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Account Receivable - Interest Calculation

1. Configuration Steps

- a. Interest Calculation global setting
 - Define Interest Calculation Types (T Code.OB46)
 - Define Number Ranges for Interest Forms(T Code FBN1)
 - Prepare Interest on Arrears Calculation (T Code.OB82) **or**
 - Prepare Account Balance Interest Calculation (T Code OBAA)
 - Prepare Special G/L Transaction Interest Calculation (T Code OBAB)
- b. Interest Calculation
 - Define Reference Interest Rates (T Code OBAC)
 - Define Time-Based Terms (T Code OB81)
 - Enter Interest Values (T Code OB83)
 - Specify Function Module for Interest Rate Determination (T Code OB85)
- c. Interest Posting
 - A/R: Calculation of Interest on Arrears (T Code OBV1)
 - Interest on Arrears Calculation (Vendors) (T Code OBV9)
 - A/R: Balance Interest Calculation (T Code OBV3)
 - A/P: Balance Interest Calculation (T Code OBV4)

2. Glossary

3. Configuration

a. Define Interest Calculation Types (T Code.OB46)

Int ID	Name	Acct no.as IntClcInd	Int calc. type	Name
01	Standard itm int.cal	<input type="checkbox"/>	P	Item Interest Calculat...
02	Standard bal.int.cal	<input type="checkbox"/>	S	Balance Interest Calcu...
03	Bal.int.calc.term 2	<input type="checkbox"/>	S	Balance Interest Calcu...
04	Item int.calc.term 2	<input type="checkbox"/>	P	Item Interest Calculat...
05	Bal.int.calc.term 3	<input checked="" type="checkbox"/>	S	Balance Interest Calcu...
10	Pjct interest calc.	<input type="checkbox"/>	S	Balance Interest Calcu...
IM	Inv. proj. interest	<input type="checkbox"/>	S	Balance Interest Calcu...
S1	Interest calculation	<input checked="" type="checkbox"/>	P	Item Interest Calculat...
SN	INTEREST CAL ON FD	<input type="checkbox"/>	P	Item Interest Calculat...
VD	Loan item int.calc.	<input type="checkbox"/>	P	Item Interest Calculat...
VS	Loan bal.int.calc.	<input type="checkbox"/>	S	Balance Interest Calcu...

In this step we will create our interest indicators and determine whether they are to be used for the item interest calculation or account balance interest calculation.

b. Define Number Ranges for Interest Forms(T Code FBN1)

In this activity you create number ranges for interest forms by:
 Specifying an interval of numbers to assign to the interest forms.
 Selecting the type of number assignment (internal).
 The system assigns a unique number from the number range interval.

c. Prepare Interest on Arrears Calculation (T Code.OB82)

Int.calc.indicator	S1
Selection of items	
<input checked="" type="radio"/>	Open and all cleared items
<input type="radio"/>	Open items and items cleared with a payment
<input type="radio"/>	No open items - all cleared items
<input type="radio"/>	No open items - only items cleared with a payment
Interest determination	
Calendar type	B
Transfer days	2
Tolerance days	3
Factory Calendar ID	
<input type="checkbox"/>	Calculate interest on items paid before due date
<input type="checkbox"/>	Only calculate interest on debit items
<input type="checkbox"/>	Use int. calc. numerators
<input type="checkbox"/>	Round-off int.calc.numer.
Function module	

In the selection of items section we will say what type line item taken care by the system while determining line items for interest calculation.

In interest determination we will define types of calendar , transfer days, Tolerance days, etc

In the 2nd part of the screen we will define , minimum interest to amount to be processes, number range

Interest processing	
Amount limit	500,00 INR
<input type="checkbox"/>	No interest payment
Output control	
Number range	IN
<input type="radio"/>	Print posting key text
<input checked="" type="radio"/>	Output document type text
Posting	
Payment terms	SNP1
Tax code	

d. Define Reference Interest Rates (T Code OBAC)

Define Reference Interest Rate		
Reference	Long txt	Fin.cente
BONDYDEM02	BOND Yield DEM 2 Years	
BONDYDEM03	BOND Yield DEM 3 Years	
BONDYDEM04	BOND Yield DEM 4 Years	
BONDYDEM05	BOND Yield DEM 5 Years	
BONDYDEM07	BOND Yield DEM 7 Years	
BONDYDEM10	BOND Yield DEM 10 Years	
BONDYEUR02	EURBOND 2 Years	
BONDYEUR03	EURBOND 3 Years	
BONDYEUR05	EURBOND 5 Years	
BONDYEUR07	EURBOND 7 Years	
BONDYEUR10	EURBOND 10 Years	

This step is purely optional, here we will create ref. Base to define base rate of interest

e. Define Time-Based Terms (T Code OB81)

In this step we will define with ref. To interest , the

- Effective date from which it is valid
- Currency to be used for calculation of interest
- Sequence number , if there are more then one interest rate is defined for the same interest indicator
- Reference rate for calculation of interest
- Premium , here we define rate which will be added or deducted from ref. Rate for calculation on interest. With out interest ref. Rate also we can define applicable rate of interest
- In amount from field we will define the minimum amount above which this rate of interest is applicable.

Int.calc.indicator	02
Currency Key	DEM
Eff. from	01.01.1992
Sequential number	1
Term	Credit interest: balance interest calc.
Interest rates	
Ref. Interest Rate	DISDM Diskontsatz DEM
Premium	1,000000-
Amount from	

f. Enter Interest Values (T Code OB83)

Reference	Short text	Eff. from	Int. rate
BONDYDEM02	BONDY DEM 2Y	01.09.1999	3,4100000
BONDYDEM02	BONDY DEM 2Y	31.08.1999	3,4700000
BONDYDEM02	BONDY DEM 2Y	30.08.1999	3,3700000
BONDYDEM02	BONDY DEM 2Y	27.08.1999	3,3800000
BONDYDEM02	BONDY DEM 2Y	26.08.1999	3,2900000

In this step we will define interest rate applicable for reference interest rate for different period of time.

g. A/R: Calculation of Interest on Arrears (T Code OBV1)

In this configuration step we will

- define and assign interest indicator to company code and business area
- Define posting keys
- Account symbols. In turn accounts symbols are attached to general ledger account

Accounts	Posting specs	Symbols
Application	0002	Interest on A/R arrears
Account determination keys		
Business transaction	1000	
Company code	SNP1	SURYA CO LTD
Interest indicator	S1	Interest calculation
Business area	+	
Debit		
Posting Key	01	Invoice
Special G/L ind.		
Account symbol	1000	Customer posting
Credit		
Posting Key	50	Credit entry
Special G/L ind.		
Account symbol	0001	Interest received

4. Processing Manual

5. Note

- The customer or vender master record of an account must contain an interest indicator so that it is taken into consideration during interest calculation.
- Number ranges defined for interest calculation are not used for any other purposes (for example, for document types). If interest is calculated on accounts from various company codes, then you define the same number range for each company code.
- Premium defined at time based term (T Code OB81) is in addition to rate of interest define at reference interest rate.

- d. If no reference interest rate is attached on T Code OB81, then the rate mentioned at premium will be taken as interest rate
- e. Transaction code OBAC and OB83 are optional