Accounts Payable Processing Part 1 – Basic Data Entry

Invoices & Credit Memos

Course 2 in Standard Curriculum

UNIVERSITY OF TORONTO | Financial Services

UNIVERSITY OF TORONTO

Learning Objectives

- Understand the Accounts Payable (A/P) Business Process
- Identify Accounts Payable Transactions in FIS
- Processing Invoices (under $10,000) and Credit Memos
- Understand the University's unique tax treatment and rebates
- Understand the Cheque Production and Deposit Cycle

Link to Course Material

Housekeeping –
All FIS Courses and Workshops

Expectations for FIS Courses:

- Must be able to complete all assigned exercises in the SAP-QT1[HANA] training application.
    - If you are having technical issues, and cannot complete the exercises in class, you have 1 week to complete them. If extensions are necessary, please contact me.
    - The instructor will review all exercises.
- Must attend most of the class. If you miss 20 minutes or more of class you will not be eligible for course credit.

All FIS courses are recorded and will receive a copy of the recording for their record.

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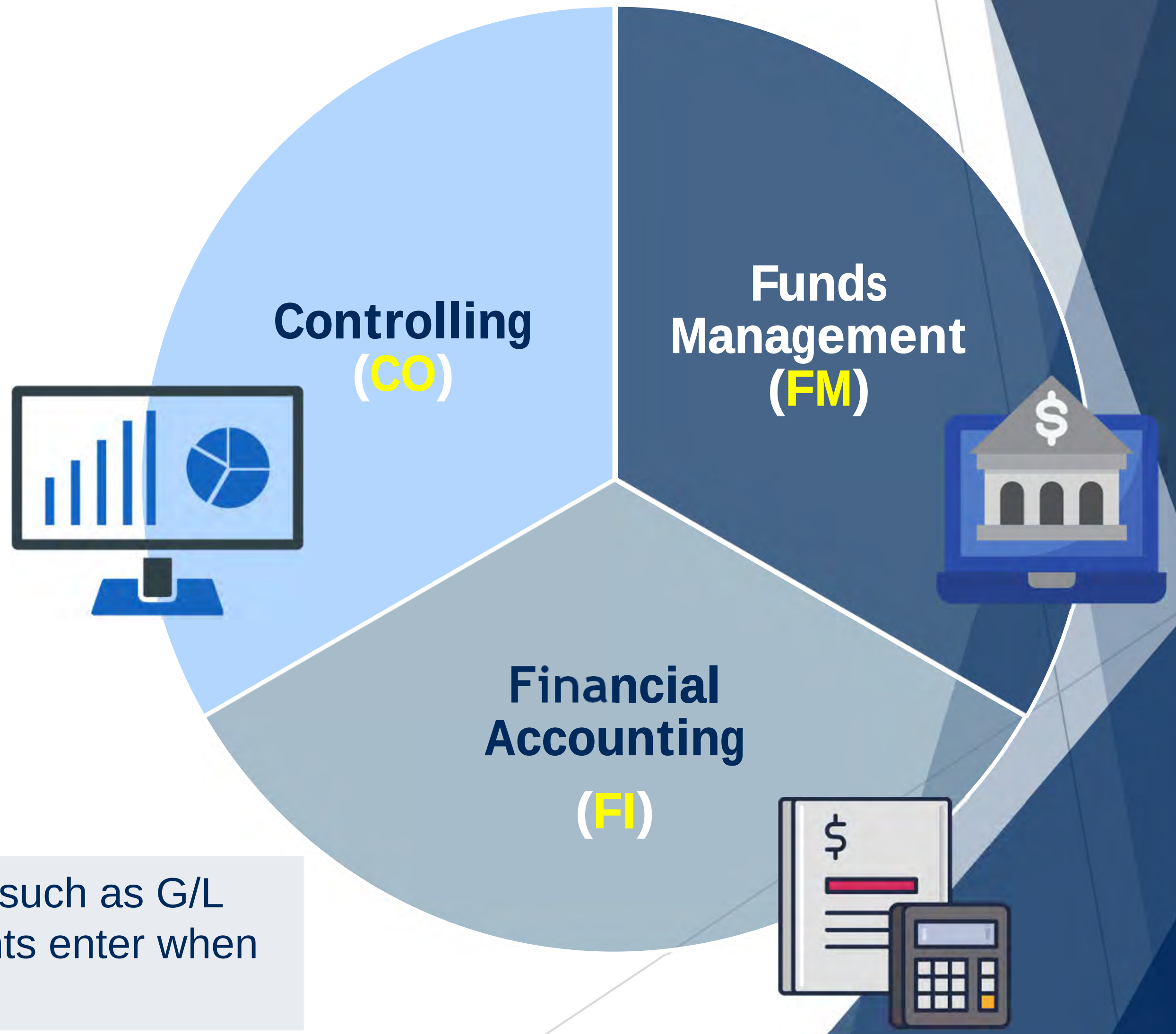
Review : Components of FIS

The **Financial Information System (FIS) is made up of 3 components that have unique functions.**



Each component has unique account codes, such as G/L accounts, and Funds Centers that departments enter when processing in FIS.

Accounts Payable at UofT

Refers to transactions where the University owes money/pays an organization or individual. It also refers to credit memos related to previously paid invoices, and transactions where a cheque is generated.

Most Common Transactions:

- Invoice payments to vendors
- Expense reimbursements
- Credit memos
- Petty Cash/Imprest Bank Account Reimbursements

Link to Accounts Payable Documentation & Support

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What is the Standard Accounts Payable Business Process?

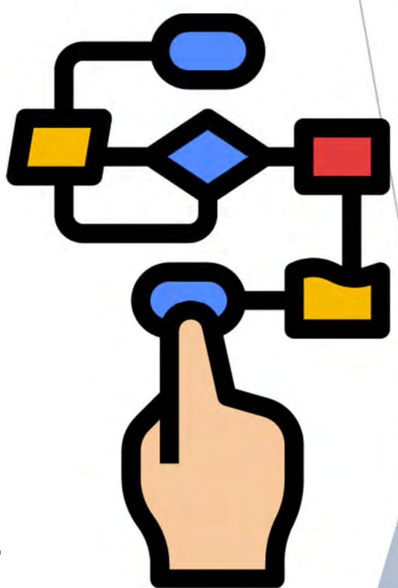
Step 1 Get approval for the payment.

Step 2 Obtain/determine the FIS account information (e.g., FC, CC/IO, G/L)

Step 3 Process the invoice transaction in FIS

Step 4 Note the system generated document number on the source document (e.g., invoice, expense report form) and if required, notify other impacted parties.

Step 5 File document(s) in accordance with **UofT File Plan**



Link to Accounts Payable Documentation & Support

How does FIS Identify Transactions?

FIS uses document numbers (i.e. 9 or 10 digits in lengths), and two letter document types to identify transactions.

For example:

	Invoice *not* requiring a Purchase Order	**Credit Memo**	**Expense Reimbursement** (cheque)	**Petty Cash** Replenishment	**Imprest Account** Replenishment
Document Type	KN	KG	KE	KC	KI
Description in FIS	A/P Vendor invoice	Vendor Credit	Expense Reimbursement	Petty Cash Fund	Imprest Expense
Document Number series	**19**xxxxxxxx	**19**xxxxxxxx	**23**xxxxxxxx	**21**xxxxxxxx	**22**xxxxxxxx

Take a look at this list of FIS document types and number.

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The University's Unique Tax Treatment

As a broader public sector organization, and being in part funded by the provincial government, the University is eligible for **partial rebates** on purchases.

These rebates are applied immediately, and vary depending on:

- Whether HST/Provincial Sales taxes (PVAT) was charged by the vendor
- Where the goods/services were consumed/rendered
- What type of good/service was purchased

Learn more about the GTFM Policy governing HST for Purchases and Payments to Vendors.

Calculating the Tax Rebate

The tax rebate is a blended rate that combines federal and provincial rates.

Example:

	Regular HST Rate	UofT Tax Rebate	UofT Tax Rate
GST	5%	67%	1.65%
OVAT	8%	78%	1.76%
Total	13%	72.5% average	3.41%

[Link to Tax Code Summary Table]

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How does FIS know what Tax Rebate to apply?

To apply the applicable tax treatment, the University uses 2-character **tax codes** (e.g. E1) to code the rebate and ensure that the accounts (i.e. Funds Center or FC/Fund) is only charged the after-tax-rebate amount.

Tax Code Hints	
Expense Tax Codes	Use G/L acct.'s in **8**xxxxx series
Revenue Tax Codes	Use G/L acct.'s in **7**xxxxx series
J9	**Internal** Use Only; HST exempt Internal expense transfers and corrections (G/L acct. 8xxxxx)
S9	**Internal** Use Only; HST exempt Internal sales/recoveries and corrections (G/L acct. 7xxxxx)

Link to Tax Code Summary Table

Sample Tax Rebate Calculation

Example: Invoice for $113 ($100 + 13%) for goods “consumed” in Ontario.

Tax Code: E1

Cost:	$100.00
HST (8% OVAT + 5% GST):	$13.00
Invoice total (amt. paid to vendor):	**$113.00**
OVAT Rebate @ 78%:	-$6.24
GST Rebate @ 67%:	-$3.36
Net Amount Charged to Funds Center OR FC/Fund:	**$103.41**

Unsure about the tax code to use?

Email: fast.help@utoronto.ca **OR** your **FAST Team Faculty Representative**

Link to Tax Code Summary Table

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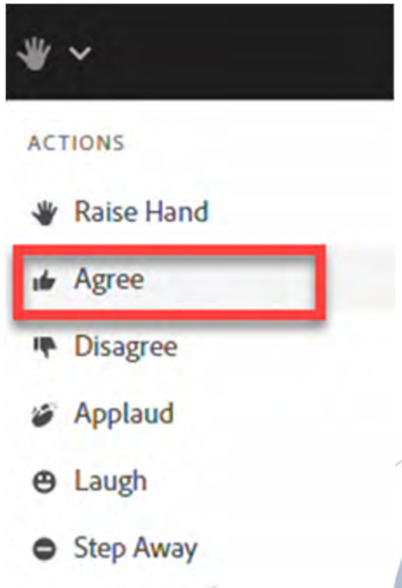
Processing Invoices in FIS

Exercise Expectations

1. Open the Course Material page
2. Open the "**In Class Material**" >> **Exercise – Reference Guide/Simulation**
3. Follow the menu path to the FB60 – Invoice Screen
4. Complete the Exercise and put a "thumbs up".



Link to **[Course Material](#)** page.

FB60 – Enter Invoice Screen

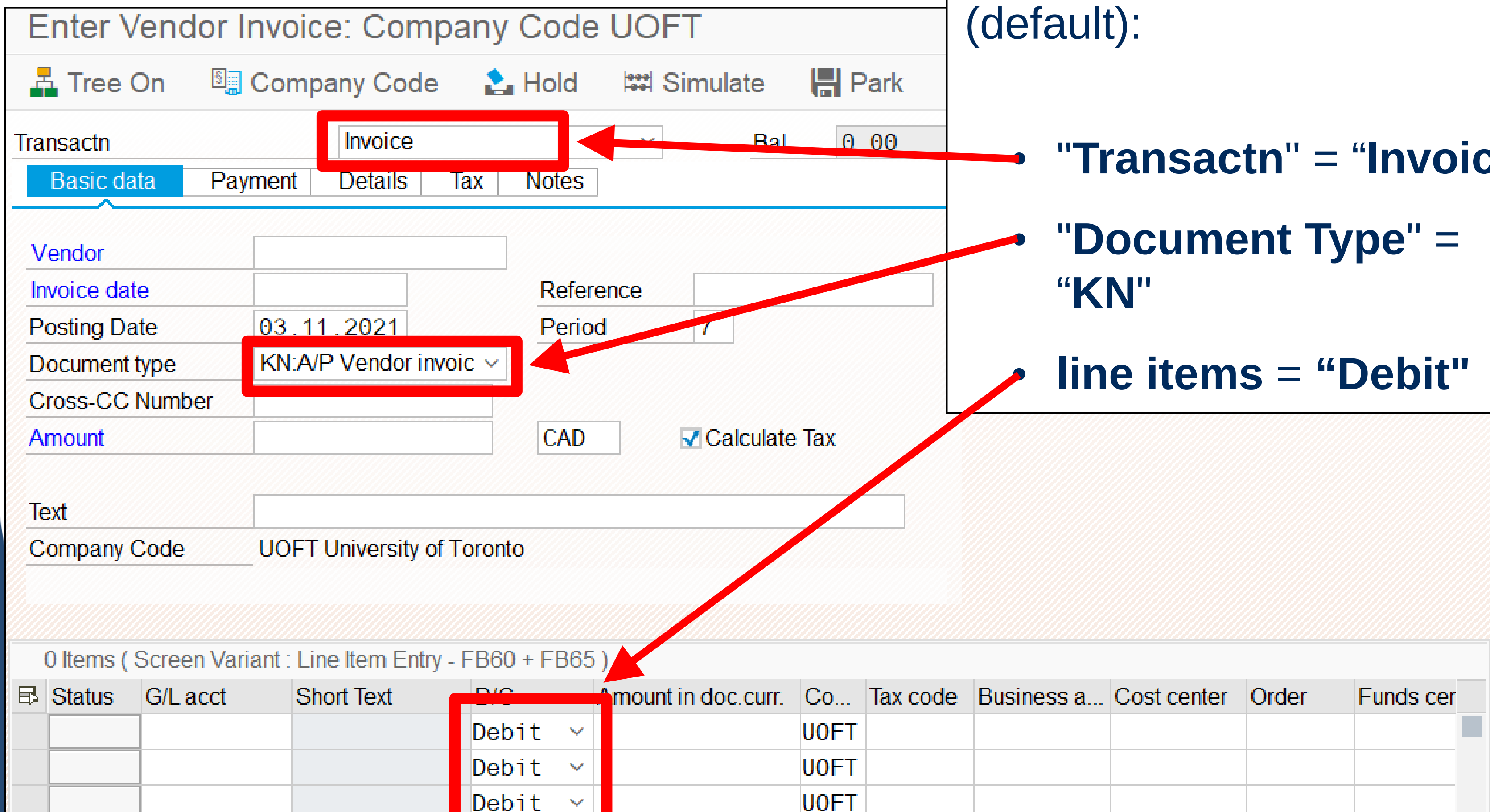
The **FB60 – Enter Invoice** screen is used to process a number of FIS transactions, such as:

- **Invoice payments to vendors**
  (under $10,000 and not Purchase Order related)
- **Expense Reimbursement for non-employees**
  (i.e. non-ERDD)
- **Petty Cash** & **Imprest** Bank Account Reimbursements
- **Refunds for refundable deposits**
  (e.g., room key deposits)

Link to **Course Material** page.

FB60 – Invoice Create Entry Screen

Certain fields will be defaulted.



The **Invoice** transaction (default):

- **"Transactn" = "Invoice"**
- **"Document Type" = "KN"**
- **line items = "Debit"**

All FIS transaction screens have **required** and **optional** fields to complete.

Use the reference material to guide you through how to complete the transaction.

*Any field that is NOT included in the reference guide should be ignored.

Link to **Reference Guide** page.

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Vendor Accounts

Companies who are set up in FIS will have a **6-digit vendor** number assigned to them.

Characteristics of Vendor Accounts:

- Vendors may have multiple accounts if they have different addresses for receiving payments vs. purchase orders/contracts.
- The first digit of the vendor number identifies the CURRENCY they want to be paid in (i.e. 1xxxxx = CAD, 3xxxxx = USD, 4xxxxx = all other currency).

NOTE: Some vendors may have multiple accounts in different currencies, regardless of where they are located.

Commercial Vendor Numbers/Master Records are set-up by Procurement Services.

Visit **procurement.utoronto.ca** to learn more

Watch this simulation to learn how to search for commercial vendors in FIS.

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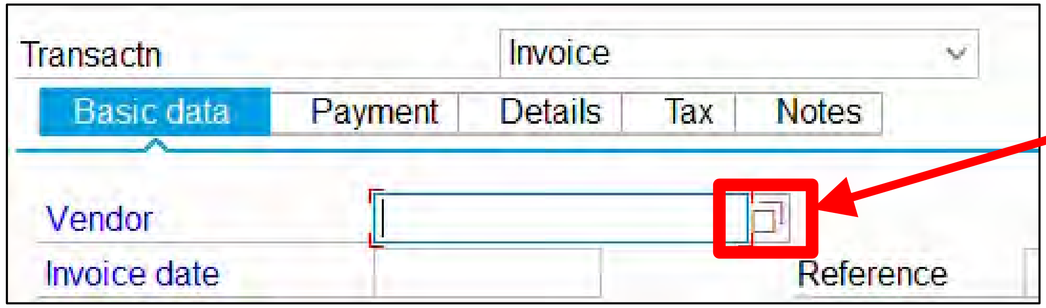
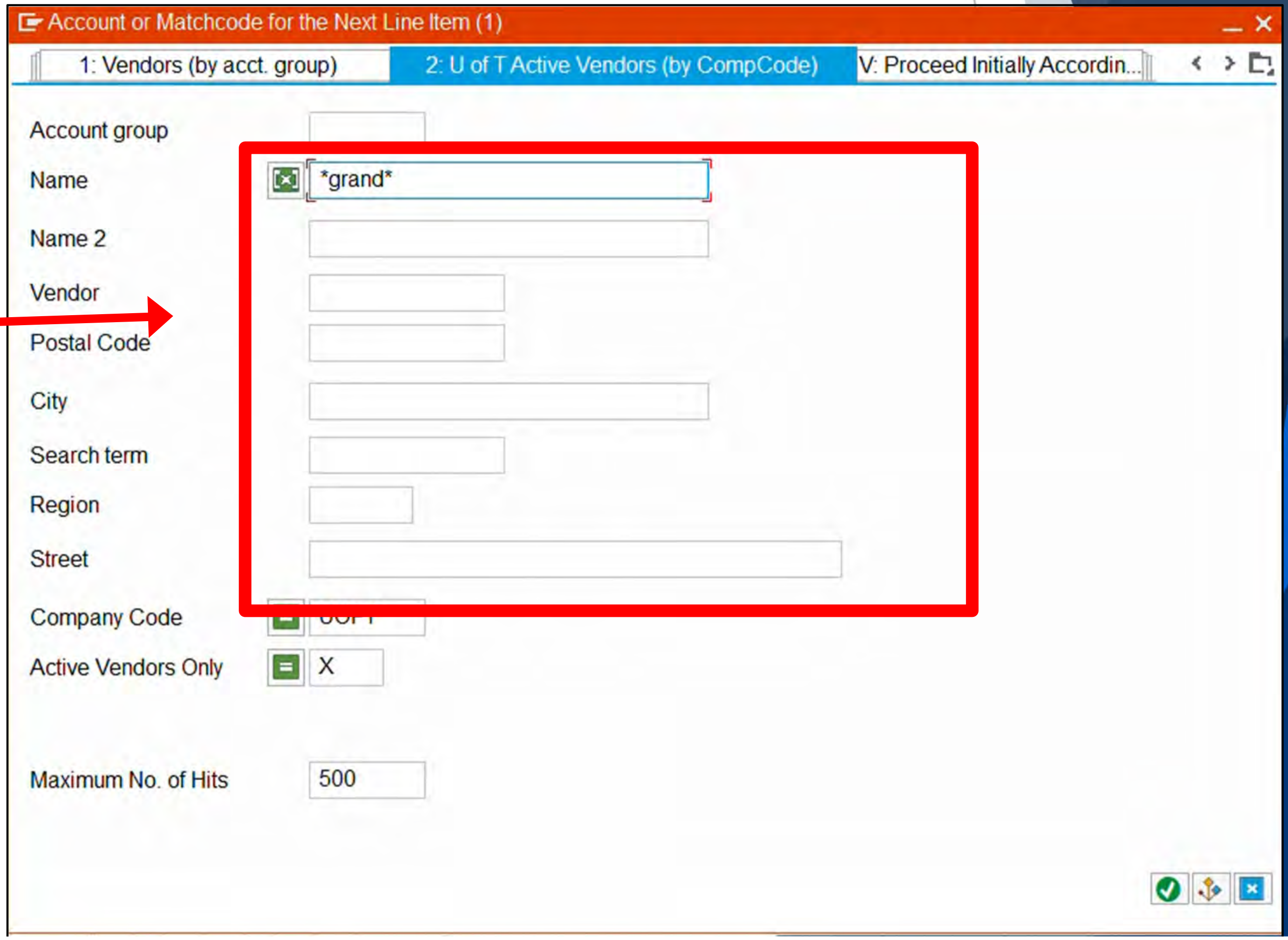
Searching for Vendor Accounts



Click in the "Vendor" field for the **Match Code Search** button

Use the available criteria to filter for the company's vendor account, such as:

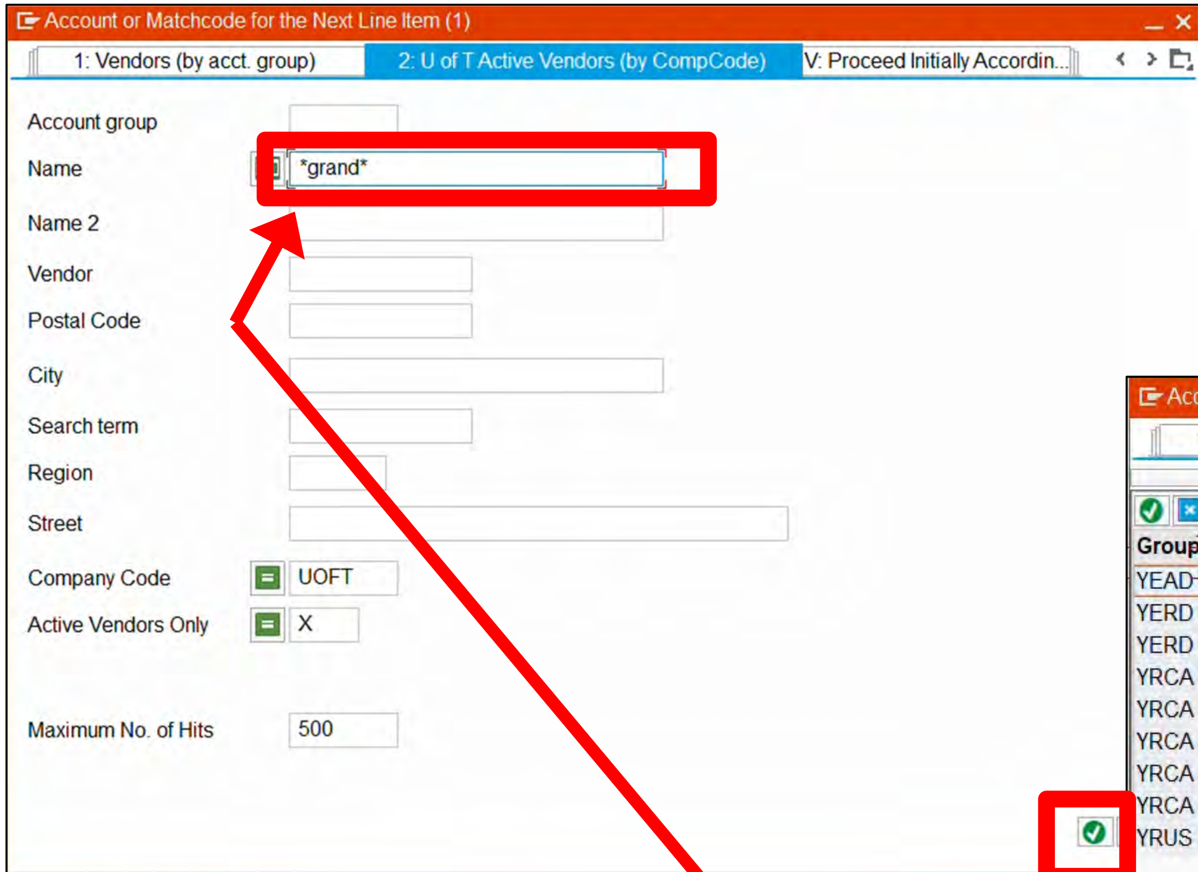
- Partial vendor name (use *_____*)
- Partial vendor number
- Postal code

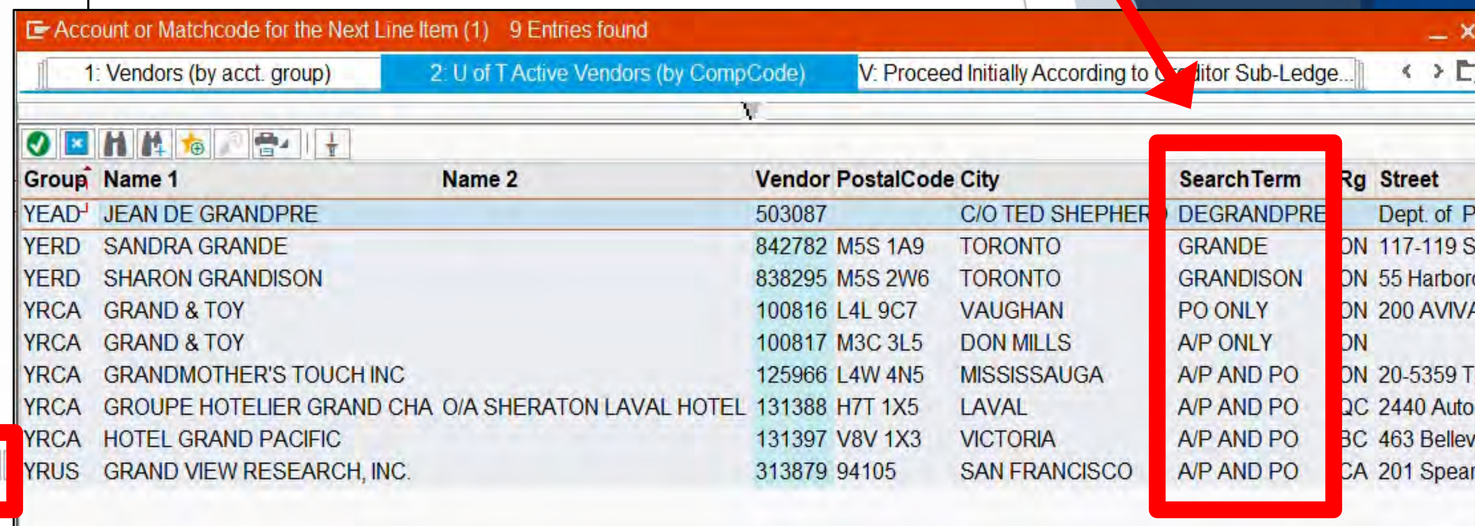


[**Watch this simulation**](#) to learn how to search for commercial vendors in FIS.

Vendor Search Results

When selecting a vendor, ensure the appropriate **"A/P only"** or **"A/P AND PO"** vendor (see *Search Terms* column)





Group	Name 1	Name 2	Vendor	PostalCode	City	SearchTerm	Rg	Street
YEAD	JEAN DE GRANDPRE		503087		C/O TED SHEPHER	DEGRANDPRE		Dept. of Ph
YERD	SANDRA GRANDE		842782	M5S 1A9	TORONTO	GRANDE	ON	117-119 St.
YERD	SHARON GRANDISON		838295	M5S 2W6	TORONTO	GRANDISON	ON	55 Harbord
YRCA	GRAND & TOY		100816	L4L 9C7	VAUGHAN	PO ONLY	ON	200 AVIVA
YRCA	GRAND & TOY		100817	M3C 3L5	DON MILLS	A/P ONLY	ON	
YRCA	GRANDMOTHER'S TOUCH INC		125966	L4W 4N5	MISSISSAUGA	A/P AND PO	ON	20-5359 Tir
YRCA	GROUPE HOTELIER GRAND CHA	O/A SHERATON LAVAL HOTEL	131388	H7T 1X5	LAVAL	A/P AND PO	QC	2440 Autor
YRCA	HOTEL GRAND PACIFIC		131397	V8V 1X3	VICTORIA	A/P AND PO	BC	463 Bellevil
YRUS	GRAND VIEW RESEARCH, INC.		313879	94105	SAN FRANCISCO	A/P AND PO	CA	201 Spear

Example: Search for a vendor whose name includes ***grand*.**

Result:

Exercise Scenarios

1. Process a Standard Accounts Payable Invoice
2. Process an Invoice using the Alternate Payee function
3. Process an Invoice using a generic OTA vendor
4. Process a Credit Memo

Link to **Course Material** page.

Exercise 1 – Process Invoice

Instructions (approx. 15 minutes)

Login into the SAP-QT1 [HANA] application and process a standard invoice.

Reference Guide for processing an Invoice

Using the Alternate Payee Function when Processing an Invoice

If a company has a vendor account in FIS, user can use the Alternate Payee function to:

- Ensure that the check reaches a specific person/department at the company (i.e. “CC” or “Attention to”)
- On an infrequent basis, if the cheque needs to be redirected to a different address that what is in the Vendor Master Record (VMR)

Note: If the vendor address has changed permanently, please contact purchasing.help@utoronto.ca.

Link to **Course Material** page.

Exercise 2 – Process Invoice with Alternative Payee

<u>Instructions</u> (approx. 15 minutes)

Login into the SAP-QT1 [HANA] application and process an invoice using the alternative payee function to redirect to cheque to a specific person or address.

[Reference Guide for processing an Alternative Payee Invoice]

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When to Use the Generic One-Time Account (OTA) Vendor

If a company does not have a vendor account in FIS, users can choose to either:

- Complete the New Supplier Account form, and send a request to purchasing.help@utoronto.ca to create a vendor account OR
- Use the generic OTA vendor account (i.e. 99-series)

You should use an OTA vendor when all of the following conditions exist:

- A vendor account does not exist
- Transaction does not exceed $9,999 (before tax)
- **You do not anticipate using the vendor more than once in a fiscal year.**

Learn More in our Knowledge Centre article.

Exercise 3 – Process an Invoice using a Generic OTA Vendor Account

<u>Instructions</u> (approx. 15 minutes)

Login into the SAP-QT1 [HANA] application and process an invoice using a 99-series generic One Time Account (OTA).

[Reference Guide for processing an OTA Invoice]

Understanding Credit Memos

If a cheque has been issued and cashed, credit memos are processed when:

- Goods delivered needed to be returned to the vendor
- The University overpaid in the invoice

What occurs when you process a Credit Memo in FIS?

- The department receives a credit **immediately** to their Funds Center or FC/Fund for the after-tax-rebate amount that was previously charged.
- The next payment to the vendor will be reduced by the value of the credit, including any applicable taxes

Learn more in the **FB65 – Credit Memo** reference guide.

Exercise 4 – Process a Credit Memo

Instructions (approx. 15 minutes)

Login into the SAP-QT1 [HANA] application and process a credit memo as a result of overpayment or returned goods.

Reference Guide for processing a Credit Memo

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Understanding the Cheque Production Schedule

Once the invoices have been processed, the cheques or drafts are processed by Central Financial Services and issued during the appropriate cheque production cycle.

The address for the cheque is taken from either the:

- Address in the **Vendor's Master Record** (e.g. exercise 1)
- **Manually entered address** if using an Alternate Payee OR OTA Vendor (e.g. exercise 1 and 2)

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When are Cheques/Drafts Produced?

All cheques and drafts are produced on Wednesday for the following:

- **CAD** and **USD** dollar cheques
- **Foreign currency drafts**
- **Expense reimbursement cheques**

Cheques and drafts are permitted for certain currencies.

Learn more about which currencies in **this Knowledge Centre article**.

Note: For payments outside of these currencies, explore using Outgoing Wire Transfers. **Learn more in this article**.

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How is a Cheque/Draft Selected for Inclusion in a Cheque Production Cycle?

System looks at **2** pieces of information:

- **Invoice (document) date**
- **Payment terms**

Example:
A document has an **invoice (document) date of June 1** and the **payment terms are YT05 (35 days)**.

Explanation:
The cheque will be produced during the cheque run scheduled on or immediately before **July 6** (June 1 + 35 days). If the document was entered after the due date (i.e., July 6), the cheque will be produced in the next cheque run.

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Learning Objectives

- Understand the Accounts Payable (A/P) Business Process
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- Understand the Cheque Production and Deposit Cycle

Link to Course Material

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Contact Information & Additional Resources

- **FAST General Mailbox** – fast.help@utoronto.ca
- Faculty FAST Team Representatives List

- **GTFM Policy – Purchasing & Payments to Vendors**
- **Knowledge Centre**
- **Documentation & Support**

We are always looking for ways to improve.

Click here and take a moment to complete our course evaluation.