

# Customer and vendor balance netting

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# Agenda

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

# What is customer and vendor balance netting

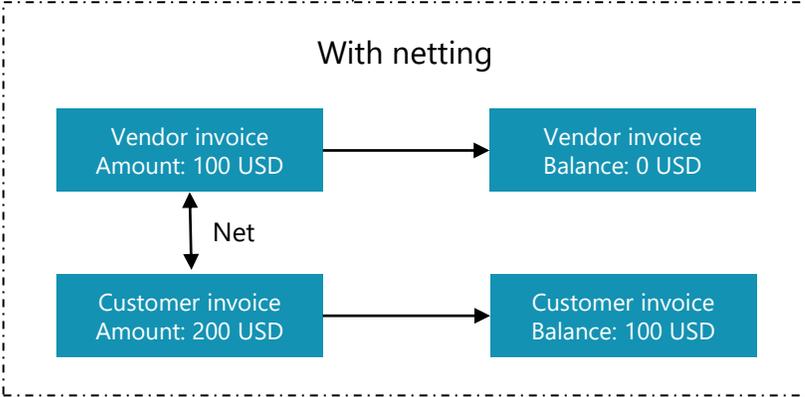
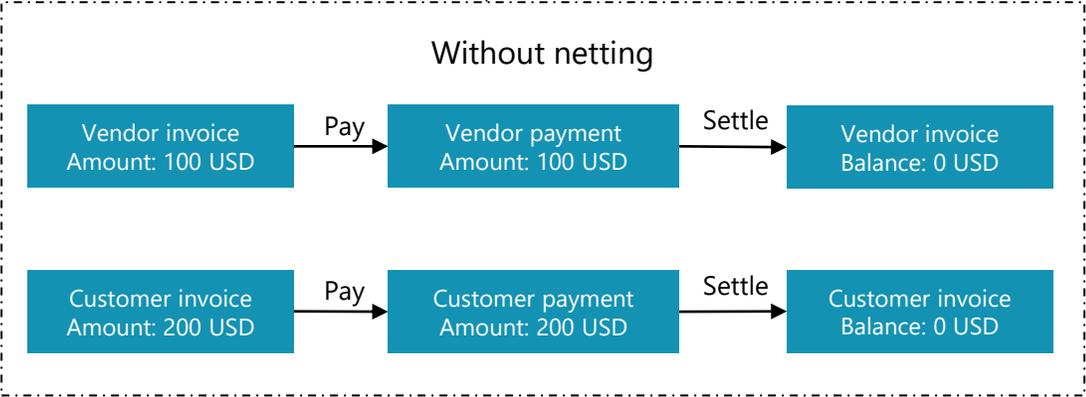
Company



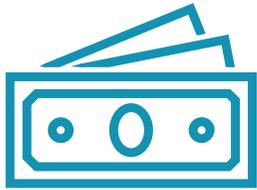
Party



Transaction



# Benefits of customer and vendor balance netting



Optimize cash flow



Reduce operation  
cost



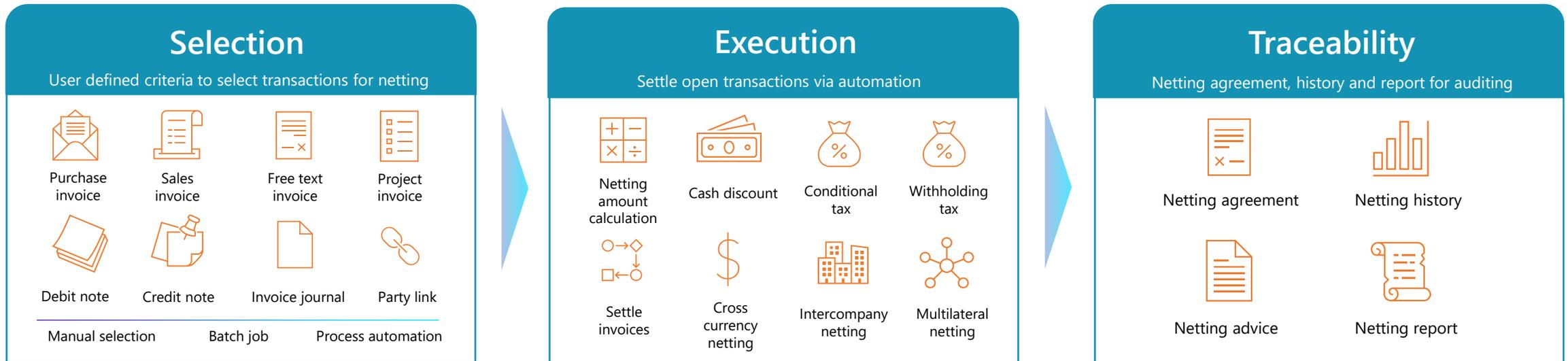
Improve operation  
efficiency



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

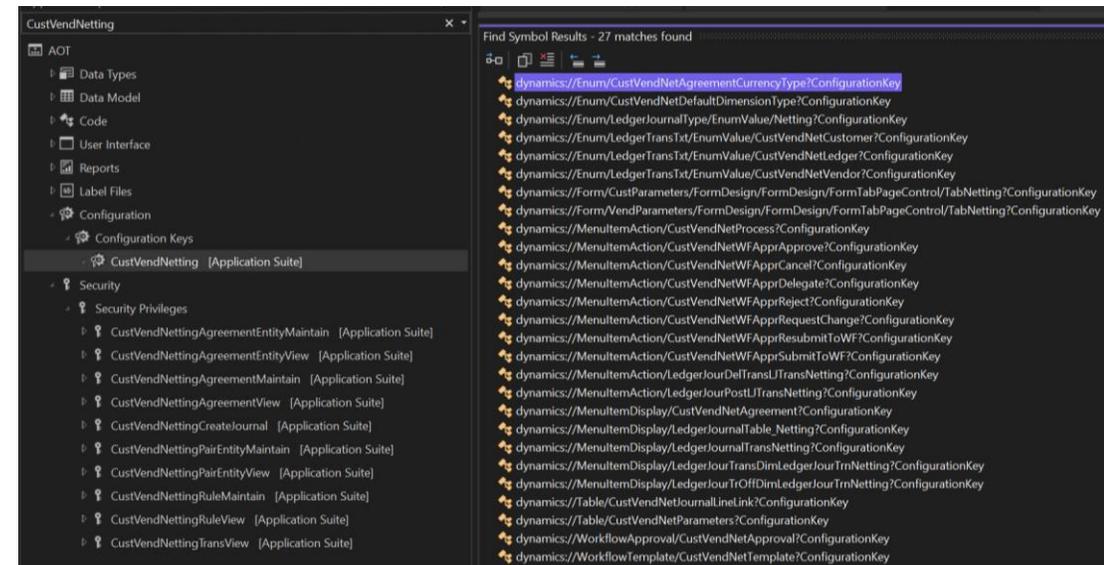
- [Net customer and vendor balances - Finance | Dynamics 365 | Microsoft Learn](#)

## 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' form in Dynamics 365 Finance and Operations. The breadcrumb trail is 'Cash and bank management > Netting > Netting agreements'. The form is titled 'Netting agreement' and shows a 'Standard view' dropdown. Below the title, there is a table with columns 'Name', 'Description', and 'Status'. The first row shows 'Agreement01', 'Agreement01', and 'Active'. Below this is the 'General' section with 'Journal name' set to 'Netting' and 'Account' set to '130725--'. The 'Parties' section has a table with columns 'Customer account', 'Customer name', 'Vendor account', 'Vendor name', 'Start date', and 'To date'. The first row is selected and shows 'US-001', 'Contoso Retail San Diego', '1001', 'Acme Office Supplies', and '1/1/2015'.

Name	Description	Status
Agreement01	Agreement01	Active

**General**

Journal name: Netting  
Account: 130725--

**Parties**

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
RDPProv	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

<b>Journal type</b> Customer and vendor netting	<b>BLOCKING</b> Private for user group	<b>OFFSET ACCOUNT PROPOSAL</b> Fixed offset account <input type="radio"/> No	<b>CURRENCY</b> Fixed rate <input type="radio"/> No
<b>Prepayment journal voucher</b> <input type="radio"/> No	<b>VOUCHER NUMBER</b> Voucher series Netting01	Account type Ledger	Currency
<b>APPROVAL</b> Active <input type="radio"/> No	New voucher In connection with balance	Offset account <input type="text"/>	<b>SALES TAX</b> Amounts include sales tax <input type="radio"/> No
Approve <input type="text"/>	Number allocation at posting <input type="radio"/> No	<b>POSTING</b> Posting layer Current	Hide sales tax fields in journal entry fo... <input checked="" type="radio"/> Yes
<b>APPROVAL WORKFLOW</b> Approval workflow <input type="radio"/> No	Document <input type="text"/>	Detail level Details	<b>CASH ACCOUNTS</b> Default cash account <input type="text"/>
Workflow <input type="text"/>		Fees posting 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  $\neq$  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

**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 selected	Unmark selected	Invoice	Due date	Cash discount date	Amount in transaction currency	Currency	Amount to net
<input type="radio"/>	<input type="radio"/>	FTI-00000002	1/31/2017		268.13	USD	268.13
<input type="radio"/>	<input type="radio"/>	000030	7/22/2017		20.00	USD	20.00
<input type="radio"/>	<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		31,058.00	USD	31,058.00

Open vendor invoices

Mark selected	Unmark selected	Invoice	Due date	Cash discount date	Amount in transaction currency	Currency	Amount to net
<input type="radio"/>	<input type="radio"/>	10017	7/30/2017	7/30/2017	578.09	USD	-578.09
<input type="radio"/>	<input type="radio"/>	10012	7/28/2017	7/28/2017	23,109.90	USD	-23,109.90
<input type="radio"/>	<input type="radio"/>	100189	7/23/2017	7/23/2017	7,209.98	USD	-7,209.98
<input type="radio"/>	<input type="radio"/>	7993	7/21/2017	7/21/2017	5,603.00	USD	-5,603.00
<input type="radio"/>	<input type="radio"/>	309	7/19/2017	7/19/2017	309.03	USD	-309.03
<input type="radio"/>	<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

Standard view

Group by	Journal batch number	Netting agreement	Netting posting date	Netting currency	Netting amount	Account type	Account	Contained invoices	Total invoice amount	Created by	Status
	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
	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		

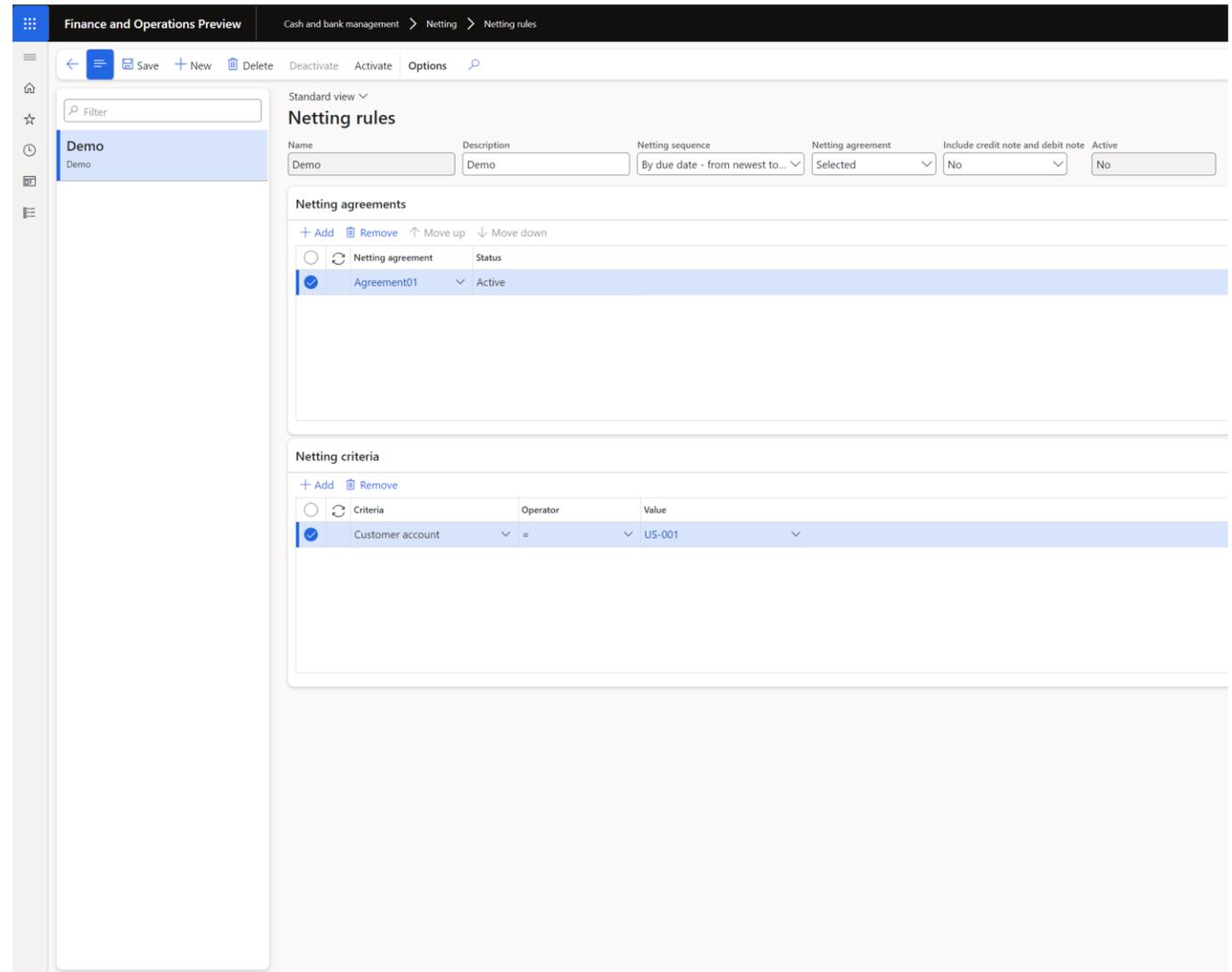
# Automatic netting

## 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



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		
<u>Agreement02</u>	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

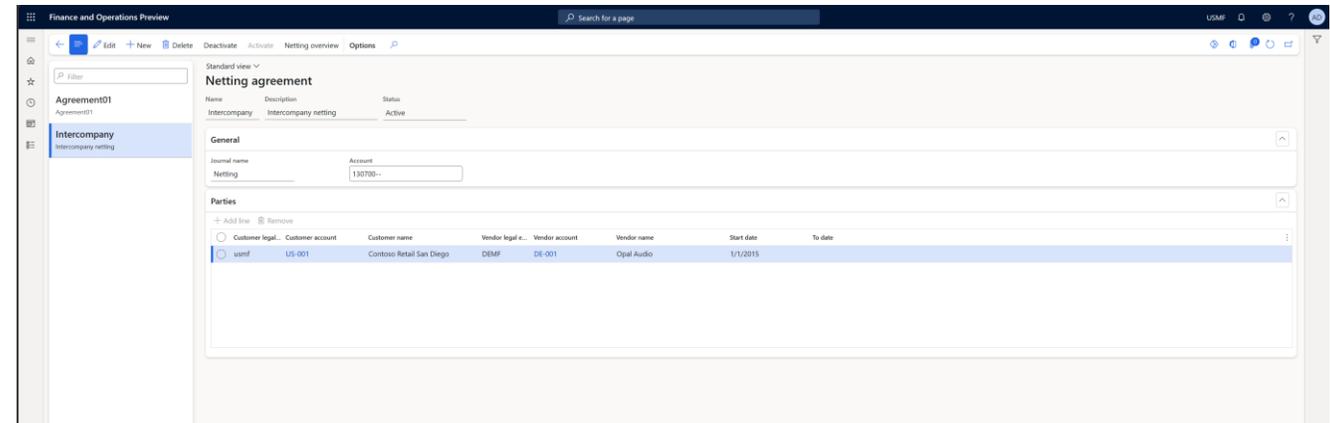
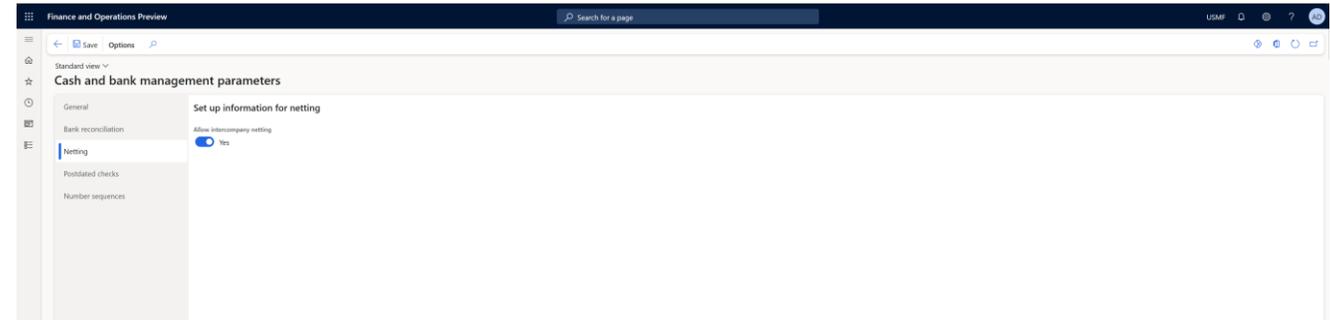
- Support cash discount calculation based on netting posting date

## 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

## 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

# Q&A

