

## Business One in Action – How to work with retentions?



### Applies to:

SAP Business One [Logistics](#), [Sales/Purchasing](#)

### Summary:

Many companies sell products where the product is delivered and a significant amount of the total price is payable immediately. The remainder is due after an agreed period (retention). Naturally, the retention should be excluded from any dunning process until it is due. The company must at any one point in time be able to tell how much of the total amount has been retained and also be able to receive the final payment, extend a discount or write off the owed amount. The item is not returned. This article illustrates how this process is set up in SAP Business One using as an example the sale of a suite of furniture. The customer typically pays 80% of the cost up front and the remaining 20% are due after 12 months.

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### Author Bio:

Kerstin Pauquet joined SAP in 2003 and is currently active as Global Topic Lead and Support Expert for SAP Business One. She has worked as both technical and business consultant. She authored this article as a direct response to a partner enquiry during the Expert-on-Phone project, where she consulted on mainly financial and banking related topics.

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## How to work with retentions?

Many companies agree payment terms with their customers whereby a significant amount of the total price is payable immediately and the remainder due after a period of time. This process is applicable, for example to the sale of furniture or the sale of trial products.

The business requirement is as follows:

- Retention should not be dunned.
- Company must be able to find out how much in total is retained.
- Must be able to receive a final payment, give a discount or write it off, items will not be returned.

This business process can be set up using payments by instalments. In this example, our company sells furniture. Our customer bought a suite of furniture. The total price is €10,000.00. The customer pays €8000.00 immediately and the remaining €2000.00 is due after 12 months.

## Modification of Marketing Documents

Step 1:

Create 3 user-defined fields (*UDF*) on the header level of the *AR Invoice*. Please refer to the documentation available in the [Documentation Resource Centre](http://service.sap.com/smb/sbo/documentation) ([service.sap.com/smb/sbo/documentation](http://service.sap.com/smb/sbo/documentation)) for instructions about how to create *UDFs*.

*UDF* 1:

Title: Ret

Description: Retention

Type: Alphanumeric

Length: 30

Structure: Regular

Set Valid Values for Field: Ticked

Value 1:

Yes - Description: Retention Invoice

Value 2:

No - Description: Standard Invoice

Set Default Value for Field:

Ticked; Default Value: No

Mandatory Field: Ticked

The screenshot shows the 'Field Data' configuration window for a user-defined field. The field is named 'Ret' with a description of 'Retention'. It is configured as an alphanumeric field with a length of 30 and a regular structure. The 'Set Valid Values for Field' checkbox is checked, and a table lists two values: 'Yes' (Retention Invoice) and 'No' (Standard Invoice). The 'Set Default Value for Field' checkbox is also checked, with the default value set to 'No'. The 'Mandatory Field' checkbox is checked. The 'Add' and 'Cancel' buttons are visible at the bottom.

#	Value	Description
1	Yes	Retention Invoice
2	No	Standard Invoice

**UDF 2:**

Title: Due

Description: Due Date of Final Payment

Type: Date/Time

Structure: Date

Set Valid Values for Field: Not Ticked

Set Default Value for Field: Not Ticked

Mandatory Field: Not Ticked

Field Data

Title: Due Description: Due Date of Final Payment

Type: Date/Time

Structure: Date

Set Valid Values for Field

Set Default Value for Field

Mandatory Field

Add Cancel

**UDF 3:**

Title: Amt

Description: Amount of Retention

Type: Numeric

Length: 10 (increase if necessary)

Set Valid Values for Field: Not Ticked

Set Default Value for Field: Not Ticked

Mandatory Field: Not Ticked

Field Data

Title: Amt Description: Amount of Retention

Type: Numeric Length: 10

Set Valid Values for Field

Set Default Value for Field

Mandatory Field

Add Cancel



In this example, the Gross Price of the unit is €10000 and using a localization where 19% VAT are used, the Journal Entry (JE) will show the following:

The initial payment of €8000.00 is due immediately; the retention of €2000.00 is due 12 months from the Document Date. The Due Date of the expected revenue and VAT is reflected as 12 months from the Document Date as well, since only then the transaction will be complete.

Receipt of the initial payment of €8000.00 using the Incoming Payment functionality results in this JE:

#	G/L Acct/BP ...	G/L Acct/BP Name	Debit	Credit	Due Date	Base Amount	Balance Due (LC)
1	1000	Kasse	8,000,00 EUR		04.08.2010		8,000,00 EUR
2	7000	Customer		8,000,00 EUR	04.08.2010		

Please note that the VAT posting occurs with the addition of the invoice and our company as the vendor is considered to be liable for the entire VAT amount at the Due Date of the AR Invoice. Depending on the type of business and/or the legal situation in your country, the accountant may be required to post a manual adjusting JE in order to comply with taxation legislation. Please check with the accountant.

Looking at the Ageing Report for the BP, the distinction between actual customers and their ageing status can be made by making the field Customer Ref. No. visible in the matrix using the Form Settings:

#	Customer Code	Customer Name	Type	Doc. No.	Instal. No.	Due Date	BP Ref. No.	Nu...	Balance Due	Future Remit	Dunni...	0 - 30	31 - 60	61 - 90	91 - 120	121+
1	7000	Customer							36,060,67 EUR	23,060,67 EUR	Normal	8,000,00 EUR				5,000,00 EUR
2			IN	7	2	04.08.2011	Beate Steiner, Berlin		1,680,67 EUR	1,680,67 EUR						
3			IN	8	2	04.08.2011	Heidi Müller, Bremen		2,000,00 EUR	2,000,00 EUR						
4			IN	9	2	04.08.2011	Hans Schmitz, Hamburg		2,380,00 EUR	2,380,00 EUR						
5			IN	10	1	04.08.2010	Jupp Köbes, Köln		8,000,00 EUR			8,000,00 EUR				
6			IN	10	2	04.08.2011	Jupp Köbes, Köln		2,000,00 EUR	2,000,00 EUR						
7			IN	11	2	03.08.2011	Erika Bauer, München		5,000,00 EUR	5,000,00 EUR						
8			IN	12	2	31.07.2011	Wolfgang Meier, Essen		10,000,00 EUR	10,000,00 EUR						
9			IN	13	1	04.01.2010	Heinz Dorf, Wuppertal	212	2,500,00 EUR							2,500,00 EUR
10			IN	13	2	04.04.2010	Heinz Dorf, Wuppertal	122	2,500,00 EUR							2,500,00 EUR
									36,060,67 EUR	23,060,67 EUR		8,000,00 EUR				5,000,00 EUR
									100,0000 %	63,9496 %		22,1848 %				13,8655 %

Here we see 1 row per open instalment and the outstanding amount in the appropriate column. Invoice 13 in rows 9 and 10, illustrates both payments being overdue for more than 121 days, row 5 shows an invoice where the first instalment has still not been paid.

When the final payment has been received, the number in the UDF 'Amount of retention' should be manually changed to zero and the invoice updated.

## Example of Document Flow

On 24.08.2009 Anton Wichtelmann bought a suite of furniture at a gross price of EUR 10.000,00. He paid EUR 8,000.00 straight away and took possession of the furniture. His name and address at Schloßallee 500 in 40229 Düsseldorf were captured in the collective BP master data:

**Business Partner Master Data**

Code	7000	Customer	Local Currency	
Name	Customer		Account Balance	46.380,00
Foreign Name			Deliveries	0,00
Group	Kunden		Orders	595,00
Currency	Euro		Opportunities	
VAT Number				

General | Contact Persons | **Addresses** | Payment Terms | Payment System | Accounting | Properties | Remarks

<ul style="list-style-type: none"> <li>▼ <b>Bill to</b></li> <li>Beate Steiner</li> <li>Jupp Köbes</li> <li><b>Paddy Murphy</b></li> <li>Ulrich Hagen</li> <li><b>Anton Wichtelmann</b></li> <li>Define New</li> <li>▼ <b>Ship to</b></li> <li>Define New</li> </ul>	<p><b>Bill to</b> <a href="#">Show Location in Web Browser</a></p> <p>Address Name: Anton Wichtelmann</p> <p>Address Line 2: </p> <p>Address Line 3: </p> <p>Street / PO Box: Schloßallee 500</p> <p>Block: </p> <p>City: Düsseldorf</p> <p>Postcode: 40229</p> <p>County: </p> <p>State: </p> <p>Country: Germany</p>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Set As Default

**Update** Cancel Related Service Calls Activity Related Activities

The AR invoice is created and the customer's name and city are entered in the Customer Ref. No. field. This data can be made visible in the customer ageing report and thus distinguish between the individual customers. On the Logistics tab of the invoice, the bill-to address is pulled from the BP master data. Since this is a retention type transaction, the sales employee enters the relevant data into the UDFs defined above. Once all data has been entered, the document is added.

The screenshot shows the SAP AR Invoice form with the following data:

Customer	7000	No.	Primär	18
Name	Customer	Status	Open	
Contact Person	Walk-in Customer	Posting Date	24.08.2009	
Customer Ref. No.	Anton. Wichtelmann, Düsseldorf	Due Date	24.08.2010	
Local Currency		Document Date	24.08.2009	

**Logistics Tab:**

Ship to: [Empty]  
 Bill To: Anton Wichtelmann, Schloßallee 500, 40229 Düsseldorf GERMANY  
 Shipping Type: [Empty]  
 Language: German  
 Tracking No.: [Empty]  
 Block Dunning Letters:   
 BP Channel Name: [Empty]  
 BP Channel Contact: [Empty]

**Summary Table:**

Total Before Discount	8.403,36 EUR
Discount	%
Total Down Payment	
Freight	
Tax	1.596,64 EUR
Total	10.000,00 EUR
Applied Amount	
Balance Due	10.000,00 EUR

**Retention UDFs (General Tab):**

Retention	Retention
Due Date of Final Payment	24.08.2010
Amount of Retention	2000

Please note that the VAT posting occurs with the addition of the invoice and our company is considered to be liable for the entire VAT amount at the time when the transaction is completed. Depending on the type of business and/or the legal situation in your country, the accountant may be required to post a manual adjusting JE in order to comply with taxation legislation. Please check with the accountant.



**Journal Entry**

Series: Primär, Number: 48, Posting Date: 24.08.2009, Due Date: 24.08.2010, Doc. Date: 24.08.2009, Remarks: AR Invoice - 7000

Origin: IN, Origin No.: 18, Trans. No.: 48

Trans. Code: 18, Ref. 1: Anton, Wic, Ref. 2: Anton, Wic

Fixed Exchange Rate:  EU Report:  Automatic VAT:  Manage WTax:

Expand Editing Mode

#	G/L Acct/BP Code	G/L Acct/BP Name	Debit	Credit	Due Date	VAT Code	Balance Due (LC)
1	7000	Customer	8,000,00 EUR		24.08.2009		8,000,00 EUR
2	7000	Customer	2,000,00 EUR		24.08.2010		2,000,00 EUR
3	1776	Umsatzsteuer 19%		1,596,64 EUR	24.08.2010	A2	(1,596,64) EUR
4	8400	Erlöse 16% USt / 19% USt		8,403,36 EUR	24.08.2010		(8,403,36) EUR
			10,000,00 EUR	10,000,00 EUR			

OK Cancel  Display in FC  Display in SC Cancel Template

Immediately after adding the document, the incoming payment of the first instalment based on the invoice is added. The Bill To address in the payment document is manually pulled from the BP master data.

**Incoming Payments**

Code: 7000, Name: Customer

Customer:  Supplier:  Account:

Bill To: Anton, Schloßallee 500, 40229 Düsseldorf GERMANY

Contact Person: Walk-in Customer, Project:

No.: 13, Primär, Posting Date: 24.08.2009, Due Date: 24.08.2009, Document Date: 24.08.2009

Selected	Documen...	Instalment	Document Type	Date	Due Date	* Overdue ...	Total	Balance Due	Total Payment
<input checked="" type="checkbox"/>	18	1 of 2	IN	24.08.2009	24.08.2009	* 0	8,000,00 EUR	8,000,00 EUR	8,000,00 EUR
<input type="checkbox"/>	18	2 of 2	IN	24.08.2009	24.08.2010	-365	2,000,00 EUR	2,000,00 EUR	2,000,00 EUR

Payment on Account: 0,00

Total Amount Due: 8,000,00 EUR

Open Balance:

Remarks: Incoming Payments - 7000

Created by Payment Wizard:

Add Cancel Deselect All Select All Add in Sequence

The ageing report for BP 7000 on the posting date of the invoice shows that Anton Wichtelmann owes EUR 2.000,00 and that the payment is marked as a future remittance:

The screenshot shows the 'Customer Receivables Ageing' report for Business Partner 7000 as of 24.08.2009. The report lists several invoices, with invoice 18 highlighted in red. Invoice 18 has a balance due of 2,000.00 EUR and a future remittance of 2,000.00 EUR. An arrow points from this row to the 'AR Invoice' window for invoice 18.

The 'AR Invoice' window shows details for invoice 18, including customer information (Anton Wichtelmann, Düsseldorf) and a summary of financials:

Total Before Discount	8.403,36 EUR
Discount	%
Total Down Payment	
Freight	
Tax	1.596,64 EUR
Total	10.000,00 EUR
Applied Amount	8.000,00 EUR
Balance Due	2.000,00 EUR

On 24.08.2010 the remainder of invoice 18 is due and can be processed as any due invoice. Should the final payment be less than the outstanding amount, a discount can be given at the payment stage.

Should the second instalment be written off completely, this can be done with a manual journal entry to the BP account, using an appropriate off-setting account, followed by internal reconciliation. As an alternative to the manual journal entry, a stand-alone service-type credit memo using an appropriate GL account may be used, also followed by internal reconciliation. Again, for taxation purposes the company accountant must be consulted.

Since the item is not returned, it is inadvisable to create a stand-alone item type credit memo or one based on the original invoice.

## Reporting

In order to calculate the value of outstanding retentions and the amount thereof, simple queries similar to the ones below may be used. Please note that these are sample queries that require modification to suit your needs.

Sample query to retrieve any outstanding retention monies:

```
SELECT T0.[DocNum], T0.[NumAtCard], T0.[U_Due], T0.[U_Amt] FROM OINV T0 WHERE T0.[U_Amt] <> 0
ORDER BY T0.[U_Due]
```

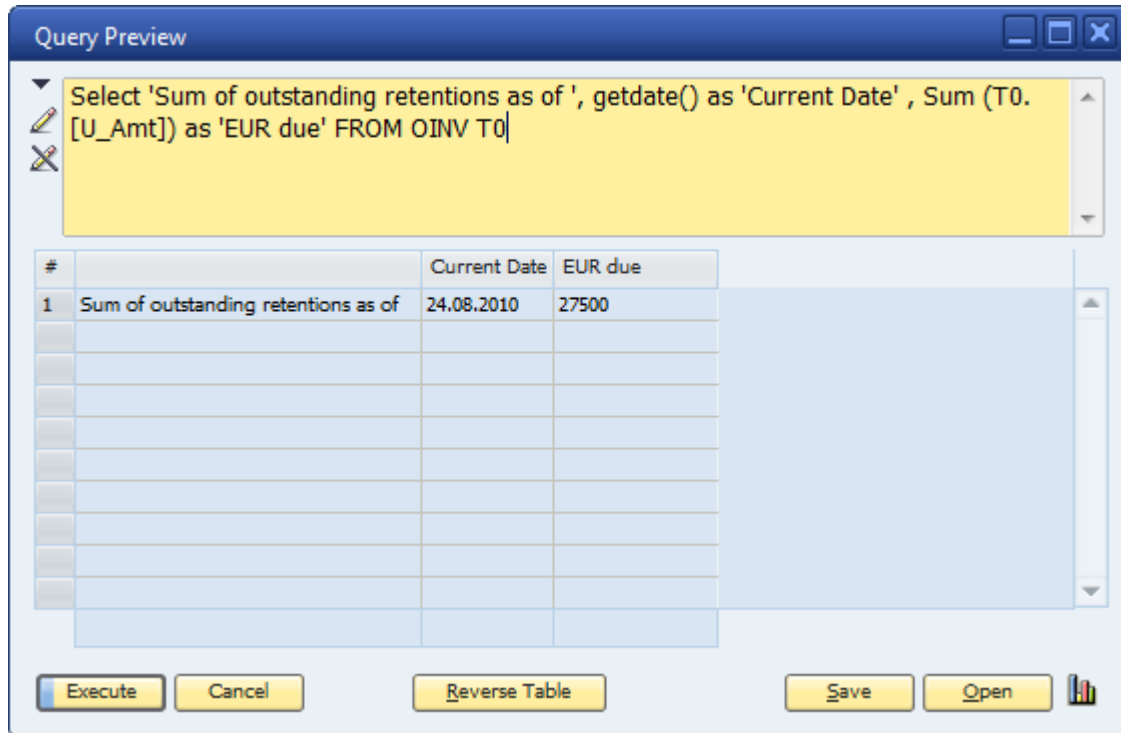
The screenshot shows the 'Query Preview' window in SAP. The query text is: `SELECT T0.[DocNum], T0.[NumAtCard], T0.[U_Due], T0.[U_Amt] FROM OINV T0 WHERE T0.[U_Amt] <> 0 ORDER BY T0.[U_Due]`. The results are displayed in a table with the following columns: #, Document Number, BP Reference No., Due Date of Final Payment, and Amount of Retention.

#	Document Number	BP Reference No.	Due Date of Final Payment	Amount of Retention
1	13	Heinz Dorf, Wuppertal	04.04.2010	2500
2	18	Anton. Wichtelmann, Düsseldorf	24.08.2010	2000
3	12	Wolfgang Meier, Essen	31.07.2011	10000
4	11	Erika Bauer, München	03.08.2011	5000
5	7	Beate Steiner, Berlin	04.08.2011	2000
6	8	Heidi Müller, Bremen	04.08.2011	2000
7	9	Hans Schmitz, Hamburg	04.08.2011	2000
8	10	Jupp Köbes, Köln	04.08.2011	2000

The data is pulled from the OINV table and it is vital that the UDF U\_Amt is updated manually once the payment has been received.

To obtain an up-to-date total figure of outstanding retentions, the sample query below may be employed:

Select 'Sum of outstanding retentions as of ', getdate() as 'Current Date' , Sum (T0.[U\_Amt]) as 'EUR due'  
FROM OINV T0



The screenshot shows the 'Query Preview' window in SAP. The query text is: `Select 'Sum of outstanding retentions as of ', getdate() as 'Current Date' , Sum (T0.[U_Amt]) as 'EUR due' FROM OINV T0`. The results table has three columns: '#', 'Current Date', and 'EUR due'. The first row shows the result: 1, 24.08.2010, and 27500.

#	Current Date	EUR due
1	24.08.2010	27500

Buttons at the bottom: Execute, Cancel, Reverse Table, Save, Open, and a chart icon.

## Related Contents

- [SAP Business One in Action Catalog Page](#)
- How-to-Guides are available from the [Documentation Resource Centre](#)
- SAP Note [1378837](#)
- For more information, visit the [Business One homepage](#).

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