

Step-by-step user guide for Microsoft Business Central's Service Contract functionality:

The service contract specifies:

- The customer
- The starting date of the contract
- The service period
- The response time
- The bill-to customer
- The invoice period
- The annual amount charged
- How the annual amount is calculated
- Whether the contract is prepaid
- The prepaid and income accounts

The common transactions for managing signed service contracts are:

- Changing the owner of a service contract.
- Adding a contract line to a service contract.
- Copying contract lines to a service contract.
- Updating the annual amount of a service contract.
- Invoicing a service contract directly.
- Removing a contract line from a service contract.
- Canceling a service contract.
- Creating a credit memo for a service contract.

Five batch jobs
on service
contracts:

- Create Contract Invoices
- Create Contract Service Orders
- Update Contract Prices
- Post Prepaid Service Contract Entries
- Remove Contract Lines

You invoice a service contract directly from the **Service Contract** window if the work date is not earlier than the next invoice date on the contract.

For prepaid service contracts	For non-prepaid service contracts
• The next invoice date is the first date of its invoice period.	• The next invoice date is the last date of its invoice period.

Step 1: Setting up Service Contracts

To set up service contracts in Microsoft Business Central, navigate to the Service Contract Template page. Here, you can create a service contract template by entering details like start date, end date, customer, service type, and pricing.

Service Contract Template

TEST1

Related Automate

No.	TEST1	...	Default Service Period ..	
Description			Price Update Period	
Contract Group Code ..		▼	Default Response Ti... ..	
Service Order Type		▼	Max. Labor Unit Price ..	

Invoice

Serv. Contract Acc. Gr... ..		▼	Combine Invoices	☒
Invoice Period	Month	▼	Automatic Credit Me... ..	☒
Contract Increase Text ..		▼	Contract Lines on Inv... ..	☒
Prepaid	☒		Invoice after Service ...	☒
Allow Unbalanced A... ..	☒			

Step 2: Creating a Service Contract

Once we've set up our service contract template, we can create a new service contract from the Service Contracts page. Select the customer and fill out the required details like start date, end date, and service type.

Service Contract

SC-00002

Process Prepare Print/Send Contract Report Related Reports Automate Fewer options

General

Contract No.	SC-00002	...	Phone No.	252 823 0137
Description			Mobile Phone No.	
Customer No.	100393	▼	Email	tswilson@barnhillcontracting.com
Contact No.	CT006049	...	Contract Group Code	
Name	Barnhill Contracting Company		Salesperson Code	BW
Address	PO Box 399		Starting Date	12/21/2022
Address 2			Status	Signed
City	Kinston		Responsibility Center	MID-ATLANT
State	NC		Change Status	Locked
ZIP Code	28502			
Country/Region Code	US			

Before adding the service items, we need to provide other details:

Serv. Contract Acc. Gr. Code	PREPAID
Department Code	80
Productline Code	GN
Payment Terms Code	NET30
Currency Code	

Invoice Details

Annual Amount	399.00	Automatic Credit Memos	☐
Allow Unbalanced Amounts	☐	Invoice after Service	☐
Calcd. Annual Amount	399.00	Combine Invoices	☐
Invoice Period	Year	Contract Lines on Invoice	☒
Next Invoice Date	1/1/2023	No. of Unposted Invoices	0
Amount per Period	399.00	No. of Unposted Credit Memos	0
Next Invoice Period	01/01/23 to 12/31/23	No. of Posted Invoices	0
Last Invoice Date		No. of Posted Credit Memos	0
Prepaid	☒		

Step 3: Adding Service Items

Add service items to the contract, along with their prices, and any other relevant information.

Lines	Manage	More options								
Service Item No.	Description	Unit of Measure Code	Serial No.	Item No.	Response Time (Hours)	Line Cost	Line Value	Line Discount %	Line Amount	
→ SERITEM-8232	Kit - 2701 Pavetracker w/Acc	EA	86524	2701STD			399.00		399.00	

Step 4: Create a service order based on the actual requirements.

We can create service orders based on the scheduled dates or actual requirement.

We can do this by running a report named Create Contract Service Orders. We need to specify starting and end dates, and specify the service contract numbers if needed.

The screenshot shows a 'Create Contract Service Orders' dialog box overlaid on a 'Service Contract' form. The dialog box has a title bar with a close button. Inside, there's a dropdown for 'Use default values from' set to 'Last used options and filters'. Below this is an 'Options' section with fields for 'Starting Date' (empty), 'Ending Date' (12/31/2023), and 'Action' (Create Service Order). A 'Filter: Service Contract Header' section contains a field for 'Contract No.' with the value 'SC-00002' and a '+ Filter...' button. At the bottom are 'Schedule...', 'OK', and 'Cancel' buttons. The background form shows details for 'SC-00002' with tabs for Process, Prepare, Print/Send, Contract, and Report.

We can view all service orders created from a service contract.

The screenshot shows the 'Service Contract' form for 'SC-00002'. The 'Related' menu is open, showing options: Overview, Contract, and History. The 'Service Overview' option is selected, which has opened a sub-menu with 'Service Orders', 'Posted Service Shipments', and 'Posted Service Invoices'. The background form shows the 'Process' tab selected, with fields for 'Next Invoice Period' (01/01/23 to 12/31/23), 'Last Invoice Date', and 'Prepaid' (toggle on).

Step 5: Creating Invoices

Create invoices for the service contract based on the billing frequency, like monthly or quarterly. This can be done either manually or using automatic invoicing.

Service Contract

SC-00002

Process Prepare Print/Send Contract Report Related Reports Automate Fewer options

Open Contract Lock Contract Sign Contract Create Service Invoice Create Service Credit Memo

Contract No.	SC-00002	Phone No.	252 823 0137
Description		Mobile Phone No.	
Customer No.	100393	Email	tswilson@barnhillcontracting.com
Contact No.	CT006049	Contract Group Code	
Name	Barnhill Contracting Company	Salesperson Code	BW
Address	PO Box 399	Starting Date	12/21/2022
Address 2		Status	Signed

Step 6: Tracking Service Contract Performance

Track the performance of the service contract, including service lines completed, invoicing, and revenue. This will help you stay on top of your service contract obligations and profitability.

Contract Statistics

SC-00002

General						
	Resources	Items	Costs & G/L Accou...	Service Contracts	Total	
Invoiced Amount		0.00	0.00	0.00	0.00	0.00
Discount Amount		0.00	0.00	0.00	0.00	0.00
Cost Amount		0.00	0.00	0.00	0.00	0.00
Profit Amount		0.00	0.00	0.00	0.00	0.00
Profit %		0.00	0.00	0.00	0.00	0.00
Prepaid Amount					0.00	0.00
Total Amount						0.00
Profit Amount						0.00
Profit %						0.00

Step 7: Renewing Service Contracts

When the service contract is about to expire, we can choose to renew it, which will create a new contract with the same details as the original one.

Overall, service contract functionality makes it easy to manage and track service contracts with customers. By following these steps, we can effectively use this feature to streamline our service contract management processes.

Notes:

1. Service Contract CR/Adj Notes:

We can use a contract service CR/Adj Note when a customer cancels a prepaid service contract or removes a service item from a prepaid contract. We can also use it to correct an erroneous service invoice.

To automatically create a CR/Adj Note when contract lines are removed from a service contract, on the Service Contract page, on the Invoice Details FastTab, select the Automatic CR/Adj Notes check box.

To manually create a CR/Adj note when contract lines are removed from a service contract, on the Service Contract page, choose the CR/Adj Note action.

2. Updating and evaluating contracts:

Sometimes we have to change the terms of a contract after it has been created. In most cases, we can open the relevant contract on the Service Contract page, and change it as necessary.

We can change the status of the contract, initially set to Locked, add and remove contract lines, and cancel a contract. If We want to see how our business is doing as measured by gain and loss, we can do quick business analysis using the contract statistics feature.

3. Changing the Service Contract Status:

After the service contract is signed, the Change Status field value is automatically set to Locked. If we want to modify information in the service contract or service contract quote, first we have to change the status of the contract from Locked to Open. We cannot create service invoices for the service contract with the Open change status. After the contract is modified, we have to change the status back to Locked to make it possible to create service invoices and ledger entries for the service contract, which includes the changes that we made to it.

4. To cancel a service contract:

We may need to cancel a service contract when the contract has expired or has been cancelled by us or the customer.

In the **Cancel Reason Code** field, choose the relevant reason code. To add more reason codes, choose the Advanced action.

If the check box in the Use Contract Cancel Reason field on the Service Mgt. Setup page is selected, we must specify a cancel reason code when cancelling contracts.

In the Status field, choose **Cancelled**.

If there are unposted invoices, CR/Adj Notes, or opened prepaid entries for the contract, a confirmation message will appear. In the message box, choose No to return to the contract and post the documents, or Yes to continue the cancellation process.

5. **Add a contract discount to service contract:**

We can add contract discounts on services for service contracts. The discounts can be on spare parts in particular service item groups, on resource hours for resources in particular resource groups, and on particular service costs.

6. **Change the owner of a service contract:**

We may need to change the owner of a service contract. If a service item in a service contract is registered in noncancelled multiple contracts owned by the same customer, then the owner of all service contracts that include this service item and of all other service items included in these contracts is updated automatically.

Service items and contracts can be related. Changing the owner of a service contract can affect these relationships.

For example, suppose service item No. SERITEM-8232 is included in contracts SC-00002 and SC-00003. Contract SC-00003 also contains service item No. SERITEM-7522, which is also included in the contract SC-00005. In this case, the owner for all three contracts and service items will be changed.

7. **Post prepaid contract entries:**

We must regularly post prepaid contract entries, thereby transferring the prepaid payments from the prepaid contract accounts to the regular contract accounts. For this we need to use Post Prepaid Contract Entries report.

8. **Multiple Contracts:**

Depending on your service level agreements with a customer, we may have to handle a service item under more than one service contract.

By handling a service item under multiple contracts, we can do the following:

- Issue different contracts for the same service item.
- Service parts separately.
- Consider different skills that are required to service different aspects of a service item.
- Specify different response times and frequencies in servicing different parts of a service item.
- Address different kinds of activities to be performed on a service item when the service item requires different types of service in different time periods.
- Select and assign an appropriate contract number to a service item line when you are creating a service order.
- Handle relevant financial information about service items and service level agreements.

Key Reports:

1. Service Contract Detailed Report.
2. Service Contract Customer Report.
3. Service Contract Salesperson Report.

Bridgera