



VARZA SCHOOL · THE FOUNDATIONAL 100

# Customer and Product Foundations: Master Data, Price Lists, Payment Terms, and Tax Rules

Chapter 41 · Track 5 — Sales, Customers, Revenue, and Collection

## THE QUESTION IT ANSWERS

Which reference data must be correct before a quote, sale, invoice, tax calculation, delivery, and collection can be reliable?

## CONCEPTS DEFINED

Master data · Customer · Product and service master · Price list · Payment terms · Tax code · Credit limit · Unit of measure

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**Varza promise:** clear enough for a first-time learner, exact enough for a professional conversation, and practical enough to support a real decision.

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## Why this chapter matters

This track follows value from a customer need to a commercial promise, delivery, invoice, collection, return, and long-term relationship. Sales are treated as both operational events and accounting claims, with evidence and timing controlling when numbers become reliable.

**Central question:** Which reference data must be correct before a quote, sale, invoice, tax calculation, delivery, and collection can be reliable?

Commercial transactions inherit the quality of master data. Customer identity, product or service definition, unit, price, currency, payment terms, tax treatment, credit status, and effective dates should be governed once and reused consistently.

Varza approaches the subject from life to ledger and from ledger to decision. We begin with what actually happened, identify the rights, obligations, resources, timing, and uncertainty, and only then choose the correct term, calculation, document, or account. This order protects the learner from a common error: learning a label without understanding the economic reality that the label is supposed to describe.

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## Learning outcomes

- Define and distinguish master data in plain and professional language.
- Define and distinguish customer in plain and professional language.
- Define and distinguish product and service master in plain and professional language.
- Define and distinguish price list in plain and professional language.
- Apply the concepts to a numerical case and explain the result rather than only calculate it.
- Identify evidence, workflow, controls, and Varza entities required for reliable use.
- Recognize when jurisdiction-specific or licensed professional advice is required.

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## The Varza mental model

A financial concept becomes decision-ready when six questions have answers: **what, who, when, how much, based on what evidence**, and **under which assumption or rule**. A seventh question—**what should happen next**—turns knowledge into management.

This chapter uses internationally recognized terminology, but it remains jurisdiction-neutral unless explicitly stated. Accounting standards, tax rules, contract law, consumer protection, labor requirements, and investment regulation can produce different legal outcomes in different countries. The global foundation gives the learner a stable map; local collections must add the binding rules.

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## Core concepts

### 1. Master data

**Working definition.** Master data is the governed reference information reused across transactions, such as parties, products, units, accounts, tax settings, currencies, and terms.

Errors in master data replicate at scale. Ownership, effective dating, uniqueness, validation, approval, and change history are therefore foundational controls. This is where operational activity and financial reporting meet.

**Simple example.** A wrong customer tax status can affect every later quote, invoice, return, and report.

**Decision test.** Who can influence the result, and who only reports it? A reliable answer should state the unit, date or period, scope, evidence, and uncertainty. When one of these is missing, the concept may still be useful for discussion, but it is not yet decision-ready information.

### 2. Customer

**Working definition.** Customer is a person or organization that evaluates an offer, accepts commercial terms, and provides or commits consideration in exchange for value.

The user, payer, buyer, and beneficiary may be different parties. Master data and commercial design should identify each role when it affects price, tax, credit, delivery, or support. In Varza language, the concept becomes useful when it changes a decision.

**Simple example.** An employer may buy a health service, employees may use it, and an insurer may settle part of the invoice.

**Decision test.** Does the item affect cash now, later, or not at all? A reliable answer should state the unit, date or period, scope, evidence, and uncertainty. When one of these is missing, the concept may still be useful for discussion, but it is not yet decision-ready information.

### 3. Product and service master

**Working definition.** Product and service master is the controlled record defining what an organization buys, sells, stores, produces, or delivers.

The record should distinguish item from service and capture description, unit, classification, tracking, valuation, tax, price, and lifecycle status. The professional term matters because it prevents two different realities from being recorded as though they were the same.

**Simple example.** A stocked medicine requires batch and expiry tracking while a consulting hour does not.

**Decision test.** What is being measured, and what has been left outside the boundary? A reliable answer should state the unit, date or period, scope, evidence, and uncertainty. When one of these is missing, the concept may still be useful for discussion, but it is not yet decision-ready information.

## 4. Price list

**Working definition.** Price list is a governed schedule of standard prices by item, service, market, customer class, currency, quantity, or effective period.

Price lists establish a reference, not necessarily the final transaction price. Discounts and exceptions should remain visible and authorized. A non-specialist can understand this by separating the object, the timing, and the consequence.

**Simple example.** Wholesale prices may differ from retail prices and change from the first day of a new month.

**Decision test.** When did the underlying right, obligation, benefit, or sacrifice arise? A reliable answer should state the unit, date or period, scope, evidence, and uncertainty. When one of these is missing, the concept may still be useful for discussion, but it is not yet decision-ready information.

## 5. Payment terms

**Working definition.** Payment terms is contractual rules defining when and how consideration becomes due, including due dates, installments, discounts, deposits, penalties, and settlement method.

Terms affect cash flow, credit exposure, customer behavior, and sometimes transaction price. They should be decided before invoicing. The concept should be measured at the smallest level that still supports a real action.

**Simple example.** Net-30 terms require full payment thirty days after the agreed reference date.

**Decision test.** Which document or observation would allow another person to verify it? A reliable answer should state the unit, date or period, scope, evidence, and uncertainty. When one of these is missing, the concept may still be useful for discussion, but it is not yet decision-ready information.

## 6. Tax code

**Working definition.** Tax code is a controlled rule that determines the tax category, rate, recoverability, reporting treatment, and required evidence for a transaction line.

A tax code is a jurisdiction-specific configuration, not a universal product property. Party, place, date, use, and exemption may change the result. The number alone is not enough; its definition determines whether comparisons are valid.

**Simple example.** The same service may be taxable domestically and treated differently in a cross-border business transaction.

**Decision test.** How would a different assumption change the result? A reliable answer should state the unit, date or period, scope, evidence, and uncertainty. When one of these is missing, the concept may still be useful for discussion, but it is not yet decision-ready information.

## 7. Credit limit

**Working definition.** Credit limit is the approved maximum exposure an organization is willing to carry for a customer or related group under defined conditions.

The limit should consider financial capacity, payment history, concentration, collateral, market conditions, and pending orders—not only unpaid invoices. This is where operational activity and financial reporting meet.

**Simple example.** A customer has a CU 50,000 limit and cannot receive a new CU 20,000 shipment when total exposure is CU 45,000 without approval.

**Decision test.** Who can influence the result, and who only reports it? A reliable answer should state the unit, date or period, scope, evidence, and uncertainty. When one of these is missing, the concept may still be useful for discussion, but it is not yet decision-ready information.

## 8. Unit of measure

**Working definition.** Unit of measure is the standardized quantity basis in which an item or service is bought, stored, consumed, sold, or reported.

Conversions need controlled ratios, rounding, effective dates, and packaging logic. Unit errors can create major quantity and cost distortions. In Varza language, the concept becomes useful when it changes a decision.

**Simple example.** A chemical is purchased by drum, stored by liter, and consumed by milliliter.

**Decision test.** Does the item affect cash now, later, or not at all? A reliable answer should state the unit, date or period, scope, evidence, and uncertainty. When one of these is missing, the concept may still be useful for discussion, but it is not yet decision-ready information.

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## How the concepts connect

The concepts in this chapter are a system, not a vocabulary list. Master data, Customer, Product and service master, Price list, Payment terms, Tax code, Credit limit, and Unit of measure describe different parts of the same decision. Confusing them usually creates one of three failures: the wrong amount is measured, the right amount is assigned to the wrong period or person, or a correct report is used for a decision it was never designed to support.

A useful analysis therefore preserves both **classification** and **relationship**. Classification tells us what an item is. Relationship tells us what caused it, what it affects, and what could change it. Varza should store both. A report that shows only totals may be suitable for orientation; a controlled decision requires traceability to the underlying relationships.

## Quantitative model

This chapter does not depend on a single universal formula. Use a structured model instead: define the unit of analysis, identify relevant inflows and outflows, place them on a timeline, state assumptions, and test at least one adverse scenario. A formula becomes trustworthy only after its inputs and boundaries are trustworthy.

### Worked case — One wrong unit multiplies across the order

A wholesaler sells cable purchased by 100-meter reel but stored and sold by meter. A new item is mistakenly configured with one reel equal to ten meters.

| Item                   | Amount or observation     |
|------------------------|---------------------------|
| Correct conversion     | 1 reel = 100 meters       |
| Configured conversion  | 1 reel = 10 meters        |
| Customer order         | 500 meters                |
| System inventory issue | 50 reels under wrong rule |
| Actual required issue  | 5 reels                   |

### Calculation and reasoning

1. The wrong unit conversion overstates inventory consumption tenfold and can distort availability, cost, margin, reorder, and accounting.
2. Freeze affected transactions and identify quotes, orders, deliveries, invoices, and stock movements using the item.
3. Correct the effective-dated conversion through controlled master-data change rather than editing historical quantities silently.
4. Recalculate affected documents, obtain approvals, notify customers where needed, and test related units before release.

### What the result means

Master data appears administrative until one error propagates through every operational and financial layer. Prevention at the reference-data level is cheaper than transaction-by-transaction repair.

The case is deliberately compact. In practice, Varza would preserve the supporting documents, currency, dates, counterparty, project or cost center, approvals, and links to the resulting records. The lesson is not merely to reach a number; it is to make the path to that number reviewable.

## Practical workflow

1. **Define the decision, responsible person, economic unit, period, and acceptable uncertainty.** Define the owner, required evidence, status, date, and exception route. Do not allow the next step to erase the record of the previous one.
2. **Verify customer identity, roles, locations, tax status, currency, and credit ownership.** Define the owner, required evidence, status, date, and exception route. Do not allow the next step to erase the record of the previous one.
3. **Define each product or service with stable code, unit, lifecycle, accounting, inventory, and tax behavior.** Define the owner, required evidence, status, date, and exception route. Do not allow the next step to erase the record of the previous one.
4. **Create effective-dated price lists and permitted discount rules.** Define the owner, required evidence, status, date, and exception route. Do not allow the next step to erase the record of the previous one.
5. **Route sensitive changes through validation, approval, testing, and audit history.** Define the owner, required evidence, status, date, and exception route. Do not allow the next step to erase the record of the previous one.
6. **Reconcile the result to source evidence and investigate exceptions rather than forcing agreement.** Define the owner, required evidence, status, date, and exception route. Do not allow the next step to erase the record of the previous one.
7. **Approve the decision or record at the authority level required by value, risk, and legal consequence.** Define the owner, required evidence, status, date, and exception route. Do not allow the next step to erase the record of the previous one.
8. **Monitor the outcome, compare it with the original assumption, and retain the learning for the next cycle.** Define the owner, required evidence, status, date, and exception route. Do not allow the next step to erase the record of the previous one.

## How this concept should appear in Varza

The minimum Varza data model for this chapter includes customer\_master, address, tax\_profile, credit\_profile, product\_master, unit\_of\_measure, price\_list, payment\_terms, tax\_code, change\_request. These names are not merely interface labels. Each entity should have a stable identifier, status history, responsible owner, applicable currency or unit, effective dates, evidence links, and access controls.

A useful Varza screen should answer four questions without forcing the user to reconstruct the story manually:

1. **What happened or is expected to happen?** Show the operational event, obligation, or decision in plain language.
2. **What changed financially?** Show cash, asset, liability, equity, income, expense, commitment, or risk effects.

3. **Why should the user trust it?** Show source documents, calculations, approvals, and revision history.
4. **What requires attention now?** Show exceptions, due dates, thresholds, and the next responsible action.

The Varza design principles most relevant here are:

- Turn information into a decision, a control, or a question; otherwise it is only decoration.
- Begin with the real event, not the accounting label.
- Keep value, cash, profit, and ownership distinct until their relationship is proven.

Varza AI may explain, classify, compare, simulate, and prepare a proposed action. It should not silently change a legal record, post a material transaction, close a period, release a payment, or make an investment decision on the user's behalf. Material actions require visible evidence, permissions, validation rules, and an accountable human approval path.

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## Controls and professional boundaries

1. **Independent verification of bank, tax, and identity changes.** The control should be proportionate to value and risk, documented clearly, and tested often enough to detect failure before the consequence becomes irreversible.
2. **Effective dates and no destructive overwrite of prior terms.** The control should be proportionate to value and risk, documented clearly, and tested often enough to detect failure before the consequence becomes irreversible.
3. **Duplicate-customer and duplicate-item detection.** The control should be proportionate to value and risk, documented clearly, and tested often enough to detect failure before the consequence becomes irreversible.
4. **Restricted master-data permissions separate from ordinary sales entry.** The control should be proportionate to value and risk, documented clearly, and tested often enough to detect failure before the consequence becomes irreversible.
5. **Stable definitions, versioned assumptions, and consistent units across plans, records, and reports.** The control should be proportionate to value and risk, documented clearly, and tested often enough to detect failure before the consequence becomes irreversible.
6. **Traceability from every material total to evidence, calculation, owner, and change history.** The control should be proportionate to value and risk, documented clearly, and tested often enough to detect failure before the consequence becomes irreversible.
7. **Access and approval rights aligned with responsibility and the possible consequence of error or misuse.** The control should be proportionate to value and risk, documented clearly, and tested often enough to detect failure before the consequence becomes irreversible.

A control is effective only when it operates in practice. A policy that everyone can bypass is a statement of hope, not a control. Likewise, a control that blocks ordinary work without distinguishing low-risk and high-risk cases encourages hidden workarounds.

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## Common mistakes and better responses

### Mistake 1: Creating a new customer for each spelling variation

**Better response.** Reconstruct the underlying event, state the definition being used, obtain the missing evidence, and recalculate before making a decision. Correct the process as well as the current number so the same error does not become routine.

### Mistake 2: Embedding changing price or tax information inside an item code

**Better response.** Reconstruct the underlying event, state the definition being used, obtain the missing evidence, and recalculate before making a decision. Correct the process as well as the current number so the same error does not become routine.

### Mistake 3: Changing payment terms after a sale without preserving the agreed version

**Better response.** Reconstruct the underlying event, state the definition being used, obtain the missing evidence, and recalculate before making a decision. Correct the process as well as the current number so the same error does not become routine.

### Mistake 4: Using a default tax code without considering party, place, date, and transaction

**Better response.** Reconstruct the underlying event, state the definition being used, obtain the missing evidence, and recalculate before making a decision. Correct the process as well as the current number so the same error does not become routine.

### Mistake 5: Using a technically correct number outside the period, entity, currency, or decision boundary for which it was calculated

**Better response.** Reconstruct the underlying event, state the definition being used, obtain the missing evidence, and recalculate before making a decision. Correct the process as well as the current number so the same error does not become routine.

### Mistake 6: Accepting an automated result without reviewing the evidence, assumptions, exceptions, and required professional judgment

**Better response.** Reconstruct the underlying event, state the definition being used, obtain the missing evidence, and recalculate before making a decision. Correct the process as well as the current number so the same error does not become routine.

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## Decision checklist

- ☐ Can I explain master data in plain language and in professional terms?
- ☐ Can I explain customer in plain language and in professional terms?
- ☐ Can I explain product and service master in plain language and in professional terms?

- ☐ Can I explain price list in plain language and in professional terms?
- ☐ Have I stated the entity, currency or unit, date or period, and decision boundary?
- ☐ Can another person reproduce the number from retained evidence?
- ☐ Have I separated actuals, estimates, commitments, and scenarios?
- ☐ Have I tested timing, liquidity, risk, and at least one adverse outcome?
- ☐ Is the required approval proportional to the possible loss or legal consequence?
- ☐ Does the final output lead to a specific action, owner, and review date?

## Practice lab

1. **Explain it.** Describe Master data to a person who has never studied finance. Then add the professional definition and identify one boundary your simple explanation omitted.
2. **Classify it.** Create five examples from your household or a small business and classify each using Customer. State any assumptions.
3. **Calculate it.** Rebuild the worked case with amounts 20% higher. Identify which conclusions change and which remain structurally true.
4. **Challenge it.** Describe a situation in which Product and service master could be measured correctly but still lead to a poor decision because timing, risk, or incentives were ignored.
5. **Design it.** Sketch a Varza screen or report for this chapter. Include fields, evidence links, status, owner, exceptions, and one AI-assisted action.

## Answer guidance

A strong answer uses consistent definitions, reveals assumptions, distinguishes fact from estimate, and connects the result to an action. More than one conclusion may be reasonable when the learner clearly states the decision objective and uncertainty. The worked-case recalculation should preserve the method even when the numbers change.

## Varza AI knowledge capsule

This capsule is intentionally explicit so that a retrieval system can distinguish canonical teaching points from examples and commentary.

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products, units, accounts, tax settings, currencies, and terms.",
  "Customer: a person or organization that evaluates an offer, accepts commercial terms, and provides or
commits consideration in exchange for value.",
  "Product and service master: the controlled record defining what an organization buys, sells, stores,
produces, or delivers.",
  "Price list: a governed schedule of standard prices by item, service, market, customer class,
currency, quantity, or effective period.",
  "Payment terms: contractual rules defining when and how consideration becomes due, including due
dates, installments, discounts, deposits, penalties, and settlement method.",
  "Tax code: a controlled rule that determines the tax category, rate, recoverability, reporting
treatment, and required evidence for a transaction line.",
  "Credit limit: the approved maximum exposure an organization is willing to carry for a customer or
related group under defined conditions.",
  "Unit of measure: the standardized quantity basis in which an item or service is bought, stored,
consumed, sold, or reported."
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## Suggested questions for Varza AI

- Explain this chapter using an example from a household, a shop, and a service business.
- Ask me five diagnostic questions before applying this concept to my situation.
- Show the difference between cash effect, accounting effect, and decision effect.
- Recalculate the worked case using my currency and assumptions, but preserve the original definitions.
- Identify which parts require local accounting, tax, legal, labor, or investment rules.

## Sources and standards horizon

This chapter is original Varza educational content. It paraphrases and synthesizes concepts; it does not reproduce a standard or third-party article. The following sources were used to establish terminology, scope, and current professional context:

- **S003 — OECD-INFE, *Core Competencies Framework on Financial Literacy for MSMEs*.** 2018; accessed 2026-08-31. Financial capability for entrepreneurs and small-business managers. Source: [https://www.oecd.org/en/publications/oecd-infe-core-competencies-framework-on-financial-literacy-for-msmes\\_220101c9-en.html](https://www.oecd.org/en/publications/oecd-infe-core-competencies-framework-on-financial-literacy-for-msmes_220101c9-en.html)
- **S009 — U.S. Small Business Administration, *Manage your business*.** accessed 2026-08-31. Ongoing compliance and financial management. Source: <https://www.sba.gov/counseling/manage-your-business/>
- **S023 — OECD, *International VAT/GST Guidelines*.** 2017; accessed 2026-08-31. VAT/GST neutrality, destination principle and cross-border guidance. Source: [https://www.oecd.org/en/publications/international-vat-gst-guidelines\\_9789264271401-en.html](https://www.oecd.org/en/publications/international-vat-gst-guidelines_9789264271401-en.html)
- **S114 — IFRS Foundation, *IFRS 15 Revenue from Contracts with Customers*.** 2026 standards set. Principles for recognizing revenue from customer contracts. Source: <https://www.ifrs.org/issued-standards/list-of-standards/ifrs-15-revenue-from-contracts-with-customers/>
- **S203 — Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control —Integrated Framework*.** 2013 framework; accessed 2026-08-31. Control environment, risk assessment, control activities, information and monitoring. Source: <https://www.coso.org/internal-control>

**Standards horizon.** Reviewed through 2026-08-31. IFRS 18 and the third edition of the IFRS for SMEs Accounting Standard are included as transition knowledge where relevant; both have mandatory effective dates beginning in 2027, with early application permitted under their respective requirements.

**Jurisdiction note.** Global educational foundation; local law, tax, reporting, consumer-protection, licensing, and professional requirements must be checked separately.

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