Microsoft Dynamics 365

Customer and vendor balance netting

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Agenda

- Customer and vendor balance netting overview

- Key functions and demos

- Roadmap

- Q&A

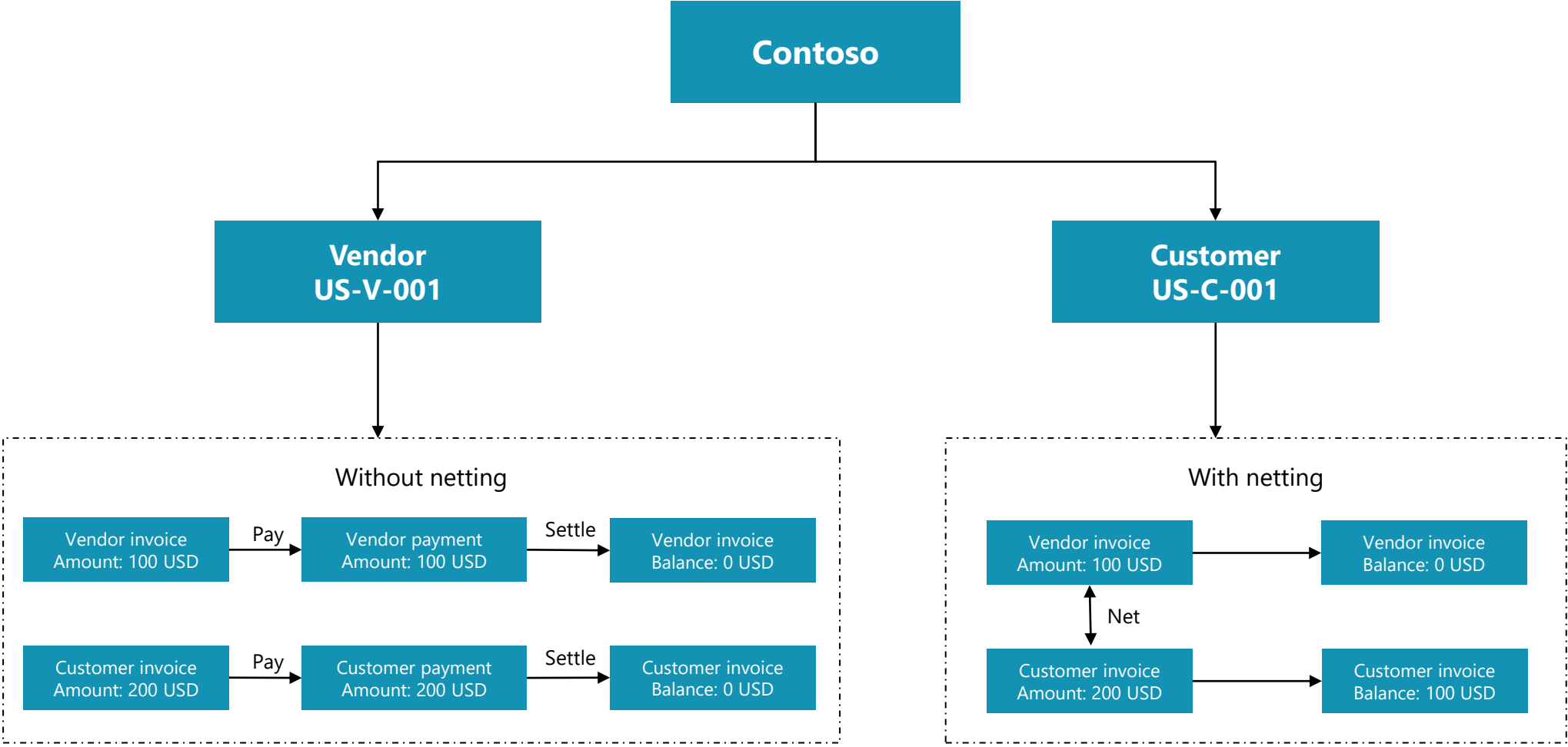# What is customer and vendor balance netting
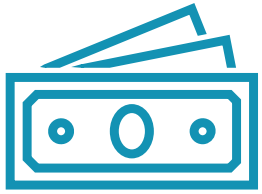
Company

Contoso

Party

Vendor
US-V-001

Customer
US-C-001

Transaction

Without netting

| Vendor invoice
Amount: 100 USD | Pay → | Vendor payment
Amount: 100 USD | Settle → | Vendor invoice
Balance: 0 USD |

| Customer invoice
Amount: 200 USD | Pay → | Customer payment
Amount: 200 USD | Settle → | Customer invoice
Balance: 0 USD |

With netting

| Vendor invoice
Amount: 100 USD | → | Vendor invoice
Balance: 0 USD |

Net

| Customer invoice
Amount: 200 USD | → | Customer invoice
Balance: 100 USD |

Benefits of customer and vendor balance netting

Optimize cash flow
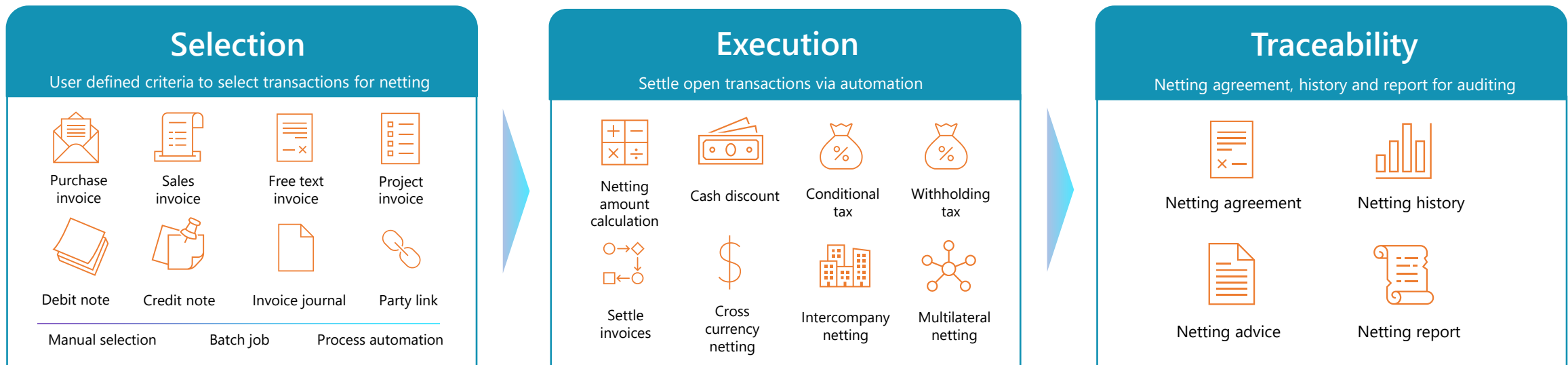
Reduce operation cost

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.

Selection
User defined criteria to select transactions for netting

Purchase invoice	Sales invoice	Free text invoice	Project invoice
Debit note	Credit note	Invoice journal	Party link

Manual selection | Batch job | Process automation

Execution
Settle open transactions via automation

Netting amount calculation	Cash discount	Conditional tax	Withholding tax
Settle invoices	Cross currency netting	Intercompany netting	Multilateral netting

Traceability
Netting agreement, history and report for auditing

Netting agreement	Netting history
Netting advice	Netting report

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

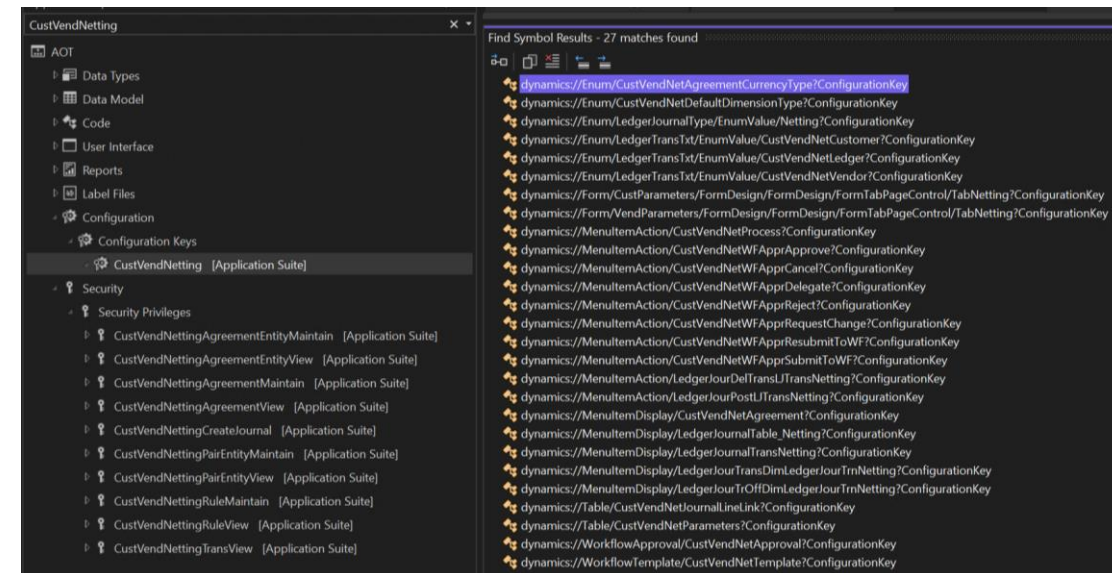- Customer and vendor balance netting

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

8

⊟ ≡ ✎ Edit + New 🗑 Delete Journal control Posting restrictions Options 🔍

My view ⌄

Journal names

Customer and vendor balance netting

Name

Netting   Customer and vendor balanc... ✎

General   ⌃

Journal type   **BLOCKING**   **OFFSET ACCOUNT PROPOSAL**   **CURRENCY**

Customer and vendor netting   Private for user group   **Fixed offset account**   **Fixed rate**

Prepayment journal voucher   ⬤ No   ⬤ No

⬤ No   Account type   Currency

                                     VOUCHER NUMBER   Ledger

APPROVAL   Voucher series   Offset account   **SALES TAX**

Active   Netting01   **Amounts include sales tax**

⬤ No   New voucher   ⬤ No

Approve   In connection with balance **POSTING**   **Hide sales tax fields in journal entry fo...**

                                     Number allocation at posting **Posting layer**   ⬤ Yes

                                     ⬤ No   Current

APPROVAL WORKFLOW   Detail level   **CASH ACCOUNTS**

Approval workflow   Document   Details   Default cash account

⬤ No   Fees posting

Workflow   Keep fees in journal

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 <> 0 or vendor open balance <> 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

USMF

Search for a page

Create netting   Automatic netting   Netting history   Options

Customer and vendor balance netting

Standard view ⌄

🔍 Filter

○	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		
○	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

Search for a page

← Create netting Automatic netting Netting history Options 🔍

Customer and vendor balance netting

Standard view ⌄

🔍 Filter

○	Netting agreement	Description	Currency	Customer account	Open customer invoices bala...	Vendor account	Open vendor in...	Start date	To date	⋮
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	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		
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○	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
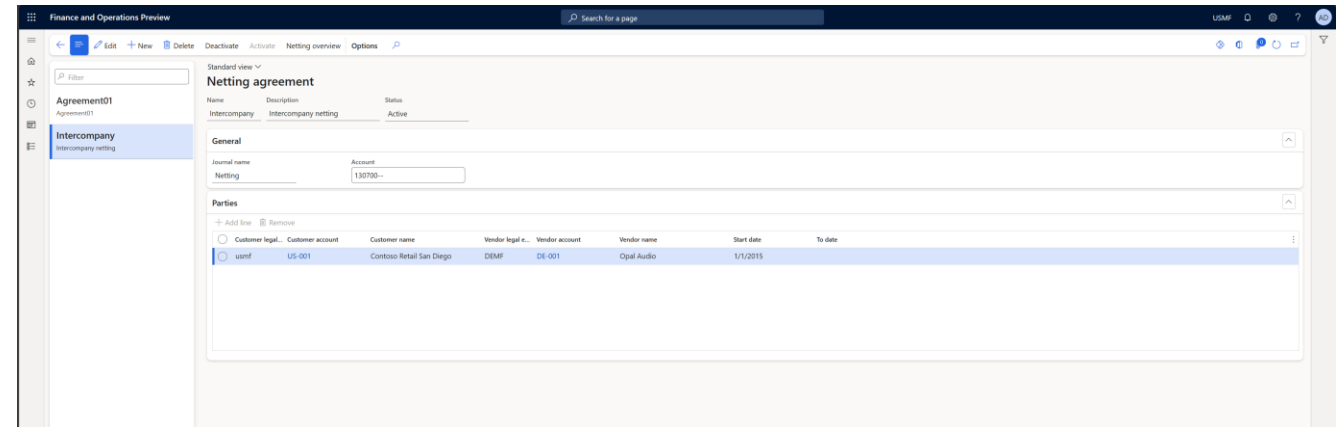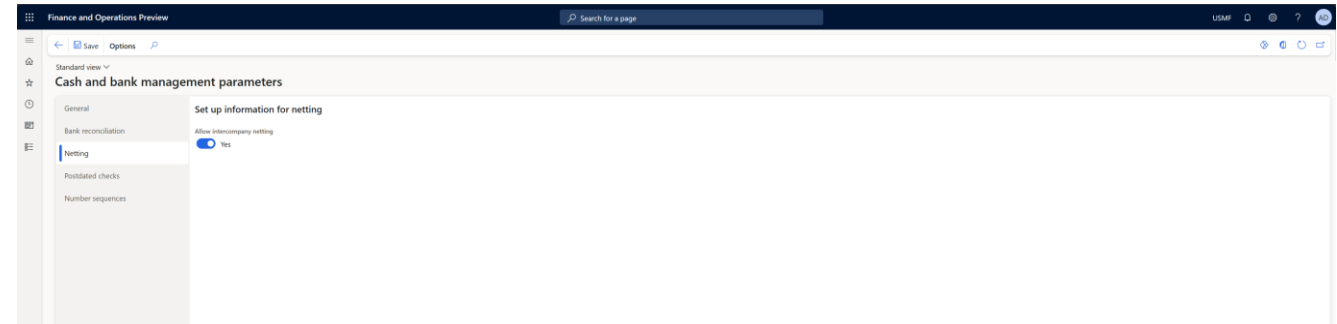
Cash discount – Planned

- 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

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Save Options

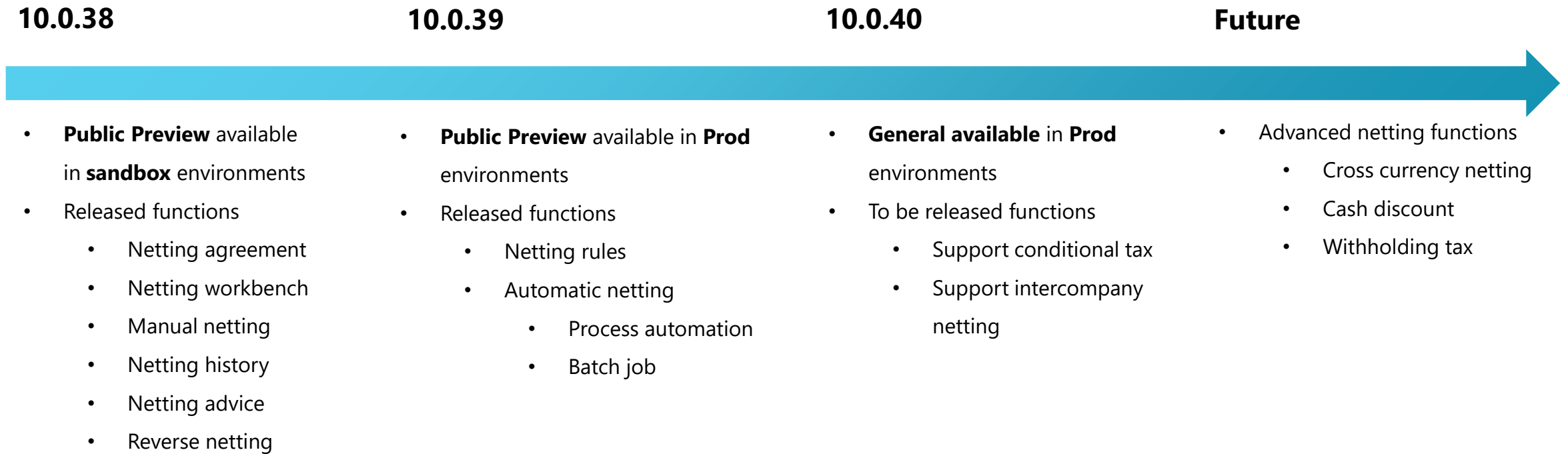Standard view ⌄

Cash and bank management parameters

General

Bank reconciliation

Netting

Postdated checks

Number sequences

Set up information for netting

Allow intercompany netting

🔵 Yes

Roadmap

10.0.38

- **Public Preview** available in **sandbox** environments
- Released functions
  - Netting agreement
  - Netting workbench
  - Manual netting
  - Netting history
  - Netting advice
  - Reverse netting

10.0.39

- **Public Preview** available in **Prod** environments
- Released functions
  - Netting rules
  - Automatic netting
    - Process automation
    - Batch job

10.0.40

- **General available** in **Prod** environments
- To be released functions
  - Support conditional tax
  - Support intercompany netting

Future

- Advanced netting functions
  - Cross currency netting
  - Cash discount
  - Withholding tax

The time and content are subject to External Release Plan

Microsoft Dynamics 365

Q&A