

Late Fees vs Finance Charges in SedonaOffice

01/03/2024 4:44 pm EST

When a customer is past due on payment you have the option of charging them a Late Fee or a Finance Charge. There are some key differences between the two.

Late Fees	Finance Charges
• Calculated on Statements • No general ledger activity unless they are paid • Can be gotten rid of by simply recalculating late fees on the customer, they can be recalculated at \$0 if desired	• Calculated on independent invoices using AR Finance Charges feature and generate on their own invoices on the customers account • Have general ledger activity just like any other invoice and will appear as income for your company for which you may pay taxes • Must be either paid or credited

Late fees can be used as incentive for customers to pay their bills, and since they have no GL activity, they can be easily removed from the account if the customer does not pay the late fee itself. The late fee calculation is: $\text{Late Fee} = (\text{Invoice Total} * (\text{Annual Interest Rate} / 365)) * \# \text{ Days Overdue}$.

Finance charges are better for situations where you expect the fee itself will be paid, and not just used as an incentive for customers to pay their other invoices. Finance charges hit your accounts receivable as soon as they are created and must be credited off like any other invoice if no payment is received.

If you are unsure which option is best for you company we recommend consulting a CPA.

Late Fee Calculation on Statements

The screenshot shows the 'Statements' window in SedonaOffice. The 'Recalculate and Show Late Fees' section is highlighted with a red box. It contains the following fields:

☒ Recalculate and Show Late Fees	
Minimum Days Past Due: 30	Minimum Invoice Balance: \$ 1.00
As of: 12/26/2016	Annual Interest Rate: % 18
	Minimum Charge: \$ 63.00

Example Late Fee

Doyle, Edith
50 Old Clark Hill Rd
Cleveland, OH 44110
(440) 365-0871

Balance Due:	\$657.30
Last Statement Date:	12/18/2015
Last Late Fee:	\$104.94
* Legal *	Over 90 Days Past Due
Total Active RMR :	
Total Active RAR :	
Customer Type:	Residential
Customer Since:	8/30/1997
Salesperson:	Oliver Blais
Last Payment Rec'd:	\$80.65 (2/1/2015)
# of Disp Last 1 Days	0

STATEMENT

Customer Edith Doyle
Customer Number 0010042
Statement Date 12/8/2016

Total Due 762.24
Due Date 12/18/2016

OPEN INVOICES

Date	Invoice #	Description	Amount	Balance Due
<i>Edith Doyle, 50 Old Clark Hill Rd Cleveland, OH</i>				
4/1/2015	263240	Recurring	80.65	80.65
7/1/2015	273858	Recurring	83.88	83.88
11/1/2015	281843	Recurring	83.88	83.88
1/1/2016	296922	Recurring	87.28	87.28
2/24/2016	300457	FC	5.43	5.43
4/1/2016	332427	Recurring	87.28	87.28
6/13/2016	341087	Service Call	123.91	123.91
8/8/2016	349917	Recurring	87.28	87.28
8/9/2016	352077	FC	8.20	8.20
11/19/2016	367140	FC	9.51	9.51
		Late Fee		\$104.94

Current	31 - 60 Days	61 - 90 Days	Over 90 Days	LATE FEES	CREDITS	TOTAL DUE
9.51	0.00	0.00	647.79	104.94	0.00	762.24

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Customer Number 0010042
Statement Date 12/8/2016

DUE DATE **12/18/2016**

TOTAL DUE **\$762.24**

AR - Finance Charge Creation

Finance Charge

Finance Charge Information Totals Invoice Information

Last Finance Charge Date

Branch Selection

11/19/2016

<All Branches>

Aging

Minimum Days Past Due

30

As of

12/8/2016



Invoices

☒ Include All Invoices

☐ Include Invoices After



☐ ReCharge Other Finance Charges

Amounts

Minimum Invoice Balance

0.01

Annual Interest Rate

18.00

Minimum Charge

\$3.88

Get Totals

Finance Charge

Finance Charge Information

Totals

Invoice Information

Totals

Number of Invoices to be Created

1223

Total Amount of Invoices

\$4,756.53

Invoice

Date

12/8/2016

Aging Date

12/8/2016

Category

Admin G & A

AR Account

110110

Terms

Due On Receipt

Invoice Item

FC

Invoice Description

FC

Memo

Create Invoices

Example Finance Charge

Fip Construction, Inc

170 Kingswood Rd.

Plymouth, MI 48170

(734) 271-0356

Balance Due:

\$30.69

Last Statement Date:

Never

* Do Not Extend Credit *

Over 120 Days Past Due

Total Active RMR :

Total Active RAR :

Customer Type:

Commercial

Customer Since:

3/6/2004

Salesperson:

Matt Miller

of Disp Last 1 Days

0

Bill Contacts

Title	Contact	Phone	Ext	E-Mail			

Open Invoices

\$30.69

Invoice #	Site Name	Description	Date	Amount	Net Due	Late Fee
341190	Fip Construction, Inc	Service Call	7/22/2016	\$26.81	\$26.81	\$0.00
390815	Fip Construction, Inc	FC	12/8/2016	\$3.88	\$3.88	\$0.00

Invoice

Customer ID

Category

A/R Account

Tax Group

10036

Admin G & A

110110

MI-Wayne County

Invoice # 390815


Fip Construction Inc
170 Kingswood Rd.
Plymouth, MI 48170

Site Address:

Fip Construction Inc
170 Kingswood Rd.
Plymouth, MI 48170

Invoice Date

Branch

Warehouse

Invoice Type

Salesperson

12/8/2016

MI

Miscellaneous

N/A

Aging Date

P.O. Number

Term

Due On Receipt

12/8/2016

Items \$3.88

Parts \$0.00

Item List

Show Custom Fields

Item	Description	Qty	Rate	Amount	Memo
FC	Finance Charge	1	3.88	3.88	