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Adminsoft Accounts User Guide

# **Discounts**

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## **Introduction**

There are two main types of discount used in Adminsoft Accounts, those given to customers (Sales Invoices), and those used to calculate cost prices from suppliers (for Purchase Orders).

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The system of discounts is pretty powerful. You can configure the system to implement just about any discount scheme you wish. Unfortunately, this sophistication does bring some complexity! There are several ways to implement a discount, and usually you can use more than one way of doing it at a time. So, you can operate two or more types of discount system side by side.

Users are frequently more interested in how to offer discounts to customers. So, we'll start there, and we'll start with the easiest way in which a discount can be implemented.

## **Straight Forward Discount on Sales Invoices**

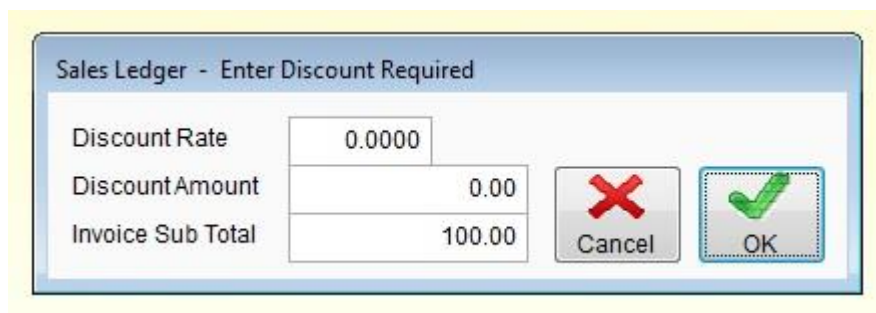
This option is the simplest, but at the time of writing (Feb.'21) it's only available when using a wide screen monitor. Many forms have two widths. One which is limited to 800 pixels wide, and so will fit on just about any PC screen, and a wider one, often between 1,000 and 1,400 pixels. The 800 pixel version is often short of space, and so sometimes doesn't carry as much detail or quite as many options as the wider version.

Anyway, if your PC is using the wider form (it will be selected automatically), when you go to create a Sales Invoice, the lower righthand corner will look like this:



Note the text that says “**Disc 0.00%**” To the right of that is a button called **'Disc'**. Clicking this button allows you to enter a discount, either as a percentage or as a fixed amount for the invoice.

In the next image we've clicked the **'Disc'** button. A small form appears:



In this form you can enter the discount as a percentage in the top input field '**Discount Rate**', or you can enter a fixed amount in '**Discount Amount**' and it'll work out what the percentage is for you. Alternatively, you can edit the '**Invoice Sub Total**' and it'll work out the discount from that.

Below, we've simply entered 10.00 into the '**Discount Rate**', the result (below) is obvious:

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			Ins Del
	Disc 10.00%	10.00	Disc
	Sub Total	90.00	Tax Calc
	Total VAT	18.00	
	<b>Total Value</b>	<b>108.00</b>	

Post  
ext

New Edit Delete Cancel OK

You can see the 10% has been applied, reducing the 'Sub Total' from 100.00 to 90.00. Any Sales Tax or VAT is then calculated on the 90.00, and that is the amount that would be posted to the ledgers.

This is great for when you offer customers the occasional discount. If you have some customers who always get a certain discount, you can enter the discount as a percentage into the customer details. It will then always appear when you create a Sales Invoice (or Credit Note) for that customer. Note, this option only appears when running the accounts system in **Level 2**, and wide forms are being used (which probably applies to most users). An example of this screen appears next:

Sales Ledger - Customer Account Details

A/c Code: ABCDEFGH Find Prev Next Change  
Customer: ABC Test A/c 8 chars.  
Invoice Address: [Clipboard] [Print Label] [Map]  
Post Code: [ ] Country: GBR Great Britain

Main Contact Information: Status: Account OK, Archive Account [ ]  
Tel: [ ], Fax: [ ], Web: [ ], Email: [ ]

Additional Contact Information: [View]  
Business Types: Created On 27/06/2014 By SUPER, Updated On 09/01/2016 By SUPER

Reminders Tran.Alloc. List Emails Payments Sales/Profit A/C Details Statement View (tel)

Financial Trn: Current Trn: History Stock Prices Diary Delivery Addr Contacts General Proforma/Adv/Est/Save Vehicles/Equip Jobs Jobs

Our Sales Rep. None Early Settlement Discount Rate 0.00 % (percentage of goods total) CIS (Y/N)  
Company reg. no. Credit Check Early Settlement Discount Period 0 (number of days after invoice date)  
VAT reg. no. Record Sales Invoice Discount Rate 10.00 % (overall discount applied to sales invoices)  
Default VAT Code (over rides stock item) Sales Discount/Markup Band (D' or 'M', followed by '1' to '5')  
Credit Terms Days from invoice date Link to Supplier Account  
Credit Period 30 (days)  
Credit Limit 3000

	Balances	OverDue	Sales (excl. VAT)	
Current	0.00	0.00	Year to Date	0.00
Over 30 Days	0.00	0.00	One Year Ago	0.03
Over 60 Days	0.00	0.00	Two Years Ago	100.00
Over 90 Days	120.04	120.04	Three Years Ago	0.00
<b>Total Outstanding</b>	<b>120.04</b>	<b>120.04</b>	Four Years Ago	0.00
VAT Outstanding	20.01		Five Years Ago	0.00

Default Currency: GBP Great Britain Pound  
Default Dept: None

Save changes to customer details. Note, if you select another customer or click on OK to exit the form, the customers details will be saved automatically.

**WARNING: Credit terms exceeded!** Help New Delete Clear Save OK

The default discount percentage input field above has been ringed. If you enter a discount here, but later when you (or anyone else) enters a Sales Invoice and the wide version of the invoice form isn't used, the sales discount will still be applied. The same happens if you switch the accounts system back to **Level 1**. This facility allows different users in a multi-user environment to raise Sales Invoices that will use the correct sales discount, regardless of what level they are running the accounts system in, and regardless of the screen size of their PC.

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## Using Sales Discount Codes

The above system of implementing sales discounts is quick and easy. But not every business can simply give a discount that is the same regardless of the item/service being sold. For example, some stock items will carry a larger profit margin than others. While a 10% discount may be fine with some products, with other products you may only be making 10% profit, which would be wiped out! In those cases, you may want to offer a lower discount, perhaps 5%, or less. There are also cases where you may wish to increase the discount depending on the number of stock items purchased.

To handle these more sophisticated requirements, Adminsoft Accounts has a system of Sales Discount codes. You can have almost as many codes as you wish, each one can have a maximum of 8 alphanumeric characters. In the Stock Control (or it may say 'Inventory') menu there's a 'Sales Discounts' option. When you select it, you get the following form:

The screenshot shows a software window titled "Stock Control - Sales Discount Code Details". At the top, there are input fields for "Discount Code" and "Description". Below this, the form is organized into four main sections:

- Discount on Retail:** A table with columns "Band", "Description", "Discount", and "Q/B?". It contains five rows, each with a band number (1-5), a description (band 1-5), a percentage input field, and a "Q/B?" checkbox.
- Markup on Cost:** A table with columns "Band", "Description", "Mark up", and "Q/B?". It contains five rows, each with a band number (1-5), a description (mkup 1-5), a percentage input field, and a "Q/B?" checkbox. Below this table is a dropdown menu labeled "Method for calculating cost".
- Quantity Breaks:** A table with columns "For Qty Over" and "Discount". It contains five rows, each with a quantity input field and a percentage input field.
- Notes:** A large text area for entering additional information.

At the bottom of the form, there is a text box for "Created" and "Updated" dates, and a "By" field. Below these are several buttons: "Help", "Prev", "Next", "New", "Delete", "Save / Clear", and "OK". A small note at the bottom left explains that "Q/B?" asks if a Quantity Break is allowed as an additional discount on top of the main discount or mark up.

You can type in the Sales Discount code and press 'Enter' on your keyboard, or click the find button (the button with the magnifying glass) to list existing codes and select one. Click the 'New' button at the bottom to create a new Sales Discount code.

You can enter a short description for the discount code, which is very useful. When listing codes, this description will usually appear next to the code. You can also enter any notes in the bottom right hand corner. The notes don't appear anywhere, they are simply to allow you to enter any important information regarding the Sales Discount code.

The form is basically split into three sections, we'll explain them in the same order they appear in the form:

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## *Discount on Retail*

Allows you to set up a maximum of five different levels of discount. For each customer you can assign a discount 'band' (in the customer account details form), D1 to D5. The band they are assigned relates to the bands listed here. So, some customers could receive a discount based on band D1, while others may receive perhaps a different discount set on band D2. You don't have to use all the bands, in fact you can just use one band if you wish. Just enter the discount as a percentage you wish to give on any stock items using this particular Sales Discount code. There's another column called '**Q/B?**'. This stands for 'Quantity Break'. Entering a '**Y**' in here means the discount band would be subject to a quantity break. We'll discuss this further shortly.

## *Markup on Cost*

Instead of offering your customer a discount on the retail price, you may wish to offer them a markup on the cost price. This option is usually reserved for very large customers, or where you're performing a contract that requires any purchases to be charged on a 'Cost Plus' basis. In the customer account details, they would have a discount band between M1 and M5. Note, the discount band here starts with the letter 'M' for Markup. Where as in the previous section when we were talking about discount on retail, the bands started with the letter 'D' for discount.

The stock item cost will be determined by the setting in '**Method for calculating cost**'. Five methods are available: FIFO (First In First Out), LIFO (Last In First Out), AVCO (Average Cost, based on current stock holding), LIST (the list cost price as given in the stock item details) and LAST (uses the cost price on the last cost related stock movement, regardless of stock). Note, this only applies to stock items that have their stock levels monitored. Any stock items that do not have their stock level controlled will always use the LIST price.

This section also has a '**Q/B?**' column. Entering a '**Y**' in here would mean the band would also be subject to quantity break discount. See below.

## *Quantity Breaks*

Usually, if you're using quantity breaks, you would not usually enter a discount or markup in the other sections. Otherwise you would be creating two lots of discount, because the quantity break discount would be applied to a price after the price had been calculated using any other discount or markup. **So beware, you could end up creating so much discount you end up selling below cost!**

## **Sales Discount Codes**

Each stock item can be assigned a Sales Discount code (in the stock item details form). In theory, you could just setup one Sales Discount code and give each stock item that same code. In practice, because the profit margin varies from item to item, you may wish to setup several discount codes. Ten to twenty codes are common, sometimes more. Although in theory you could create thousands, we don't recommend it!

The main thing to consider is the discount banding. Because if a customer is set to receive a discount based on band D2, for example, they will receive discount based on band D2 for ALL Sales Discount codes. For example, let's say we have only two Sales Discount codes, and we only use the first two discount bands. We could set it them up like this:



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Sales Discount code	Band	Discount
ABC	D1	10%
ABC	D2	15%
DEF	D1	3%
DEF	D2	5%

In this case, stock items with plenty of profit margin could be assigned Sales Discount code 'ABC', while those that are not so profitable could be assigned 'DEF'. A customer setup to use band D2 would then receive 15% discount on stock items that use Sales Discount 'ABC', but only 5% on those items that have a smaller margin and use Sales Discount code 'DEF'.

The same applies when using Markup on Cost. The same Sales Discount codes can be set with a Markup on Cost. It's the customer details that determine whether the customer receives a discount on the retail price, or a markup on the cost price.

In the customer details form, there's an input field called '**Sales Discount/Markup Band**'. This is a two character field. To set it so that the customer receives a discount on the retail price, enter the letter '**D**' followed by the discount band you wish to give them. So, if you wish the customer to receive discounts provided in band 2, you would enter '**D2**'. Markup on cost works much the same way, except the first letter would be '**M**'. So, if you wanted the customer to benefit from a markup on cost based on band 2, you would enter '**M2**'.

It's worth noting, that you can enter a sales/markup discount band into the customer details form *as well* as an overall Sales Invoice discount rate! It would be unusual to use both types of discount together, but the software will allow you to do it. If you do this, be very careful you don't end up discounting so much that you end up selling below cost. There is nothing in the software that will prevent a user from selling below cost, although a message will be displayed, if it's been enabled in Sales Ledger (A/c Receivable) settings.

In the Sales Discount details form shown above, you'll have noticed each band is called 'band 1', 'band 2', etc. These are the default descriptions, and you can change them to something more meaningful if you wish. Click on 'Setup' on the top menu bar, go down to 'Stock Control' (or it may be 'Inventory') and select the option 'Discount Band Descriptions'.

## Stock Item Details

In the '**Selling**' section, you will notice the lower part of the form may look something like this:

The screenshot shows the 'Selling' section of the Adminsoft Accounts software. The form is divided into two main sections: 'Selling' and 'Purchasing'. The 'Selling' section includes fields for 'Our Price' (0.00), 'Price Per' (1.00), 'Unit of Issue' (1.00), 'OK to Sell' (Y), and 'VAT code' (3). The 'Purchasing' section includes fields for 'Surcharge' (0.00), 'Commission' (0.00), 'Comm Type' (Fixed Amnt), 'Sales Discount' (1), and 'Sales Analysis' (SAL2). A table on the right lists discount bands from 1 to 5, each with a value of 0.00. The 'Sales Discount' field is set to '1' and labeled 'TRADE DISCOUNT'. The 'Sales Analysis' field is set to 'SAL2' and labeled 'SHOP SALES'. A status bar at the bottom indicates 'The total cost of all the items in stock.' and includes buttons for Help, New, Delete, Clear, Save, and OK.

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In the middle(ish) of the form you'll see the '**Sales Discount**' input field. In this case its setup with a Sales Discount code of '1' (not using many of the 8 alphanumeric characters available!). The short description has appeared to the right of it, to tell you which kind of discount it is. It could be anything, we entered 'TRADE DISCOUNT', though it probably isn't a good description. You'll also see 'band 1', 'band 2', etc. down the righthand side. These are all greyed out. You cannot enter anything into them because a Sales Discount code is being used. If no Sales Discount code was used (ie. the input field was empty), the bands would not be greyed out, and you would be able to enter a price into each. As per the Sales Discount code definitions themselves, each band corresponds with any discount band (D1 to D5) you may have entered in the customer details form. If you leave the bands at 0.00, and if a customer is set to use a particular band, but that band is set to 0.00 it will be ignored, the retail price ('**Our Price**' in the Stock Details form) will be used instead.

If a customer does not have any discount or markup on cost band setup, they will receive items at full price, ie. based on '**Our Price**' (which we often refer to as the 'Retail' price).

This only applies where you're using the software in **Level 2**. If you're using it in **Level 1**, the stock item details form is very much simplified, and is more of a price list. See below:

The screenshot displays the 'Stock Item Details for None Controlled Stock (Basic)' window. At the top, the title bar reads 'Stock Item Details for None Controlled Stock (Basic)'. The main area contains several input fields: 'Stock Code/SKU' (00-0030), 'Description' (RETAINER PLATE, T/GRIP, T140, 85>), 'Extra Desc.', 'Bin Location' (1, 2, 3), 'Item Type' (Goods), 'Unit' (eg. kg, lbs, litres, hours, may be blank), 'Item Weight' (0.0000 grams), and 'Solvent Content' (0.00). Below these fields are five tabs: 'Selling' (selected), 'Purchasing', 'Sales Graph', 'Sales Data', and 'Notes'. The 'Selling' tab shows 'Our Price' (0.45 include VAT), 'Price Per' (2.00), 'Unit of Issue' (4.00), 'Surcharge' (0.00), 'Commission' (0.00), 'OK to Sell' (Y (Y/N)), 'Comm Type' (Fixed Amnt), 'Value Added Tax' (1 STANDARD RATE), and 'Sales Analysis' (SAL2 SHOP SALES). A green message at the bottom of the form area says 'Change the code for the currently loaded stock item to a new code.' The bottom toolbar contains buttons for 'Help', 'New', 'Delete', 'Clear', 'Save', and 'OK'.

You'll note, there is no input field for a Sales Discount code, and no input fields for entering banded prices. In **Level 1**, the only sales discount that can be applied is when actually entering a Sales Invoice, an overall discount % can then be entered. This considerable simplification is deliberate, in order to keep **Level 1** as basic as possible. And so, in the Stock Control (or Inventory) menu, there is no option for setting up or maintaining 'Sales Discount' codes either.

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However, if a user running the software in **Level 2** has setup Sales Discount codes, and applied them to stock items, any Sales Invoices raised by a user running the software in **Level 1** will find those discounts applied based on those Sales Discount codes, or the discount banded prices as entered in the stock item details. This consistency ensures the software can be used in both **Level 1** and **Level 2** by different users.

## Early Settlement Discount for Sales and Purchases

To encourage customers to pay early, or even on-time, you can offer the inducement of a discount on the amount owed. This option is only available when the software is running in **Level 2**. An early settlement can be setup in the customer details form:

The screenshot shows the 'Sales Ledger - Customer Account Details' window. The 'Early Settlement Discount Rate' is set to 5.00 % and the 'Early Settlement Discount Period' is set to 15 days. The 'Sales Invoice Discount Rate' is 10.00 %. The window also displays a summary table for Balances and Sales (excl. VAT).

Balances		OverDue
Current	0.00	0.00
Over 30 Days	0.00	0.00
Over 60 Days	0.00	0.00
Over 90 Days	0.00	0.00
<b>Total Outstanding</b>	<b>0.00</b>	<b>0.00</b>
VAT Outstanding	0.00	

Sales (excl. VAT)	
Year to Date	0.00
One Year Ago	0.03
Two Years Ago	100.00
Three Years Ago	0.00
Four Years Ago	0.00
Five Years Ago	0.00

The input field 'Early Settlement Discount Rate' is the percentage discount you wish to offer. The input field 'Early Settlement Discount Period' is the number of days from the date of the invoice (the tax date) in which you will apply the discount if you receive payment. This discount will be automatically displayed on the printed invoice (provided you haven't edited the layout and removed it).

Disc 10.00%	15.00	Disc
Sub Total	135.00	Tax Calc
Total VAT	27.00	* E/S
<b>Total Value</b>	<b>162.00</b>	

When entering a Sales Invoice, if any Early Settlement Discount applies, this will be indicated by the characters \* E/S appearing to the right of the invoice totals. See the image on the left.



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If you click on the **'Details'** tab at the top of the invoice form, you'll be able to see the details of the discount, and you'll be able to edit it if you wish. It'll look something like this:

Our sales rep.			
Rep. Sales Com.	0.00	C	H
E/S Payment Due	04/08/2016		
E/S Discount	5.00	%	
E/S Amount	153.90		
Outstanding	162.00		
Total Profit	135.00		

You can see it's worked out the date by which your customer must pay in order to receive the discount, and it's worked out what the amount due to be paid (**'E/S Amount'**) if the discount is taken.

Normally, the Early Settlement Discount is applied to the invoice total, including any Sales Tax or VAT. The invoice will be posted to the customer's account based on the full value, which is 162.00 in our example above. Should your customer pay in time and claim the discount, in this example you would only receive 153.90. You would enter the payment as usual, however, it would leave 8.10 outstanding on the customer's account. To clear this balance, you need to enter an 'Early Settlement' transaction into the customer's account. This can be done from the customer details screen. If you click on an invoice and then click the **'Early Settlement'** button, the details will be placed into the early settlement transaction window for you. Note, if the invoice has had a Credit Note Applied to it, or has only been part paid, you may need to edit the figures. If an invoice wasn't selected, then most of the input fields in the early settlement window will empty, ready for you to enter the details. An example of this follows:

A/c Code	ABCDEF GH	Find
Customer	ABC Test A/c 8 chars.	
Date E/S Given	20/07/2016	Wednesday
Currency	GBP	Great Britain Pound
Reference (if any)		
Amount Given	0.00	(excluding VAT)
VAT Code		Tax Calc
VAT Amount	0.00	%
Total Discount	0.00	

Posted by: SUPER, Posted on: 20/07/2016, Posting Ref: n/a, Tax Period: n/a

Buttons: Help, Edit, Delete, Cancel, OK

The input fields are fairly self explanatory. Don't forget though, the discount will include an element of Sales Tax or VAT. So, you'll need the figure excluding VAT/Sales Tax. You can work this out using a calculator, but it's probably quicker to click the **'Tax Calc'** button.

Amount	6.75	(excluding tax)
VAT Code	1	STANDARD RATE
VAT Amount	1.35	20.0000%
Total	8.10	(including tax)

Enter the tax code and either the amount excluding tax, or the total amount including tax, and then press the Tab or Enter key on your keyboard.

Buttons: Cancel, OK

When the form on the left appears, all the input fields will be empty. In the case of our example, we skipped the **'Amount'** field and entered a **1** in **'VAT Code'**, and the **8.10** amount in **'Total'**. The calculator then worked out the figure excluding VAT and automatically inserted it into the **'Amount'** input field. Very quick and easy. We then click on the **'OK'** button, and the figures are automatically inserted into the Early Settlement Discount form. If you're using Sales Tax, with perhaps

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several different types of tax, they will all appear in this window.

When the Early Settlement Discount transaction is posted to the customer's account, it will need to be allocated to the invoice, in just the same way as a payment.

The discussion and examples above have all focused on offering Early Settlement Discount to your customers. But some of your suppliers may offer you Early Settlement Discount. In which case you'll be pleased to know it's handled in exactly the same way.

There is one more issue we need to address before leaving this topic, and that is the calculation of the discount. By default, the discount is calculated on the invoice total, including any Sales Tax or VAT. Which is nice and straightforward. However, in some countries (which included the United Kingdom until a few years ago), this is not the case. Sometimes it's calculated on the sub-total, and the discount offered does not then include a tax element. But the Sales Tax or VAT amount is reduced, as it's calculated on the reduced amount of the sub-total. For example:

Sub-total:	250.00	
Early Settlement Discount:	5%	
New sub-total:	237.50	
Sales Tax (or VAT):	47.50	(20% of 237.50)
Invoice total:	297.50	(250.00 + 47.50)

Without Early Settlement Discount this invoice would have been 300.00 (ie. 250.00 plus 20% VAT giving 50.00). So, the customer is already receiving a small discount, and it's a discount effectively financed by the tax authority! You can see why the various tax authorities no longer want Early Settlement Discount to be calculated in this way. If your customer took the discount, the amount they would pay would be 285.00 (ie. 237.50 + 47.50). When you enter an Early Settlement Discount transaction, there would be no Sales Tax/VAT element, as the tax has already been discounted.

If your country is one of the few still operating this method of calculating Early Settlement Discount you need to tell the software. Click on 'Setup' on the top menu bar, go down to 'System', and select 'Setup Country/Region Data'. In there, nearly half way down on the righthand side you'll see an input field '**Early Settlement Discount effects tax/VAT**'. This is probably set to 'N', the default. Set this to 'Y'.

## **Purchase Discount Codes**

These operate in a similar way to Sales Discount Codes, but they are simpler. There is no 'Markup on Cost', and no price bands in stock item details.

The next form image shows a Purchase Discount Code setup:

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Discount on Retail			
Band	Description	Discount	Q/B?
1		10.00 %	N
2		0.00 %	N
3		0.00 %	N
4		0.00 %	N
5		0.00 %	N

Quantity Breaks	
For Qty Over	Discount
0.00	0.00 %
0.00	0.00 %
0.00	0.00 %
0.00	0.00 %
0.00	0.00 %

Notes  
ssfsf sdf asdfs fa sfas

( 'Q/B?' is asking if a Quantity Break is allowed as an additional discount. The quantity break will be a further discount on the cost as calculated by the Discount on Retail)

Created On 16/06/2007 Updated On 07/10/2011  
By SUPER By SUPER

Help Prev Next New Delete Save/Clear OK

In the example above, you can see only one band has been setup, and that's band D1, which will give a purchase price that's a 10% discount on the retail price.

The purchase discount bands operate in the same way as sales discount bands. In the supplier account details, you can select which band they should be allocated by entered a value between 'D1' and 'D5' in the '**Purchase Discount Band**' input field. There is, of course, no markup on cost when dealing with purchase discounts.

Things get rather more complicated though when we ask the question “When are Purchase Discount Codes used?”. They can be used when raising Purchase Orders to calculate the purchase price of an item, but there are quite a few ways in which purchase prices can be calculated. When a Purchase Order is being created, and a cost price is required, the procedure goes like this:

If there is a supplier part record for an item, it will use the lowest of the Cost Price (as published by the supplier), or the Last Cost (as purchased from the supplier). A supplier part record can be created manually, but they are also created automatically when a part appears on a P/O for a particular supplier.

If both of these cost figures are zero or not available, then it will use the Purchase Discount code set up in the supplier part record, if there is none, it will use the Purchase Discount code set up on the stock item record.

If there is no Purchase Discount code, it will obtain a cost using the Purchase Order Processing fall back default method of costing. When the software is installed, the default method is LIST, this is the cost price on the item record.

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If no cost is available for a stock item based on the fallback method specified, then the system will attempt to find a cost using another method. The following table shows the selected method, followed by two other methods the system will try if necessary:

FIFO -> LAST, LIST  
LIFO -> LAST, LIST  
AVCO -> LAST, LIST  
LIST -> AVCO, LAST  
LAST -> AVCO, LIST

Note, unless Inventory/Stock Control is set to use AVCO, then AVCO may not produce a truly average weighted cost figure. But for the purposes of generating a P/O, AVCO is unlikely to produce a good up to date cost figure regardless.

Eventually, if it's exhausted all above methods and still can't find a cost, it will give up and return a cost of 0.00

*End of document*