

How to Collect Penalty from Customers? [Compound Interest]

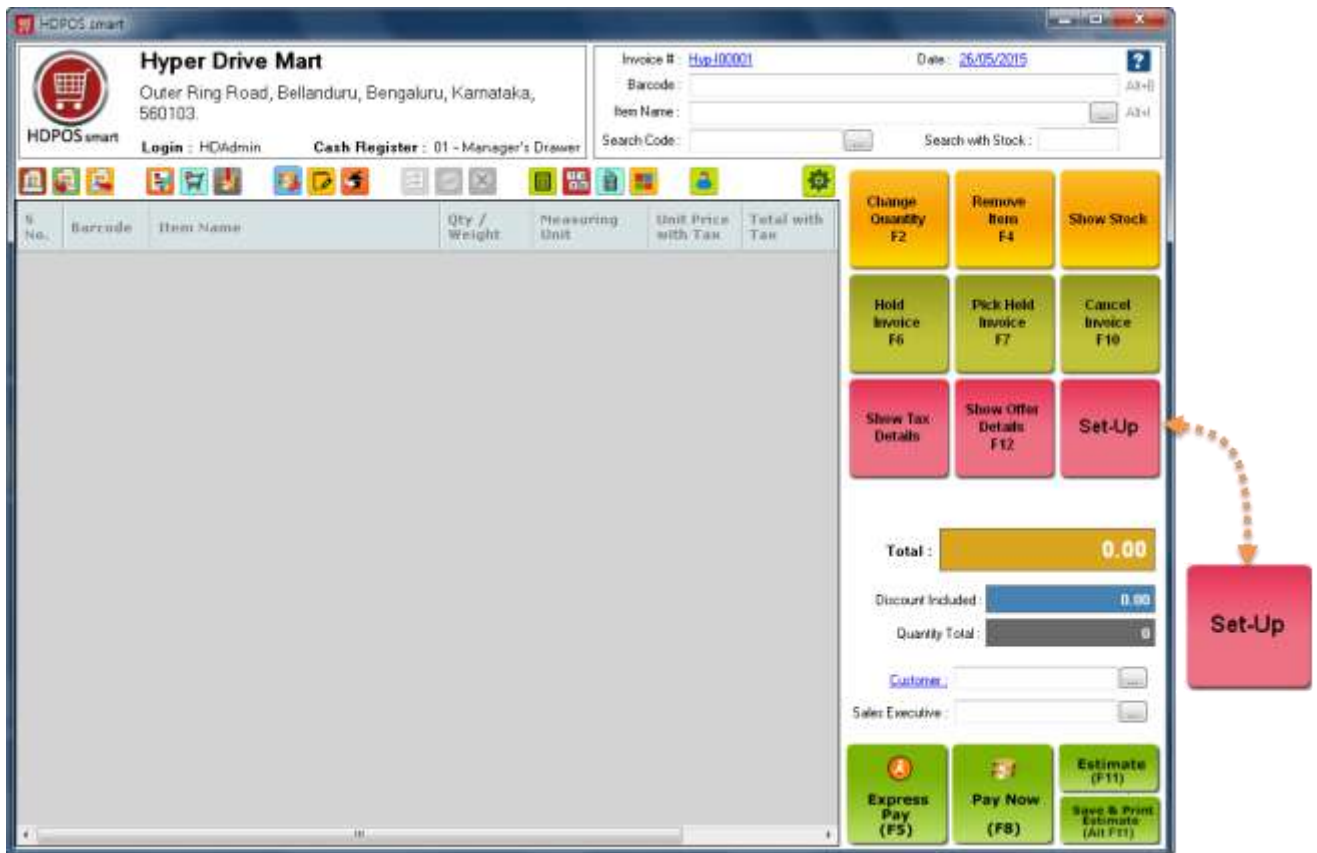


HDPOS smart Tutorials

To collect penalty from customers, you would need to define penalty. Once the penalty settings are done, the penalty amount is calculated based on the settings while clearing the invoices from **Receive Payment manager**.

The steps to collect penalty in HDPOS Smart is as given below:

1. Run **HDPOS Smart**
2. Click on **Setup** button.





3. From the first page of setup, click on **Rcv Payment**



4. Click on **Add** button to create a new 'Received Payment' document.





5. Select the customer.

6. Select the invoices from the list of pending invoices for completing the payment, in the 'Invoice Info' section.


Select For Payment	Invoice Number	Invoice Date	Pending Amount	Adjusted Amount	Penalty Amount	Actual Penalty Amount	Adjusted Penalty Amount	Adjust Balance
<input checked="" type="checkbox"/>	Hyp-100003	30/05/2015	1,000.00	1,000.00	40.40	40.40	40.40	Adjust Balance

7. The three columns concerning the penalty – **Penalty Amount**, **Actual Penalty Amount** and **Adjusted Penalty Amount** are shown, of which, the **Actual** and the **Adjusted Penalty Amount** column values can be edited.

- i. **Penalty Amount:** This shows the penalty amount calculated according to the penalty settings defined.
- ii. **Actual Penalty Amount:** This field is editable. Here, you can specify the penalty amount that you intend to collect from the customer.
- iii. **Adjusted Penalty Amount:** If the customer is paying only a part of the total penalty amount being charged, enter the penalty amount that is being paid in this column. The difference between the actual penalty amount and the adjusted penalty



amount will be added to the remaining invoice amount for the calculation of the interest for subsequent payments.

NOTE: To see the calculation of the penalty, click on the **Show Penalty Calculation** button .

Select For Payment	Invoice Number	Invoice Date	Pending Amount	Adjusted Amount	Penalty Amount	Actual Penalty Amount	Adjusted Penalty Amount	Adjust Balance
<input checked="" type="checkbox"/>	HYD-000003	30/05/2015	1,000.00	1,000.00	40.40	40.40	40.40	Adjust Balance

The Penalty Calculation window shows the calculation of penalty in detail.

Name : Default Penalty
Payment Term Days : 15
Interest : 2
Interest Period : 1
Interest Period Segment : Month
InvoicePendingAmount : 1,000.00
Remaining PenaltyAmount : 0.00
Interest Amount : 40.40
Is Compound Interest

Close



- i. **Name:** Name of the penalty setting used to calculate the penalty.
- ii. **Payment term Days:** Payment term days defined in the penalty settings.
- iii. **Interest:** Percentage interest applied.
- iv. **Interest Period:** This is the interest period specified in the penalty settings.
- v. **Interest Period Segment:** Interest period segment specified in the penalty settings.
- vi. **Invoice Pending Amount:** This is the pending amount of the invoice on which the penalty is being calculated.
- vii. **Remaining Penalty Amount:** If penalty was adjusted while making a partial payment against the selected invoice, then, the remaining penalty amount to be received is shown here.
- viii. **Interest Amount:** This is the total interest calculated. The interest is calculated on the sum of the Invoice pending amount and the Remaining Penalty Amount.
- ix. **Is Compound Interest:** This determines if the interest calculated is simple or compound interest. The checkbox is checked if the interest is compound interest, else it is simple interest.

In this example, penalty was defined as shown below:

Add Customer Penalty Definition

Name : Default Penalty

Payment Term Days : 15

Interest : 2 %

Interest Period Segment : Month

Is Compound Interest

Interest Period : 1

Select Customer Group

Applicable To All Customer Applicable Only For Selected Customer Groups

Customer Group...

OK (F8) Cancel



Here, after the completion of 15 days of payment terms, a compound interest of 2% is calculated, that is compounded at the end of each month.

E.g., For a pending amount of 1000, on completion of 15 days of payment terms, a 2% interest, i.e., 20 was added to the principal amount of 1000, making it 1020 at the end of 1 month post completion of payment terms. For the next month, the total amount of 1020 is considered as principal, and 2% of 1020, i.e., 20.4 is the interest. Hence, the total is calculated as: Pending amount + interest of first month + interest of second month.

Therefore, the amount to be paid is $1000+20+20.4=1040.4$

8. Select the appropriate payment modes for creation of the receive payment document, and click on **Save**.