



Section	05	ACCOUNTS PAYABLE, INTER AND INTRA UNIT PAYMENTS AND TRANSFERS	Effective Date	6/5/2018
Sub-section	02a	Supplier Payment Discounts	Revision Date	8/22/2018
SAM Ref	n/a			

BACKGROUND

SUPPLIER PAYMENT DISCOUNTS

The State implemented an ERP system in 2015. The STAR (State Transforming Agency Resources) system allows us to effectively manage our finance, budget, procurement, business intelligence and human resource functions. The State is pursuing various benefits realization opportunities available through STAR, one of which is called *Maximize Supplier Payment Discount*.

The goal of *Maximize Supplier Payment Discount* is to ensure that the amount of Supplier Payment Discounts taken by state agencies is maximized. This benefits realization opportunity will ensure that the state is establishing discounts with suppliers whenever possible and maximizing the amount of discount earned on state payments.

The most common discount will be 2/10 net 30. This term awards a two percent discount if the invoice is paid in full within ten days. The full payment is due in thirty days if the payment is not able to be made in ten days.

The STAR system has been configured to schedule payments based on discounts and to record them per the example provided in the procedures below.

POLICIES

1. Agencies must take the Supplier Payment Discount on any payment where it is available.
2. Agencies must follow the procedures in this document to ensure that the discount earned or lost is recorded in the STAR system.
3. Supplier Payment Discounts will be centrally-monitored. Agencies will be provided information on discounts earned and lost so they can modify internal procedures to improve performance.
4. **8/22/2018 Revision:** If a Supplier Payment Discount is not available, the payment must be made on the 30th day after the invoice is received in order to maximize the State’s interest earnings.

PROCEDURES

Agency Accounts Payable Processors are to update the payment terms on accounts payable vouchers to reflect any discount terms indicated on the supplier's invoice. They should not change the payment terms that indicate a discount if populated from a purchase order. Agencies should notify STAR if a supplier includes terms that are not available from the accounts payable voucher entry page in STAR.



WISCONSIN ACCOUNTING MANUAL
 Department of Administration – State Controller’s Office

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The full (gross) amount of the invoice must be entered on the voucher. The STAR system will calculate the amount of discount based on the payment terms.

The STAR system will automatically calculate the payment date to take advantage of the Supplier Discount as outlined in this policy. The payment date should not be adjusted by the agency.

Please see the STAR Job Aid – [Recording Supplier Payment Discount in Accounts Payable](#)

The STAR system will record the accounts payable liability at the gross amount of the voucher. Either the Discount Earned or Discount Lost will be recorded by the system at the time of payment. The Discount Lost entries will be offset to net to \$0 but will provide information for tracking metrics. An example of the accounting entries follows:

Example: **SUPPLIER DISCOUNT TAKEN** (\$1,000.00 Supplier Invoice, 2/10 Net 30)

AP Accrual Entry

DR/CR	GL Unit	Line Amt	Bud Ref	Fund	Appn	Department	Account	Account Name
DR	XXXXX	1,000.00	FY 20XX	XXXXX	XXXXX	XXXXXXXXXX	7740000	Professional Services - General
CR	XXXXX	-1,000.00	FY 20XX	XXXXX	XXXXX	XXXXXXXXXX	2000000	Accounts Payable (Control)

Payment Entry

(Please note that the discount earned will be recorded to the same account as the original expenditure – in this example, account 7740000 – Professional Services).

DR/CR	GL Unit	Line Amt	Bud Ref	Fund	Appn	Department	Account	Account Name
DR	XXXXX	1,000.00	FY 20XX	XXXXX	XXXXX	XXXXXXXXXX	2000000	Accounts Payable (Control)
CR	XXXXX	-980.00	FY 20XX	XXXXX	XXXXX	XXXXXXXXXX	1000000	Treasurers Cash
CR	XXXXX	-20.00	FY 20XX	XXXXX	XXXXX	XXXXXXXXXX	7740000	Professional Services - General
DR	99999	980.00	FY 20XX	XXXXX	XXXXX	XXXXXXXXXX	1000000	Treasurers Cash (Cash Distribution)
CR	99999	-980.00	FY 20XX	XXXXX	XXXXX	XXXXXXXXXX	1000000	Treasurers Cash (Cash Distribution)

Example: **SUPPLIER DISCOUNT LOST** (\$700.00 Supplier Invoice, 2/10 Net 30)

When the resulting payment does not meet the discount terms, the discount lost is recorded as an additional debit to expenses – with an equal credit to expenses **at the time of payment**. This allows the State to track the dollar amount of discounts lost, without overstating expenses.

AP Accrual Entry



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DR/CR	GL Unit	Line Amt	Bud Ref	Fund	Appn	Department	Account	Account Name
DR	XXXXX	700.00	FY 20XX	XXXXX	XXXXX	XXXXXXXXXXXX	7740000	Professional Services - General
CR	XXXXX	-700.00	FY 20XX	XXXXX	XXXXX	XXXXXXXXXXXX	2000000	Accounts Payable (Control)

Payment Entry

DR/CR	GL Unit	Line Amt	Bud Ref	Fund	Appn	Department	Account	Account Name
DR	XXXXX	700.00	FY 20XX	XXXXX	XXXXX	XXXXXXXXXXXX	2000000	Accounts Payable (Control)
CR	XXXXX	-700.00	FY 20XX	XXXXX	XXXXX	XXXXXXXXXXXX	1000000	Treasurers Cash
DR	XXXXX	14.00	FY 20XX	XXXXX	XXXXX	XXXXXXXXXXXX	7822000	Discount Lost
CR	XXXXX	14.00	FY 20XX	XXXXX	XXXXX	XXXXXXXXXXXX	7822001	Discount Lost Memo
DR	99999	700.00	FY 20XX	XXXXX	XXXXX	XXXXXXXXXXXX	1000000	Treasurers Cash (Cash Distribution)
CR	99999	-700.00	FY 20XX	XXXXX	XXXXX	XXXXXXXXXXXX	1000000	Treasurers Cash (Cash Distribution)