

# Customer and vendor balance netting

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# Agenda

- 
- Customer and vendor balance netting overview
  - Key functions and demos
  - Roadmap
  - Q&A

# What is customer and vendor balance netting

Company

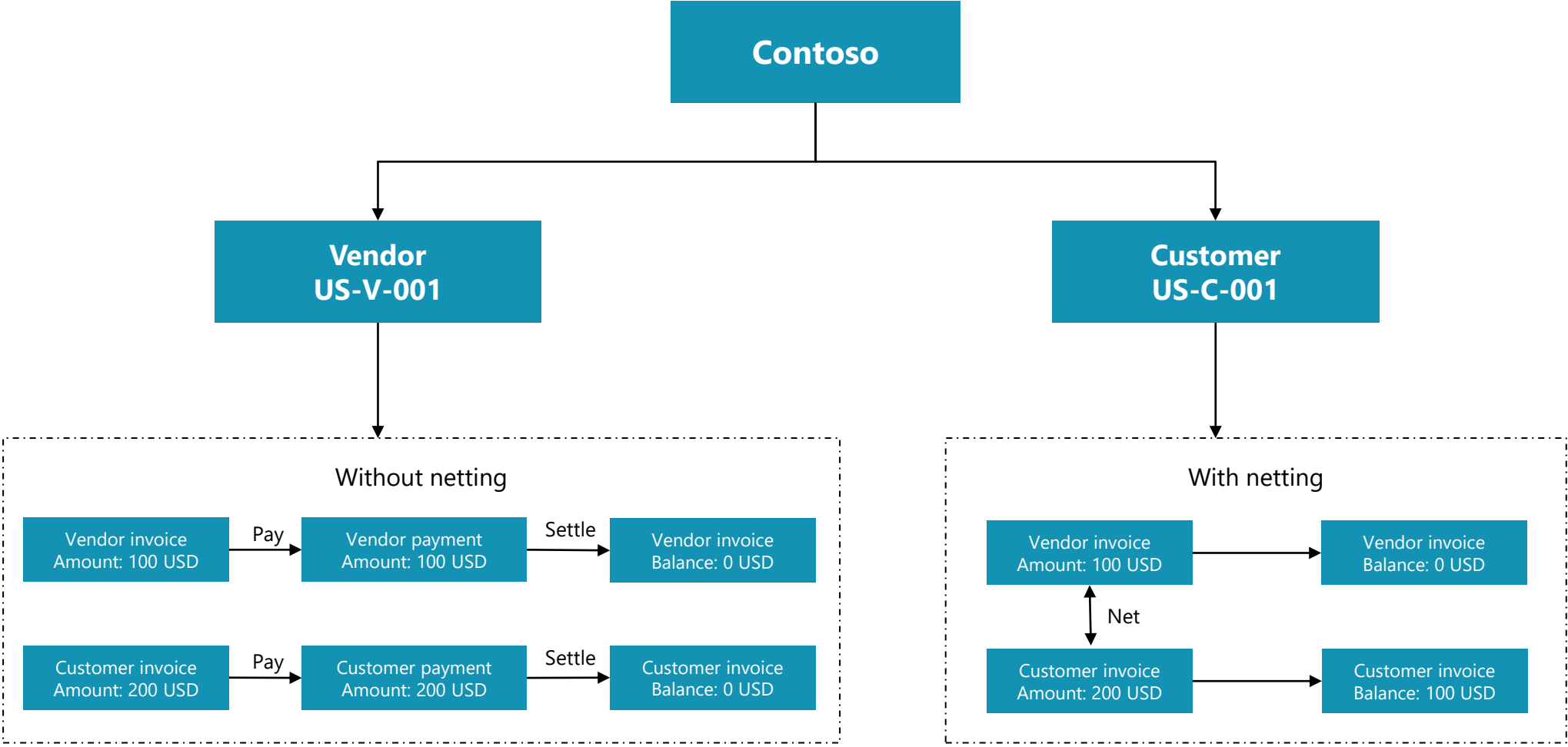
Contoso

Party

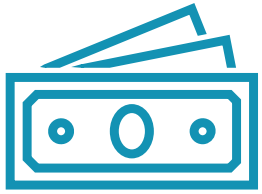
Vendor  
US-V-001

Customer  
US-C-001

Transaction



# Benefits of customer and vendor balance netting



Optimize cash flow



Reduce operation  
cost



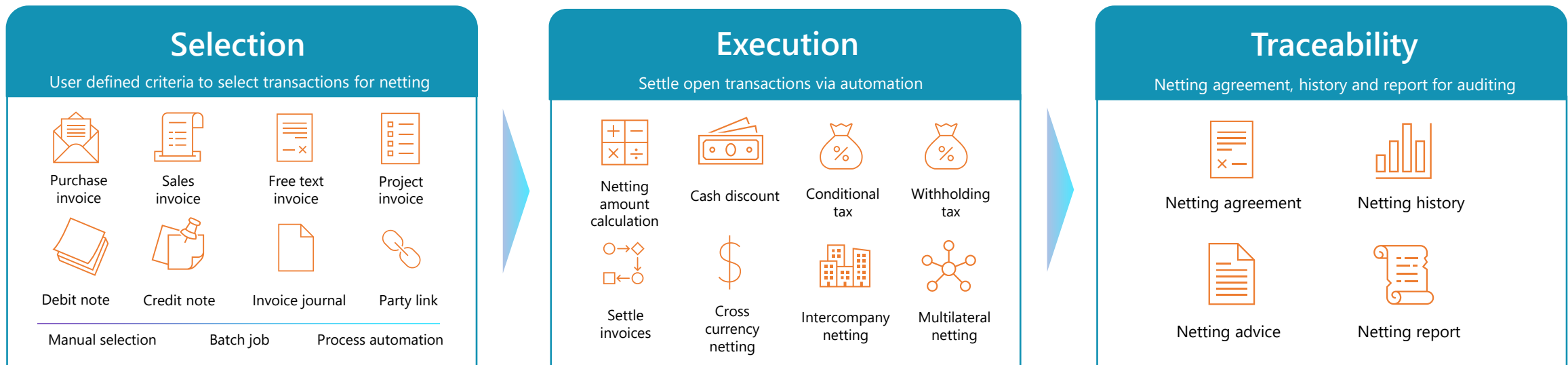
Improve operation  
efficiency



Avoid dummy payments  
and dummy bank  
accounts

# Core capabilities

- **Selection:** Netting feature can select all kinds of open invoices through manual, batch job and process automation
- **Execution:** Netting feature calculates the estimated netting amount for the selected customer invoices and vendor invoices, and posts netting journals to settle the selected open invoices.
- **Traceability:** Netting agreements, history and reports are available to trace the netting activities.



# Netting solution

**Overall Solution:**

- ❑ Netting agreement is used to define the pairs of customer and vendor account to netting the open balance
- ❑ Netting rule is defined to trigger automatic netting or process automation
- ❑ For one netting transaction, 2 payment transactions are created on customer and vendor side, the ledger account is used as bridging account.  
Standard settlement logic is used to settle the open balance on both customer and vendor accounts.
- ❑ There is no exclusively lock for netting and manual settlement on the same open transaction, the earlier post action will succeed and block the execution of the later action.

**The Basic Logic:**

1. Calculate open balance on customer and vendor side according to netting pair
2. Take the minimal balance as the netting amount
3. Create 2 lines in netting journal, mark selected open transactions for settlement with each line

Account	Account Type	Credit	Debit	Offset Account
US101	Customer	100		130725
1001	Vendor		100	130725

4. Post the netting journal and trigger settlement to clear the open balance in sub ledger.



# Useful resources and attention points

## Feature management

- Customer and vendor balance netting

## Microsoft Learn

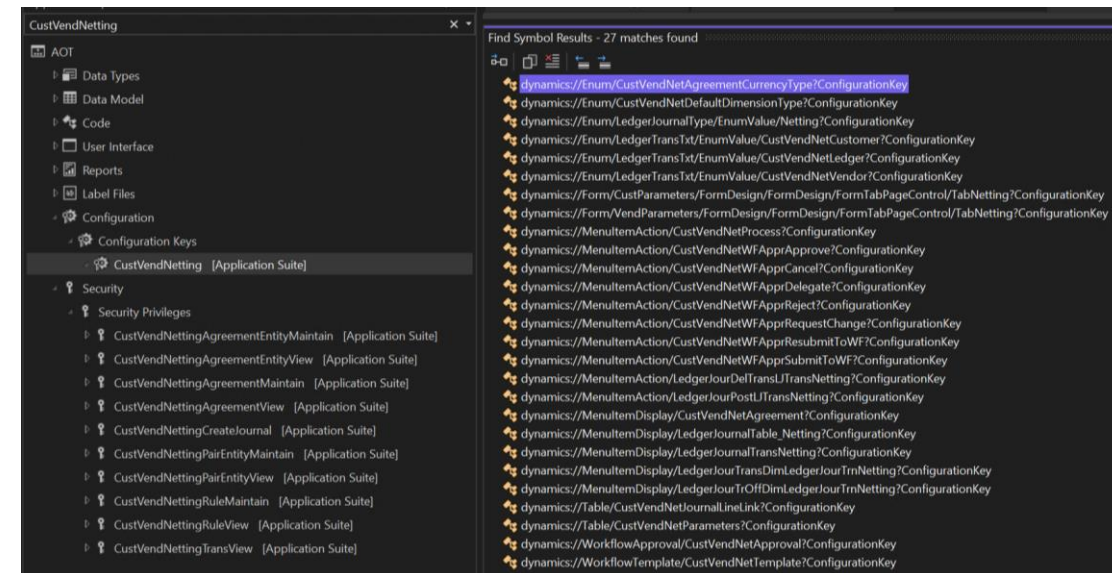
- [Net customer and vendor balances - Finance | Dynamics 365 | Microsoft Learn](#)

## Feedback channel

- [Viva Engage : Dynamics 365 and Power Platform Preview Programs : Cash, banking and payment : All Conversations \(yammer.com\)](#)
- <https://aka.ms/cashbank>

## Attention points

- Extensibility is going to be added based on customer requests to minimize the impact from changes due to new features in roadmap.
- All technical objects under control of configuration key "CustVendNetting" will be marked as deprecated.



# Create netting agreements

- Netting agreement is the prerequisite to settle open invoices between specific customer accounts and vendor accounts
- You can create netting agreements by following ways
  - Manual
  - Date entity
    - NettingAgreement
    - NettingAgreementPairs
- Define posting parameters in netting agreement
  - Journal name
  - Netting account
- Define customer account and vendor account pairs
  - Customer account
  - Vendor account
  - Effective from/to date

The screenshot shows the 'Netting agreement' setup screen in the Dynamics 365 Finance and Operations application. The breadcrumb trail at the top indicates the path: 'Cash and bank management > Netting > Netting agreements'. The left sidebar shows the 'Agreement01' entity selected. The main area is divided into sections: 'General' and 'Parties'. The 'General' section includes fields for 'Journal name' (set to 'Netting') and 'Account' (set to '130725--'). The 'Parties' section contains a table with columns for 'Customer account', 'Customer name', 'Vendor account', 'Vendor name', 'Start date', and 'To date'. A single row is visible, representing a netting pair between 'US-001' (Contoso Retail San Diego) and '1001' (Acme Office Supplies), with a start date of '1/1/2015'.

Customer account	Customer name	Vendor account	Vendor name	Start date	To date
US-001	Contoso Retail San Diego	1001	Acme Office Supplies	1/1/2015	



Filter

Name	Description
GenJrn	General Journal
GENLease	Monthly Lease Journal
IntJrn	Intercompany Journal
INTLease	Initial Recognition Journal
INVLease	Leasing Invoice Journal
LGJrn	Letter of guarantee journal
MODLease	Lease modification
Netting	Customer and vendor balance n..
NEW FA	FIXED ASSET
Payroll	Payroll Journal
PerJrn	Periodic Journal
PrjJrn	Project Journal
RDAPInv	Rebate AP invoice
RDAPInvW	Rebate AP invoice approval
RDAPRoy	Royalty AP invoice
RDGenJrn	Rebate General Journal
RDProv	Rebate Provision
RDWriteOff	Rebate Write Off
RebAccrual	Rebate accrual journal
Rev Rec	Revenue recognition
Royalty	Royalty accruals
ServExp	Services Expenses
STAT	Statistical

My view 

## Journal names

Name	Customer and vendor balance netting
------	-------------------------------------

Netting Customer and vendor balanc...

## General

Journal type

Customer and vendor netting

Prepayment journal voucher ☒ No

## APPROVAL

Active ☒ No

Approve

## APPROVAL WORKFLOW

Approval workflow  
☐ No

## Workflow

## BLOCKING

Private for user group

## VOUCHER NUMBER

### Voucher series

Netting01

New voucher

In connection with balance

Number allocation at posting

☒ No

Document

## OFFSET ACCOUNT PROPOSAL

Fixed offset account ☐ No

Account type  
Ledger

Offset account

## POSTING

Posting layer  
Current

Detail level

Details

### Fees posting

Keep fees in journal

## CURRENCY

Fixed rate ☐ No

Currency

**SALES TAX**

Amounts include sales tax

☐ No

Hide sales tax

☒ Yes

## CASH ACCOUNTS

Default cash account

## Financial dimensions

# Netting workbench

## Netting overview

- A centralized workbench to process netting transactions
- All available customer and vendor pairs will be displayed in this workbench
  - Customer open balance  $\neq$  0 or vendor open balance  $\neq$  0

## Manual netting

- Select open customer invoices and open vendor invoices to be netted
- Display FTI by line because FTI can be settled per lines
- Select netting posting date

## Netting history

- Print netting advice
- View netting history
- Reverse netting

**Finance and Operations Preview** | Cash and bank management > Netting > Netting agreements | USMF

Standard view | Create netting | Create netting from: Agreement01

**Netting parameters**

Netting agreement: Agreement01 | Netting currency: USD | Customer account: US-001 | Vendor account: 1001 | Netting posting date: | Print netting advice: No

**Open customer invoices**

Mark	Invoice	Due date	Cash discount date	Amount in transaction currency	Currency	Amount to net
<input type="radio"/>	FTI-00000002	1/31/2017		268.13	USD	268.13
<input type="radio"/>	000030	7/22/2017		20.00	USD	20.00
<input type="radio"/>	FTI-00000009	6/10/2017		321.75	USD	321.75
		11/3/2020		24,200.00	USD	24,200.00
		2/18/2021		30,250.00	USD	30,250.00
		2/18/2022		33,058.00	USD	33,058.00

**Open vendor invoices**

Mark	Invoice	Due date	Cash discount date	Amount in transaction currency	Currency	Amount to net
<input type="radio"/>	10017	7/30/2017	7/30/2017	578.09	USD	-578.09
<input type="radio"/>	10012	7/28/2017	7/28/2017	23,109.90	USD	-23,109.90
<input type="radio"/>	10018	7/23/2017	7/23/2017	7,209.98	USD	-7,209.98
<input type="radio"/>	7093	7/21/2017	7/21/2017	5,603.00	USD	-5,603.00
<input type="radio"/>	309	7/19/2017	7/19/2017	309.03	USD	-309.03
<input type="radio"/>	80193	7/4/2017	7/4/2017	4,589.10	USD	-4,589.10

**Netting total**

	CUSTOMER NETTING TOTAL	CUSTOMER NETTING ESTIMATED CASH DISCOUNT	CUSTOMER BALANCE AFTER NETTING	VENDOR NETTING TOTAL	VENDOR NETTING ESTIMATED CASH DISCOUNT	VENDOR BALANCE AFTER NETTING
ACCOUNTING CURRENCY: USD	0.00	0.00	128,441.83	0.00	0.00	-723,312.24
REPORTING CURRENCY: USD	0.00	0.00	128,441.83	0.00	0.00	-723,312.24

**Finance and Operations Preview** | Search for a page | USMF

Standard view | Customer and vendor balance netting history

Group by	Journal batch number	Netting agreement	Netting posting date	Netting currency	Netting amount	Account type	Account	Combined invoice	Total invoice amount	Created by	Status
<input type="checkbox"/> 00649 (2) [Journal batch number]	00649	Intercompany	2/23/2024	USD	-268.13	Customer	US-001	0	0.00	Admin	Reversed
	00649	Intercompany	2/23/2024	USD	268.13	Vendor	DE-001	0	0.00	Admin	Reversed
<input type="checkbox"/> 00651 (2) [Journal batch number]	00651	Intercompany	2/23/2024	USD	-268.13	Customer	US-001	1	268.13	Admin	Posted
	00651	Intercompany	2/23/2024	USD	268.13	Vendor	DE-001	1	-1,000.00	Admin	Posted



Customer and vendor balance netting

Standard view

Filter

<input type="radio"/> Netting agreement	Description	Currency	Customer account	Open customer invoices bala...	Vendor account	Open vendor in...	Start date	To date	
<input type="radio"/> Agreement01	Agreement01	GBP	US-001	4,000.00	1001	0.00	1/1/2015		
	Agreement01	USD	US-001	129,572.86	1001	-44,566.76	1/1/2015		
	Agreement02	GBP	US-001	4,000.00	1001	0.00	1/1/2015		
	Agreement02	USD	US-001	129,572.86	1001	-44,566.76	1/1/2015		
<input type="radio"/> Agreement02	Agreement02	USD	US-002	81,495.00	1002	-19,763.34	1/1/2015		

# Automatic netting

## Netting rules

- Netting sequence
  - By due date
  - By invoice balance
- Netting agreements – All/Selected
- Netting criteria
  - Invoice currency
  - Customer account
  - Vendor account

## You can run automatic netting in following ways

- Process automation
- Batch job
  - Periodical task
  - Automatic netting menu
  - Automatic netting button on netting overview page

The screenshot shows the 'Netting rules' configuration page in SAP Finance and Operations. The page is titled 'Finance and Operations Preview' and 'Cash and bank management > Netting > Netting rules'. It features a left sidebar with a 'Demo' entry. The main area is divided into three sections: 'Netting rules', 'Netting agreements', and 'Netting criteria'. The 'Netting rules' section has fields for Name, Description, Netting sequence, Netting agreement, Include credit note and debit note, and Active. The 'Netting agreements' section has a table with columns for Netting agreement and Status. The 'Netting criteria' section has a table with columns for Criteria, Operator, and Value.

Name	Description	Netting sequence	Netting agreement	Include credit note and debit note	Active
Demo	Demo	By due date - from newest to...	Selected	No	No

Netting agreement	Status
Agreement01	Active

Criteria	Operator	Value
Customer account	=	US-001



Customer and vendor balance netting

Standard view ▾

Filter

<input type="radio"/>	Netting agreement	Description	Currency	Customer account	Open customer invoices bala...	Vendor account	Open vendor in...	Start date	To date	
	Agreement01	Agreement01	GBP	US-001	4,000.00	1001	0.00	1/1/2015		
	Agreement01	Agreement01	USD	US-001	129,572.86	1001	-44,566.76	1/1/2015		
	Agreement02	Agreement02	GBP	US-001	4,000.00	1001	0.00	1/1/2015		
	Agreement02	Agreement02	USD	US-001	129,572.86	1001	-44,566.76	1/1/2015		
<input checked="" type="radio"/>	Agreement02	Agreement02	USD	US-002	81,495.00	1002	-19,763.34	1/1/2015		

# Advanced netting functions

## Conditional tax – 10.0.39

- Support conditional tax posting when netting customer and vendor invoices

## Intercompany – 10.0.40

- Customer account and vendor account can belong to different legal entities
- Intercompany accounting setup in GL

## Cash discount – Planned

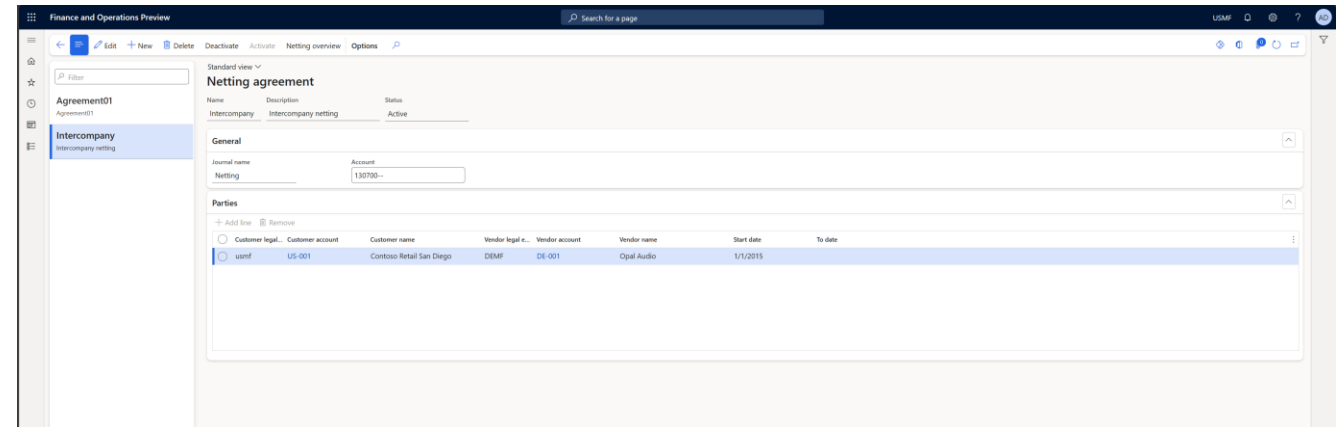
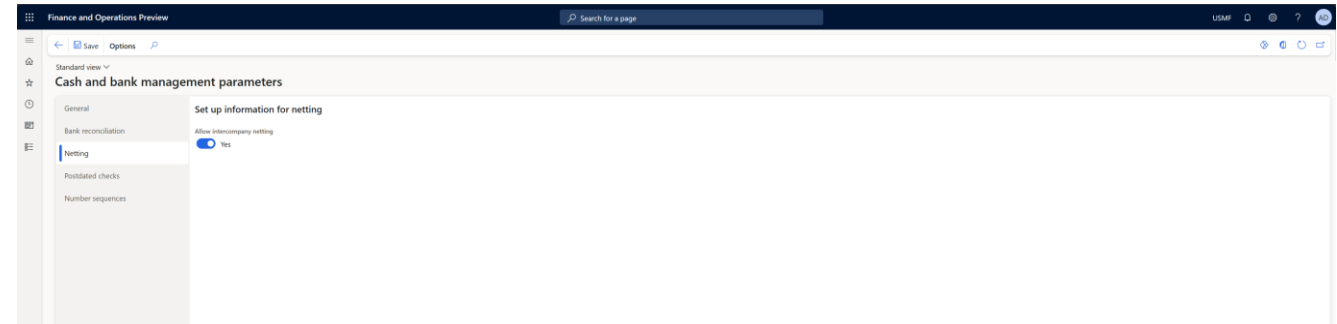
- Support cash discount calculation based on netting posting date

## Cross currency – Planned

- Support specific netting currency to settle with different customer or vendor invoice currency


## Withholding tax– Planned

- Support withholding tax posting when netting customer and vendor invoices







Standard view 

# Cash and bank management parameters

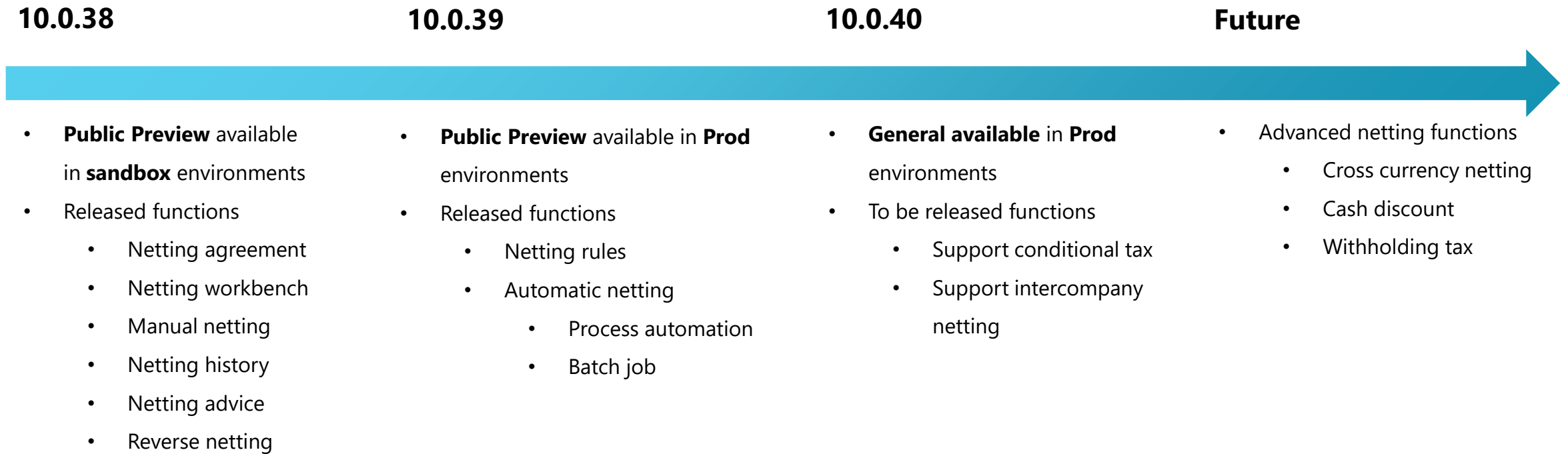
- General
- Bank reconciliation
- Netting**
- Postdated checks
- Number sequences

## Set up information for netting

Allow intercompany netting

☒ Yes

# Roadmap



# Q&A

