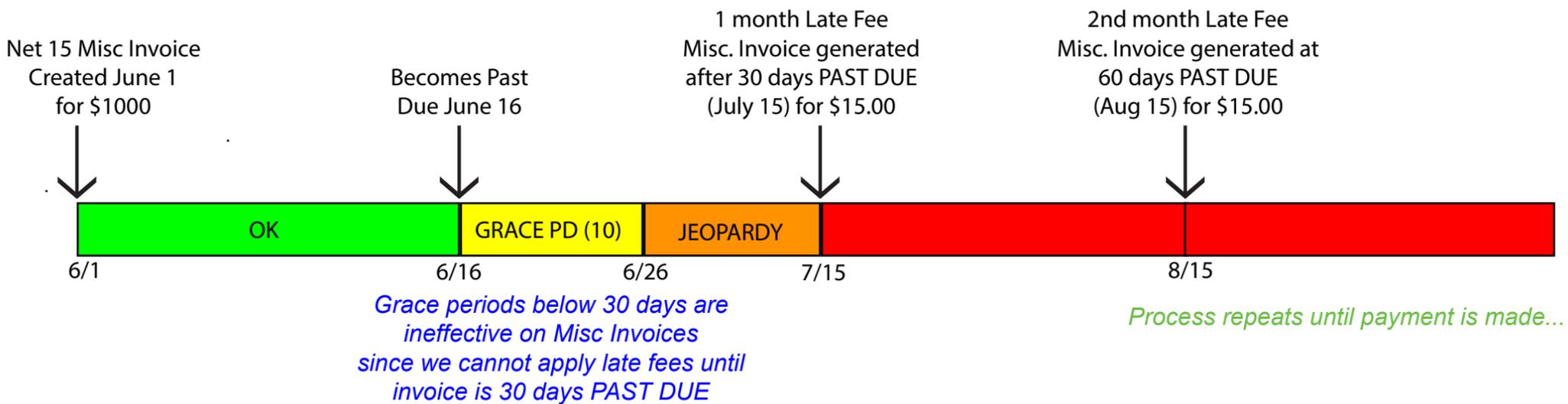# Late Fee Accounting Principles

A "NET 15" invoice for $1000 technically becomes past due on day 16, so in principal we could begin creating daily late fee invoices for 1/30 of the monthly percentage rate on day 16. But we could not see the sense in flooding your customers with daily late fee invoices each having a late fee amount of 50 cents (assuming a monthly percentage of 1.5%). For this reason, we decided to wait the full 30 days before we create/send a late fee invoice or addition.
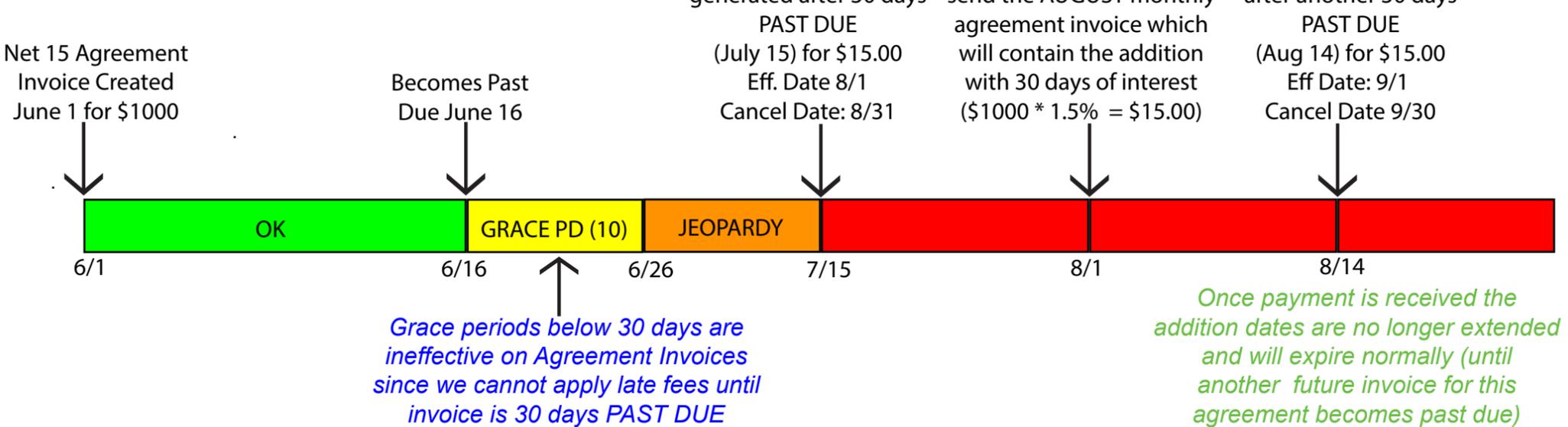
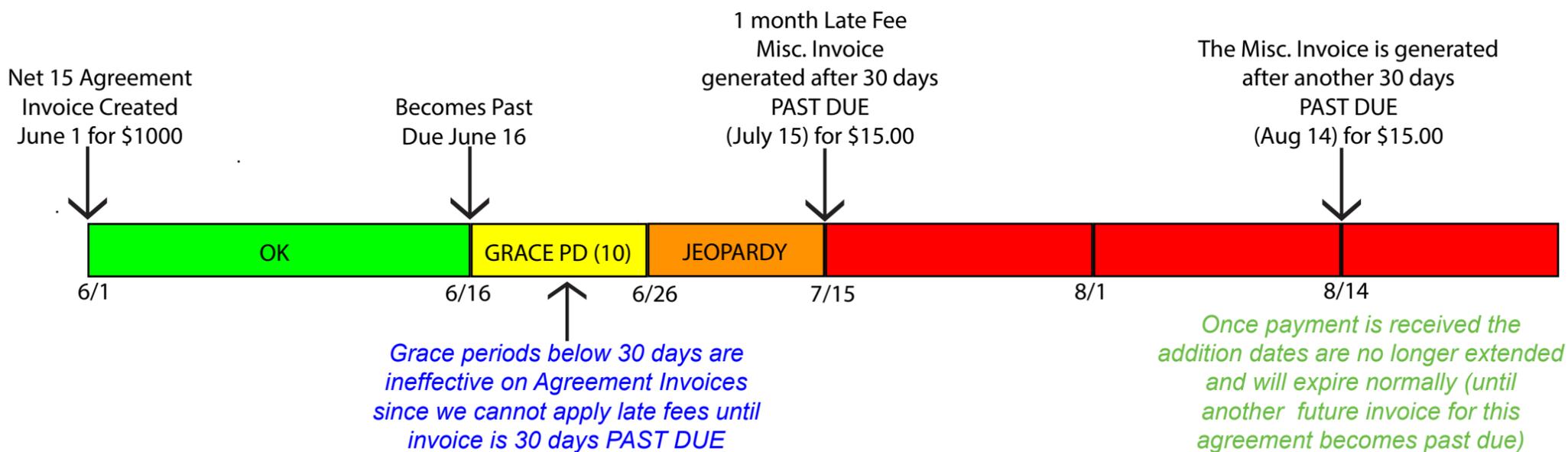## Misc. Project and Standard Invoices
(fees set to 1.5% per month)

Net 15 Misc Invoice Created June 1 for $1000

Becomes Past Due June 16

1 month Late Fee Misc. Invoice generated after 30 days PAST DUE (July 15) for $15.00

2nd month Late Fee Misc. Invoice generated at 60 days PAST DUE (Aug 15) for $15.00

| OK | GRACE PD (10) | JEOPARDY | | |

6/1   6/16   6/26   7/15   8/15

Grace periods below 30 days are ineffective on Misc Invoices since we cannot apply late fees until invoice is 30 days PAST DUE

Process repeats until payment is made...

Agreements (Monthly)
(fees set to 1.5% per month)

Net 15 Agreement Invoice Created June 1 for $1000

Becomes Past Due June 16

1 month Late Fee agreement addition generated after 30 days PAST DUE (July 15) for $15.00 Eff. Date 8/1 Cancel Date: 8/31

Around Aug1 you send the AUGUST monthly agreement invoice which will contain the addition with 30 days of interest ($1000 * 1.5% = $15.00)

The addition is updated after another 30 days PAST DUE (Aug 14) for $15.00 Eff Date: 9/1 Cancel Date 9/30

| OK | GRACE PD (10) | JEOPARDY | | | |

6/1   6/16   6/26   7/15   8/1   8/14

Grace periods below 30 days are ineffective on Agreement Invoices since we cannot apply late fees until invoice is 30 days PAST DUE

Once payment is received the addition dates are no longer extended and will expire normally (until another future invoice for this agreement becomes past due)

Agreements (Non-monthly)
(annual, quarterly, billed ahead more than 1 month, etc)
(fees set to 1.5% per month)

Since we are not sending monthly invoices, creating an agreement addition would be pointless, instead we create a Misc. invoice for these late fee charges. The INTERNAL NOTES on the created invoice will detail the reason it was converted.

Net 15 Agreement Invoice Created June 1 for $1000

Becomes Past Due June 16

1 month Late Fee Misc. Invoice generated after 30 days PAST DUE (July 15) for $15.00

The Misc. Invoice is generated after another 30 days PAST DUE (Aug 14) for $15.00

| OK | GRACE PD (10) | JEOPARDY | | | |

6/1   6/16   6/26   7/15   8/1   8/14

Grace periods below 30 days are ineffective on Agreement Invoices since we cannot apply late fees until invoice is 30 days PAST DUE

Once payment is received the addition dates are no longer extended and will expire normally (until another future invoice for this agreement becomes past due)

If Grace periods below 30 days are ineffective - why have them?

Many MSPs set their billing terms to "Due Upon Receipt". For these invoices - the "Jeopardy" period would effectively begin the very next day after the invoice date.

Although we don't charge late fees until 30 days past due, we can use grace periods to either:

- Change the daily email report results:

    Assuming a 15 day grace period, these "past due" invoices will appear in the Grace Period section of the report until 16 days past due then will move to the Jeopardy section.

- Adjust for slow paying customers:

    If you have slow paying customers that never quite make the payment within that month, instead of charging late fees immediately on day 31, a grace period of 40 days for that customer will give them an extra 10 days before we generate a late fee addition or invoice.