

## RESOURCES

# Glossary

We get it, billing is complicated. We're here to help.  
Learn more about common terms used in pricing and billing here.

## Terms

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## Accounts Receivable (A/R)

*Accounts Receivable* represent the total amount of money that is owed or payable. This is often displayed as balance (A/R Balance). Accounts receivable can be calculated at various levels and rolled up to a company wide number. For example, Customer A/R, can be rolled up to Product A/R, which can then rolled up to Company A/R.

## Advance fees

*Advance fees* are one-time or recurring fees that are charged before the customer receives the product or service. These fees appear on invoices before the time period for which they apply. For example, a gym registration fee is a one-time advance fee, while the monthly gym membership fee is a recurring advance fee. Metronome clients might use recurring advance fees to cover up-front charges such as a quarterly provisioning fee. Also called in-advance billing.

## Arrears

*Arrears* refers to charges that are presented after the customer has already received a product or service.. Most utility bills are paid in arrears, because the service has already been received/provided by the time you get your bill. An arrears-only charge is a charge type that can only be determined at the end of a billing period once the usage for that billing period is known. Minimum and volume-based charges are types of arrears-only charges.

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## Balance forward

*Balance forward* refers to a billing concept of issuing statements to customers that represent a running total of what they owe. If you leave a statement fully or partially unpaid, its balance is forwarded onto the next statement.

## Billing cycle

A *billing cycle* represents a value that is used to group customers together for generating charges/billing documents. Often associated with a calendar day of the month (Billing Cycle 1 runs on the 1st of the month) but can be based on any customer attribute.

## Billing document

A *billing document* is an umbrella term to represent the various documents used to support billing transactions. These include invoice, statements, credit memos and debit memos.

## Billing period

A *billing period* is the time period an invoice covers.

## Block pricing

*Block pricing* is a type of usage-based charge that groups charges into fixed-quantity blocks. For example, if customers are charged per 1,000 events, once they use all 1,000 events, they'd need to buy the next block of 1,000 events to continue.

## Charges

A *charge* represents an amount owed for a good or service. Typically recorded as a debit transaction to a customer's Accounts Receivable balance.

## Commit

A *commit* is the amount a customer may be contractually required to pay at the start of the contract (a prepaid commit) or at the end (postpaid).

## Composite charge

A *composite charge* is based on the total of other charges. It can be determined either 1) as a percentage increase or decrease applied to other usage-based and/or fixed charges or 2) as a minimum applied to usage-based, fixed, and/or percentage-based charges. For example, if a company has a minimum monthly usage-based charge of \$100 and the customer uses \$80 of service at the end of the month, the minimum composite charge is \$20 to meet the \$100 monthly minimum.

## Configure, Price, Quote (CPQ) system

A *CPQ system* is software that helps a business quickly and accurately provide pricing for complex, customizable products or services. Quotes are calculated based on the offering's configuration of features, discounts, and other variable aspects. These systems ensure pricing accuracy and fairness for all customers.

## Cost basis

*Cost basis* refers to the final price a customer pays for a product or service as it relates to a company's standard pricing. For example, if a customer pays \$8,500 to receive \$10,000 credits, the cost basis is \$8,500.

## Credit deduction or applied credit

A *credit deduction* or *applied credit* is a line item on an invoice that has a negative amount and reduces the total owed. Credit deductions may apply only to a subset of dates on an invoice where credit granularity is also involved. If a credit grant expires in the middle of a billing period, the deduction only applies to charges incurred on or before the expiration date. For example, if the credit grant expires on March 15 and the billing cycle ends on March 31, the credit deduction applies to charges sustained from March 1–15.

## Credit granularity

*Credit granularity* describes the application of credits to sub-periods within a larger billing period. For example, within a customer's monthly billing period, a more granular view might show the client's weekly credit usage.

## Credit memo

A *Credit memo* is a billing document that is used to offset, reverse, or credit an Invoice and/or Invoice Line Item. They typically have a similar format/template as an Invoice. Credit memo line items are applied to an invoice line item to offset, reverse, or credit the amount of the charge.

## Credits

*Credits* can be granted directly to a customer or contract for common scenarios like prepayment (typically at a discounted rate), reimbursement for downtime, and promotions. Credits can be applied at the product level and in any pricing unit, whether a currency such as U.S. dollars or a custom pricing unit like "cloud consumption units." Credit types within Metronome include *fiat* and *non-fiat* (or custom).

## Customer relationship management (CRM)

A *CRM* is software that allows a company to organize and manage relationships with current and potential customers. Popular CRMs include [Salesforce](#) and [HubSpot](#).

## Data warehouse

A *data warehouse* is a central repository for aggregated and structured data that is gathered from one or more sources for use in reporting, analysis, and other data-reliant efforts. Popular data warehouses include [Snowflake](#), [Google BigQuery](#), and [Amazon Redshift](#).

## Debit Memo

A *debit memo* is a billing document that is used to inform a customer of charges owed. Similar to, but *independent* of an invoice. Debit Memos can be generated at any time and are not tied to a specific billing period or billing cycle.

## Deferred revenue

*Deferred revenue* is revenue that has not yet been earned. Charges that are billed in advance are considered to be deferred revenue at the

time of invoicing and are recognized in a future period.

## Dunning

*Dunning* refers to the methodical process of communicating with customers to collect payment owed for products or services provided.

## Effective date range

The *effective date range* is the date that something takes effect and when it expires. Within Metronome, credit grants are associated with an effective date range.

## Enterprise resource planning (ERP)

An *ERP* is software that is used to manage and optimize core business processes, such as accounting and procurement. An ERP allows for real-time tracking with ongoing data collection from various parts of the business and assists in organizational decision-making and planning. Popular ERPs include [NetSuite](#), [SAP](#), and [Sage Intacct](#).

## Entitlement

*Entitlement* refers to a customer's access to a specific feature or product, within a given plan.

## Fees

*Fees* are typically charges that are added in addition to a service or good that are not directly related to a service or good. For example Administration Fees, Installation Fees or Late Fees.

## Fiat

*Fiat* is defined as a currency that is backed by a government but is not backed by a physical commodity, such as gold. Examples include euros, pesos, United States dollars, yen, etc.

## Fixed charge

A *fixed charge* is a type of usage-based pricing in which the same rate is applied regardless of quantity. Also known as *flat rate charge*.

## Grace period

A *grace period* is a time period directly following a payment's due date, during which any late fees are waived or only partially apply, or during which usage-based billing is finalized. In usage-based pricing, setting a grace period at the end of a billing period is often best practice to allow for usage reporting to be fully realized and any final changes to be taken into account before invoicing the customer.

## Invoice

An *invoice* is a billing document that records charges and costs a customer incurs for a specific period in time with the total amount due for the products or services listed. Each entry usually lists which service or product was delivered to the customer, along with that service or product's price and quantity used. Invoices serve as an input for payments, revenue recognition, customer transparency, and more.

## Invoice line item

An *invoice line item* is a subsection of an invoice that is typically used to represent a single transaction, whether a debit or a credit.

## Issue date

The *issue date* is the date and time an invoice is sent to a customer for payment.

## Ledger

A *ledger* is a record of all transactions for an account in a single view. Can include pending entries, such as deductions from invoices that are still in a draft state.

## Line item

A *line item* is an element of an invoice that contributes to the final total. It has a name, credit type, quantity (if applicable), and total. Line items often have subline items, which are a collection of charges that contribute to the line item's total.

## Net payment

*Net payment* terms represent how many days a customer has to pay the amount due on an invoice after it has been issued. If payment terms are “net 30,” the customer has 30 days to pay the invoice from the issuance date.

## Non-fiat credit type

*Non-fiat* or *custom* credit types grant customers credits in that credit type. Also called *custom* credit type.

## Overage

An *overage* is a charge type that is incurred when a customer uses more than all available prepaid or previously agreed-upon products or services; the customer has *gone over* their available credit amount and is charged for the *overage*.

## Payment processor

A *payment processor* is a system, often provided by a vendor, that businesses use to enable credit card, debit card, or bank account transactions between the business and their customers. Popular payment processors include [Stripe](#), [Bill](#), and [QuickBooks](#).

## Pricing and packaging

*Pricing and packaging* refers to how products are encoded into contracts, invoices, and quotes, often visible on a company's pricing page. SaaS companies commonly have two or three plans that are free, paid, or custom quoted, and each plan includes products with associated prices that translate into line items on an invoice. Depending on the company, there could be 10, 100, or 1,000s of products (aka SKUs) that can be grouped into different plans that appear on an invoice.

## Product

A *product* is a commodity or service made available for purchase. Products define the line items that appear on invoices. Products also identify the metrics for calculating billing, and whether those charges are usage-based, fixed (one-time or recurring), or composite.

## Proration

*Proration* is a method for calculating partial billing of a larger, fixed

fee. For example, if the fixed fee per month is \$100 and the contract begins on April 15th, the customer is charged only \$50 for the 15 remaining days of April—not the entire \$100 monthly fee.

## Quantity

*Quantity* is a line item on an invoice that displays the count or volume of units used for the specified billing period. Quantity is often used for line items related to usage-based fees that must be summed to determine the amount being billed. Quantity may not apply to all line items, including those for fixed fees.

## Ramp

*Pricing ramps* are a flexible way to increase prices over time. For example, an introductory rate might last for the first couple of billing periods, after which higher rates and minimums apply

## Rate card

*Rate cards* establish default product prices and availability, which can be changed on a per-contract basis.

## Rating

*Rating* refers to the act of applying pricing to usage. Rating combines pricing and packaging with metered usage of the product. The complexity of rating is mostly determined by how complex a company's pricing and packaging model is. The more sophisticated the pricing and packaging, the more business logic is required for an accurate rating.

## Recurring fee

*Recurring fees* are fixed charges that are billed on a routine basis. For example, a business may charge a "quarterly support fee," and that fee would appear once per quarter every year the contract is active. Recurring fees can be charged in advance or in arrears.

## Revenue recognition

*Revenue recognition* is a generally accepted accounting principle (GAAP) that defines how and when revenue should be recognized. Businesses that use a cash-based accounting method, such as sellers of physical goods, can recognize revenue when they receive payment



for their goods or services. Conversely, SaaS businesses and software providers generally follow accrual-based accounting standards, and they recognize revenue when it is realized and earned, not when cash is received.

## Rollover

*Rollover* refers to unused credits for a specified timeframe that are not limited to that timeframe; the credits roll over to the next timeframe and are still available for use.

## SKU

*SKU* stands for “stock-keeping unit” and is an identifier that is unique to each individual product or service offered by a business.

## Seat-based billing

*Seat-based billing* is a billing model that charges customers a set amount per user or per license. For example, software services may charge customers based upon the number of users that access the software within a given period. This billing model can be charged in advance or in arrears.

## Service period

A *service period* is the time period when a contracted service is available for use. A service period has a start date and end date. These dates can be inclusive or exclusive. In Metronome, start dates are always inclusive and end dates are always exclusive.

## Spending cap

A *spending cap* is the maximum amount a customer can spend, often during a trial period. Once the spending cap threshold has been crossed, the customer enters into a state of overage and is charged for the services used over the spending cap.

## Statement

A *statement* represents a list of transactions over a given time period. Similar to a bank statement, it typically involves a Starting/Opening Balance, a list of DEBIT transactions (charges, fees, taxes) and CREDIT transactions (payments, credits, adjustments) and an Ending/Closing balance. A statement can be used a billing document

to represent an amount owed, or can be provided as a supplemental document to a customer (i.e. a transaction report)

## Subline item

A *subline item* is a subset of a parent line item. For example, if a specific product is a fixed fee line item on an invoice, that parent line item might be broken down into subline items to indicate everything that comprises the product, such as an initiation fee, support, and the number of seats associated with the product.

## Subscription-based pricing

*Subscription-based pricing* is a pricing model in which customers subscribe to services or purchase products at a fixed, recurring fee over a specific period of time.

## Tier

A *tier* is a product or service offering level within a tiered pricing model. Tiers may vary in the quantity or features offered. Typically, the larger the quantity or the more complex the features included within a specific tier, the higher the total price and the lower the price per unit. In a tiered pricing model, products are packaged into different offerings based on factors such as quantity or features.

## Total

A *total* is a line item on an invoice that indicates the full amount due for the services or products listed on the invoice.

## Trial deduction

A *trial deduction* is an invoice line item for a trial period, during which the customer is not charged for use of the product or service for a specific timeframe or predetermined amount.

## Unit price

The *unit price* is the standard cost per unit of a product or service

## Usage event

A *usage event* is a defined unit of use that is recorded when a customer takes some action or when a predetermined usage-based threshold is reached. For example, if a customer is charged for 100 bytes per transfer, the usage event is counted every time the customer transfers 100 bytes of data.

## Usage statement

*Usage statements* are similar to invoices in that they include line items with amounts used and their associated costs. These statements provide customers transparency around their own use of the product or service but are not directly used for payments.

## Usage-based billing

*Usage based billing* is a billing model in which customers are charged based on how much they use a product or service. This billing model charges customers a potentially variable amount at the end of each billing period and can be combined with seat-based billing as a composite pricing variant. Also known as consumption billing or metered billing.

## Void

A *void* transaction is a transaction that is canceled by the service provider before it is charged to the customer. Voided transactions are still visible on invoices and ledgers but carry no value.

## Volume-based pricing

*Volume-based pricing* is a pricing model in which the amount charged is based on predetermined ranges of use and their associated unit prices. Once a customer's use passes from one range into the next, the unit price adjusts to that of the highest range reached. For example, if the unit price is \$5 for 1–20 uses and \$4 for 21–40 uses and the customer uses 23 units, they will be charged \$4 on all uses in the second pricing tier, based on the volume used.



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