is the 10th of the following month.
- The receipt grace period is three days.

Create Late Charges on May 20: Overdue Transactions Only

The Overdue Transactions Only calculation method compares the minimum customer balance to the sum of all customer debit and credit activities as of the date when you run the Create Late Charges program.

If you submit the Create Late Charges program on May 20, then the customer balance includes 3 overdue invoices (April 10, 12, and May 4) for a total of $500. The balance also includes 3 payments (May 6, 13, and 18) for a total of $275.

The total customer balance is $225, which is below the minimum balance of $250. Therefore, Receivables does not calculate late charges for this customer.

Create Late Charges on May 20: Average Daily Balance

The Average Daily Balance calculation method starts with the ending balance of the last balance forward bill, and subtracts all credits (receipts and credit memos) up through the due date plus receipt grace days to determine if the customer balance is eligible for late charges.

To calculate late charges, Receivables starts with the ending balance of the last balance forward bill and includes only invoices that were on the last bill. In this case, Receivables includes invoices that were created before May 1 (April 10 and 12) for a total of $400.

Receivables then subtracts all credits that were recorded before May 13 (the due date plus receipt grace days). Credits include the receipts from May 6 and 13 for a total of $75.

In this case, the total customer balance is $325, which is higher than the minimum balance of $250. Therefore, Receivables calculates late charges for this customer, using the applicable Average Daily Balance calculation method.

Create Late Charges on May 30: Overdue Transactions Only

If you submit the Create Late Charges program on May 30, then the customer balance includes 4 overdue invoices (April 10, 12, and May 4, 27) for a total of $600. The balance also includes 4 payments (May 6, 13, 18, and 24) for a total of $325.

The total customer balance is $275, which is higher than the minimum balance of $250. On this day, Receivables calculates late charges for this customer.

Create Late Charges on May 30: Average Daily Balance

In this example, submitting the Create Late Charges program on May 30, as opposed to May 20, does not change the customer balance calculation.

To determine the customer balance, Receivables still starts with the ending balance of the last balance forward bill (May 1), and subtracts all credits (receipts and credit memos) up through the due date plus receipt grace days (May 13).

lo3. Negotiate resolution of outstanding payments

Assigning the Financial Category

You must assign the financial category of Accounts Receivable to all of your receivables natural account values. This is a required setup step for Receivables to general ledger reconciliation. You perform this task under the Manage Chart of Accounts Value Sets activity.

If the financial category of Accounts Receivable is not included in the chart of accounts setup, the Receivables to General Ledger Reconciliation report will not select any data. When you run the extract program, if you try to select general

ledger natural account values that do not have this category assigned, the extract program displays an error indicating that the financial category was not assigned.

Once you assign the Accounts Receivable financial category, you can leave the Account parameter blank when you run the extract, in order to include all accounts that have the Accounts Receivable financial category in the ledger. You can alternatively enter specific natural account values to limit the report to reconciling only a subset of the receivables accounts in the ledger, but these values must have the Accounts Receivable financial category assigned.

Setting Profile Options

Review the setting of these profile options:

- **Reconciliation Data Purge Frequency**
- **Zero Amount Journal Lines Displayed**

Use the **Reconciliation Data Purge Frequency** profile option to indicate the number of days to keep reconciliation extract data in the tables. Enter a value for the number of days so as not lose prior extracts that you may need for comparison purposes.

Every time you run the extract program, it refers to the value of the **Reconciliation Data Purge Frequency** profile option. If there are any reconciliation data extract requests in the table older than the number of days specified in the profile option, these requests are purged.

For example, if a reconciliation data extract is run on January 1, and the value of this profile option is set to 30 days, then the data from January 1 is not purged if you run another extract on January 29. However, the data is purged if you run another extract on February 1.

The **Zero Amount Journal Lines Displayed** profile option affects whether journal lines with zero amounts display in the Not Transferred to GL Detail report. If this profile option is set to Yes, the Summary report may equal zero and the detail report will list these zero amount journal lines. This does not prevent Period Close and does not cause reconciling issues as the net effect on the report is zero.

User Security

This section includes considerations for segment security and data access set.

Segment security applies to Detail reports only. If you do not have segment security access, then summary and detail report totals may not match.

Typically General Ledger users are secured by a data access set, and Receivables users by business unit security. This means that for the Receivables to General Ledger Reconciliation report:

- General Ledger users can see general ledger data for the balancing segment values in their data access set, as well as the Receivables and Subledger Accounting data for all business units linked to the ledger.
- Receivables users can see the Receivables and Subledger Accounting data for business units in their security definition, as well as general ledger data for all balancing segment values in the ledger.

However, if security is configured such that the data role for the General Ledger or Receivables job roles also have FND grants to specific business units for General Ledger users or specific data access sets for Receivables users, then the reconciliation report will only include:

- For General Ledger users, the Receivables and Subledger Accounting data for those business units in the ledger to which the user has access.
- For Receivables users, general ledger data for those balancing segment values included in the data access set to which the user has access.

This does not present a problem for the Receivables to General Ledger Reconciliation report if there is an implicit mapping between business units and balancing segment values. Users can simply filter the report for the balancing segment values that are mapped to the business units to which they have access, and the report should work properly.

However, if there is not an intentional and implicit mapping between balancing segment values and business units, then this can cause the Receivables to General Ledger Reconciliation report to display undesirable results:

- For General Ledger users, the report will include general ledger data for all balancing segment values in the data access set, while Receivables and Subledger Accounting data are limited to the business units to which a user is granted access.
- For Receivables users, the report either will not include any general ledger data, or it will include general ledger data that is not properly mapped to the Receivables and Subledger Accounting data for the business unit.

You can resolve this issue by removing the FND grants from specific business units for the General Ledger job roles, and from specific data access sets for the Receivables job roles.

Extract Reconciliation Data from Receivables to General Ledger

Run the Extract Reconciliation Data from Receivables to General Ledger program to select data for the Summary section of the Receivables to General Ledger Reconciliation Report. The extract must run successfully in order to see the most current Summary report, and before you can run the Receivables to General Ledger Reconciliation Report.

Extract Reconciliation Data from Receivables to General Ledger Parameters

Request Name

Enter a name that is descriptive of this extract. Consider using name that indicates the accounting period, date, and time, especially if you are planning to create multiple extracts.

Ledger

The ledgers available for selection are based on your security assignment.

Business Unit

Use this parameter if you need to reconcile by a specific organization.

Note

The business unit must be mapped to balancing segment. If not, you must reconcile by ledger. If you have implicitly mapped your business unit to one or more primary balancing segment values, you will also need to select these values when you run the extract.

Accounting Period

You can select either Open or Closed accounting periods.

Include Intercompany Transactions

You can include or exclude Intercompany transactions, or you can reconcile by Intercompany activity only.

Include On-Account Items

You can include or exclude on-account activities, unapplied receipts, and unidentified receipts.

You may want to exclude these activities if they typically post to non-receivable accounts. If you include activities that post to non-receivable accounts, this can cause an accounting difference.

Account

You can select values from any of the segments of the accounting flexfield. The Natural Account segment values must have the Financial Category of Accounts Receivable assigned in your general ledger setup in order for the extract and report to work properly.

If you are reconciling by business unit, select the range of balancing segment values implicitly mapped to your business unit.

If you are reconciling Intercompany activity, select the range of Intercompany accounts. These accounts must have the Financial Category of Accounts Receivable assigned.

If you are reconciling everything, you do not need to select any values. The report automatically selects data for Receivables accounts that have the Financial Category of Accounts Receivable assigned.

Lo4. Agreement is monitored to ensure adherence

Recommendations for Reconciling Intercompany Activity

You have three options for reconciling Intercompany activity:

- Include Intercompany activity with other Receivables activity.
- Exclude Intercompany activity from reconciliation.
- Include only Intercompany activity.

If you want to include Intercompany activity with other Receivables activity, set the **Include Intercompany** parameter to Yes and include the Intercompany account in the range of account values to extract. By default, if no account range is selected, all accounts with the Financial Category of Accounts Receivable are included in the extract.

If you want to exclude Intercompany activity from reconciliation, set the **Include Intercompany** parameter to No, and also exclude the Intercompany range of accounts from the extract.

If you are reconciling only the Intercompany activity, set the **Include Intercompany** parameter to Intercompany Only, and select the account range for your Intercompany Receivables accounts.

FAQs for Close Receivables Accounting Period

How are accounts reconciled to general ledger?

The Receivables to General Ledger Reconciliation report only reconciles accounts receivable for accrual basis accounting, and only reconciles accounting in the primary ledgers.

The Receivables to General Ledger Reconciliation report reconciles the transaction types that impact the accounts receivable in general ledger. These include:

- Invoice
- Debit memo
- Credit memo
- On-account credit memo
- Chargeback
- Adjustment
- Applied receipt
- On-account receipt
- Unapplied receipt
- Unidentified receipt

One way to avoid this is to reward your sales staff once the money has been collected not when the sale is made.

1 Understanding Collections Manager

This chapter provides an overview of using Oracle Communications Billing and Revenue Management (BRM) Collections Manager to manage collections for your business.

Important:

Collections Manager is an optional product that you download separately.

Before using Collections Manager, should be familiar with the following:

- Basic BRM concepts.
- BRM system architecture.
- If you plan to use invoice reminders, the Universal Messaging Store (UMS).

About Collections

Collections, or debt management, is a proactive process used by businesses to collect overdue payments from their customers. Collections includes identifying accounts that have overdue balances, determining whether those accounts meet predefined criteria for action, and then taking those actions.

Every business defines its own processes, but collections generally involves a series of increasingly serious steps taken against the customer:

- There is usually a minimum amount due that qualifies for collections. Very small amounts may not be worth the effort required to collect them.
- In most cases, businesses allow a grace period after payment is due. If payment is received within the grace period, no action is taken.
- After the grace period ends, a first action such as a reminder on an invoice, a dunning letter, or a phone call takes place. A late fee may also be assessed.
- If no payment is received as the result of the first collections action, additional steps can be taken. These actions range from additional letters or phone calls to stopping service to referring the case to a collections agency.
- An account is removed from collections when the overdue amount and any late fees are paid or when the debt is written off.

There is a great deal of variation in collections policies. For example, businesses define different criteria for entry into collections, different sequences of actions, different time periods before the debt is written off, and so on.

Policies may also vary within a business. For example, some businesses adopt more aggressive policies against accounts with low credit scores and follow a less aggressive course for accounts with high credit scores. Similarly, accounts that have never been in collections before may receive more favorable treatment.

About Collections Manager

Collections Manager is an optional product that manages in-house debt collection. Collections Manager performs all of its activities at the bill unit (/billinfo object) level rather than at the account level. When an account has multiple bill units, Collections Manager targets only those bill units that have overdue balances, but it ignores the account's bill units that do not qualify for collections.

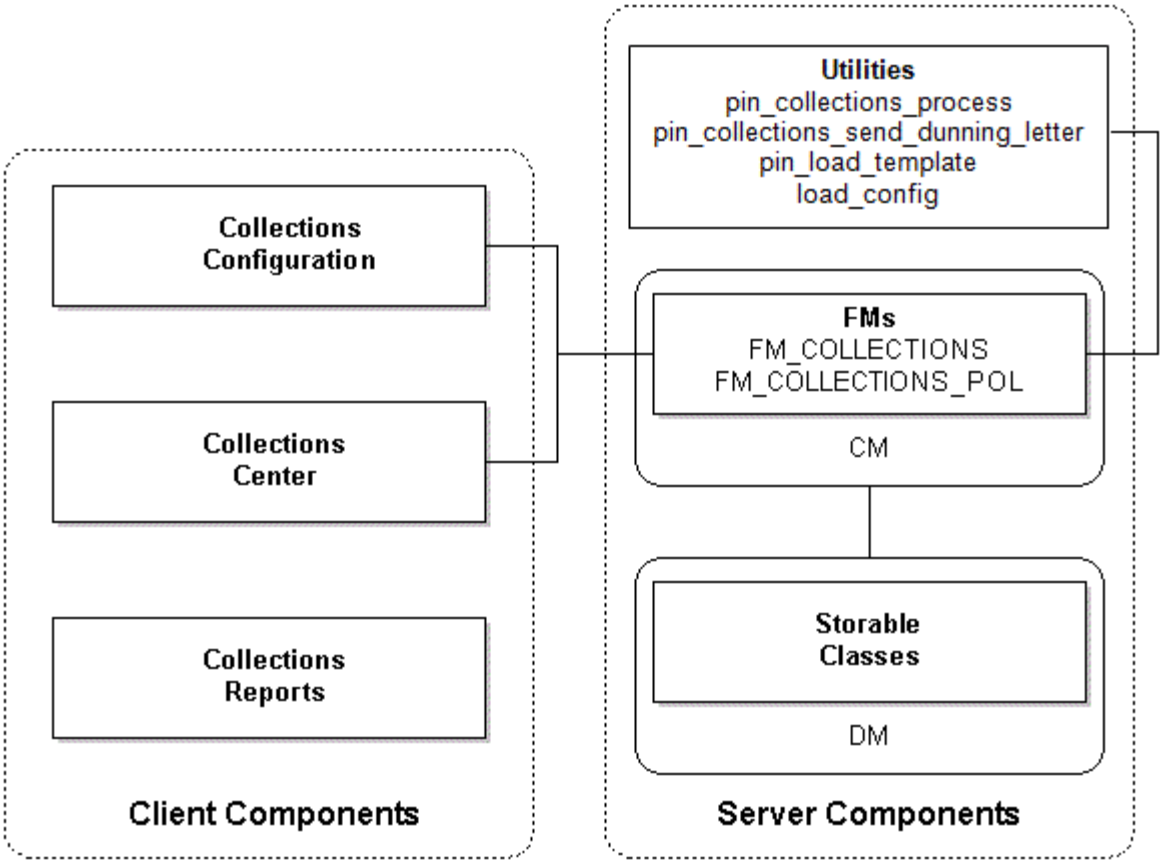
Collections Manager provides tools that enable you to:

- Configure collections criteria
- Determine which bill units have overdue balances

- Apply your collections criteria to those bill units
- Perform automatic collections activities, such as imposing late fees and sending dunning letters
- Manage manual collections activities, such as phone calls by collections agents, or converting payments to installments
- Replace a billing scenario based on the severity

Collections Manager includes client and server components that work together, as shown in Figure 1-1.

Figure 1-1 Collections Manager Components



Description of ''Figure 1-1 Collections Manager Components''

Collections Manager includes these main components:

- Collections Configuration: A GUI application used to define collections scenarios and actions, set up aging buckets, and define user roles for collections personnel.

- Collections Center: A GUI application used by collections agents and collections managers. Collections agents use it to view, add, and cancel collections actions for bill units. Collections managers use it to oversee the collections process and to assign bill units to agents.
- Collections Reports: A comprehensive reporting feature that you use to display information such as the bill unit status, the delinquent amount, and the total balance for all bill units in collections. Reports can be displayed in summary or detailed
- Utilities: Command-line applications that perform specific collections tasks.
    - The pin_collections_process utility is a daily batch process that identifies bill units that should be placed in collections and performs automatic collections actions. pin_collections_process uses criteria set up in Collections Configuration to identify bill units.
    - The pin_collections_send_dunning utility is a daily batch process that generates dunning letters based on data collected by pin_collections_process. Dunning letters can be sent via email or printed.
    - The pin_load_template utility loads dunning letter templates into the database.
    - The load_config utility loads additional criteria to be used for assigning a bill unit to a collections scenario.
- Collections Manager Functional Modules (FMs): Opcodes that are called by the collections applications and utilities. There are standard opcodes that perform the basic collections functionality and policy opcodes that you use to customize that functionality.
- Storable classes: New and extended classes, including /configsubclasses, that store collections-related data.

Collections Manager processes bill units in two phases:

- During collections preprocessing, the bill unit is evaluated to determine if it should enter, exit, or remain in collections.
- During scenario processing, a bill unit that enters or remains in collections is processed based on its collections profile. These profiles are used only for collections and are not the same as the customer profiles that can be displayed in Customer Center.

Collections Manager Preprocessing

During preprocessing, Collections Manager determines whether an account's bill unit should enter, exit, or remain in collections. Preprocessing differs depending on whether the bill unit is already in collections.

- For bill units already in collections, the process compares the current overdue balance to the exit criteria you defined in the collections scenario . If the overdue balance is less than or equal to the exit criteria for the bill unit's scenario, the bill unit is removed from collections. If the overdue balance is greater than the exit criteria, the bill unit remains in collections and enters scenario processing.

For example, if the exit criteria is an overdue balance less than or equal to $10, a bill unit with an overdue balance of $8 would be removed from collections, and a bill unit with an overdue balance of $20 would remain in collections.

- For bill units not in collections, the process compares the current overdue balance to the minimum collections value that you defined
    - If the overdue balance is less than the minimum collections value, the bill unit remains out of collections and no further action takes place.
    - If the overdue balance is greater than the minimum collections value, the bill unit is assigned to a collections profile based on criteria you defined in advance. By default, all bill units belong to a single collections profile, but you can create any number of custom profiles. For example, you can assign bill units to profiles based on credit score or payment history.

After a bill unit is assigned to a collections profile, the collections process checks if the bill unit meets the entry criteria for any of the scenarios that are valid for the bill unit's profile. The default entry criteria are based on severity, overdue balance and the number of days overdue. For example, you can specify an overdue balance of $100 that is at least 30 days old. You can define additional parameters for the entry criteria.

- If the bill unit does not meet the entry criteria for any of the scenarios for its collections profile, it remains out of collections and no further action takes place.
- If the bill unit meets the entry criteria for a scenario, it is assigned to that scenario, enters collections, and proceeds to scenario processing.
- If the bill unit meets the entry criteria for more than one scenario, it is assigned to the scenario with the highest entry criteria or the highest severity.

For example, you might have the following three scenarios for a collections profile:

- $50 entry requirement and severity 1
- $100 entry requirement and severity 1
- $100 entry requirement and severity 2

A bill unit with an overdue balance of $101 is assigned to the scenario with the $100 requirement with severity 1 because it has the highest entry criteria and the highest severity.

- If you have configured additional parameters for the entry criteria, the bill unit is evaluated for the new scenario. If the new scenario is different from the existing scenario, the bill unit is exited from the existing scenario and is assigned to the new scenario. For example: while in collections, the customer makes a partial payment that reduces the overdue balance sufficiently to allow a scenario replacement to something less severe. The customer service representative (CSR) triggers an automated scenario replacement process that reevaluates the scenario assignment logic on the bill unit and assigns the bill unit to a new scenario.

After all scheduled actions have taken place, Collections Manager updates the bill unit's balance and checks to see if the bill unit now meets the exit criteria for the scenario. (It is possible that a payment was received as part of a manual action or that the scenario calls for writing off the balance.)

- If the new overdue balance is less than or equal to the amount specified in the scenario's exit criteria, the bill unit exits the scenario and leaves collections.
- If the overdue balance is still greater than the exit criteria, the bill unit remains in collections.

About Collections Scenarios

Collections scenarios determine the way bill units are handled in Collections Manager. Scenarios define the entry criteria that determine whether a bill unit will be handled by the collections system, the sequence of actions that take place when a bill unit is in collections, the exit criteria that determine when a bill unit leaves collections, and the severity level that determines priority of the scenario assignment to a bill unit when a bill unit (/billinfo object) is eligible for two scenarios that have the same entry criteria.

For example, you can define a scenario with the following characteristics:

- A bill unit enters collections with a minimum overdue balance of $100 that is at least 30 days old.
- A bill unit leaves collections when the overdue balance falls below $25.

- The customer receives a courtesy phone call after 10 days in collections.
- A late fee is assessed and a dunning letter is sent after 30 days in collections.
- A second dunning letter is sent after 45 days.
- The bill unit is closed and the debt written off after 120 days.
- The bill unit is inactivated after 180 days.
- The severity level that determines the priority of the scenario assignment.

Each scenario includes a list of actions that are performed either:

- On their due date. For example, a manual phone call is made 5 days after the bill unit enters collections, and a dunning letter is sent 10 days after the bill unit enters collections.
- In a specified order. For example, a CSR must make a courtesy phone call to the customerbefore the system refers the account to a collections agency.

About Overdue and Entry Dates

There are two important dates that collections managers use when processing bill units:

- The overdue date is the due date of the bill that causes the bill unit to enter collections. By default, Collections Manager uses the due date of the latest overdue bill at the time that the bill unit enters collections.

You can configure Collections Manager to use the earliest due date instead.

- The entry date is the date on which the bill unit enters a collections scenario. By default,Collections Manager defines the entry date as the overdue date plus the number of days specified in the scenario's entry criteria. For example, if the bill due date is June 15 and the scenario specifies that the bill must be at least 10 days overdue, the entry date is June 25. You can configure Collections Manager to use the actual date on which the bill unit is processed and enters collections.

Note:

Do not schedule actions for the same calender date as the entry date. Scheduling actions on the entry date can cancel the actions.

Collections Manager stores the overdue date in the PIN_FLD_OVERDUE_T field of the /collections_scenario object.

Collections Manager uses the overdue date to determine the aging buckets into which a bill unit falls during scenario processing.

Collections Manager uses the entry date to determine when the actions specified in a scenario take place. For example, you can define a scenario so that a dunning letter is sent 30 days after the bill unit enters the scenario.

Important:

If you run Collections Manager irregularly or at long intervals, the overdue and entry dates for a bill unit could be misleading. For example, if you do not run collections for several months, a bill unit that has not paid its bill during this period will enter collections with overdue and entry dates based on the latest of several overdue bills. As a result, collections actions will begin after a lengthy period of non-payment. To avoid this risk, you should run collections regularly, preferably daily.

About Collections Action Dependencies

Collections action dependencies ensure that all of a scenario's actions are performed in order and maintain the interval between actions. To do this, Collections Manager:

- Determines whether a scenario's preceding action has been completed or canceled before performing an action on its due date.
- After an action is completed or canceled, reschedules the due date of all of the scenario's remaining actions.

For example, assume a collections scenario includes the following actions:

- Action 1: Collections agent makes a courtesy phone call two business days after the bill unit enters collections.
- Action 2: Collections Manager sends an invoice reminder four business days after the bill unit enters collections.
- Action 3: Collections Manager applies a late fee six business days after the bill unit enters collections.

On day four, Collections Manager determines whether Action 1 has been completed or canceled and, since Action 1 is still open, does not send an invoice reminder. After the collections agent makes the courtesy phone call on day five, Action 1 is marked as completed and then Collections Manager reschedules Action 2 for seven business days after the bill unit enters collections and Action 3 for nine business days after the bill unit enters collections. This ensures that there are two business days between the courtesy phone call and the invoice reminder, and four business days between the courtesy phone call and the late fee.

Collections Manager creates dependencies between actions in a scenario by using action status settings:

- Pending: This status specifies that the action can be executed on its due date. All preceding actions have been canceled or completed.
- Waiting For Dependents: This status specifies that the action cannot be performed until the preceding action is canceled or completed. If an action is set to this status on its due date, Collections Manager does not perform the action and then moves to the next bill unit.

When a bill unit first enters a collections scenario, Collections Manager sets the first action's status to Pending and all other actions' status to Waiting For Dependents. After the first action is completed or canceled, Collections Manager updates the second action's status from Waiting For Dependents to Pending and then reschedules the due date of all remaining actions. After the second action is completed or canceled, Collections Manager updates the third action's status from Waiting For Dependents to Pending and reschedules the due date of all remaining actions. This process continues for all of the scenario's remaining actions.

About Collections Sharing Groups

Some countries have legal requirements that prevent actions, such as collections, from being taken against minors. This law applies to minors even when they have their own accounts and pay their own bills. Collections sharing groups allow you to define the legal entity, such as a parent or guardian, who is responsible for a bill if it enters into collections.

When you create an account and its bill units in Customer Center, you can specify whether collections actions must be taken against another account and bill unit. To do this, you create a collections sharing group, which consists of the following:

- A parent bill unit: During collections processing, Collections Manager enters only the parent bill unit into a collections scenario. The parent bill unit is assigned a collections scenario based on:
    - The combined overdue balance from all bill units in the collections group. For example, if one child bill unit is $100 past due and a second child bill unit is $50 past due, the overdue balance is $150.
    - The oldest due date from all bill units in the collections group. For example, if one child bill unit had a due date of June 1 and the second child bill unit had a due date of June 10, the overdue date is June 1.
- One or more child bill units: During collections processing, Collections Manager skips all child bill units in the group. The child bill unit and parent bill unit do not need to be linked hierarchically.

A bill unit can belong to only one collections sharing group, and a parent bill unit cannot be a child bill unit of the same collections sharing group. You can change a collections sharing group's parent and add or remove child bill units at any time. For more information about creating, modifying, and deleting collections sharing groups, see the Customer Center Help.

When you define a collections action in Collections Configuration Center, you can specify whether the action applies to the parent bill unit, to all the child bill units, or to the parent and all the child bill units. For example, you can specify that all "Referring the Account to a Collections Agency" actions apply to the parent bill unit only, and all "Sending a Dunning Letter" actions apply to the parent and all child bill units.

Corrective Billing and Collections

When BRM generates a corrective bill for a bill that is not yet in collections, the Collections Manager uses the sum of the adjustments for the bill to determine whether an account's bill unit should enter collections.

If BRM generates a corrective bill for a bill already in collections, Collections Manager takes the following actions based on the sum of the adjustments for the bill:

- If the sum of the adjustments for the bill goes below the threshold, BRM moves that bill out of collections.
- If the sum of the adjustments for the bill remains above the threshold, BRM maintains the account's bill unit in collections but replaces the bill number of that bill with the bill number of the corrective bill.

Promise-to-Pay Agreements

When a bill unit (/billinfo object) is in collections, the customer can request a promise-to-pay agreement. This agreement allows you to defer running the collections actions for a bill unit, allowing the customer to pay the due amount at a date beyond the original payment due date. The customer can pay the due amount in installments.

Using Collections Center, you can add or update a customer's payment method and reschedule payment dates and amounts for Promise to Pay and Collect Payment actions. See the Collections Center Help for more information.

To use these options in Collections Center, you must set the following permissions through Permissioning Center:

- /collectionapps/collections/updatepayment: To allow you to update promise-to-pay payment details in Collections Center.

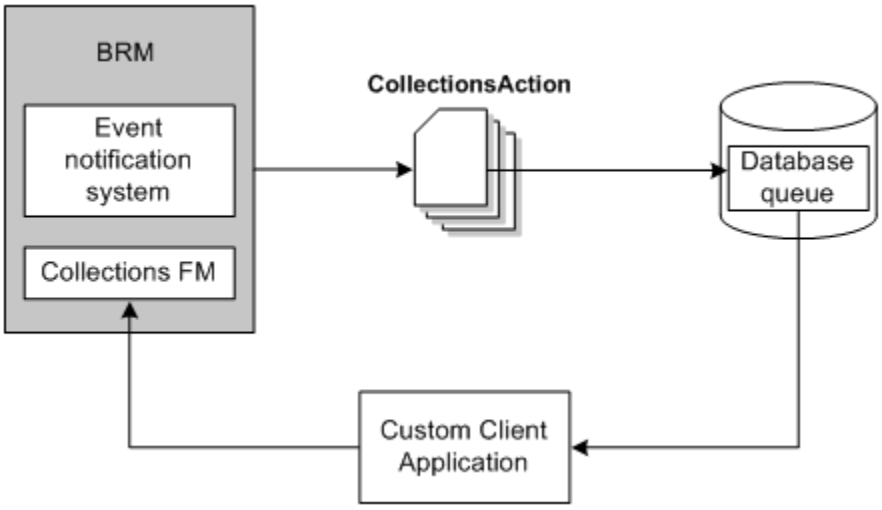
- /collectionapps/collections/newcard: To register a new credit card or direct debit account details.
- /collectionapps/collections/maskcarddetails: To see all the digits of the credit card or the direct debit account.

About Integrating Collections Manager with Custom Client Applications

Collections Manager can be integrated with a custom client application, such as Siebel CRM, so customer service representatives (CSRs) can track and manage collections activities directly in the custom client application.

The custom client application manages collections activity, such as preparing dunning letters or applying late fees, by calling the Collections Manager API. Collections Manager notifies the custom client application when a collections activity occurs, such as an account entering collections, by using the event notification system.

Figure 1-2 How Custom Client Applications Communicate with Collections Manager



Description of ''Figure 1-2 How Custom Client Applications Communicate with Collections Manager''

To integrate Collections Manager with a custom client application:

- Configure the custom client application to call the Collections Manager API
- Configure Collections Manager to notify the custom client application when collections information changes.

About Calling the Collections Manager API

CSRs need to perform the following collections tasks in their custom client application:

- Manage the collection of overdue balances
- Retrieve information about collections activities
- Perform manual collections activities
- Prepare dunning letters for customers

To perform these tasks, you must configure your client application to accept the required information and pass it to the Collections Manager API. You can determine the information required by looking at the target opcode's input flist.

About Notifying Custom Client Applications when Collections Activity Occurs

Collections Manager uses event notification to alert custom client applications when collections activities occur, such as an account entering collections or a dunning letter being sent. Collections Manager sends an alert in the form of an /event/audit/collections/action notification event, which includes information about the collections action, such as:

- The POID of the /collections_action object
- The action type: manual, custom, or system
- A description of the action
- The action status