QAD Enterprise Applications
Standard Edition

Training Guide

Financial Management

70-3052-2012 SE
QAD 2012 Standard Edition
Workspace: Training
June 2012

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Change Summary

The following table summarizes significant differences between this document and the last published version.

Date/Version	Description	Reference
June 2012/2012 SE	Rebranded for 2012 SE	

About This Course

Course Description

QAD designed this course to cover the basics of preparing to implement financial modules QAD Standard Edition (QAD SE). The course includes:

- Base and multinational data setup
- Accounts receivable setup and use
- Purchasing setup and use
- Accounts payable setup and use
- General ledger setup and use

Course Objectives

By the end of this class, students will:

- Know how to setup and run financials in QAD Standard Edition

Audience

The audience for this course includes:

- Implementation consultants
- Members of implementation teams
- Operators

Prerequisites

The prerequisites for attending this course are:

- *Initial QAD Enterprise Applications Setup* training course
- Basic knowledge of:
  - Hardware and network configurations
  - QAD SE as it is used in industry
- Working knowledge of:
  - The manufacturing industry in general
  - Accounting principles

Note Students that are unfamiliar with QAD Enterprise Applications should read *User Guide: Introduction to QAD Enterprise Applications* before attending this class.

Course Credit and Scheduling

This course is typically taught in five days.

Virtual Environment Information

The hands-on exercises in this book should be used with the latest Standard Edition learning environment in the Training workspace.

When prompted to log in, specify *demo* for user ID and *qad* for password.

Additional Resources

If you encounter questions on QAD software that are not addressed in this book, several resources are available. The QAD corporate Web site provides product and company overviews. From the main site, you can access the QAD Learning or Support site and the QAD Document Library. Access to some portions of these sites depends on having a registered account.

http://www.qad.com/

QAD Learning Center

To view available training courses, locations, and materials, use the QAD Learning Center. Choose Education under the Services tab to access this resource. In the Learning Center, you can reserve a learning environment if you want to perform self-study and follow a training guide on your own.

QAD Document Library

To access release notes, user guides, training guides, and installation and conversion guides by product and release, visit the QAD Document Library. Choose Document Library under the Support tab. In the QAD Document Library, you can view HTML pages online, print specific pages, or download a PDF of an entire book.

To find a resource, you can use the navigation tree on the left or use a powerful cross-document search, which finds all documents with your search terms and lets you refine the search by book type, product suite or module, and date published.

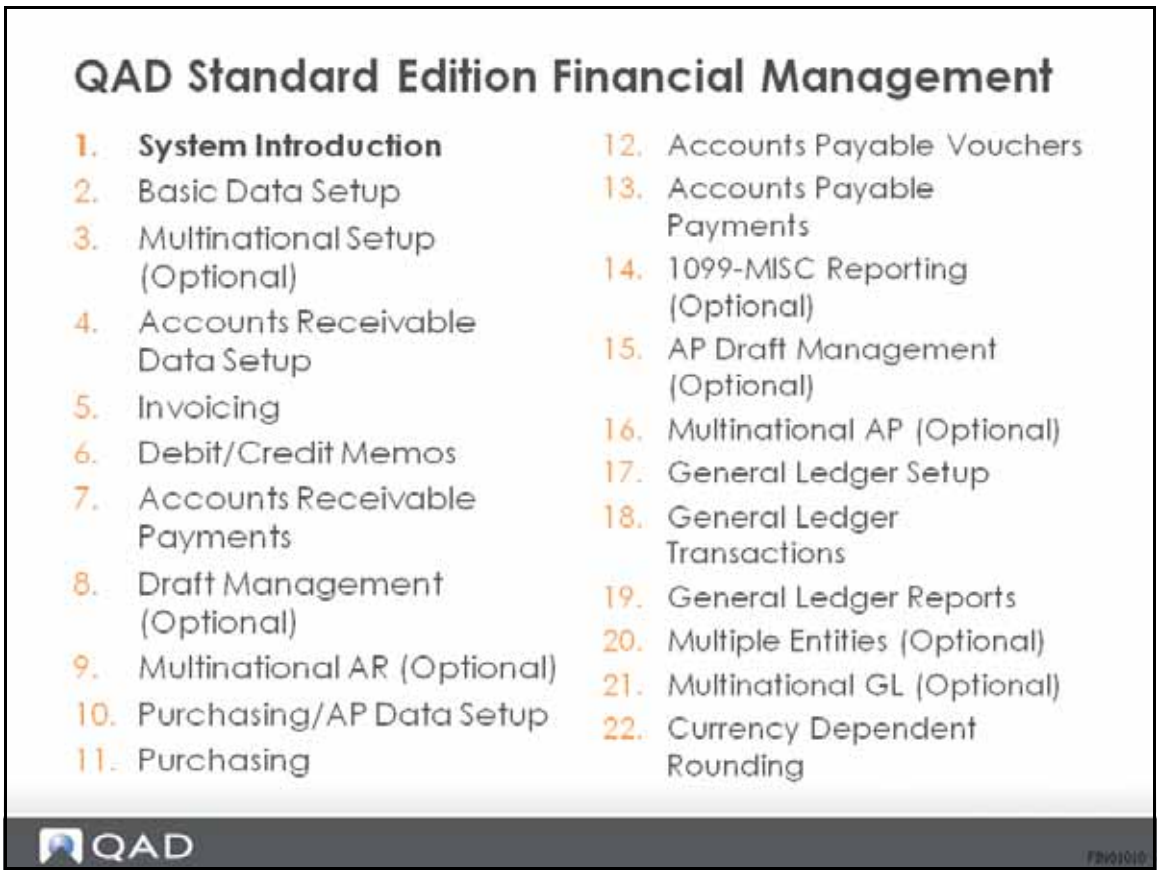
QAD Support

Support also offers an array of tools depending on your company's maintenance agreement with QAD. These include the Knowledgebase and QAD Forums, where you can post questions and search for topics of interest. To access these, choose Visit Online Support Center under the Support tab.

Chapter 1

System Introduction

Overview



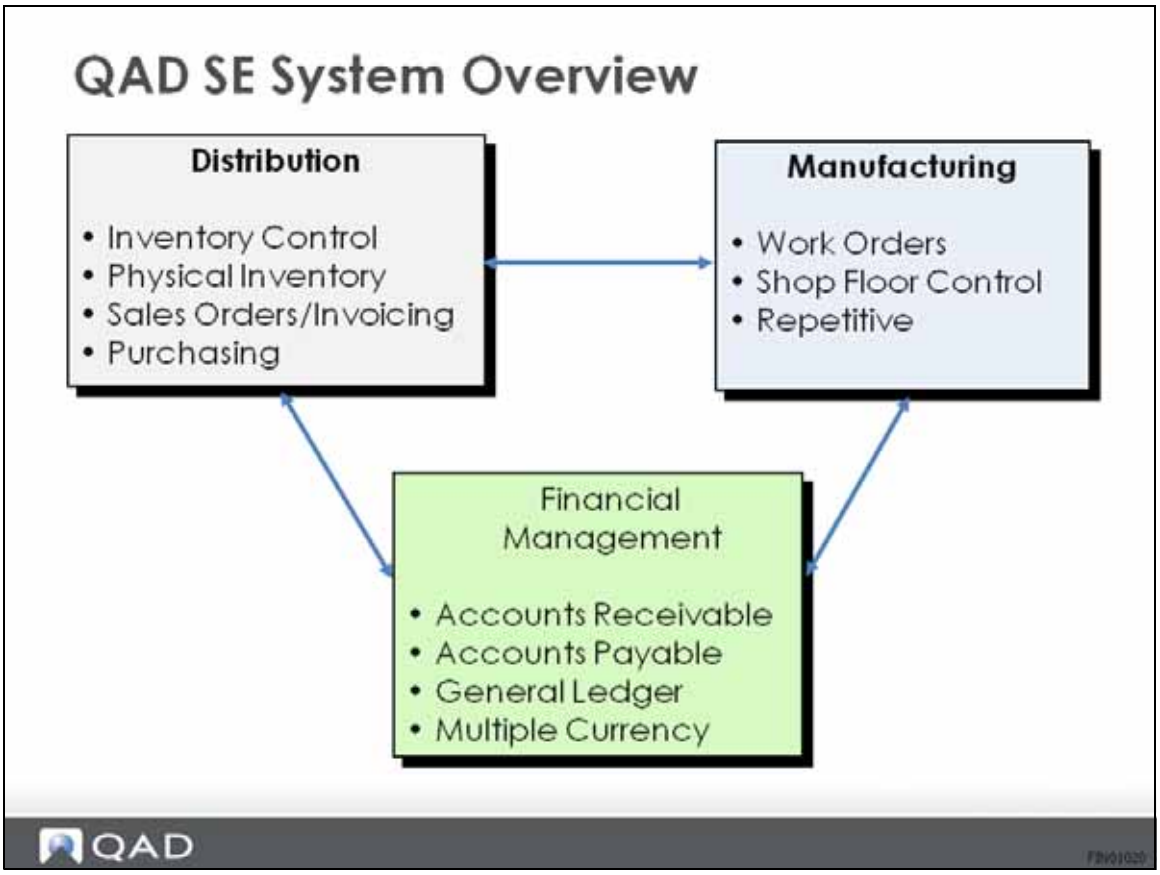
QAD Standard Edition is a software package used by manufacturing and distribution companies to monitor their operations. In manufacturing companies, QAD SE keeps track of such things as raw materials, labor, and inventory. Inside a factory, it schedules the movement of work, making sure that you have the right inventory available at each work location and that the right amount is available for sale when the product is finished. It also tracks distribution activities: recording sales and purchase orders, receiving, shipping, and invoicing.

Almost every manufacturing and distribution activity has financial consequences, which is why you are reading this. QAD SE not only tracks activities, it also records the financial effect of the activities.

QAD SE is an integrated system with three major parts: distribution, manufacturing, and financial. Before we examine the actual financial modules, consider two examples of how an integrated distribution, manufacturing, and financial system works.

Physical inventory is a process whereby you count all stock in your warehouse. Each item has a value, which is referred to as the value standard cost. If you count the items and discover you have more or fewer items than expected, this has an impact on assets. QAD SE automatically records the discrepancy and updates the general ledger (GL) asset value to reflect the situation.

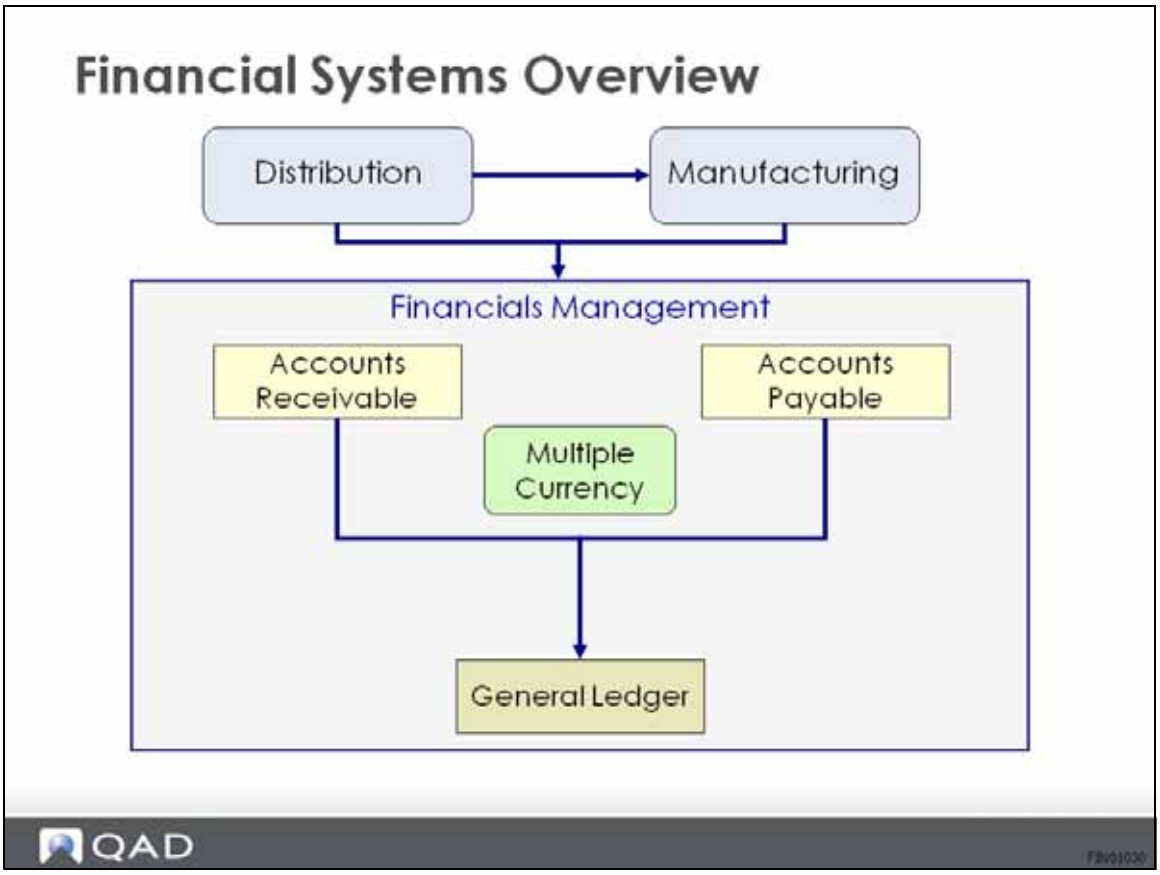
Shop floor control is a process in which you record actual labor time expended during manufacturing. Every hour recorded increases the value of your work in process (WIP) and results in an accrued labor expense. QAD SE automatically creates the appropriate GL entries.



The essential quantity in financial recording is the account balance: the amount of money in an account. In QAD SE, there are three kinds of balances: your company's balances, those of your customers, and those of your suppliers.

- Company balances are maintained in the General Ledger
- Customer balances are recorded in Accounts Receivable
- Supplier balances are recorded in Accounts Payable

All of these balances can be recorded either in the base currency or in any foreign currency. The Multiple Currency module helps you manage the effects of changing exchange rates.

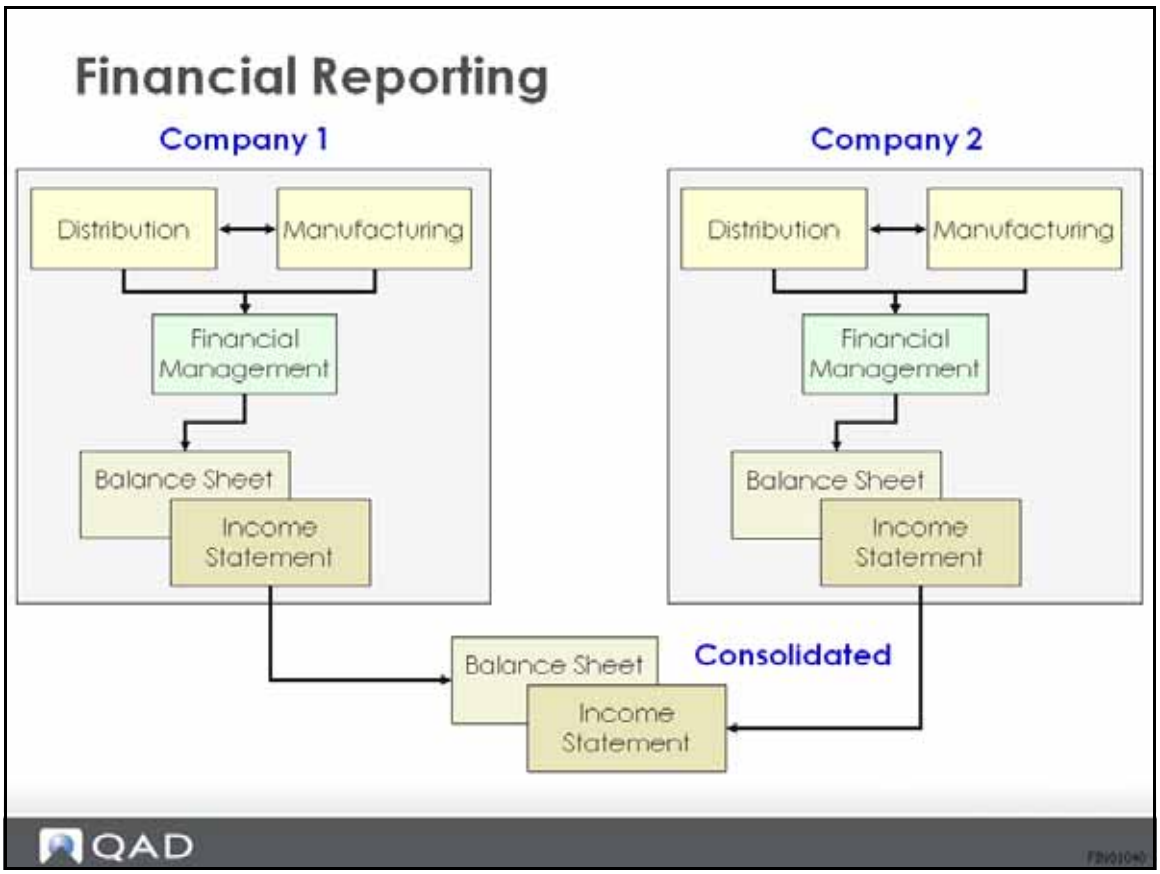


From a financial viewpoint, the goal of an integrated distribution, manufacturing, and financial system is to produce financial statements, such as balance sheets and income statements. Essentially, these statements define the activities of a company.

In the real world, many companies do not operate in isolation; they are part of a whole. Often, several companies that are part of a larger corporation need to submit their financial statements to the parent company. The process of integrating this information is called consolidation.

Even if you are only working within a single company, it is important to understand how this financial data can be used by the other companies that you are working with.

Corporate Organizations



The simplest corporate organization is a single company operating at a single location. In this situation, you use QAD SE to manage your manufacturing, distribution, and financial activities and ultimately produce just one set of financial statements.

In QAD SE, we refer to this type of organization as a single financial entity that is required to publish financial reports and file tax returns to the government.

Sometimes a company has factories or warehouses in several locations, but it still only needs to produce one set of financial statements. In this case, the company is a single entity with several sites. In QAD SE, a site is a unit used for inventory control and planning purposes, but it is not a separate financial unit. In both of these situations you normally use only one computer system and one database to manage operations.

Domains

The domain concept in the database provides flexible implementation options for supporting multiple business operations within a single database and eliminates the need for a single database-wide base currency or database-wide control settings. The domain is essentially a logical partition within a single database. Any number of domains can be set up in one physical database—each domain with its own base currency, chart of accounts, operating controls, document numbering, and security.

Note A database with one or multiple domains can continue to connect to another database also with one or multiple domains.

Some system administration functions can be managed across domains, such as defining users, currency codes, country codes, menus, messages, and labels. This includes the ability for a system administrator to control exactly which users can access data in which domains. All other data updates take place within the context of a specific domain.

You can create two types of domains:

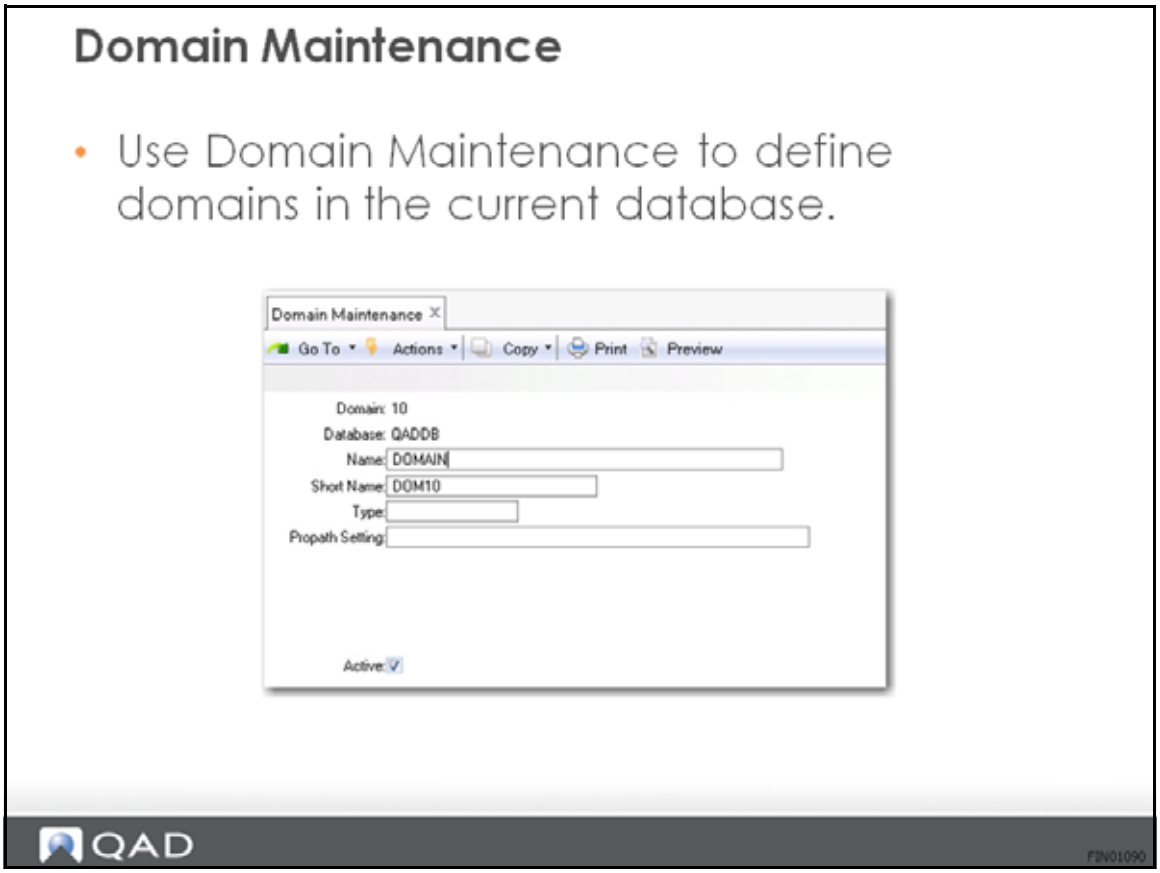
- Primary domains reference the current database.
- Connection domains point to domains located in other databases.

When you create a domain, you must associate it with a database. When you create a new primary domain (database is your current database) in a multi-database environment, all databases must be connected.

Corporate Organizations

QAD

Domain Maintenance

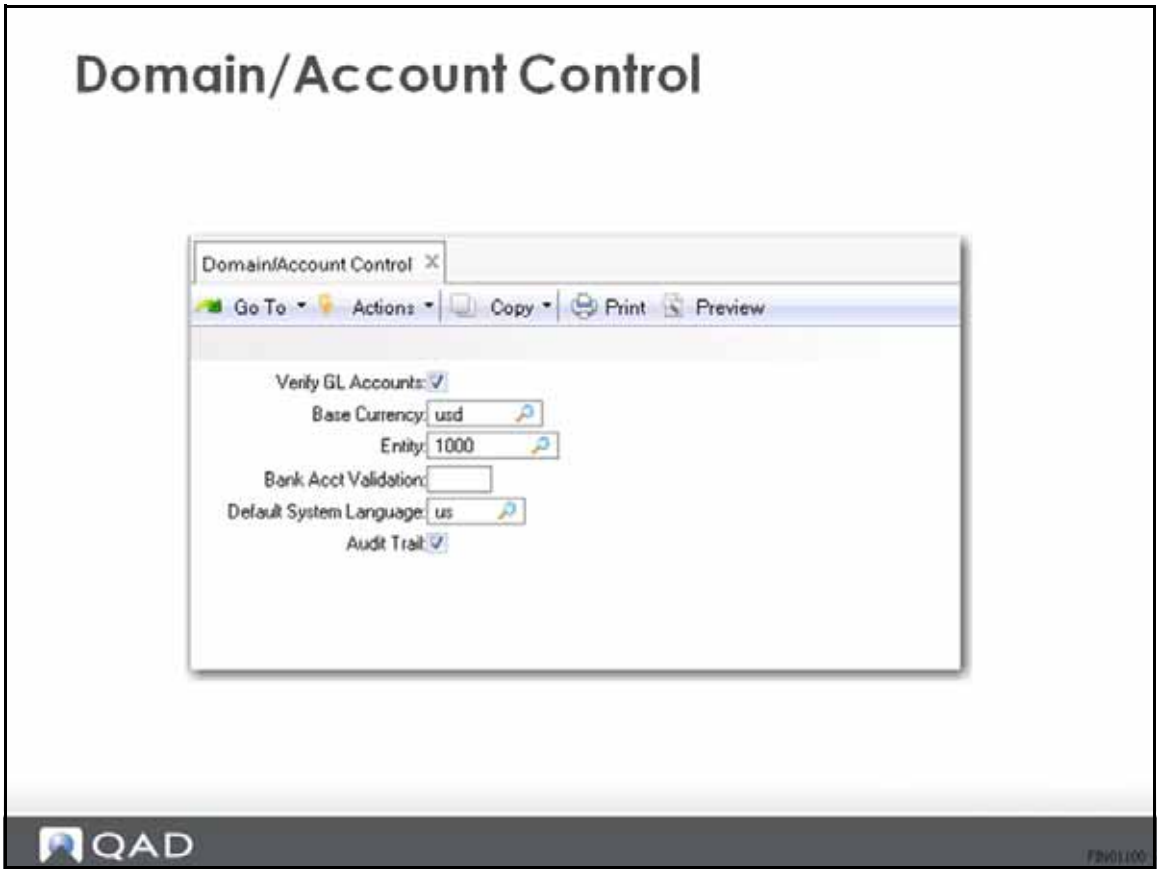


Use Domain Maintenance (36.10.1) to define domains in the current database (primary domains) and define connection records that reference domains in other databases.

A domain represents a business operation with a single currency and chart of accounts. Each database must have at least one domain and can have as many as you need. Each domain can include one or more entities, one of which is designated as the primary entity.

Once you define domains, assign them to users in User Maintenance. Each user has a default domain. If they are assigned access to more than one domain, they can choose a domain at login. Otherwise, they are automatically logged in to their assigned domain.

Domain/Account Control



The first step in beginning to use QAD SE is to set up Domain/Account Control (36.1).

In QAD SE, control programs define how processing takes place within the system. This may be as simple as maintaining the next customer number or as complex as defining product allocation rules. Almost every module has its own control program.

Control programs should be initialized before using any module in the system. Most of the values should not be changed once the system is in use. Access to the control programs should be restricted by password security.

You must set up Domain/Account Control (36.1) prior to entering any information into the system. This is a special control program used by all modules of QAD SE. Mainly, it defines accounting parameters such as currency, and default GL accounts.

Domain/Account Control (36.1) has two sections. The first section defines the entity, system base currency, and system entity, bank account validation, default system language, audit trail, and the server time zone.

General Settings

The following are general settings within Domain/Account Control (36.1):

Verify GL Accounts. Indicates whether the system should verify general ledger accounts and effective dates when transactions are created in other modules

General ledger accounts are always verified in the GL module.

Use Verify GL Accounts to activate verification in all modules, such as AR, AP, Inventory, Sales, Purchasing, Work Orders, and Multiple Currency.

If verification is activated, the system checks that the account code, sub-account code, and cost center code recorded in any transaction are valid The system also verifies that the transaction effective date is within an open GL period.

Base Currency. Company base currency used for all financial reports. All exchange rates are defined in terms of this currency.

Important Never change the base currency, once you start live processing because this can cause account balances to be incorrect.

Entity. Set the system entity for the database, when using multiple databases.

The system entity is usually the primary entity, as defined in Entity Maintenance (25.3.1).

Important Do not reset this once live processing starts.

Bank Validation. Specify the check digit to use in the bank account validation routines, if any.

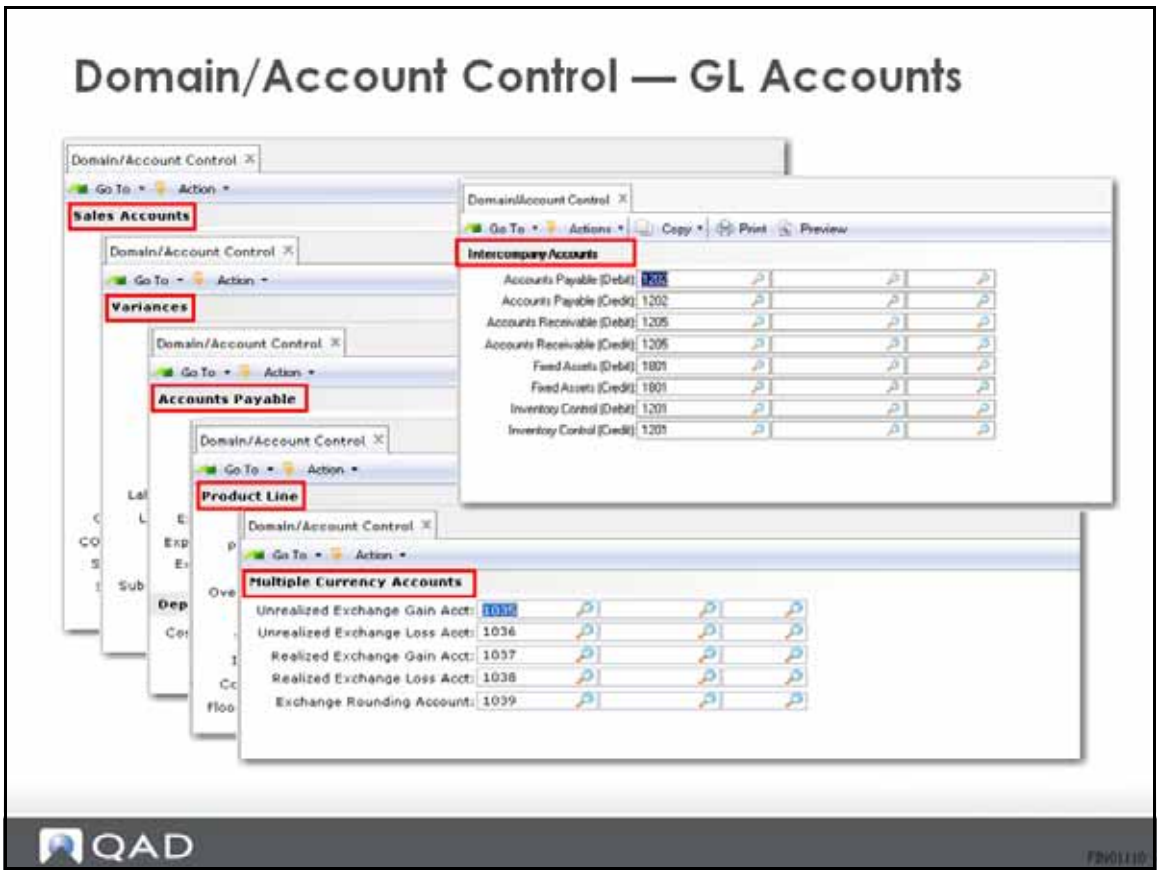
The value of the field must be 11, 12, or <blank>. If you enter eleven [11] or twelve [12], the system validates bank account numbers according to European standards.

If you are not using bank validation, leave this field blank.

Default System Language. The default language you want the system to use.

Audit Trail. Specify whether the system should keep an audit trail of changes and deletions to unposted GL transactions. The audit trail ensures that no unmonitored changes are made to the unposted GL transactions.

Default General Ledger Accounts



The second section of Domain/Account Control defines default GL accounts, sub-accounts, and cost centers that are accessed by many maintenance functions.

Each account is identified by an account code, an optional sub-account code, and an optional cost center code. General Ledger Control (25.24) determines whether sub-accounts and cost center codes are used in your database.

It is critical to understand where each of these account codes are used by the system. As we enter data, you see these accounts; set up correctly, they can streamline data entry and minimize errors.

Multiple Currency Accounts

Currencies are defined at the system level in the application database. You must define at least one currency, and specify the base currency for each domain in Domain/Account Control. Other setup is required if you use foreign currencies or if you have multiple domains with multiple base currencies.

When using foreign currencies, you must specify the default unrealized exchange gain and loss accounts, and realized exchange gain and loss accounts. These account codes display as the default accounts for currencies entered in Currency Maintenance (26.1).

In some countries, it is necessary to record unrealized exchange gains and losses and realized exchange gains and losses in separate accounts.

Intercompany Accounts

For multiple-entity transactions, you can set up intercompany debit and credit accounts to track amounts for any transactions between entities. Each entity can have its own set of intercompany accounts for four types of transactions:

- Accounts Receivable
- Accounts Payable
- Fixed Assets
- Inventory Control

You can specify default intercompany accounts in Domain/Account Control. The default accounts are used by Entity Code Maintenance to simplify the setup of intercompany accounts when multiple entities are maintained in one domain.

When a transaction references more than one entity, the system automatically creates the required intercompany balancing entries using these accounts.

Sales, Purchasing and Department Accounts

The Domain/Account Control also lets you set default accounts for:

- Sales
- Accounts payable
- Departments

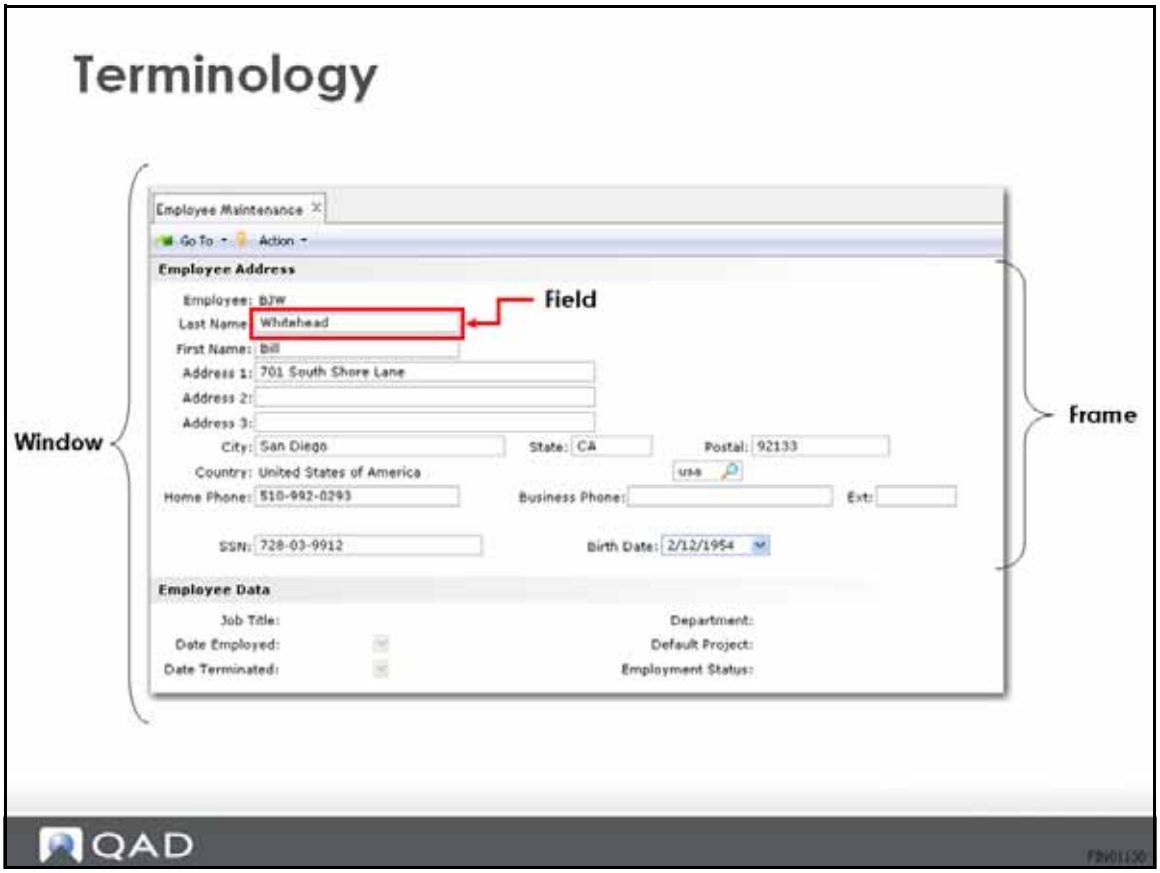
Training Database and Company

The database for this class has been preloaded with data for the Quality Products Company. We use some of this data for the course activities.

The Quality Products Company manufactures and distributes mechanical pencils and refill products. These products are packaged and sold to retail stores and office supply distributors.

Based in US Quality Pencil is a wholly owned subsidiary of a large company. It prepares its own financial statements and provides the holding company with general ledger (GL) results for consolidation. The company's manufacturing operations are based in Los Angeles, California, and branch sales offices are located worldwide.

Terminology



Understanding some basic terminology will help you to use QAD Standard Edition.

field. A single piece of electronic information such as a quantity or item number. One or more fields make up a record.

Example the name WHITEHEAD

frame. An area of an QAD SE screen containing fields and surrounded by a border. Data is grouped within frames; usually fields in a frame are for similar data. Highlighted fields are filled in with a different color (lighter, darker), reverse video, or underlined, depending on the type of terminal you are using.

window. A window is a special frame that displays only with certain control settings.

Example If you select Display Weights in Freight Control, a pop-up window prompts you to enter additional freight details.

Note You can only change (type in) highlighted fields. If you try to type anywhere else, the terminal beeps at you.

Using QAD Standard Edition

You have the ability to use QAD SE in a Windows^{tm} Interface, in character mode, via the Internet, or using the .Net UI interface. For more information on how to use QAD SE in either mode, refer to the *User Interface Guide*. Here you find detailed information and activities for both types of modes. Examples of some of the topics discussed are:

- Signing on and using menus
- Screens
- Field and procedure help
- Keyboard commands

Training Database and Company Description

The database for this class has been preloaded with data for the Quality Products Company. You will use some of this data for the class activities.

The Quality Products Company manufactures and distributes mechanical pencils and refill products. These products are packaged and sold to retail stores and office supply distributors.

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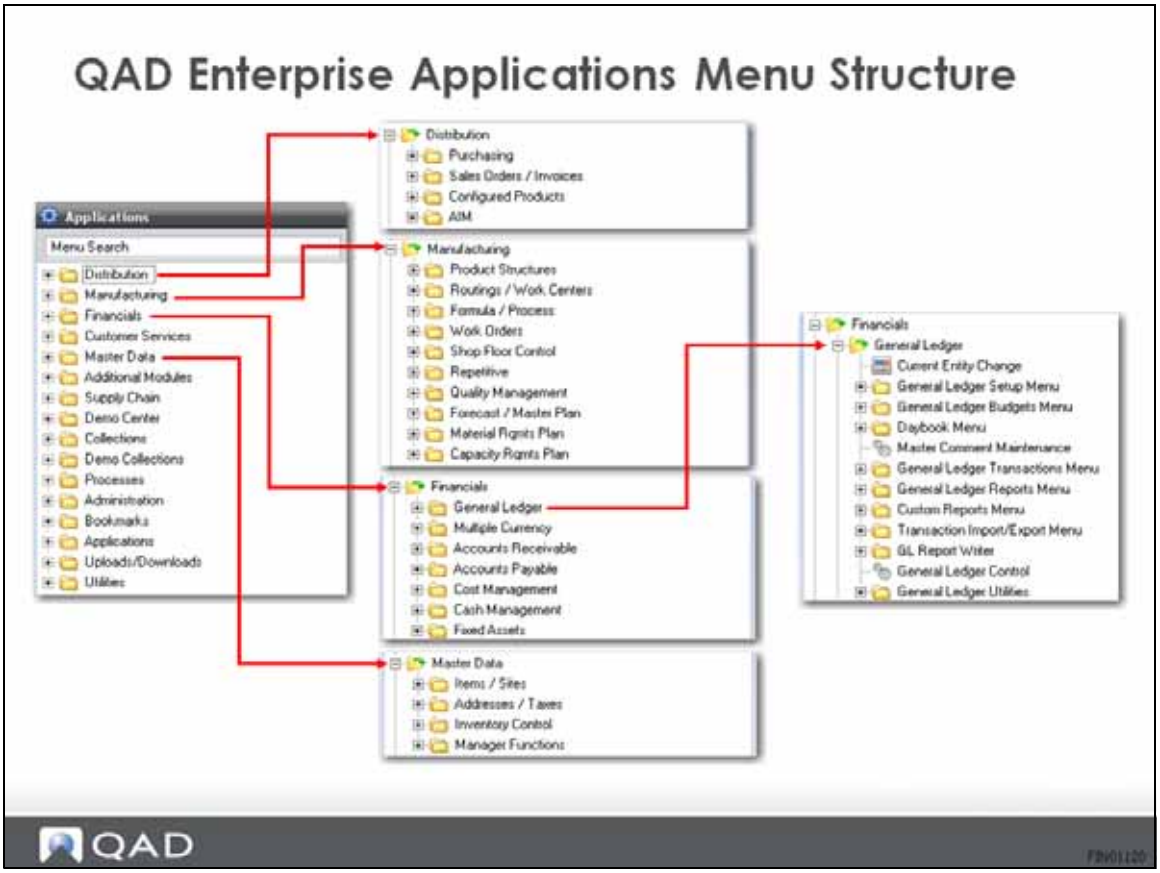
QAD Enterprise Applications Menu Structure



Menus

Menus are lists of screens where you can look up or input data or access submenus.

Maintenance

Maintenance screens enable you to add, delete, or modify data. We recommend that you set up security for most of these.

Inquiry

Inquiries enable you to review data on the terminal without changing it. A number of fields can be selected for inquiries; when the fields are left blank, all items are selected and displayed. You can also send inquiries to a printer or file.

Report

Reports enable you to send data to a printer or file and usually contain more information than inquiries. Normally, they also have one or more selection criteria (From: and To:). You can use these values to define the range of items selected for the report. Most reports can also be viewed on the screen, but may not format correctly on some terminals.

Using QAD Standard Edition

You have the ability to access QAD SE using four user interfaces (UIs):

- QAD Enterprise Applications for Windows.

  This graphical user interface is designed to run on Windows clients in both UNIX and Windows client/server environments.

- Character mode.

  This is the original user interface. It is primarily intended for UNIX-based environments with character clients.

- QAD .NET UI.

  This is a common UI framework for multiple QAD applications. Because the UI is based on Microsoft .NET technology, it incorporates familiar UI metaphors, reducing the need for users to learn how to navigate QAD applications.

For more information on how to use QAD SE in either mode, refer to the *User Interface Guide*. Here you will find detailed information and activities for both types of modes. Examples of some of the topics discussed are:

- Signing on and using menus
- Screens
- Field and procedure help
- Keyboard commands

Select appropriate topics/activities based on which interface you are using and how advanced is the class.

Exercise 1: Preliminary Setup

1. Change Workspace to Train if necessary.
2. Use Domain Maintenance Browse (36.10.2) to verify that the domain is Train with the name Training QADDB.
3. Run Database Sequence Initialization (36.16.17).
4. Run Reason Code Maintenance (36.2.17)

Field	Value
Reason Type	Esig
Reason Code	APPROVE

5. Use GL Calendar Browse (25.3.5) and search using the current year.
6. If the current year is not there use GL Calendar Maintenance (25.3.4) to create a GL for the 12 periods of the current year.

   Note Ignore Entity in second frame, creating a new GL crosses all Entities.

7. Use GL Calendar Browse (25.3.5) to verify that you have created a GL for the current year.

Chapter 2

Basic Data Setup

Overview

Before you can begin to process financial information in the system, you must set up some of the basic data used throughout the system. This data is used by sales, purchasing, and accounting, and includes:

- Your company address for printed documents.
- Credit terms for orders—both purchase orders and sales orders.
- Tax information.
- Product lines and items, and their costs and tax rates.
- Sites for inventory storage and valuation.

Printed Address

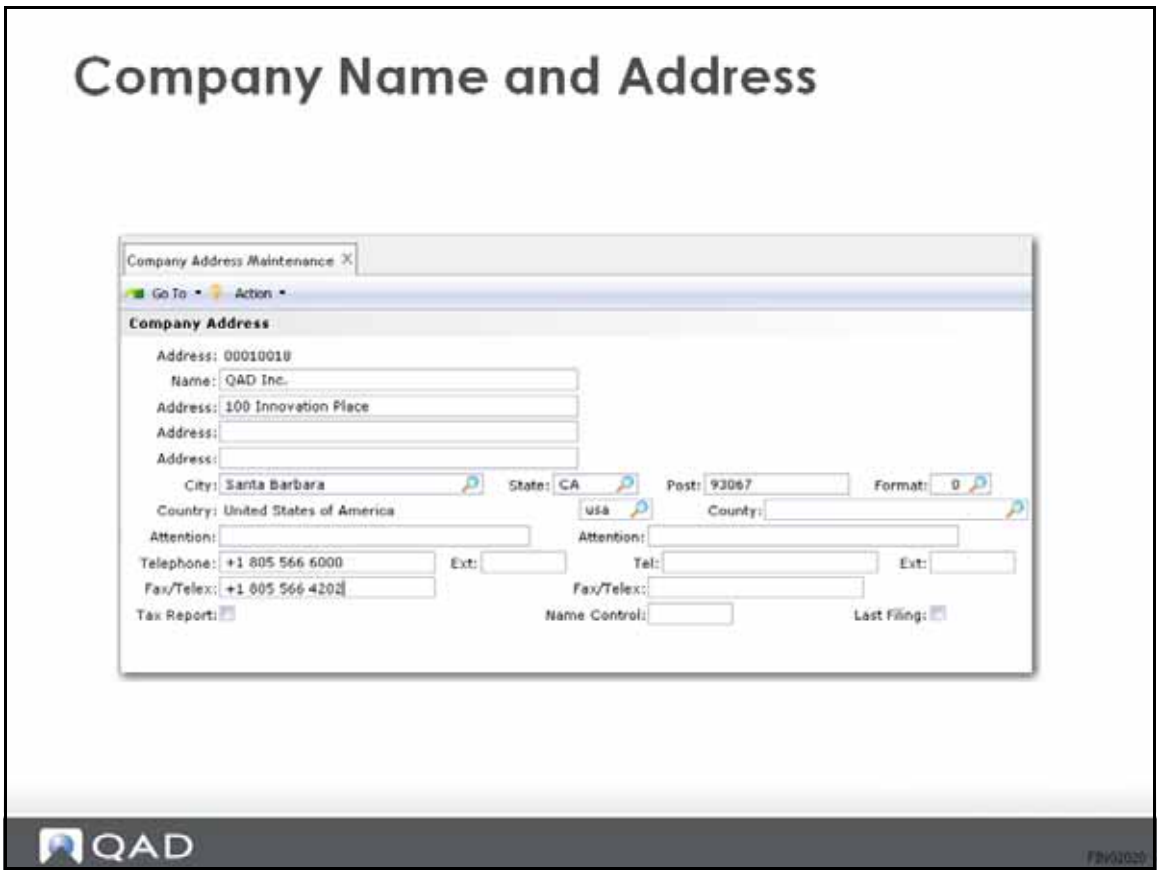
The company name and address can be printed on purchase orders, sales quotes, sales orders, invoices, and customer statements. Use Company Address Maintenance (2.12) to set up each of your own company locations.

You can also set up your company name so that it appears on QAD SE screens and reports. Notice that the name Quality Pencil Company appears at the top of the Main Menu screen.

~reports

The ~reports code defines the company name that is printed at the top of all QAD SE reports.

Company Name and Address

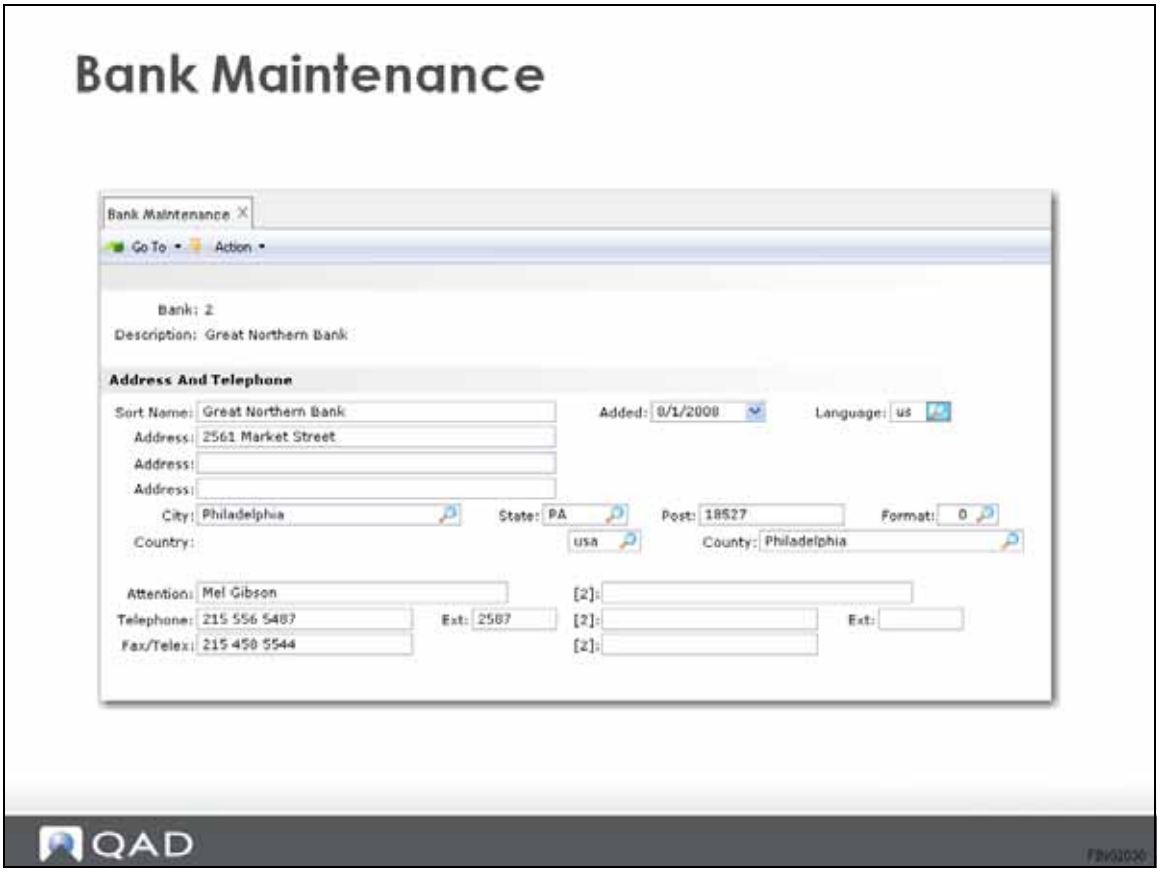


Use Company Address Maintenance (2.12) to set up addresses for each of your company sites. Define at least one company bill-to and ship-to address for purchasing.

A company address code must be assigned to each entity in Entity Code Maintenance (25.3.1.1). The details associated with the address code are printed on draft payments from that entity. In the United States, the address code is also used to access the correct address information for 1099-MISC tax reports.

Your company name and address automatically prints on quotes, orders, and invoices.

Bank Maintenance



Use Bank Maintenance (26.13) to set up bank codes. Bank Maintenance records information about your company's bank accounts, primarily information controlling where amounts are posted in the General Ledger and how payments are processed.

Bank codes designate bank accounts for receiving customer payments, sending out AP payments, and paying employees. Bank codes are defined by entity and currency, and some AR reports sort by bank code.

Multiple Bank Codes

Bank codes are not the same as bank accounts. You can assign several bank codes to the same bank account, for example, if you process both handwritten and automatic checks on the same account, or if you process transactions in multiple currencies on the same account. You can also use multiple bank codes to maintain separate sequences of payment numbers if you process both drafts and checks from a single bank account. Up to two bank accounts can also be specified for each bank code (for example, one account used for printed checks and the other for electronic funds transfers).

To handle Electronic Funds Transfers (EFTs) or other Electronic Data Interchange (EDI) transactions, you can define another set of records that identify the bank accounts of your customers and suppliers. Using Customer/Supplier Bank Maintenance (2.21.1), you can specify bank account numbers, account types, and EDI formatting information.

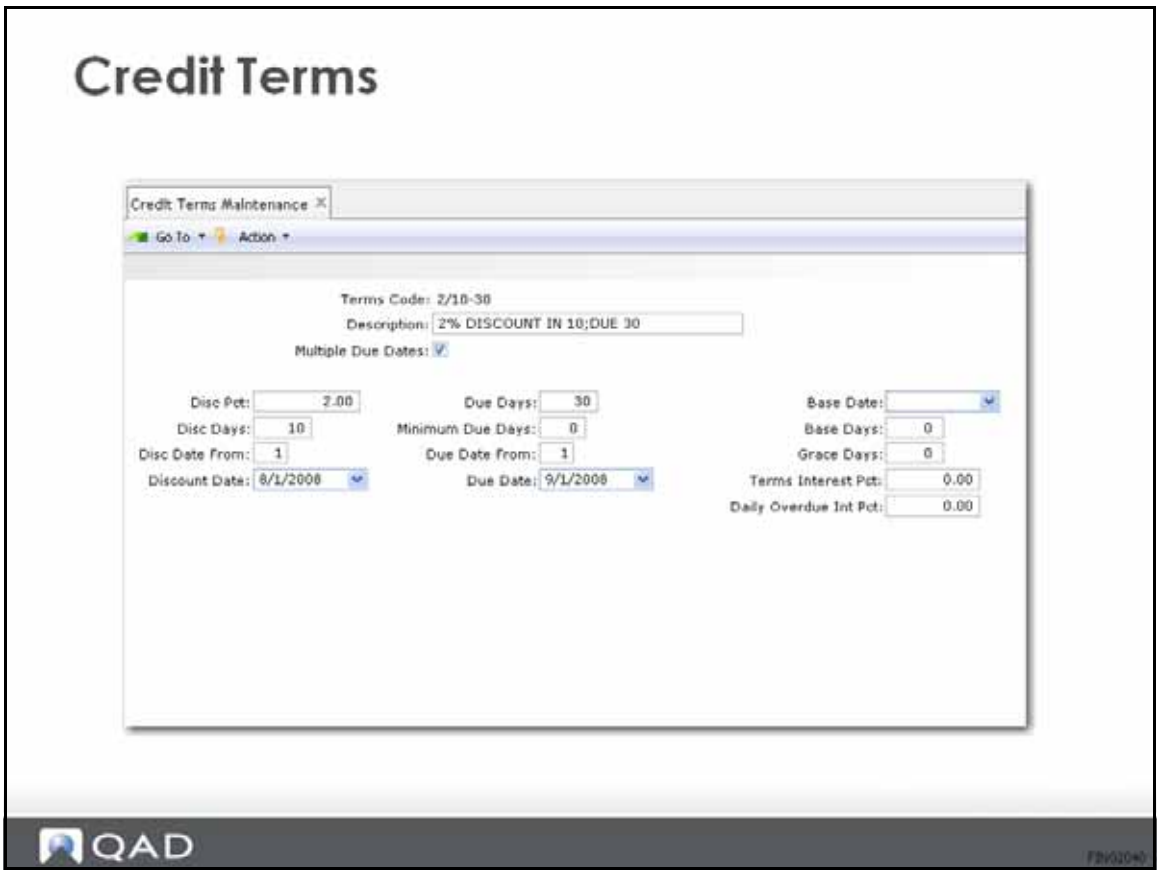
Note QAD SE requires customization for complete support of EFTs and other forms of EDI processing.

Cash Book

Use Cash Book Maintenance (31.13) to record cash inflow and outflow by bank account, in environments where wire transfers are common. When payments are received or created as printed checks, each payment is recorded directly in QAD SE. The system automatically updates system records from this information, including supplier and customer balances and the GL cash account.

Wire transfers are processed by the bank rather than the company, so there has to be a way of recording the payment to update system records. QAD SE does this by maintaining bank statements in an on-line cash book. When the bank sends a statement—often daily— payments and other amounts, such as processing fees or interest are recorded in the cash book. The information on the statement then updates system records.

Credit Terms



Set up credit terms codes in Credit Terms Maintenance (2.19.1). The system uses credit terms codes to calculate the default due date, discount date, and discount for any goods and services bought or sold. Each of these fields can be overridden manually. Credit terms codes are also used for processing customer payments, debit/credit memos, vouchers, and checks. Due dates and discount dates can be fixed, or calculated from the invoice date, end of month, end of fortnight, or end of week.

For sales order credit management, the system uses the terms code to identify overdue invoices. On invoices, the terms code is used to calculate due and discount dates. On vouchers, the code determines discount dates and payment discount amounts. After an invoice is posted, accounts receivable uses the credit terms code to calculate finance charges and discounts, review credit, and generate agings, statements, and dunning letters.

You can define credit terms with multiple due dates. First, create a code for each due date condition; then create a code that rolls up the multiple terms. The above screen shows the terms code 2-30/60, which has multiple due dates indicated by codes 2/10-30 and 2/45-60.

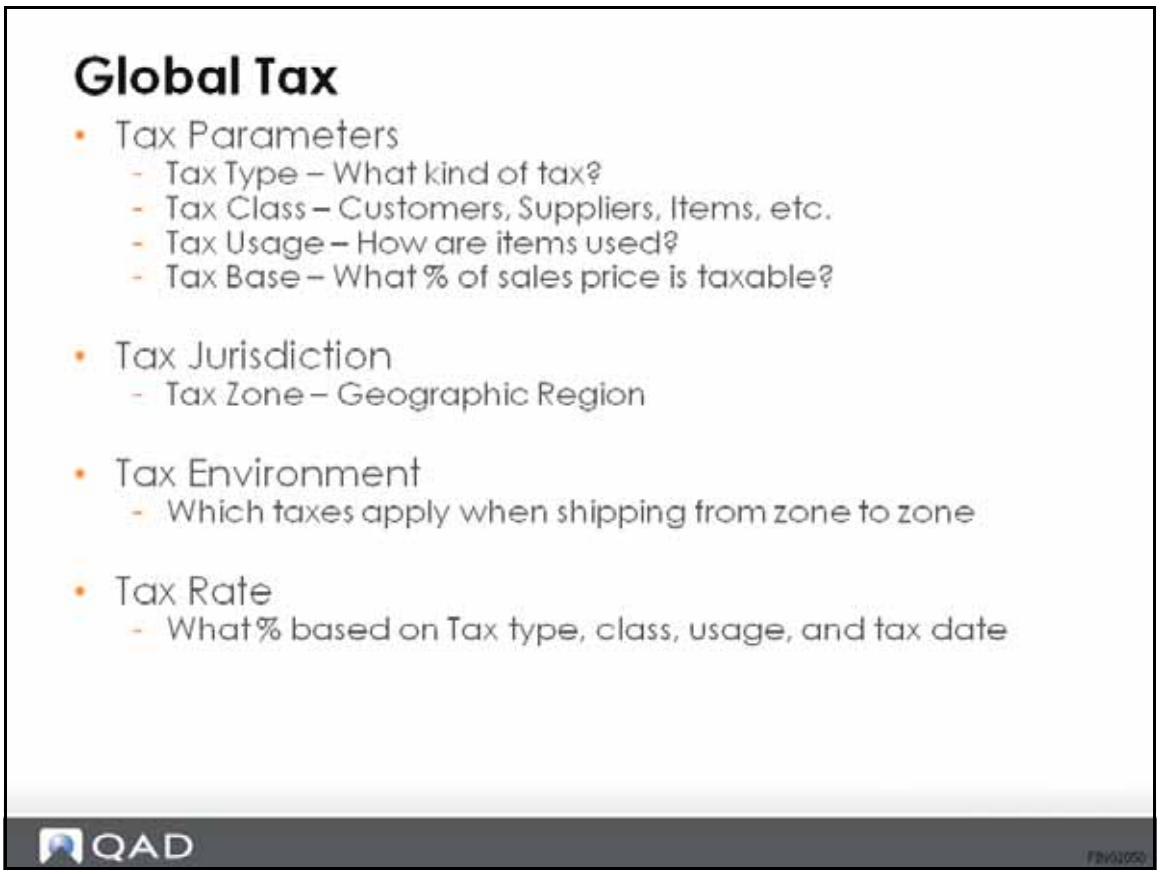
> *Proximo Terms.* Proximo terms are a type of credit term used in France and some other countries. They enable you to manage due dates so that you process most payments only once a week, once a fortnight, or monthly, ensuring that customers have adequate time to pay. Specify the minimum number of days that must elapse between the invoice date and the payment due date.

Base Date. Specify a base date as the start date for due date calculations. Do this in situations where goods are shipped in advance of a negotiated invoice date but payment is made relative to the invoice date.

In hyperinflationary environments, it is a common practice to offer a favored customer a due date that is later than the standard due date. These free days are not subject to credit terms interest. You can specify these days as Base Days in the credit terms code.

Credit Terms Interest. Specify a credit terms interest percentage for recalculating line item prices. You can also give favored customers a grace period on the payment due date by specifying the base days.

Global Tax Management



QAD SE calculates sales tax on purchase orders, most sales transactions, accounts receivable DR/CR memos, and accounts payable vouchers. How it calculates sales tax depends on how you set up your tax information. You must set up Tax Management before creating customer and supplier records or calculate tax on transactions.

GTM by Tax Zone

In Global Tax Management (GTM), the system first identifies the taxes that apply to the ship-to and ship-from tax zones. It then selects tax rates based on the transaction tax date and the item or transaction tax class and usage codes (if any). Tax rates and other information are set up in Global Tax.

Before setting up and using GTM, there are some business issues that users need to consider:

- What types of taxes are required for your business
- What tax rates are required for your customers and suppliers

Setup Process

At a high level, to set up GTM you must define:

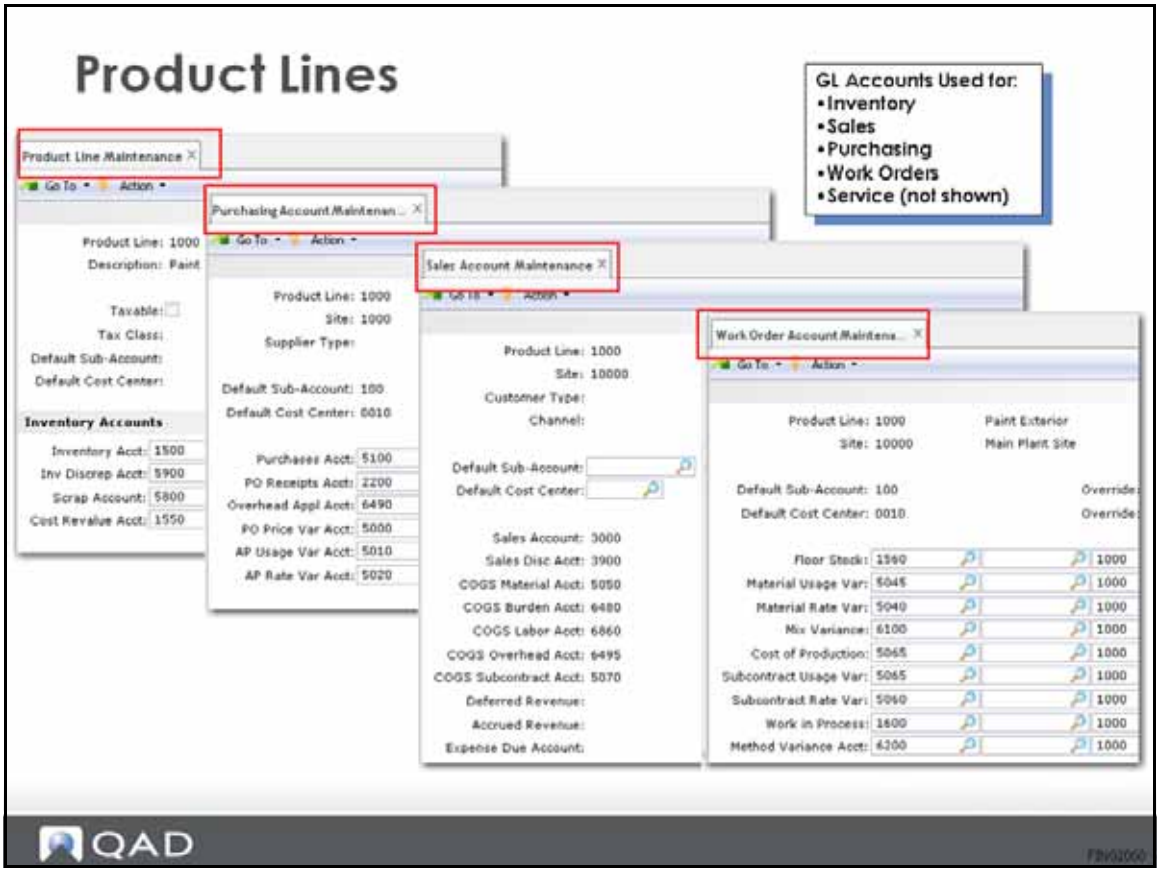
- Tax jurisdictions and tax zones
- Tax environment elements and tax environments

- Tax bases and tax rates

Within each area, there are additional elements to define.

Note Global Tax Management is described in detail in the *User Guide: Master Data.*

Product Lines



Before setting up item records for finished goods, you need to define the product lines to which they belong.

A product line is simply a grouping of items. Usually, the grouping is by similarities of manufacture or application and used primarily for planning and accounting purposes. For example, you might set up one product line for raw materials and another for finished goods.

Taxes are based on the transaction tax environment, tax usage, and tax class. The tax environment represents the set of tax types that applies to the ship-from and ship-to sites/addresses and the customer tax class.

A tax status of Yes does not necessarily mean a tax amount is calculated. You can use tax types and zero-percent tax rates to report tax exemptions.

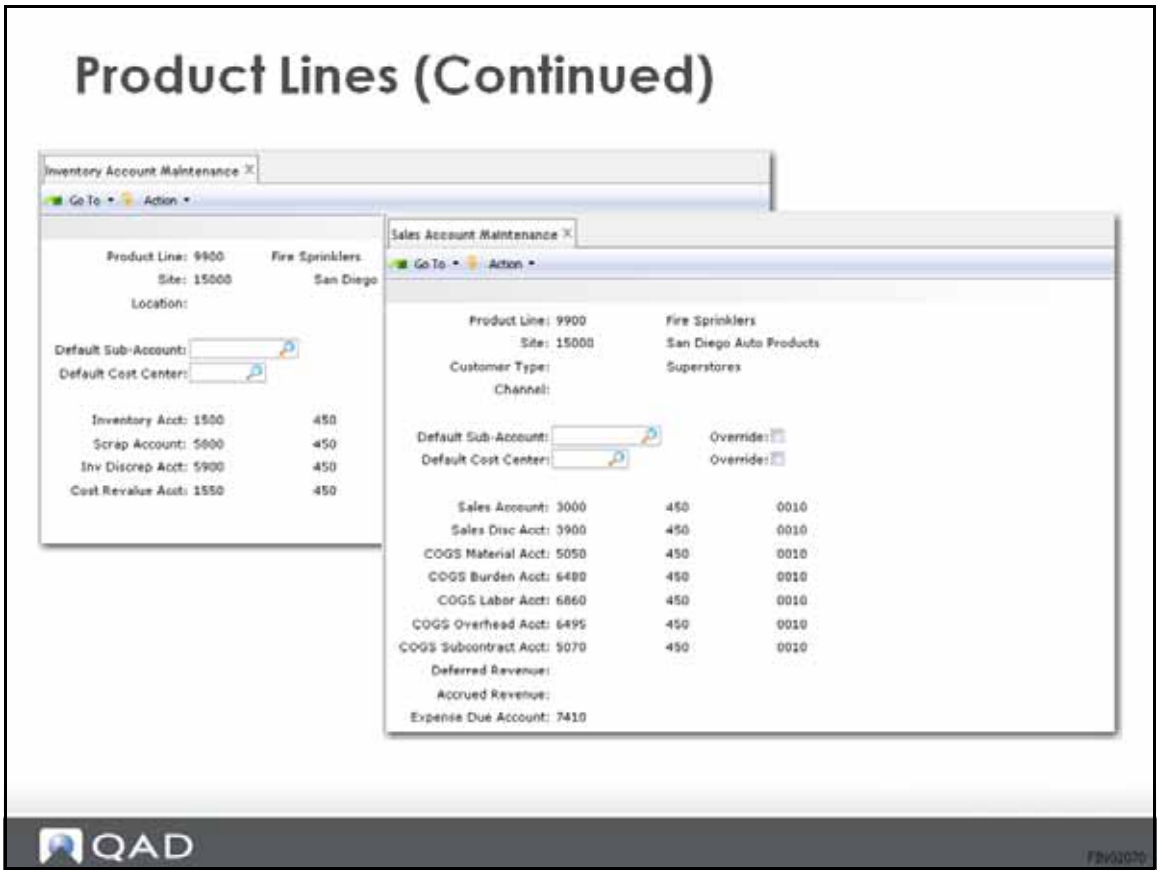
A product line is considered taxable on transactions only if both the product line and the transaction are taxable. Nontaxable product lines on taxable orders are not taxed. Taxable product lines on nontaxable orders are not taxed either. The tax status of a transaction defaults from the customer or supplier, not the product line.

Tax Class

Tax classes group items taxed at specific rates or that are tax-exempt. Tax classes help determine the default tax environment (set of tax types) for the transaction.

GL Accounts

A product line also links items to GL accounts, sub-accounts, and cost centers to ensure that all transactions for an item are included in financial reporting for sales, cost of goods sold, purchases, work in process, inventory, and so forth. These accounts default from Domain/Account Control. The sub-accounts and cost canters default from the first frame in Product Line Maintenance.

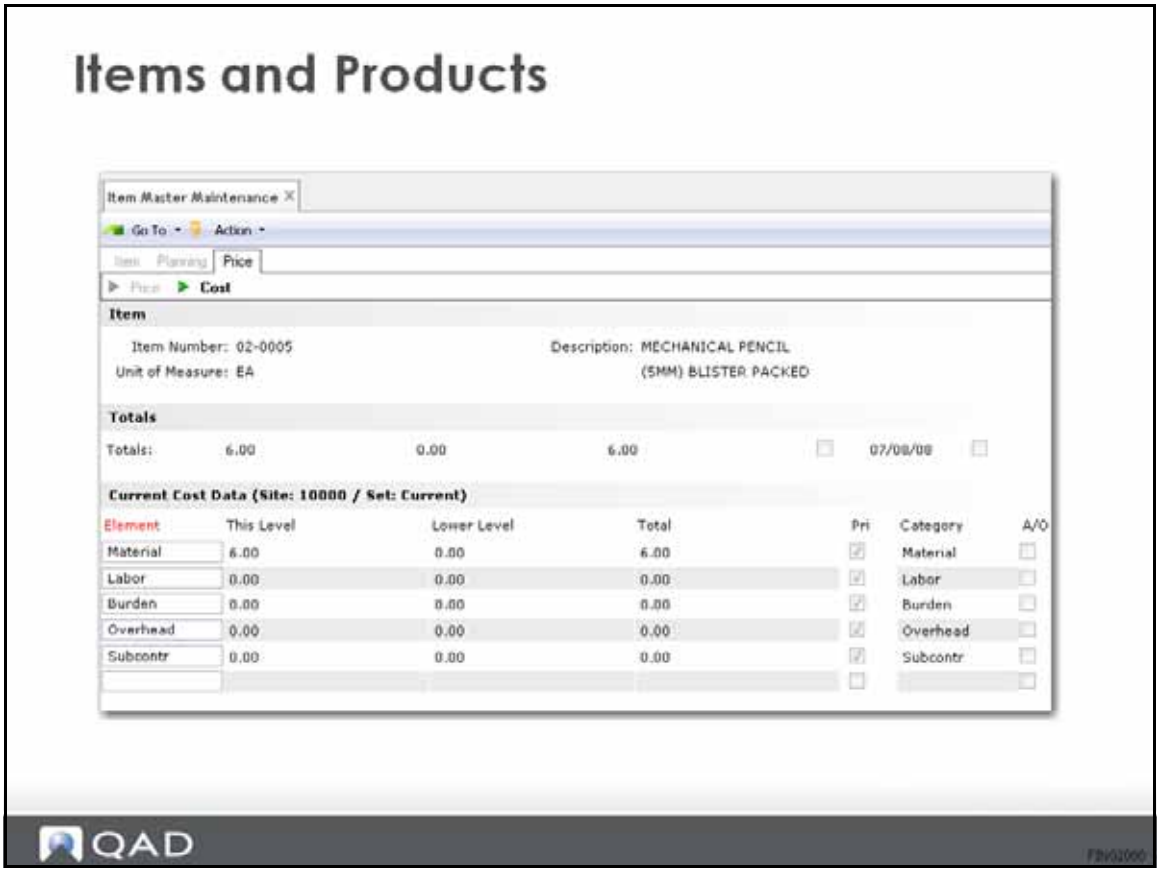


In some organizations, inventory is stored in several different physical locations or sites. These sites may be separate manufacturing facilities or simply storage warehouses. Inventory balances can be maintained by site, as can inventory value. Further, in the Cost Management module, different cost sets can be assigned to each site.

Inventory Account Maintenance (1.2.13) you to specify the GL inventory, scrap, and inventory discrepancy account codes for a product line by site and location. For example, you might want to designate a separate account for a scrap location. The accounts defined here override the default product line accounts.

Similarly, Sales Account Maintenance (1.2.17) enables you to specify the GL sales, sales discount, and cost of goods sold accounts for a product line by site, customer type, and channel

Items and Products



In QAD SE, items are defined using functions in the Item Data menu. All of the items that you buy or sell are set up here, along with their description, price, tax status, and standard cost. The price is used as the default selling price and the standard material cost appears as the default purchase unit cost. These standard costs are used by the General Ledger module and are called GL costs.

QAD SE is usually operated as a standard cost system. The essential idea of such a system is that all inventory transactions are booked at a single cost, called the standard cost. Differences between actual and standard costs are called variances. If you have purchased the optional Cost Management module, you can also base your GL costs on average cost rather than standard, but in this class, we cover the basic QAD SE system, which uses standard cost.

To describe how variances work, picture a purchased item. The standard unit cost is 10.00, but the item is purchased for 12.00. When the item is received, inventory is debited at the standard cost of 10.00 and PO receipts is credited for the purchase cost of 12.00. The remaining 2.00 is debited to purchase price variance. We cover purchasing and AP variances in more detail later on.

The standard cost should be as accurate as possible, because inventory and margin calculations use that cost. In general, standard cost is updated once a year; during the year, actual costs may vary. In QAD SE, current cost is regularly calculated and displayed next to the standard cost.

The Sales Order Repricing (7.1.11) and Purchase Order Cost Update (5.19) enable you to maintain prices and costs for existing, open transactions. This is helpful in hyperinflationary environments, where prices fluctuate frequently, potentially creating large variances.

Exercise 2: Enter Basic Company Information

Enter Your Company Address

The company address for the Quality Products Company has already been entered into the system. Personalize your database by substituting your company name and address in each of the address codes. In this exercise, you will enter your own company name and address into the company address file and set up the screens and reports to display your company name.

1. In Company Address Maintenance (2.12), click in the Address field and press the Down arrow until address code 10000000 displays.
2. Replace the name Quality Products Company with your company's name.
3. In the Address field, use the Down arrow key to access the address codes ~reports and enter your company name for each code. This ensures that your company name is displayed at the top of all menus and at the top of all reports.

Bank Maintenance (Optional)

In this exercise, you will create a code for a company bank account. In QAD SE, bank codes determine the bank account used to process AP and AR transactions, and suppliers have default bank codes for remittances.

1. In Bank Maintenance (26.13), set up bank code FN at the First National Bank.
2. Enter USA as the country code, the bank account as 1040 and accept the default values displayed for the entity, GL accounts, and currency.

   The payment in process (or cash in transit) account is optional and can be used to track payables that have yet to clear the bank.

   Draft accounts can be specified for this bank if you pay invoices or accept payments in the form of drafts. Drafts are used in many countries in place of checks.

   For reference purposes, you can also enter tax or EDI information for this bank.

Credit Terms

Before using the sales orders/invoicing, purchasing, accounts receivable, or accounts payable functions, you must set up the credit terms you use. In this exercise, you will first review the credit terms that are already in the database and then enter some of your own.

Credit Terms Browse

1. Use the Credit Terms Browse (2.19.2) to review the credit terms that have already been set up in the training database.

Credit Terms Maintenance

2. In Credit Terms Maintenance (2.19.1), add a new credit terms code:

Terms Code:	2/15N45
Description:	2% Disc in 15/Due in 45
Multiple Due Dates	Leave Blank
Disc Pct:	2
Disc Days:	15
Disc Date From:	1
Due Days:	45
Due Date From:	1

3 Add four other credit terms codes:

a Entire invoice amount due 20 days from the date of the invoice.

b EOM20: The entire invoice is due on the 20th day of the next month.

c 50/50: Half of the invoice amount is due upon receipt of the invoice (credit term code 0) and the balance is due in 20 days from invoice (credit term 20D).

d 30/10: Entire invoice is due 30 days from the date of the invoice, plus 10% terms interest.

Items and Products

When you implement QAD SE, you set up records for most of the items you buy and sell (inventory items). In this exercise, you will review the product lines and items already in your training database and set up a product line for promotional materials and an item record for product brochures.

Product Line Inquiry

1 Use the Product Line Inquiry (1.2.2) to review the product lines that are already set up in the training database. To which GL account code and cost center are sales of pencils posted?

Product Line Maintenance

2 In Product Line Maintenance (1.2.1), enter a new product line, 9999, for promotional materials. This product line is non-taxable. All sales of promotional materials are posted to account 3000, cost center 0100.

Prod Line:	9999
Description:	Promotional Material
Taxable:	No
Tax Class:	blank
Sales Account:	
CC:	3000 - 0100

Item Data Maintenance

One of the promotional items you supply is product brochures.

3 In Item Data Maintenance (1.4.3), set up an item record for these. Enter only the following values; leave the remaining fields blank.

Item Number:	99-9001
UM:	EA
Description:	Product Brochure
Prod Line:	9999
Item Type:	FINGOOD
Group:	PUR

Item Cost Maintenance

4 Use Item Cost Maintenance (1.4.9) to enter the price and GL cost of the product brochures.

Item Number:	99-9001
Price:	.25
Tax:	No
Tax Class:	blank
GL This Level	
Material:	.07

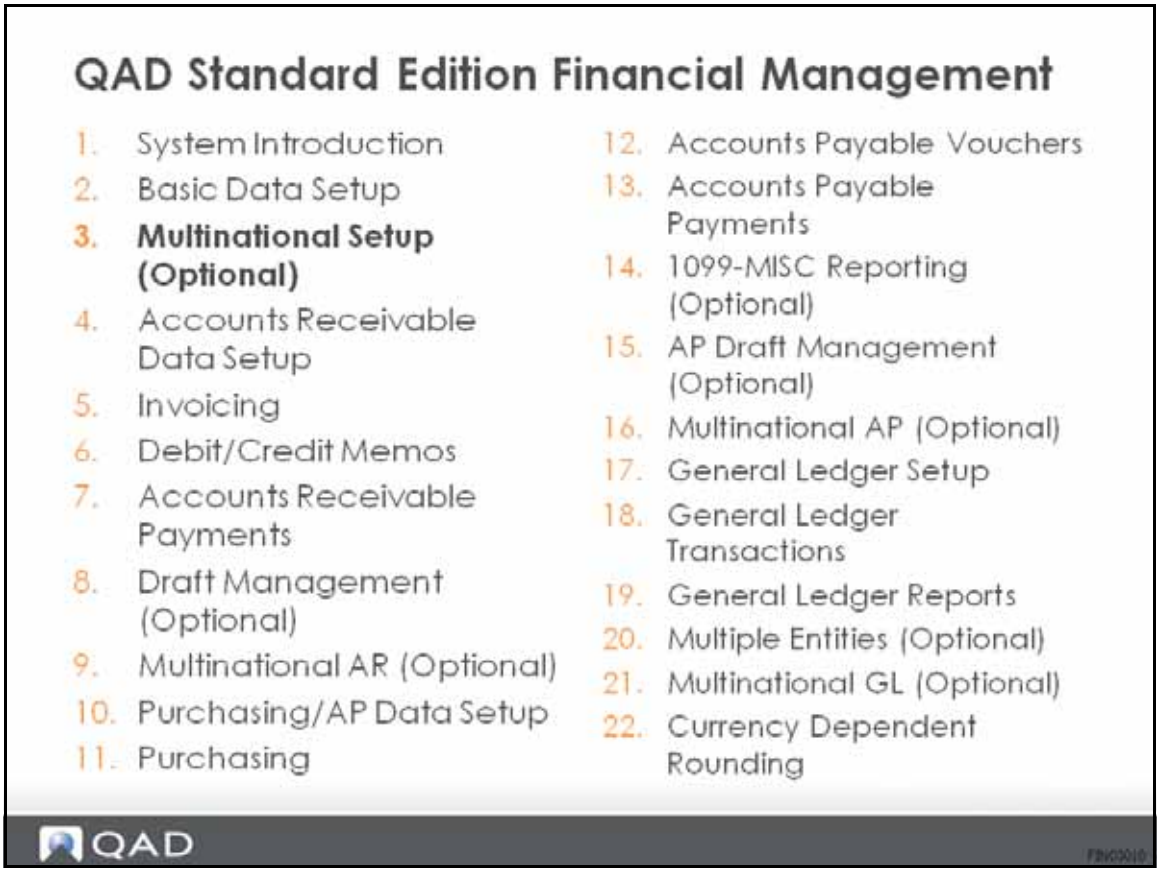
Item Cost Maintenance (1.4.9) can also be used to record an item's current cost. Options in the Inventory Control program and the purchase order enable the system to update an item's current cost after every transaction.

Using Sales Order Repricing (7.1.11), you can also maintain current price data on existing open sales orders.

Chapter 3

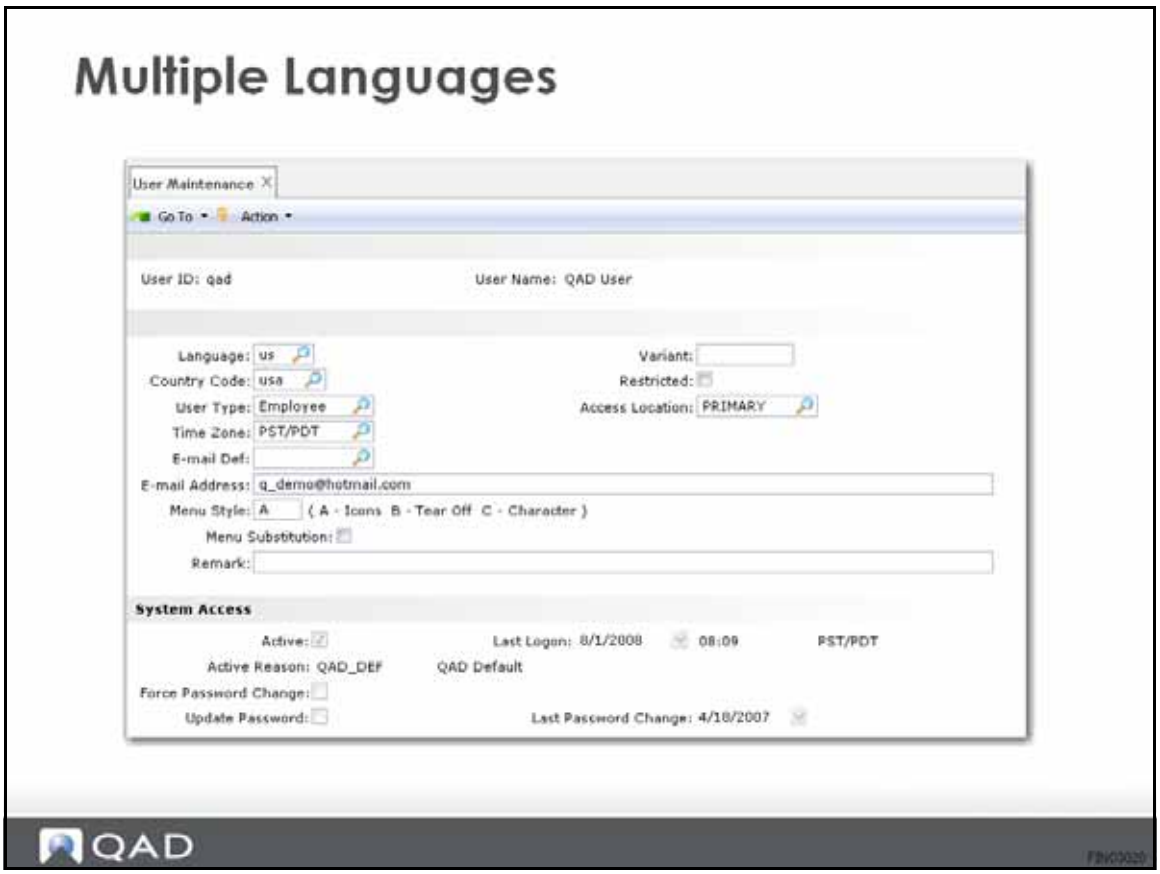
Multinational Data

User-Specific Languages



In a multi-language environment, you can set up QAD SE so that screens display and reports print in the user's native language. For example, in Switzerland, users on the same database might want to work in French, German, or Italian. User-specific languages are set up in Language Code Maintenance (36.4.1) in the Manager Functions module.

Multiple Languages

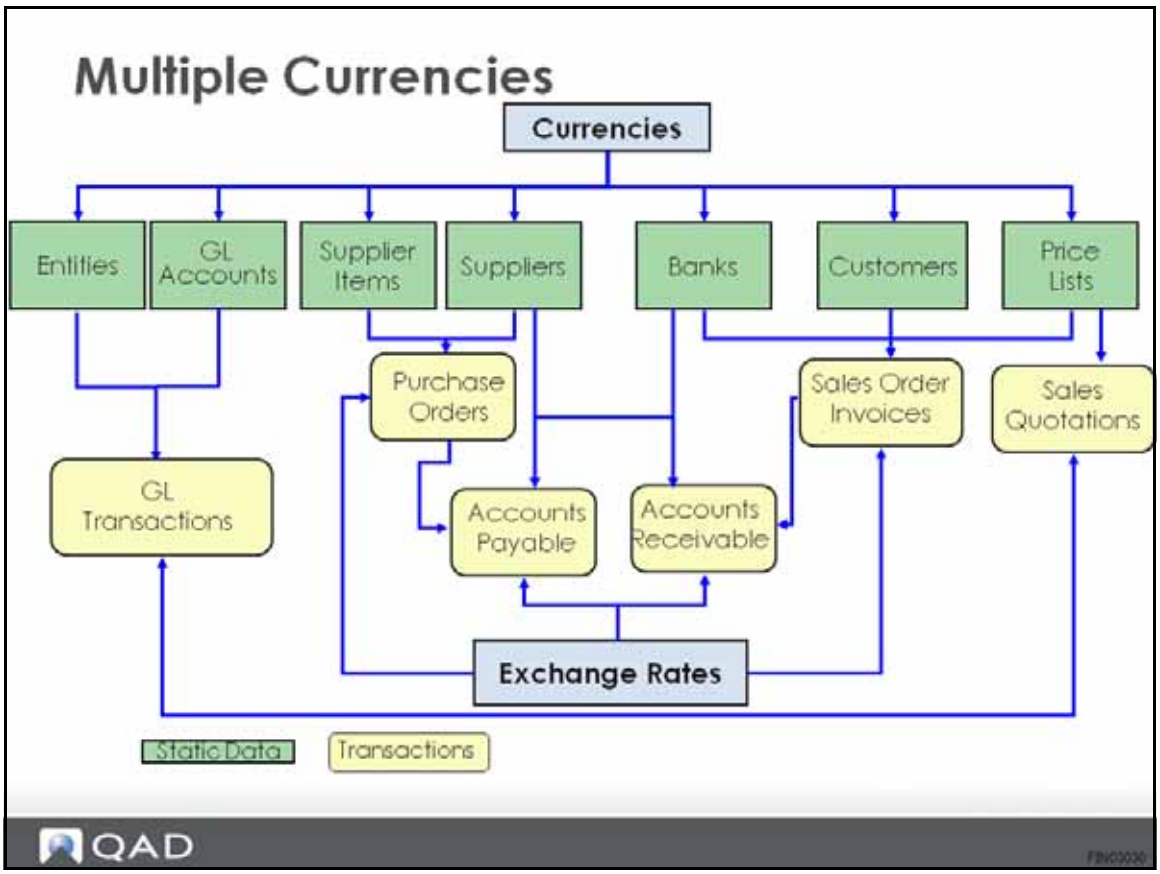


You cannot see screens and reports in a particular language unless your company has purchased a version of QAD SE translated to that language.

Throughout the system, you can record comments for customers, suppliers, and transactions in multiple languages. You can also select some documents, such as AR dunning letters, to print based on language.

Although fields on a screen or report appear in a particular language, the data you enter in the database is not automatically translated. Item descriptions and other user-defined data appear exactly as they were entered.

Multiple Currencies



Your company's base currency is specified in Domain/Account Control (36.1). The base currency is the currency in which all financial results are reported, and it is the default currency for transactions.

However, when you are doing business in other countries, you can specify a foreign currency on any transaction. To simplify transaction processing, you can assign the following to a specific currency:

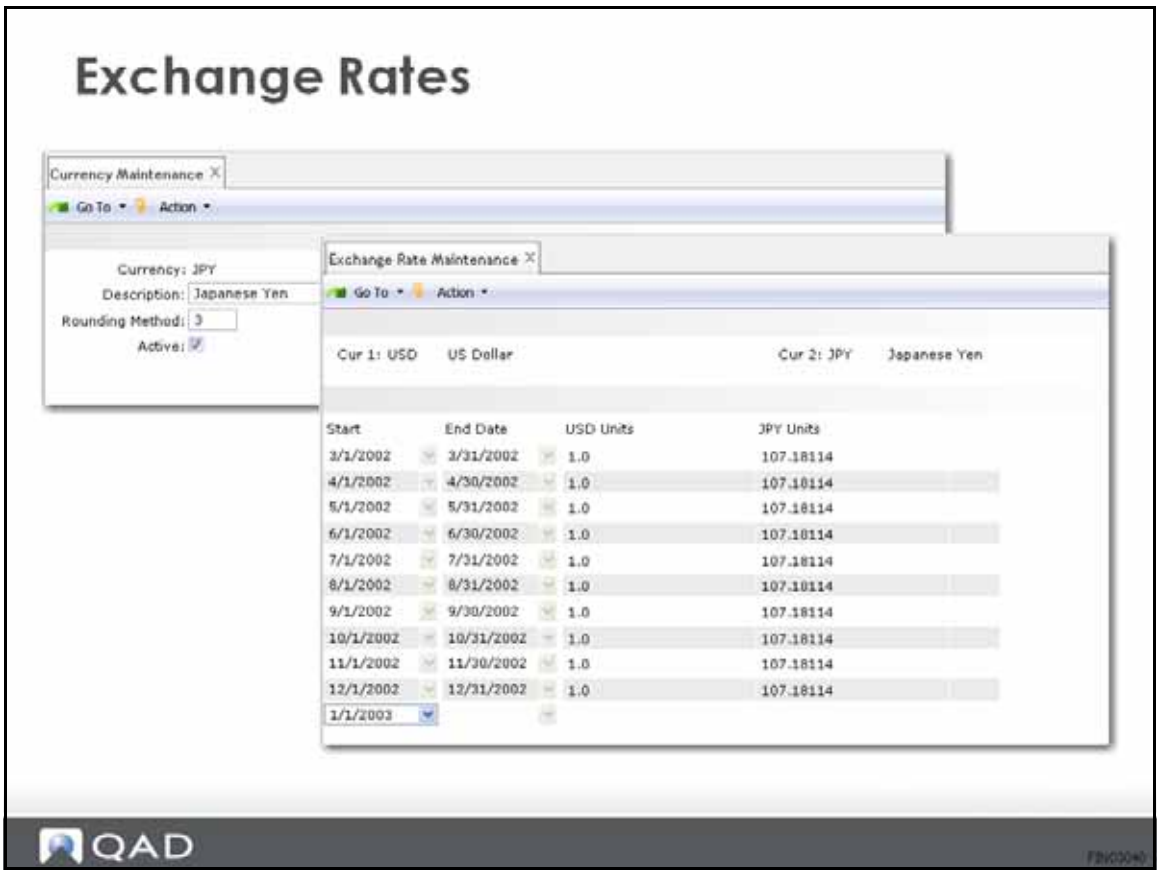
- General ledger entities and accounts
- Bank accounts
- Customers
- Price lists
- Suppliers and supplier quotes

In the general ledger, separate cash and exchange gain/loss accounts are often set up for each currency. This enables you to maintain separate balances by currency and bank account.

When you specify the default currency for a customer or supplier, the system can then suggest the default currency for a transaction. For example, if purchase orders for a supplier in New Zealand are normally issued in New Zealand dollars, you can specify this currency in the supplier record. Any POs you create for that supplier then default to that currency.

Currency codes and exchange rates are defined in Currency Maintenance (26.1) and Exchange Rate Maintenance (26.4). You can set up exchange rates between any transaction currency and the system base currency or an entity currency.

Exchange Rates



It is common today for business organizations to purchase goods from and sell goods to companies outside their own national borders. As a result, accommodating foreign currencies and establishing exchange rates is a common business practice.

Exchange rates in QAD SE are expressed as a two-part ratio representing the calculation required to convert one currency amount to another. Currency codes and exchange rates are used for orders, transactions, and GL accounts.

Exchange rates are effective over a period of time. You enter the rate with a starting and ending effective date. These periods are inclusive and cannot overlap. Some companies enter exchange rates daily, weekly, monthly, or quarterly, taking an average or estimate of what they expect the rate to be. Be aware that the exchange rate must be entered or updated before any activity involving those rates can take place. Changes to exchange rates do not affect any previously created transactions.

Spot Rate

On foreign currency transactions such as invoices and vouchers, the system uses the exchange rate for the transaction effective date. A specific exchange rate (spot rate) may be entered on some sales, AR, purchasing, and AP transactions.

Banks

A separate bank record must be defined in Bank Maintenance for each currency in which you plan to receive cash or make payments.

Exercise 3: Currencies and Bank Accounts

In order to process transactions in a foreign currency, you must first define the currency code, exchange rate, GL cash account, and foreign currency bank account.

In this exercise, you will review some existing exchange rates, then set up an exchange rate for USD to New Zealand dollars (currency code NZD). Then, you will create a GL account and bank account for NZD.

Currency Maintenance

1 In Currency Maintenance (26.1), set up a currency code for New Zealand dollars.

Currency Code:	NZD
Description	New Zealand Dollar
Rounding Method:	2

Note Check Active Box

Exchange Rate Maintenance

2 Today, you can buy 1.6 New Zealand dollars (NZD) for one US dollar. In Exchange Rate Maintenance (26.4), enter an exchange rate for today's date.

Account Code Maintenance

3 In Account Code Maintenance (25.3.13), set up a GL cash account for New Zealand dollars.

4 Enter the following information:

Account:	1047
Description	Cash - New Zealand
Type:	A (asset)
Currency:	NZD
Format Position:	11120
Active	Yes

Note Check Active Box.

Country Code Maintenance

5 In Country Code Maintenance (2.14.1), enter a country code for New Zealand.

Code:	NZ
Name:	New Zealand

Bank Maintenance

6 In Bank Maintenance (27.6.1), enter a new bank account for New Zealand dollars:

Bank:	NZ
Description	New Zealand Bank
Country:	NZ
Next Check:	000500
Currency:	NZD
Bank Account 1:	XY8764
Entity:	TI00
Cash Account:	1047
Payment in Process:	1047

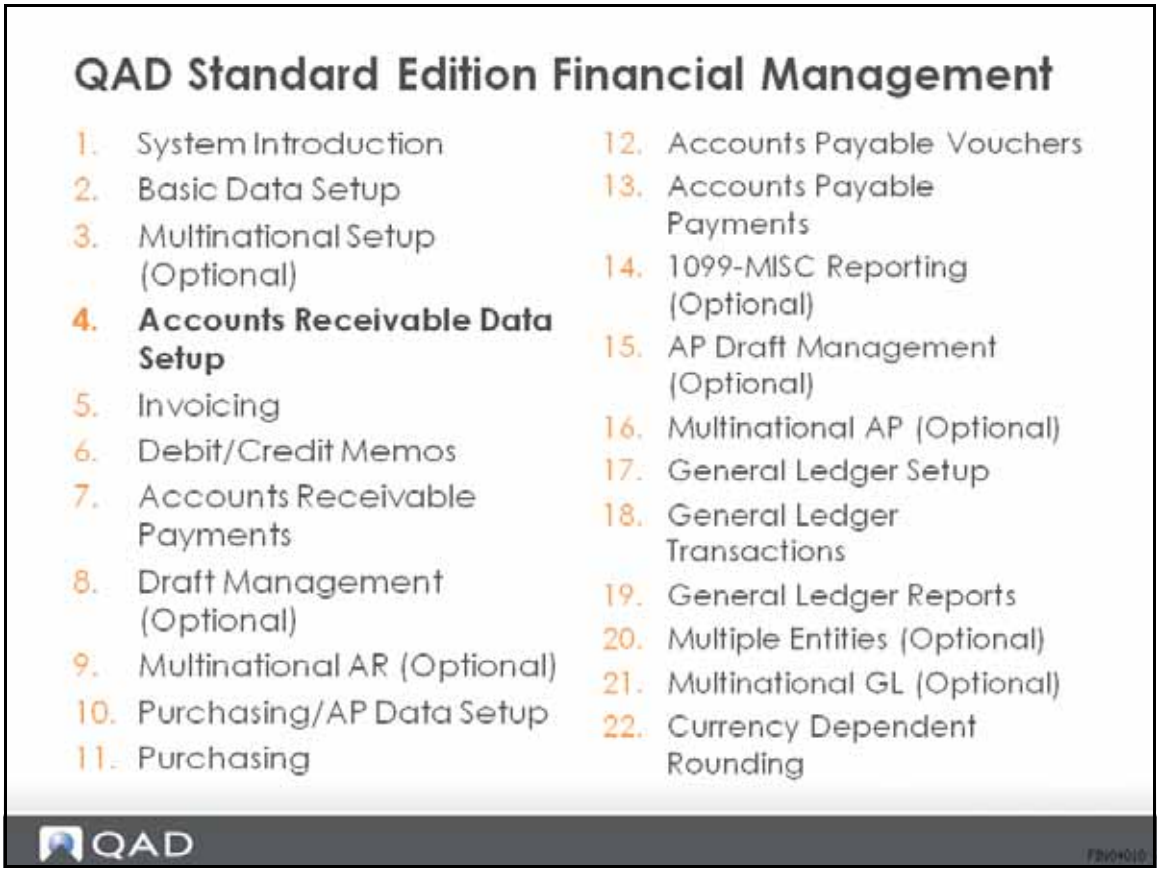
The payment in process (or cash in transit) account is optional; you may want to use it to track payables that have yet to clear the bank.

The exchange gain/loss account tracks realized gain/loss relative to USD on NZD payments. We will discuss exchange gains/losses later in the class.

Chapter 4

Setting up Accounts Receivable Data

Overview



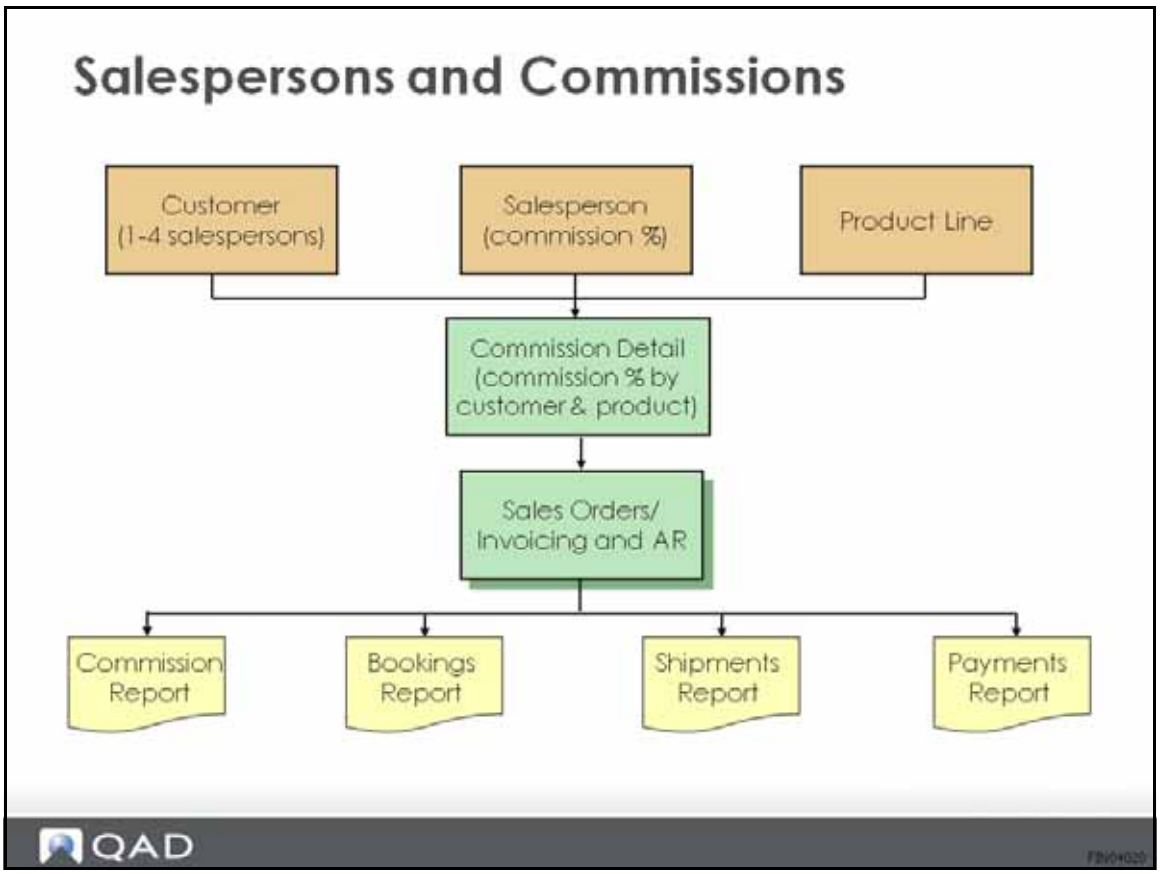
This section describes how to set up data for use in the invoicing and accounts receivable functions.

In discussing accounts receivable, this course uses a flow showing how to create an invoice, post it to accounts receivable, and process the customer payment. Along the way, we see how salesperson commissions are recorded, how freight and other charges are billed, how taxes are calculated, how prepayments are processed, and how credits are managed.

Before using accounts receivable, you must set up:

- Salespersons and commission rates
- Customer names, addresses, and credit information
- Customer shipping addresses
- Freight, service, and special charges
- Control values for sales orders and invoicing

Salespersons and Commissions



When a salesperson gets the credit for an order, a commission is earned as a percentage of the line item, exclusive of trailer charges.

Set up salespersons in Salesperson Maintenance (2.5.1). Enter their names and addresses, along with their normal commission percentages.

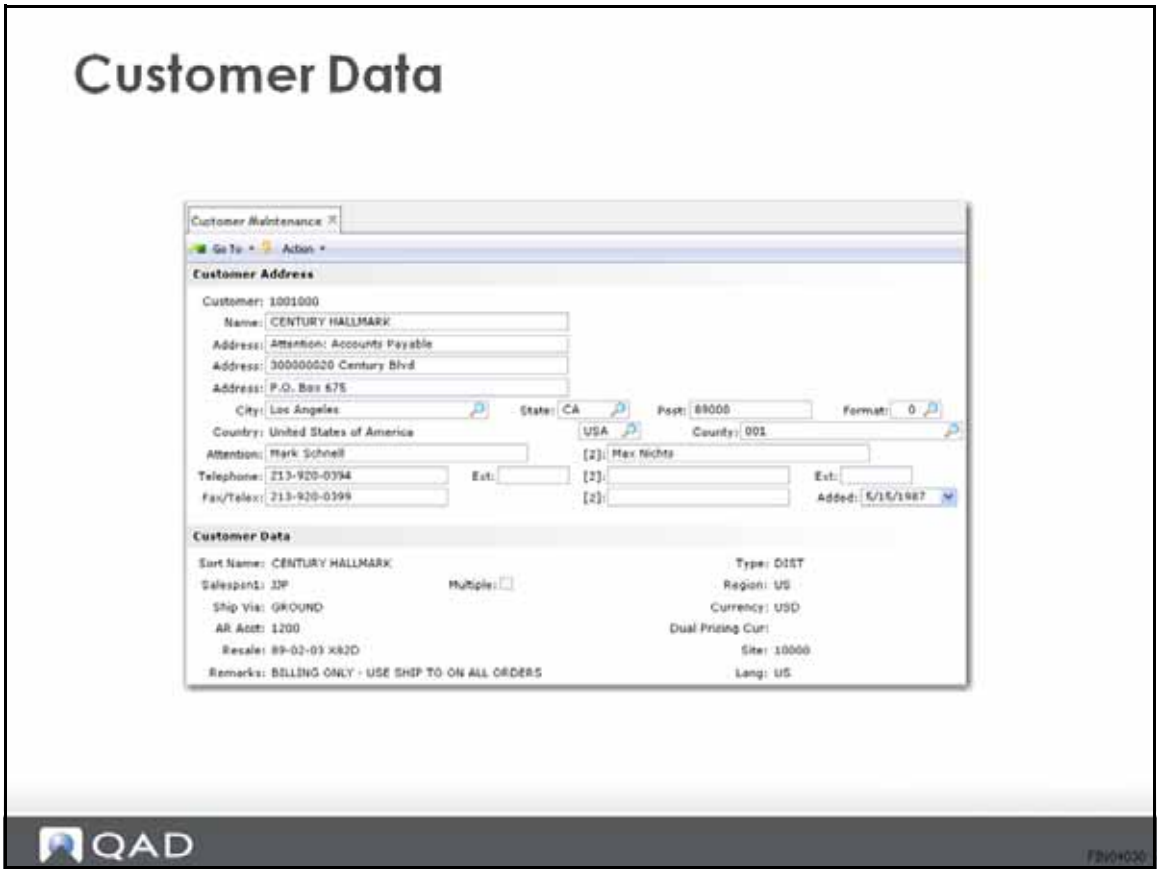
Note These are simply the default commission rates for the salesperson. You can override this commission rate during sales order entry.

The system maintains sales bookings and shipments by salesperson and enables you to print reports listing commission amounts by salesperson. Commissions are calculated and listed on these reports; however, they are not posted to Accounts Payable for payment; this must be done manually. Commission payments can be processed in either the Accounts Payable or Payroll modules.

Salesperson Shipment and Payment Reports

The Salesperson Shipments report (2.5.15) lists invoices that have been shipped and credited to each salesperson. This makes it possible for you to calculate commissions based on shipments. The Salesperson Payments report (2.5.16) lists invoices that the customer has paid and that have been credited to each salesperson. Unapplied payments are also listed. This makes it possible for you to pay commissions only after the customer has paid the invoice.

Customer Data



Customer Maintenance (2.1.1) is used to set up and maintain information about customers. You can set up both the sold-to and bill-to addresses in Customer Maintenance, and ship-to addresses in Customer Ship-to Maintenance (2.1.13). These values then default to new orders and invoices.

You can assign customer address codes manually or leave the Customer field blank as you enter new customers, and the system assigns a number. You enter a beginning value for system-assigned codes in Customer Control (2.1.24).

Note To correctly calculate taxes based on this information, you must enter the city, state (province), and county using the exact spelling used in tax records.

Format. The Format field determines whether a customer's postal (ZIP) code appears on documents before or after the city/state. In some countries, the postal code appears before the city (for example, 75000 Paris). 0 indicates that the code appears after; 1 that it appears before. The format defaults from Addresses/Taxes Control (2.24).

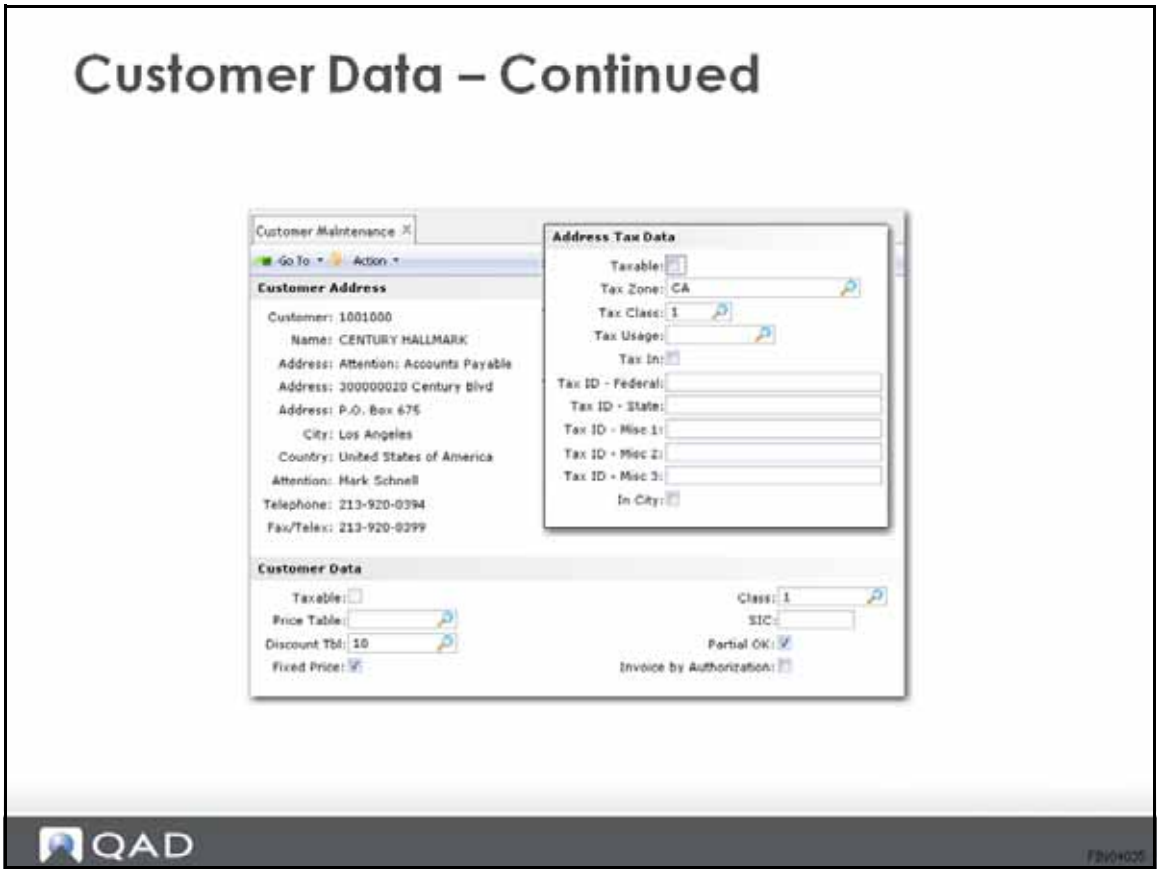
Sort Name. Customers are normally sorted alphabetically on reports. This can be changed using the Sort Name field in Customer Maintenance (2.1.1). For example, if Quality Pencil Company has a customer called The Card Store, you can enter the sort name as `Card Store, The`.

Site. The Site field in the Customer Data frame identifies the site from which orders for this customer are normally shipped. The site "Train" is the default site in the training database.

Audit Report

Whenever you change a customer record, QAD SE generates an audit trail of the old and new values. You can print this audit trail using the Master Data Audit report (36.17.1).

Customer Data

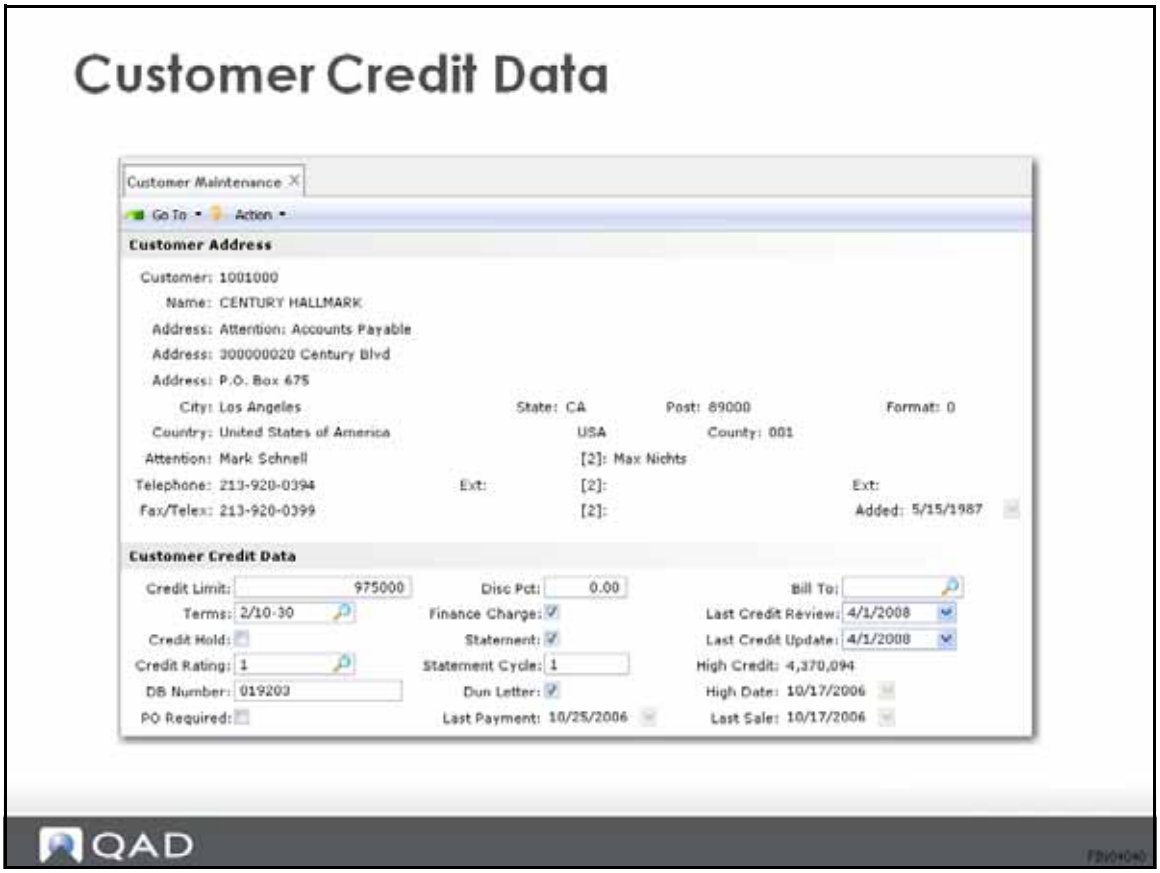


The second section of the Customer Maintenance screen records default sales information, such as the customer's salesperson, the currency for sales orders, and the accounts receivable GL account. You can also assign a default price list to each customer.

Customer Tax Data

Taxes are based on the transaction tax environment, tax usage, and tax class. The default tax environment represents the set of tax types that applies to the ship-from and ship-to sites/addresses and the customer or supplier tax class.

Customer Credit Data



Credit information can be set up for each customer and accessed during order entry, invoicing, and collections.

Credit Limit, Credit Hold. The Credit Limit field lists the customer's credit limit. If a customer's order plus the customer's AR balance exceeds the credit limit, a warning appears during order entry and shipment. You may respond by placing an order on hold. If the customer is on hold, sales orders are automatically placed on hold as they are entered and pick/pack lists cannot be printed. The credit hold does not prevent shipping or invoicing.

You can update credit limits for a range of customers based on percentages or the time elapsed since credit limits were changed.

PO Required. Indicates that a PO must be specified before sales orders can be created for this customer. If Yes, the sales order line item frame cannot be accessed until a purchase order is specified for this customer.

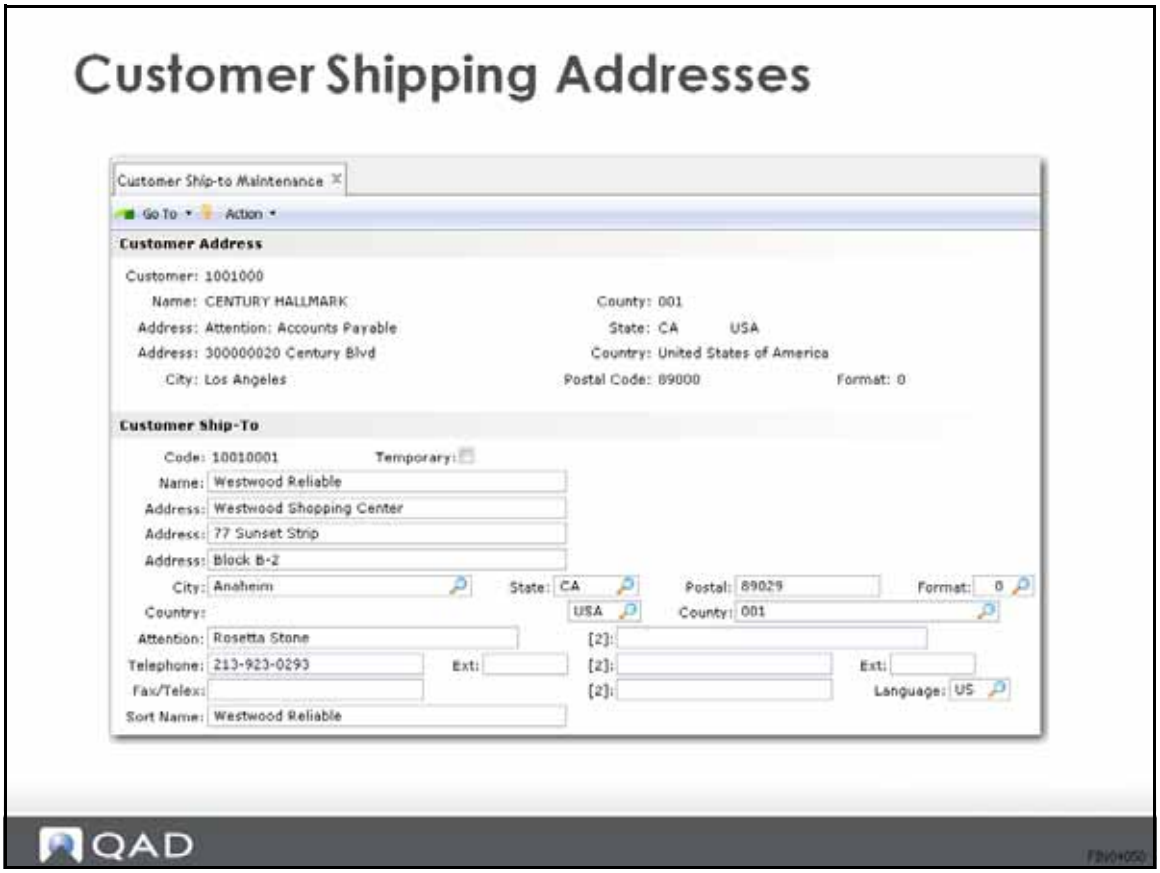
Discount. If the customer normally receives an order discount in addition to price list discounts, this percentage is entered in the Disc% field. The discount percentage must fall between -99.99 and +99.99 percent. Access to this field may be password restricted.

Finance Charge Dun Letter Statement. Customers who are liable for finance charges should have Finance Chg set to Yes. It is also possible to flag customers to receive dunning letters for past due invoices. Customer statements can also be printed. Statement Cycle is used to identify how often they are to be printed, such as monthly (MO) or quarterly (QT).

System - Maintained. The last four fields in the Customer Credit Data section display the latest data on the customer's high credit, high date, last sale date, and last payment date. The high credit is the largest amount of credit you have ever extended to the customer or the maximum open AR balance you allowed.

Bill-to. If you leave the Bill-To field blank, the system assumes the bill-to is the same as the sold-to. On transactions, credit data and currency default from the bill-to.

Customer Shipping Addresses



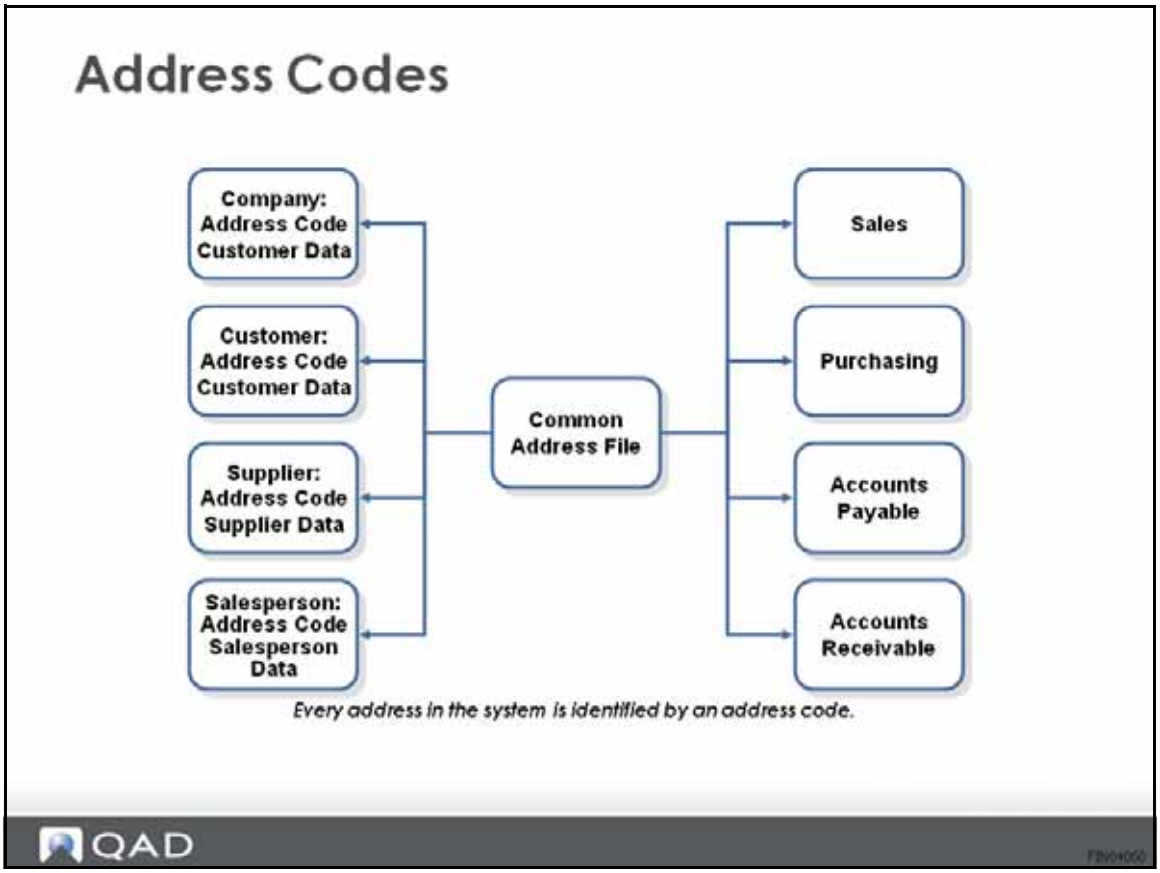
If orders are shipped to addresses different from the billing address, you set them up in Customer Ship-to Maintenance (2.1.13).

Access the customer by entering the customer code; then enter a new code for the ship-to address. You may want to enter a variation of the customer code to designate the ship-to, such as the customer code followed by a -1, -2, and so on.

Customer Ship-to Maintenance is normally used to set up the regular shipping locations for the customer. These should be set up as Temporary = No. One-time ship-to addresses are entered directly into the sales order. You can delete these from Customer Ship-to Maintenance once the invoice is paid and the payment is archived/deleted.

To set up additional information about a ship-to address, such as credit terms, currency, and tax status, first create the ship-to address in Customer Ship-to Maintenance. Then recall the ship-to address in Customer Maintenance (2.1.1) and modify the related information there.

Address Codes



Every address in the system is identified by an address code. In the activities where you added a salesperson or customer, the first step was to enter an address code (we used salesperson 99, customer 100). This code calls up the addresses that appear on sales orders, invoices, and other screens and reports.

Company address codes are used in purchasing and sales. Customer codes are used in sales and accounts receivable. Supplier codes are used in purchasing and accounts payable. Salesperson codes are used for commission reporting and sales analysis.

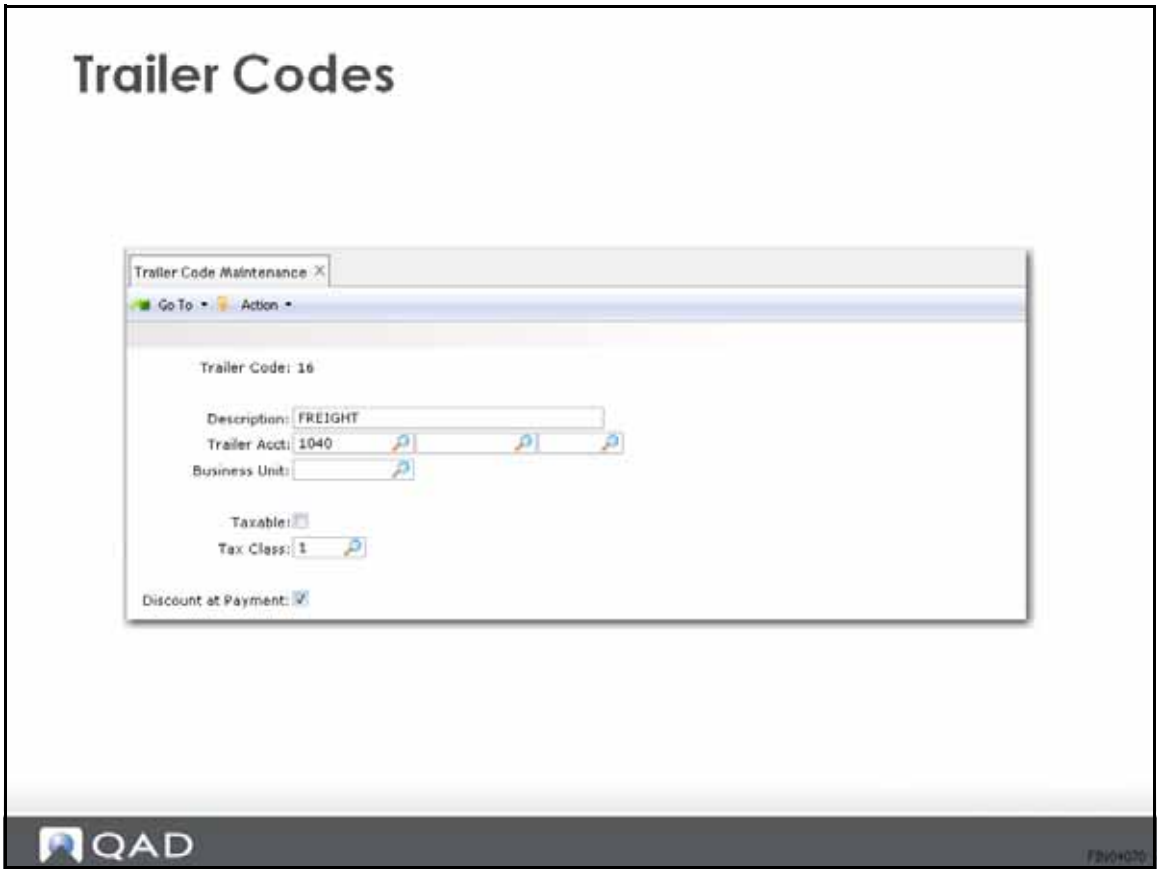
Company, customer, supplier, and salesperson address codes are stored in the same database file. This means that customer 123 would have the same address as a supplier identified with address code 123. This allows you to store the name and address only once if a customer is also a supplier.

Since the address codes are in the same file, it is a good idea to have a different numbering scheme for company, customer, supplier, and salesperson codes so that you never accidentally overwrite the wrong record during data entry. In the student demo database, you may notice that customer codes have been set up to begin with 1, 2, or 3, and supplier codes with 5, 6, or 7.

Address codes can be assigned sequentially by the system. Enter the starting number in the respective control program.

An address code list type is automatically assigned to addresses based on where they were entered. Addresses can also be associated with a user-defined list type. This allows you to group addresses for reporting purposes. You set up these address list types in Address List Type Maintenance (2.9).

Trailer Codes



In addition to the line item charges and tax amounts, orders usually have miscellaneous charges such as freight and service associated with them. Since every company's miscellaneous charges are different, QAD SE enables you to customize these for your company in Trailer Code Maintenance (2.19.13). These charges can then be added to transactions during order entry and invoicing. Trailer codes must be set up prior to entering sales orders and invoices.

In the student database, you see trailer codes set up for freight (10), service (20), and special charges (30). Each trailer code has a separate GL account.

In the Taxable field, indicate whether the charge is normally taxable. For US sales taxes, enter the tax exemption code if the charge is tax-exempt.

The default trailer codes for sales transactions are specified in Sales Order Control (7.1.24).

Note Trailer items are not subject to commission. Trailer codes do not interface to sales analysis.

Exercise 4: Salespersons, Commissions, and Customers

Salespersons and Commissions

In this exercise, you will create a new salesperson whose default commission is 10%. Since this salesperson gets only 2% on promotional products, you will also set up a commission detail record.

Salesperson Maintenance

1. In Salesperson Maintenance (2.5.1), add yourself into the system as salesperson 99.
2. Use country code USA.
3. Set the commission to 10%.
4. In Sales Person Commission Detail (2.5.6), enter salesperson 99, and enter the product line 9999.
5. Press Next until you get to the commission frame.
6. Set up a 2% commission rate for promotional products for this product line.

Create a Customer

In this exercise, you will create a new customer. You will use this customer in later activities for invoicing and accounts receivable.

Customer Maintenance

1. In Customer Maintenance (2.1.1), add a new customer. This customer is an end user to whom you sell pencil products directly.

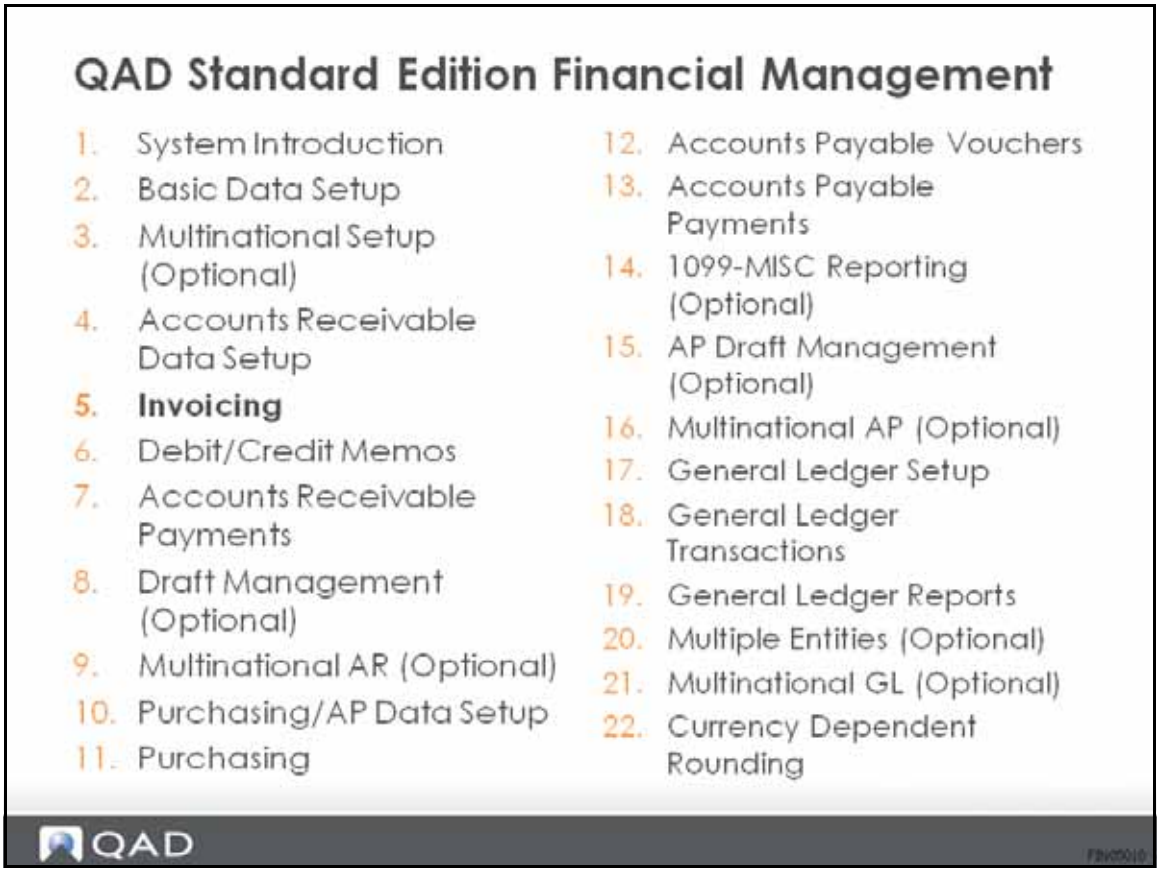
Customer:	100
Name:	California Sun Advertising
Address:	50 East Main Street
City:	Ventura
State:	CA
Post:	93001
Country:	USA
County:	Ventura
Customer Data	
Salesperson 1:	99
Multiple:	No
AR Account:	1200
Region:	US
Site:	Train

Customer Credit Data:	
Credit Limit:	50
Terms:	2/10-30
Credit Hold:	No
Finance Charge:	Yes
Statement:	Yes
Statement Cycle	1
Dun Letter:	Yes

Chapter 5

Invoicing

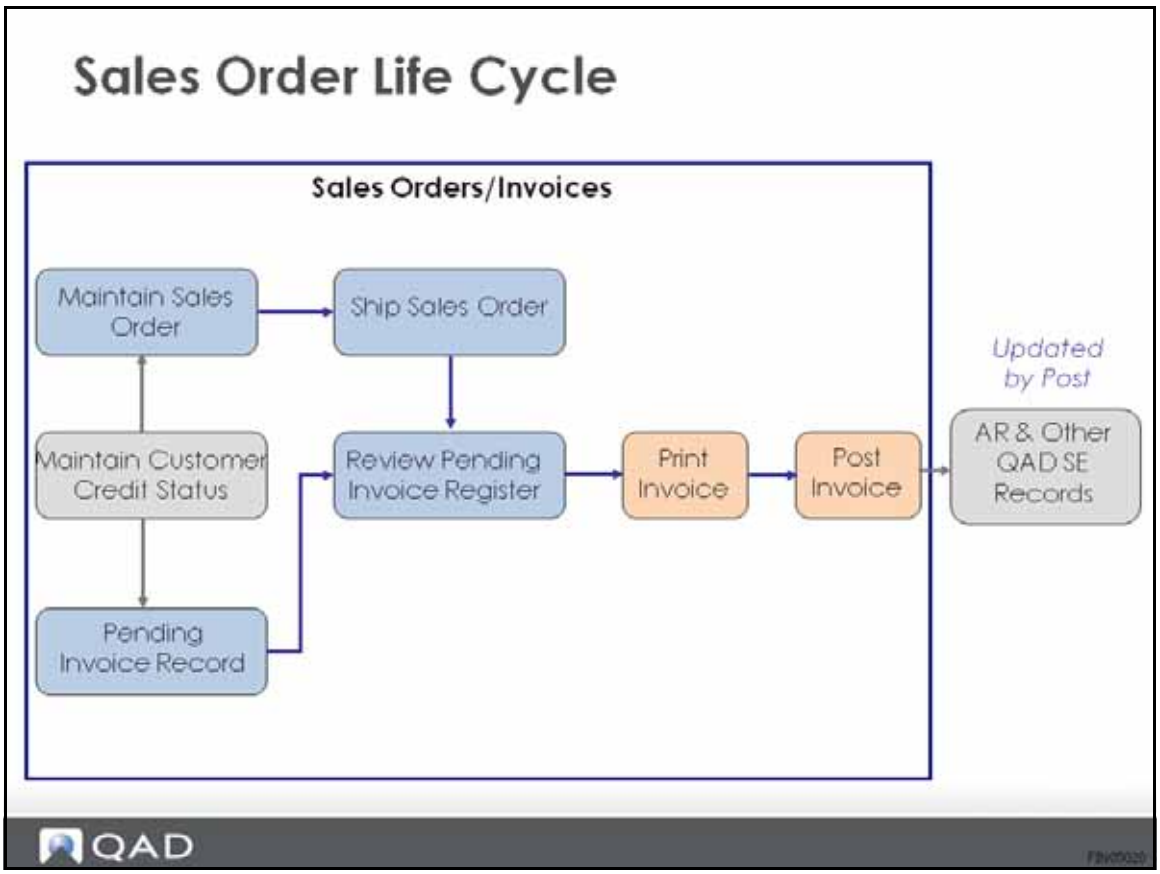
Overview



The starting point for all accounts receivable activity is sales. When a customer places an order, the sales department sends the customer an invoice that lists the items sold, their prices, and other conditions of the sale. The invoice also tells the customer what payment amount is due and when.

This section describes how a sales order is entered, shipped, and invoiced. It does not cover all facets of sales order management; this information is covered in detail in the *User Guide: Distribution A*. We focus on the aspects of sales orders and invoicing that are directly relevant to financial management. These include credit management, commissions, taxes, add-on trailer charges, GL accounts, and invoicing.

Sales Order Life Cycle



In QAD SE, a customer sale is usually maintained as a sales order and the transfer of goods is recorded on a shipment transaction. The shipment automatically generates a pending invoice. In some cases (for example, over-the-counter sales), you enter the pending invoice manually. Prior to confirming the sale, either the sales department or AR can review the customer's credit.

The next step is to review and, if necessary, correct the pending invoice. The invoice is then printed and a copy can be sent to the customer.

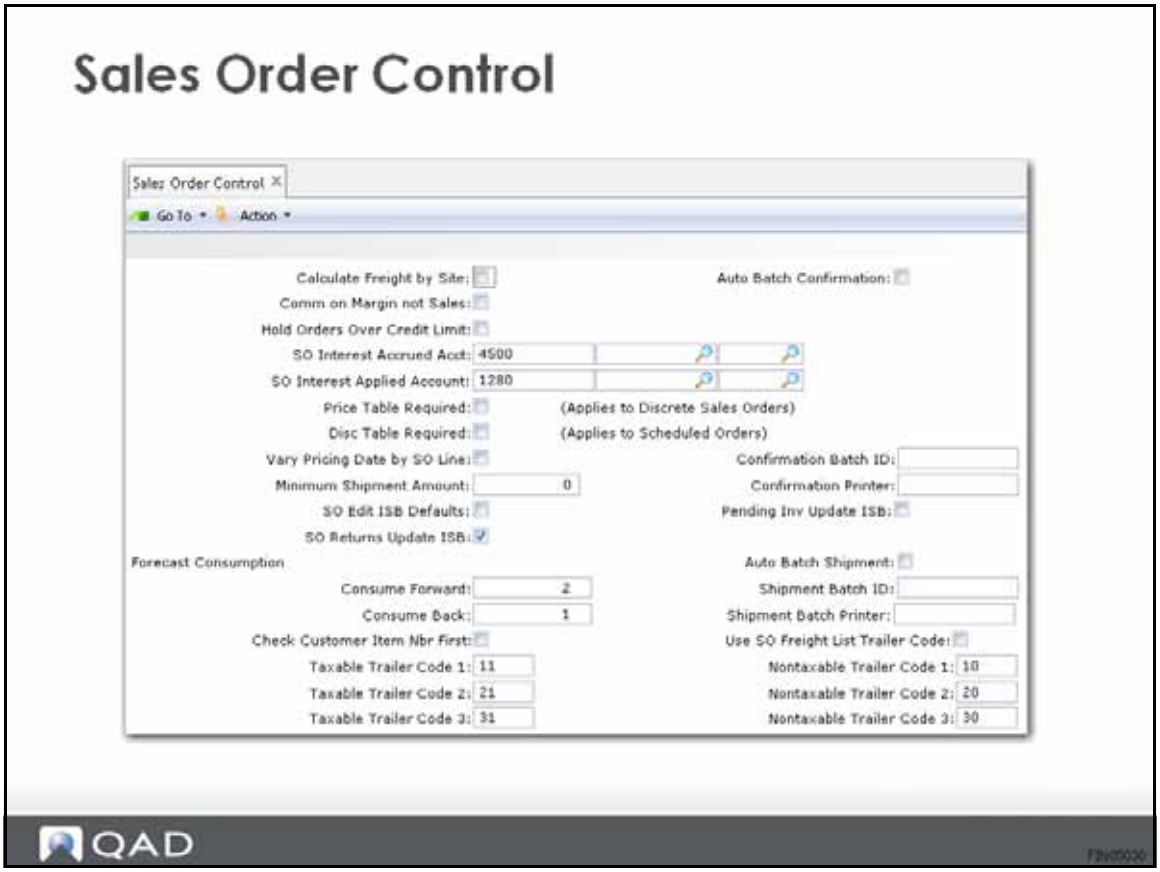
Posting the invoice updates a number of records.

- Updates Accounts Receivable, creating a corresponding AR transaction of type I (invoice) for the invoice amount and updating the customer's open balance
- Updates General Ledger, debiting the Accounts Receivable and Sales Discount accounts and crediting sales, tax, and trailer charge accounts
- When the line entities are different from the header entity, the system automatically generates intercompany balancing entries to the Intercompany Accounts Receivable debit and credit accounts.
- Updates sales analysis history, including salesperson commission and quota history.
- Updates invoice history.
- Deletes fully shipped order lines and deletes the sales order if all the line items on the order have been shipped.

- Updates the installed base in the Service/Support Management module if Ship To Installed Base is Yes in Service Management Control (11.24)
- Generates a report showing invoices posted, corresponding sales

If goods are returned after the invoice is posted, you process the return. You can also send a credit memo to the customer.

Sales Order Control



So far we have discussed the basic information that should be set up before you invoice customers and process accounts receivable transactions. However, before you get started, you must configure Sales Order Control (7.1.24).

Sales Order Control defines how shipping and invoicing functions work. Before you start sales or AR processing, set the values for:

Keep Invoice History. If Yes, invoice history is maintained after the invoice is posted so that you can review and even reprint invoices if needed. Invoice history is not deleted until you run the delete/archive.

Next Invoice. Load the starting invoice number. Invoice numbers should use a different number range than sales orders and DR/CR memo numbers.

Integrate with AR/SA. Integrate with AR and Integrate with SA must be Yes for Invoice Post to update accounts receivable and sales analysis records.

Hold Orders Over Credit Limit. If you set this to Yes, the system places orders on hold whenever the customer's AR balance exceeds the credit limit. If you set it to No, a warning displays, but you can still enter the order. We discuss this option in more detail later in this lesson.

Price Lists. This field determines how strictly price lists are used to control order entry. If No, items can be entered whether or not a price list exists. If Yes, only items from an existing price list can be entered, and only if the price list item, unit of measure, and currency match the

order item, unit of measure, and currency exactly. In searching for a valid price, blank is NOT considered a match. If price lists are set up with a blank item or unit of measure, a price is not found. If you are pricing with analysis codes, this field should be set to No. Prices can be overridden unless the field is password-protected.

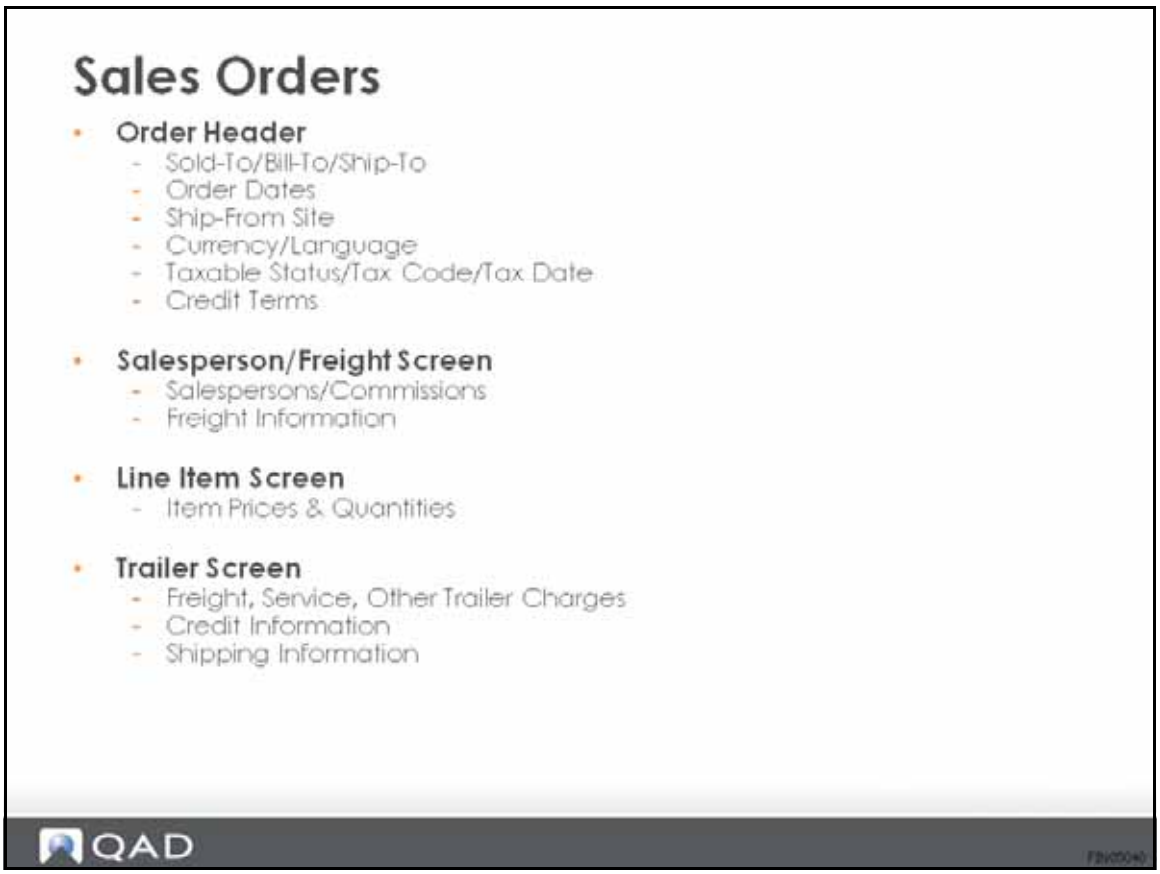
SO Interest Applied/Accrued Accounts

On sales orders that specify a credit terms interest percentage, the system creates matching GL entries for credit terms interest applied and accrued.

Taxable and Non-Taxable Trailer Codes

Trailer codes can be accessed during order entry by manually typing in the code, or you can have them default automatically. The regularly used codes should be listed here. Taxable trailer codes (1-3) are the defaults for sales orders when the sales order header Taxable field has been set to Yes.

Sales Orders



In QAD SE, Sales Order Maintenance (7.1.1) is divided into three main sections:

- Order header
- Line items
- Trailer

Header

Information that applies to the entire order is contained in the header. Most of this information comes from the customer record, but you can change it for individual orders.

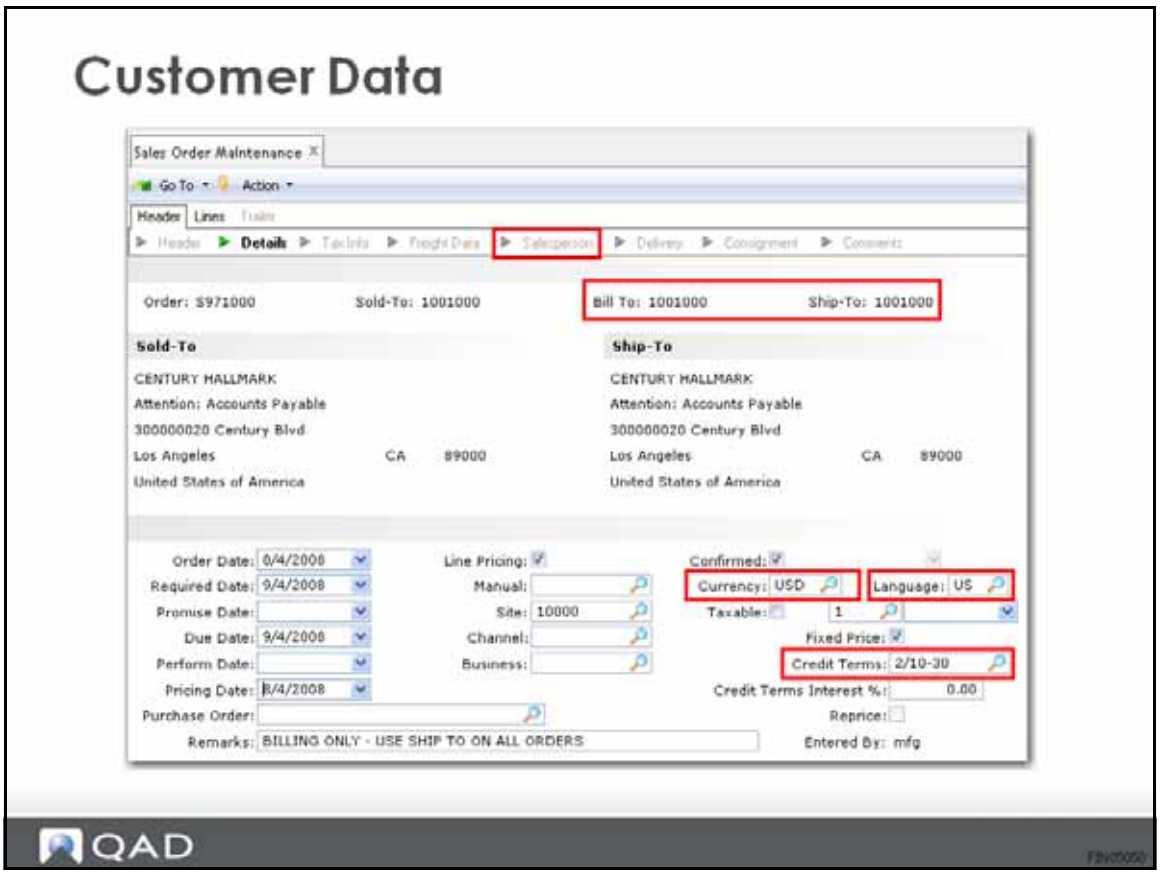
Line Items

Information that applies to individual items on the order is contained in the line item screen. Some of this information comes from the item record (Item Data Menu) and some of it comes from the order header, but you can change most of it for individual lines.

Trailer

The trailer lists the total item, freight, and other charges, as well as taxes. Some of the shipping and AR data also appears here. You can record additional trailer charges when you enter the order or later when the item is shipped. Trailer charge codes are set up in Trailer Code Maintenance (2.19.13); the default taxable and nontaxable codes for sales transactions are specified in Sales Order Control.

Customer Data



The biggest single source of information for the sales order is the customer record in Customer Maintenance (2.1.1).

Bill-To/Ship-To Addresses. A customer can have up to three different address types. The sold-to has no AR effects, but the bill-to appears on the invoice, is transferred to AR on the DR/CR memo and determines the credit terms. The ship-to determines the tax rates that apply to the order.

Best Pricing. Best pricing, or sales order pricing, enables you to create price lists that accommodate a wide range of pricing situations. Instead of matching price lists strictly through items or product lines, the system can determine best prices using flexible categories of items and customers called *analysis codes*.

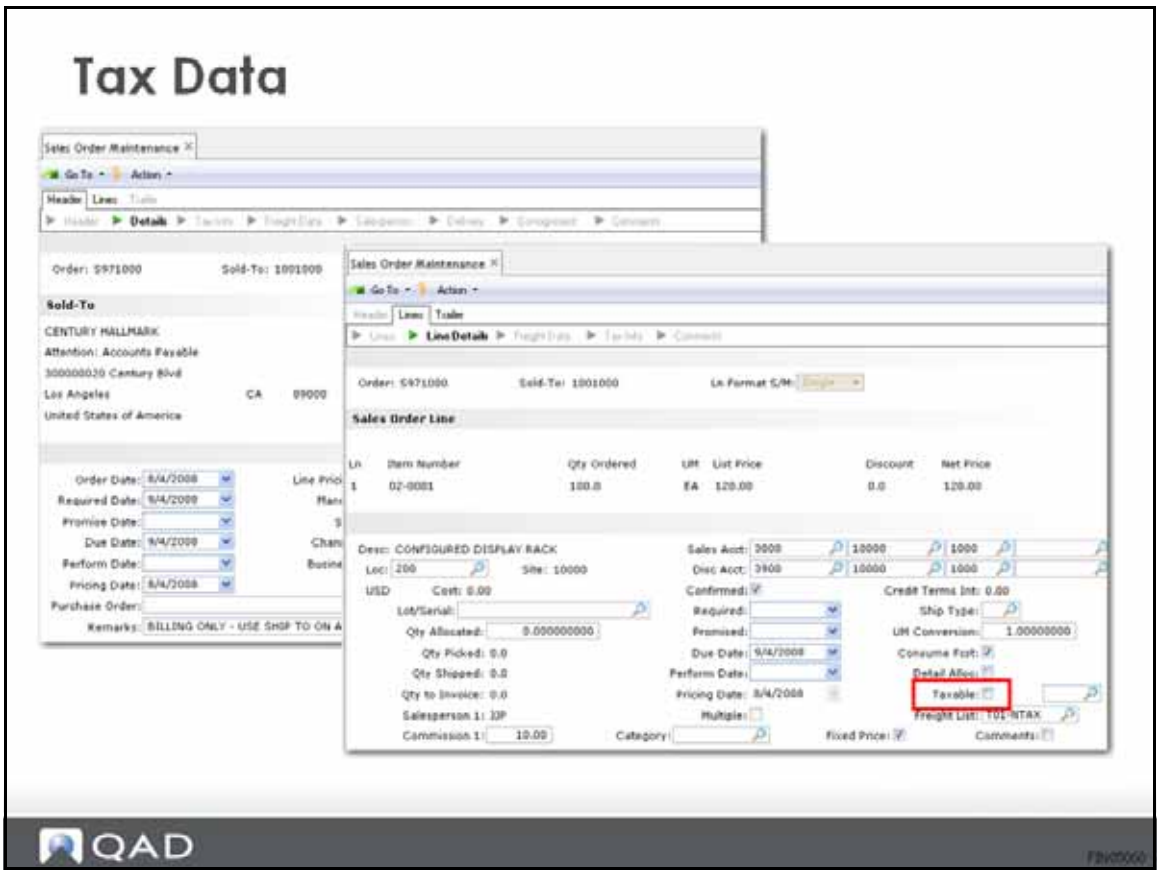
List/Discount Table Pricing. This is an alternative to the best pricing model. It is used for pricing different kinds of orders than best pricing, including scheduled orders, purchase orders, returns to suppliers, and receipts in RMA Maintenance (11.7.1.1).

Salesperson/Commission. Salesperson commission rates default from the standard rate for the salesperson set up in Salesperson Maintenance (2.5.1). You can change commission percentages on each line of the order.

Currency/Language. The currency and language follow the customer throughout the sales/AR/payment cycle. Multinational AR processing is covered in detail later.

Credit Terms. Used to calculate the AR payment due dates and discount dates.

Tax Data



Global Tax Management (GTM) is the tax system in conjunction with QAD SE. GTM supports multinational enterprises in calculating taxes on business transactions. The types of taxes, the formulas used to calculate them, and when taxes are assessed often vary considerably between countries. GTM can process taxes for multiple countries within the same database.

In the United States, GTM is a prerequisite for using the interface to the Vertex Quantum for Sales and Use Tax system.

Every country in the world has a unique system for assessing taxes. However, most systems share common elements:

- Business transactions can be subject to many kinds of taxes—sales taxes, domestic import duties, inventory transfer taxes, royalty fees, and so on. In GTM, a tax that is peculiar to a region and individually calculated and reported is a *tax type*.
- Regions that assess tax include countries (or groups of countries), states, provinces, counties, districts, and cities. In GTM, a region that assesses tax is a *tax zone*.
- Within a tax zone, a tax type can affect all people and items, or only some of them. In GTM, customers, suppliers, and items can be grouped by *tax class*. Similarly, a tax can be assessed at a different rate based on a customer's operation or how items are used. GTM can group people and items by *tax usage*.

Tax zones are made up of geographical components—countries, states, provinces, and counties. These geographic codes are also used when you set up addresses for customers, suppliers, and company sites. GTM validates all the geographical codes. When an address record is set up, GTM selects the tax zone for the address. To calculate taxes on transactions, the system selects the tax environment for the transaction's ship-from and ship-to tax zones.

Note GTM is described in detail in *User Guide: Master Data*.

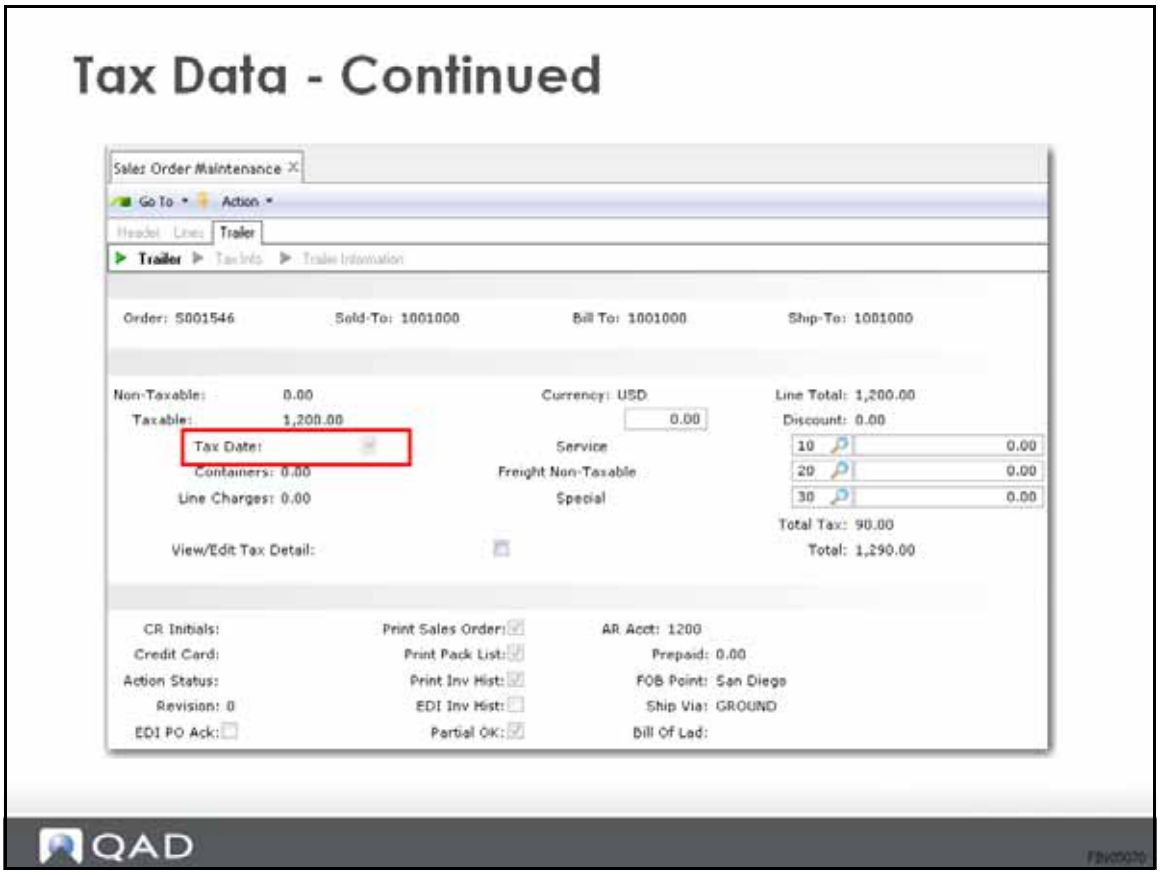
Tax Environments

Taxes on transactions vary based on the ship-from and ship-to tax zones. The tax environment in QAD SE defines which taxes apply to specific ship-from/ship-to tax zone combinations.

Tax zones are a prerequisite for tax environments.

Tax Rates

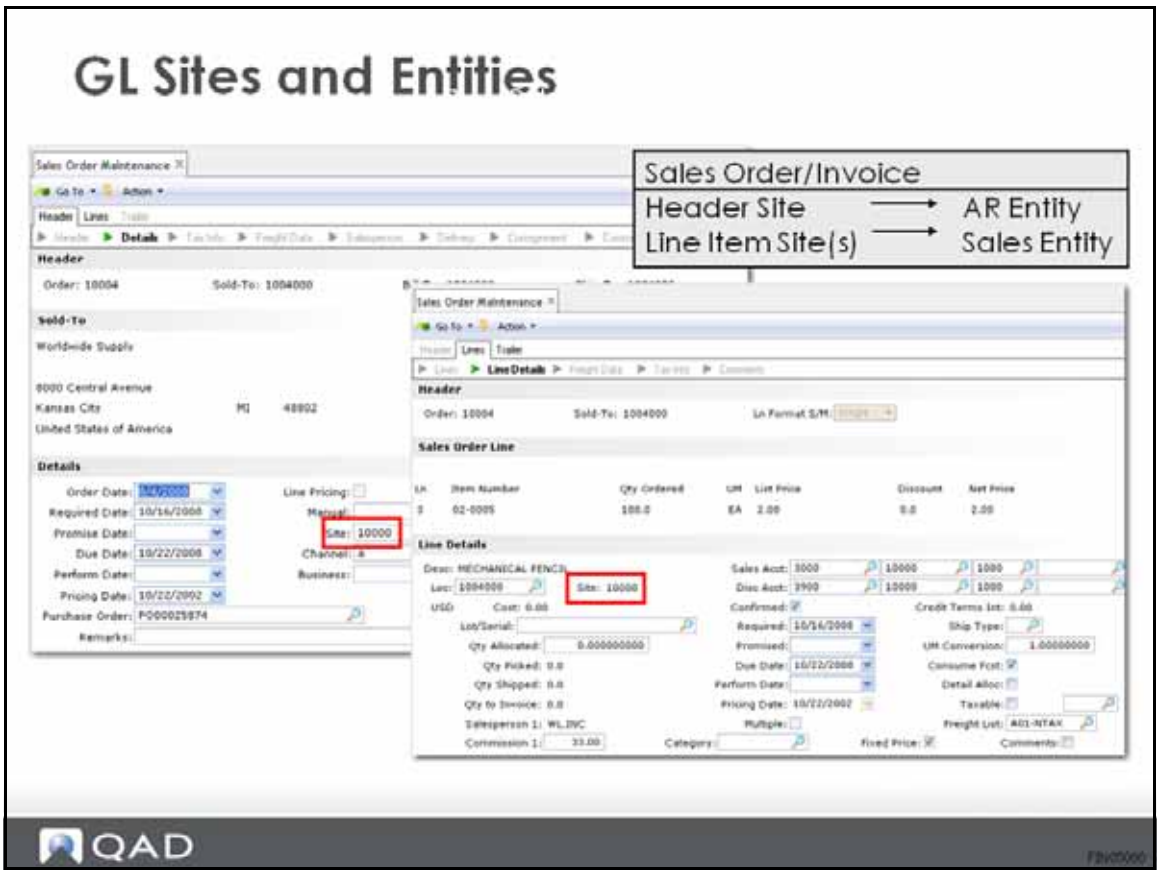
GTM uses tax rate records on transactions to calculate the tax amount for each tax type. The tax rate record also determines how taxes are reported in General Ledger.



The Trailer frame in Sales Order Maintenance contains tax, shipping, and order status information for all line items.

During order entry, the default tax date is the order due date. During shipment and receipt, the default tax date is the transaction effective date.

GL Sites and Entities



QAD SE assigns each sales shipping site (for example, warehouse or distribution center) to an entity for financial and tax reporting.

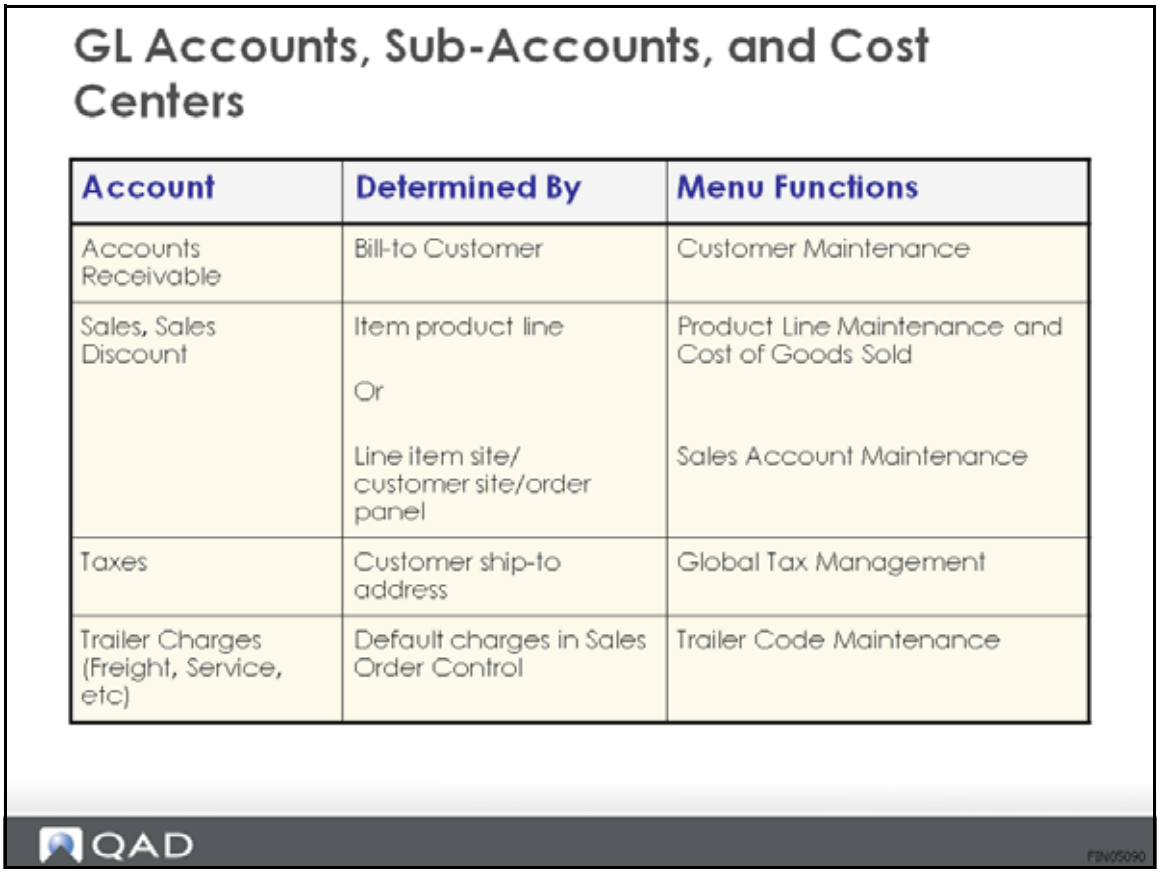
During Invoice Post, GL transactions for AR, sales taxes, and trailer charges are posted to the site (entity) identified in the order header.

However, you can ship individual line items from multiple sites associated with entities other than the one for the site in the order header. Therefore, sales and sales discounts are posted to the entity for the line item site.

Whenever line items are shipped from different sites assigned to different entities, QAD SE creates GL transactions during Invoice Post for the intercompany account specified in Accounts Receivable Control.

If your company requires all AR reporting to be performed by the same entity, ensure that orders and invoices reference only sites linked to the same entity.

GL Accounts, Sub-Accounts, and Cost Centers



In addition to being identified by entity and site, sales and AR transactions are always posted to specific GL accounts. Depending on how your company sets up its chart of accounts, the system can also post transactions to sub-accounts and cost centers. In QAD SE, whenever you see an account field, you can usually designate a sub-account and cost center as well, although the latter two fields are not always labeled on the screen. The chart summarizes the sources of GL accounts for sales transactions.

The AR account defaults from the customer bill-to address in the customer file. At Invoice Post, the AR account for the order/invoice is debited and the sales account for each item is credited.

- Sales and Sales Discount Accounts

  The GL accounts for sales and sales discounts default from the sales accounts if defined; otherwise, from the item product line. For non-inventory (memo) sales, the sales and discount accounts default from the sales account in Domain/Account Control.

- Taxes

  At Invoice Post, taxes are credited to the GL accounts specified in the Tax Rate Maintenance (2.13.13.1).

Trailer Charges

Codes for trailer charges are set up in Trailer Code Maintenance (2.19.13). The default trailer codes for sales transactions are specified in Sales Order Control. At Invoice Post, the GL accounts for the trailer charges are credited.

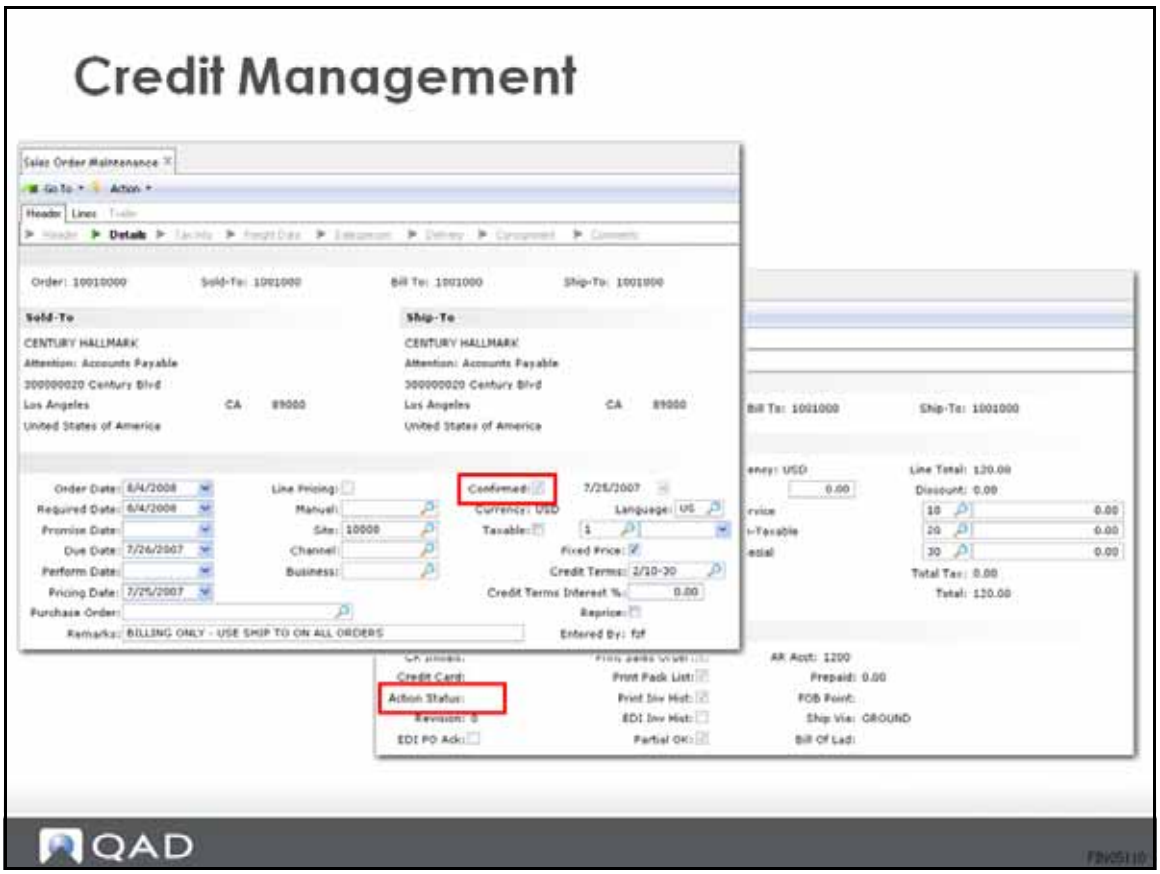
Channel and Project

Channel and Project are two optional fields your company can use to further differentiate GL sales reporting.

Channel. Identifies the distribution channel (for example, wholesale or retail) through which the order originated. Channel is used to separate sales amounts by product line and site. In Sales Account Maintenance (1.2.17), you can specify GL accounts for sales, sales discounts, and cost of goods sold (used by Sales Order Shipments). To prevent entry of unauthorized channel codes on orders, you can set up standard codes in Generalized Codes Maintenance for the PROGRESS field so_channel.

Project. You can use Project to identify sales generated by specific company activities. The project in the order header displays as the default for line items but can be changed for individual lines. If a sales order is associated with a project, any GL transactions created for the order also reference the project code. Project codes are set up in Project Code Maintenance (25.3.11).

Credit Management



In addition to ensuring that sales records are entered correctly, it is important to prevent orders from being taken or shipments being made to customers with bad credit.

One useful precaution is to set up the system so that orders are automatically created with a status of unconfirmed and then confirm them in a separate process. Using this method, orders are never shipped before they are reviewed. The Confirmed Orders field in Sales Order Control determines the default status of orders. Sales Order Confirmation is then used to confirm the orders prior to shipping.

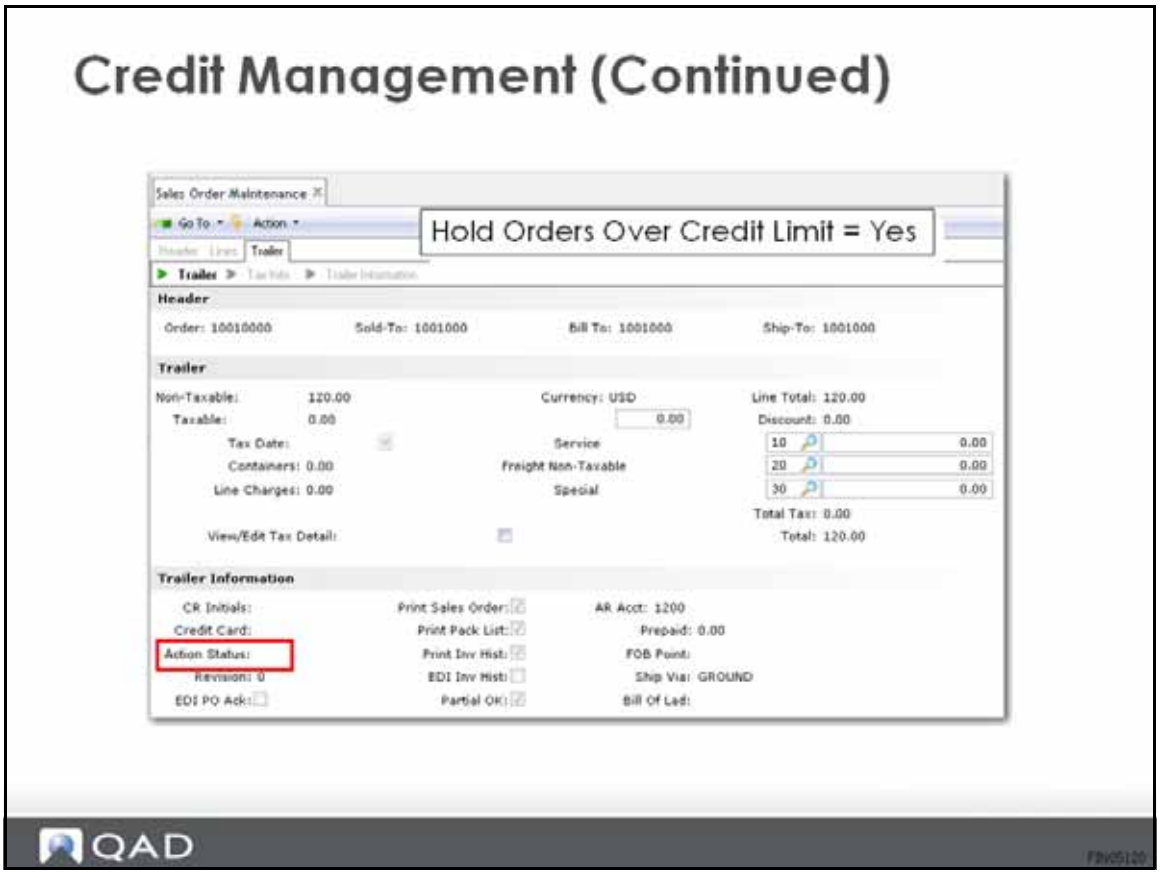
Credit Limit and Credit Hold

In addition, during order entry, the system checks the bill-to customer's Credit Limit and Credit Hold settings. If the customer is on hold or if the customer's open AR balance plus the new order total is beyond the customer's credit limit, you see the following message.

```
Warning: Customer Balance plus this order balance amount
Credit Limit: credit limit amount
```

Although the warning is displayed, you can proceed with entering the order and the system does not place the order on hold. You can place a hold manually by entering any non-blank value (for example, HD) in the Action Status field

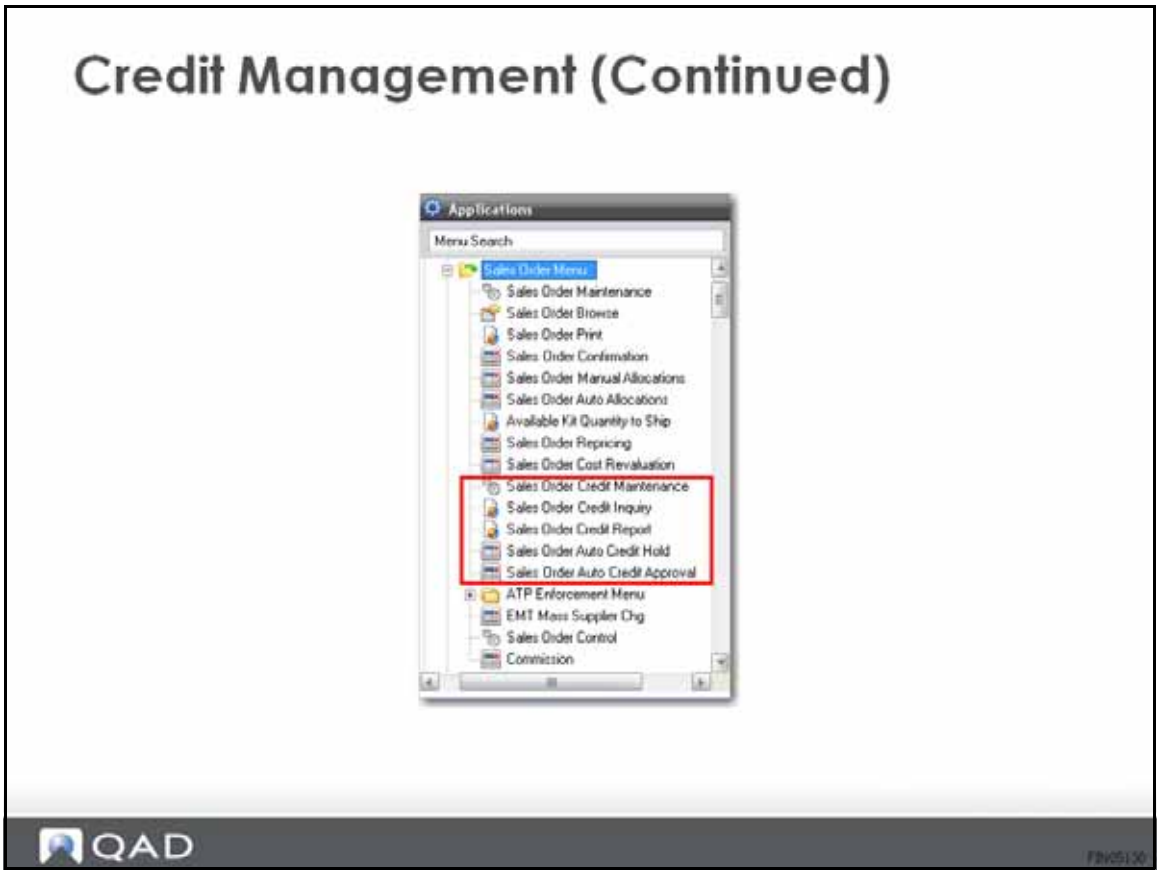
The action the system takes next depends on a setting in Sales Order Control. You have the option of placing the order on hold manually, or the system can place it on hold for you.



When the sale is on hold, the order entry clerk cannot change the action status of the order or invoice. You must use one of the credit management functions to change the status.

When you prepare sales orders for shipment, the system does not select orders on hold when you print packing lists. However, the system still lets you process individual shipments. To control this, create a procedure that specifies that a packing list is required as authorization for shipment. The system does not recheck against the customer's credit limit during the shipment transaction, but it does display a warning if the customer is on credit hold.

You can also use the Customer Credit Limit Adjustment (2.1.7) to increase or decrease customer credit limits based on a percentage or on the time elapsed since the last credit limit adjustment.

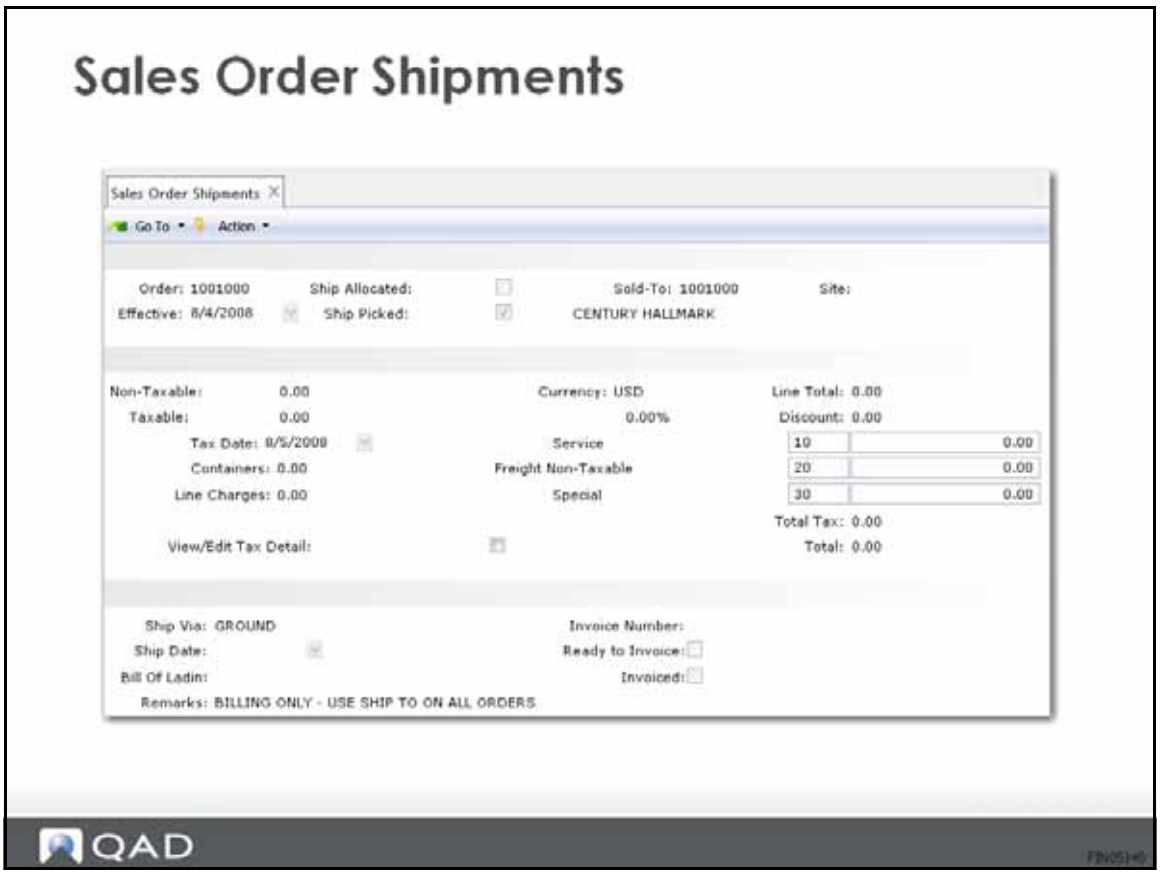


The credit management functions enable you to place sales on hold or remove them from hold selectively. You can select sales orders based on:

- Customer action status.
- Invoices past due by a specified number of days.
- Total open invoice amount.
- Total open invoice and order amount.

Sales Order Automatic Credit Hold (7.1.16) checks the open AR, all open sales orders, and AR open days by invoice. This should be run every night, followed by credit approval, to remove holds for sales orders whose credit is now good. Once removed from hold, sales orders are processed through the rest of the shipping/invoicing cycle.

Sales Order Shipments

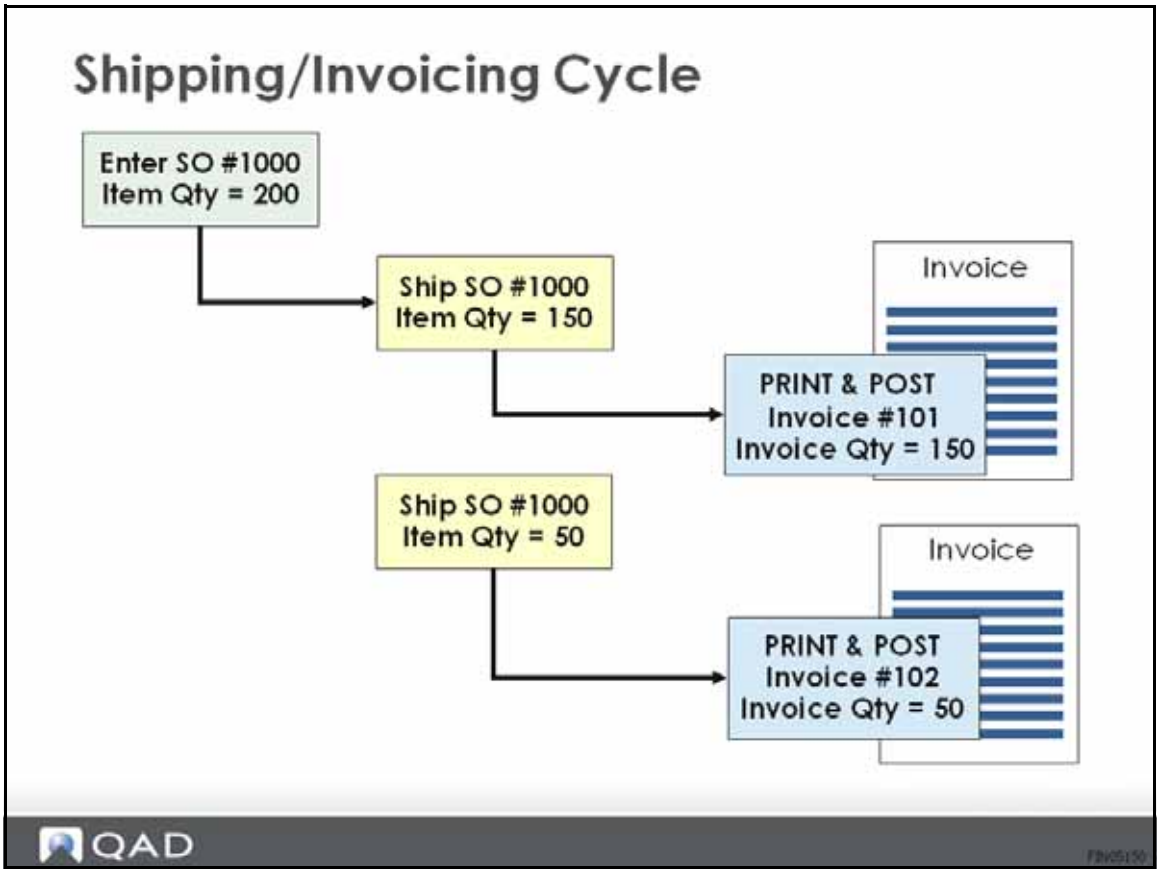


After the order is picked, a shipment transaction is recorded in Sales Order Shipments (7.9.15). This records the shipment, adjusts inventory, and flags the order as ready for invoicing. At this time, you can also enter add-on charges such as freight.

Shipping an order creates a pending invoice that shows all shipping information, but does not show the billed information. The invoice must be posted to Accounts Receivable before billing information appears on the customer's account.

In the next section, the course describes how sales order shipments are sometimes used to process returns and credits. For now, be aware that sales orders must be shipped prior to invoicing.

Shipping and Invoicing Cycle



In QAD SE, the recommended shipping and invoicing procedure is:

- Record the shipment for the sales order.
- Review and correct the order.
- Print and post the invoice.

If a sales order has a backorder quantity, you probably invoice the first shipped quantity separately from the shipped backorder quantity. You record and invoice the first shipment, then record and invoice the second shipment. In the slide, an invoice (#101) for a partial shipment is printed and posted. The sales order remains open with a backorder quantity. When the backorder quantity is shipped, a second invoice (#102) is printed and posted. You now have two invoices for the same order.

Correcting a Shipment Quantity

If you must correct a shipment quantity, the procedure varies depending on where you are in the shipping and invoicing cycle. If you have not printed the invoice, simply change the quantity in Sales Order Shipments. The corrected quantity then shows up on the invoice.

If you have already printed the invoice but not posted it, you can still correct the quantity in Pending Invoice Maintenance. A warning message displays, alerting you to take action on the printed invoice. You can either destroy and reprint it, or reprint it but let the customer know that the reprinted invoice is a replacement of the original, not a duplicate.

You must always reprint the invoice so the correct invoice quantities (and prices) are posted to Accounts Receivable. Before reprinting the invoice in Invoice Print, you must reset the Ready to Invoice field to Yes and the Invoiced field to No in Pending Invoice Maintenance (7.13.1).

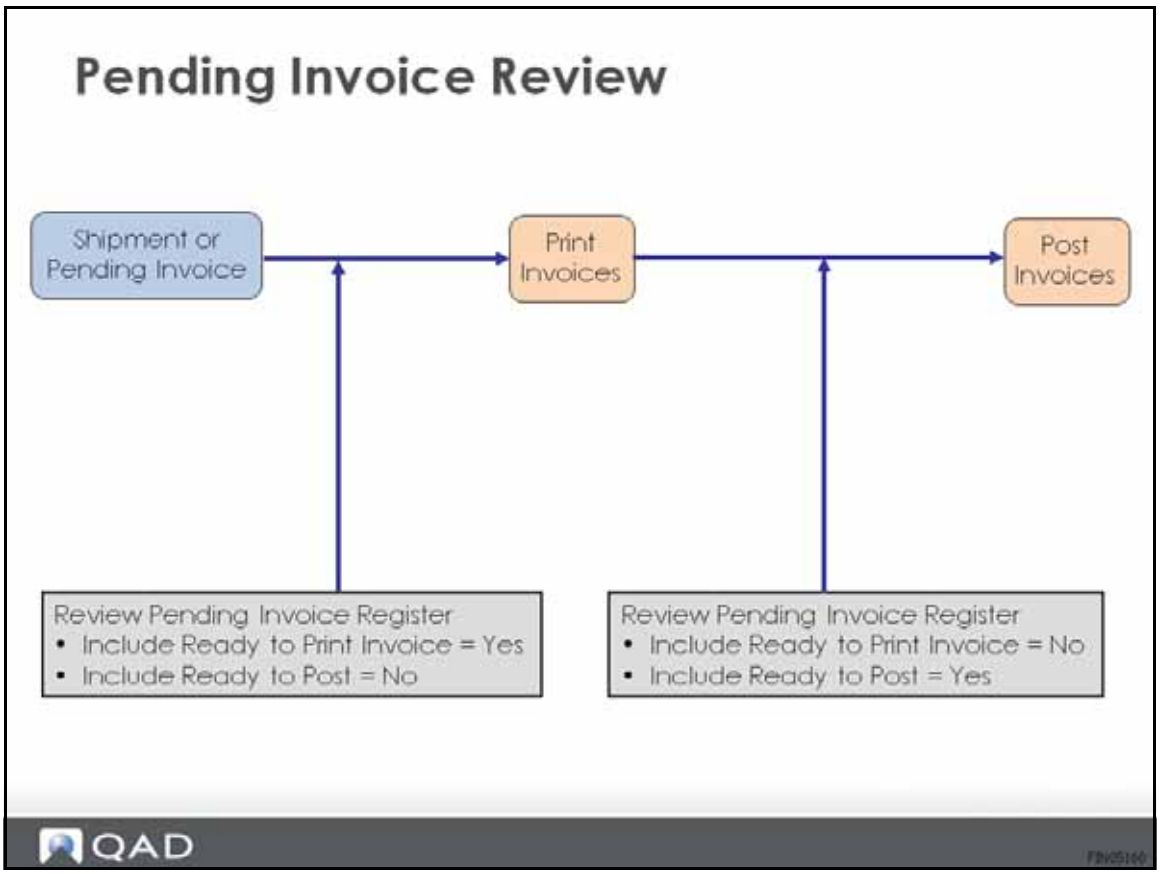
If you have printed and posted the invoice, you would process the correction as a credit. Credits are described in Chapter 6, “,” on page 97 because credits also involve functions in the Accounts Receivable module.

Posting

Since QAD SE allows multiple invoices for a single order, invoices should be posted regularly, at least daily. You should not make additional shipments for a sales order whose invoice has been printed but not posted. In the slide, if you had printed invoice #101 for quantity 150, but not posted it before printing the invoice for the other 50, you would end up with duplicate invoices. The first invoice would show a quantity of 150, and the second a quantity of 200.

All shipping/invoicing functions require an effective date. Usually, you set this to the ship date. To keep your audit trails consistent and to ensure that everything posts to the correct GL period, use the same effective date throughout the cycle. This is especially important at month-end.

Pending Invoices



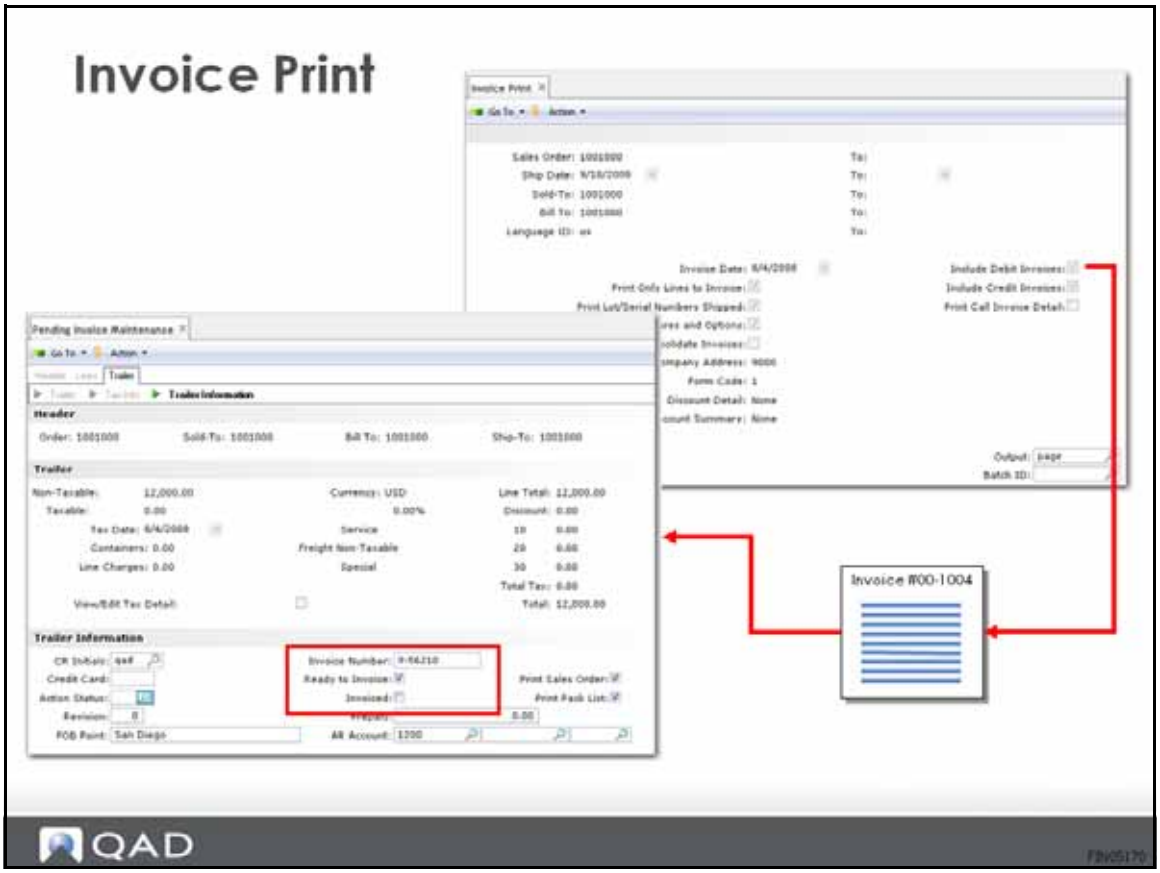
An order that has been shipped automatically creates a pending invoice that you can review and correct prior to posting. Usually, you would review the Pending Invoice Register (7.13.2) and make any necessary corrections to the invoices prior to printing them.

Note Prior to posting, you can make most corrections in Pending Invoice Maintenance (7.13.1). However, we recommend that you make changes to invoiced quantities in Sales Order Shipments rather than Pending Invoice Maintenance, because these changes affect inventory balances.

You can also use Pending Invoice Maintenance (7.13.1) to record over-the-counter sales and special charges or credits. This records the order, ships it, and flags it for invoicing, all in one step.

The Pending Invoice Register can be used to review invoices before and after they are printed. To select invoices before they are printed, Include Ready to Print Invoices must be Yes and Include Ready to Post No. To select invoices after they are printed but before they are posted, the settings are reversed.

Invoice Print



Invoices are printed in Invoice Print (7.13.3). Once printed, the system flags the pending invoice as invoiced and assigns the Next Invoice number from Sales Order Control. To prevent duplicates, it also resets the Ready to Invoice field to No.

By setting Consolidate Invoices to Yes, you can include multiple sales orders on the same invoice. You can also restrict sales order consolidation to specific customer ranges. Sales orders can be consolidated if all of the following are identical:

- Sold-to addresses
- Bill-to addresses
- Currencies
- Financial terms
- Trailer codes
- Tax environments
- Sales entities
- Salespersons

If the system finds sales orders that can be combined, it prints those lines on the invoice with a short summary of shipment information. After invoices are printed, the system updates each sales order with the same invoice number.

Reprinting Unposted Invoices

To reprint a printed invoice before it is been posted, reset Ready to Invoice to Yes and Invoiced to No in Pending Invoice Maintenance; then reprint the invoice using Invoice Print.

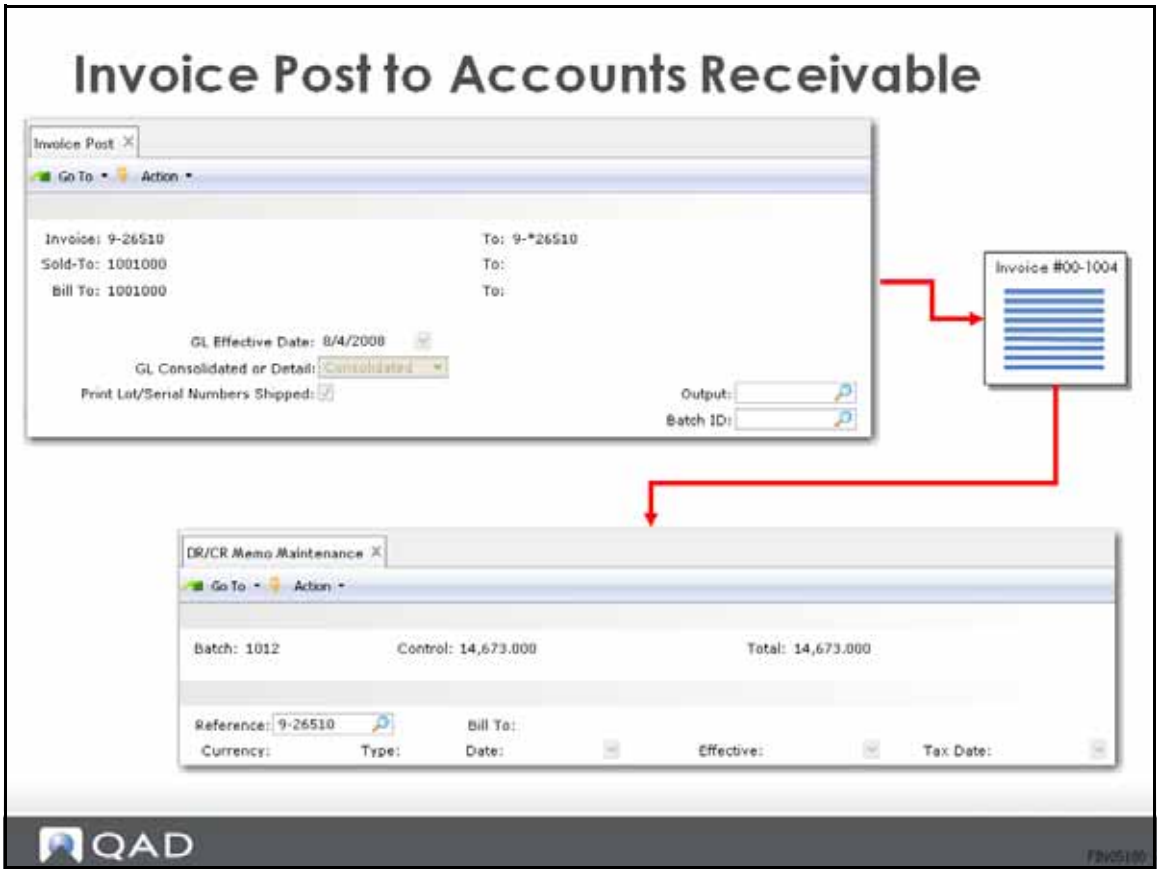
Reprinting Posted Invoices

To reprint an invoice after it has been posted, use Closed Invoice Reprint to reprint the invoice. However, to do this, your database must still have the invoice history. Keep Invoice History in Sales Order Control must be set to Yes.

Printing Debit and Credit Invoices Separately

While printing debit and credit invoices, you can choose to include only debit invoices, only credit invoices, or both. This allows you to use different forms for each invoice type.

Invoice Post to Accounts Receivable



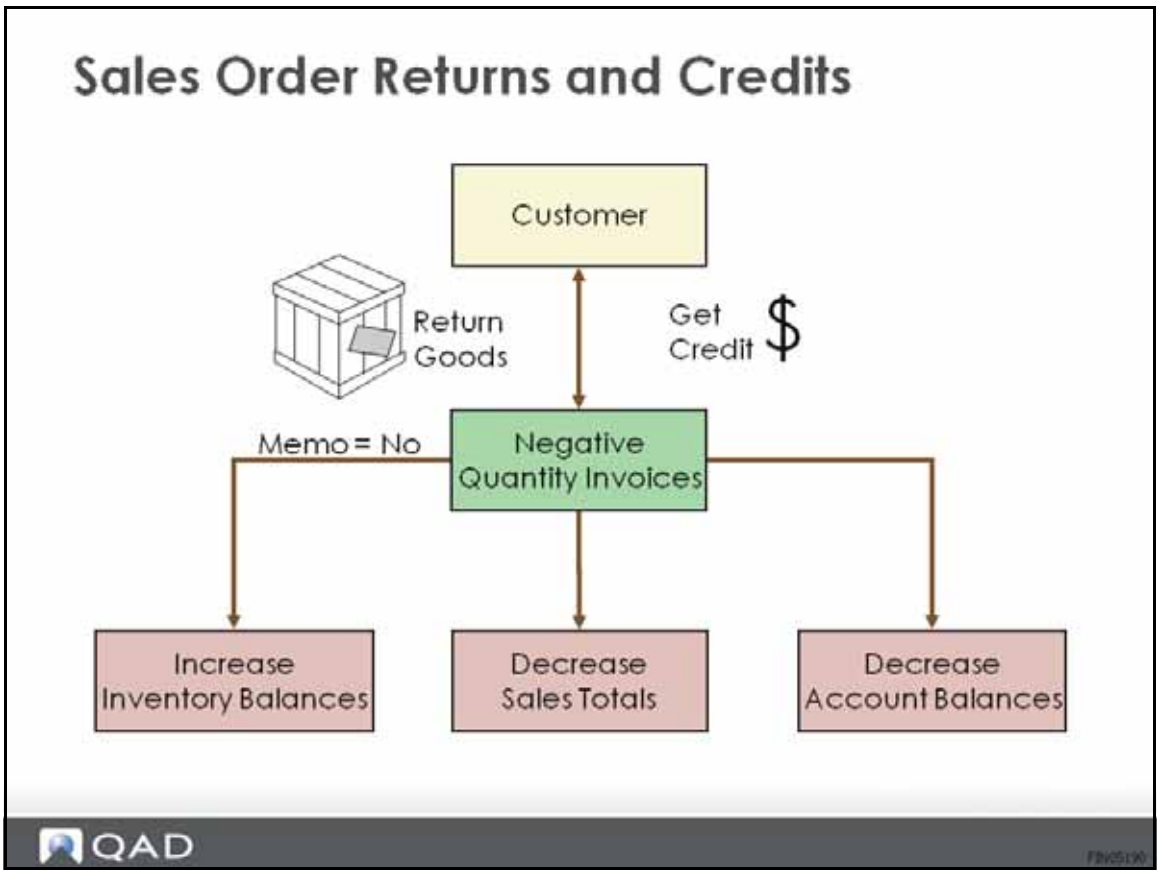
Invoice Post transfers invoice information to Accounts Receivable. If Sales Order Control is set up to do so, Invoice Post also updates invoice history and sales analysis records.

Sales orders are automatically deleted when the invoices are posted to AR. Use the Invoice History Browse to review all invoiced sales orders.

For each invoice, the post creates a debit/credit (DR/CR) memo with the same number as the invoice. This DR/CR memo contains all the invoice information needed for AR processing, such as the sales amount, credit terms, transaction currency, and payment due date. The DR/CR memo Reference field is set to the invoice number and the DR/CR memo Type field is set to Invoice.

Note To post invoices to Accounts Receivable, Integrate with AR in Sales Order Control must be set to Yes.

Sales Order Returns and Credits



There are two kinds of inventory returns and sales credits: inventory and non-inventory.

Returns and Credits (Inventory)

When a customer returns items (or if the customer was invoiced for the incorrect item quantities), you need to update inventory and sales history and generate a credit invoice. In QAD SE, changes that affect inventory are always handled in the Sales Orders/Invoices module, the Inventory module, or the Field Service module, not in Accounts Receivable. The recommended procedure is to:

1 Negative SO

Enter a sales order with a negative order quantity. For example, if the customer returned 25 items, enter a line item quantity of -25. Make sure you enter all of the same information as on the original order, including the site, salesperson, commission, price, discount, and taxable status. If the customer wants you to ship replacement items, enter a second line item with a positive quantity.

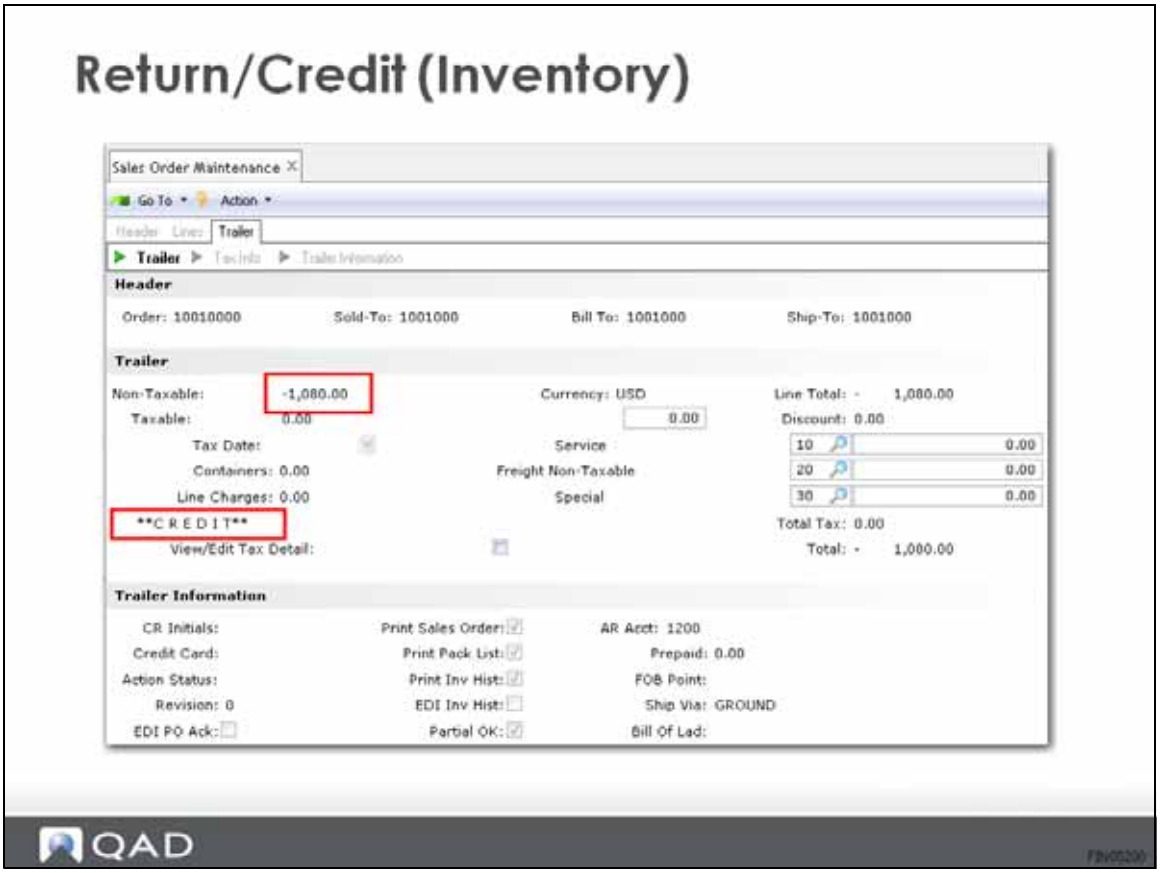
2 Negative Shipment

Process a negative shipment. Once returned items have been inspected and approved, you process a shipment for the negative quantity. This returns the items into the inventory location and creates a negative pending invoice that gets posted to AR.

3 Print/Post Invoice

Print and post the invoice. This creates a credit memo that can be sent to the customer and decreases the customer’s open AR balance. It also updates sales analysis and commission history to reflect the return, and creates the correct GL entries.

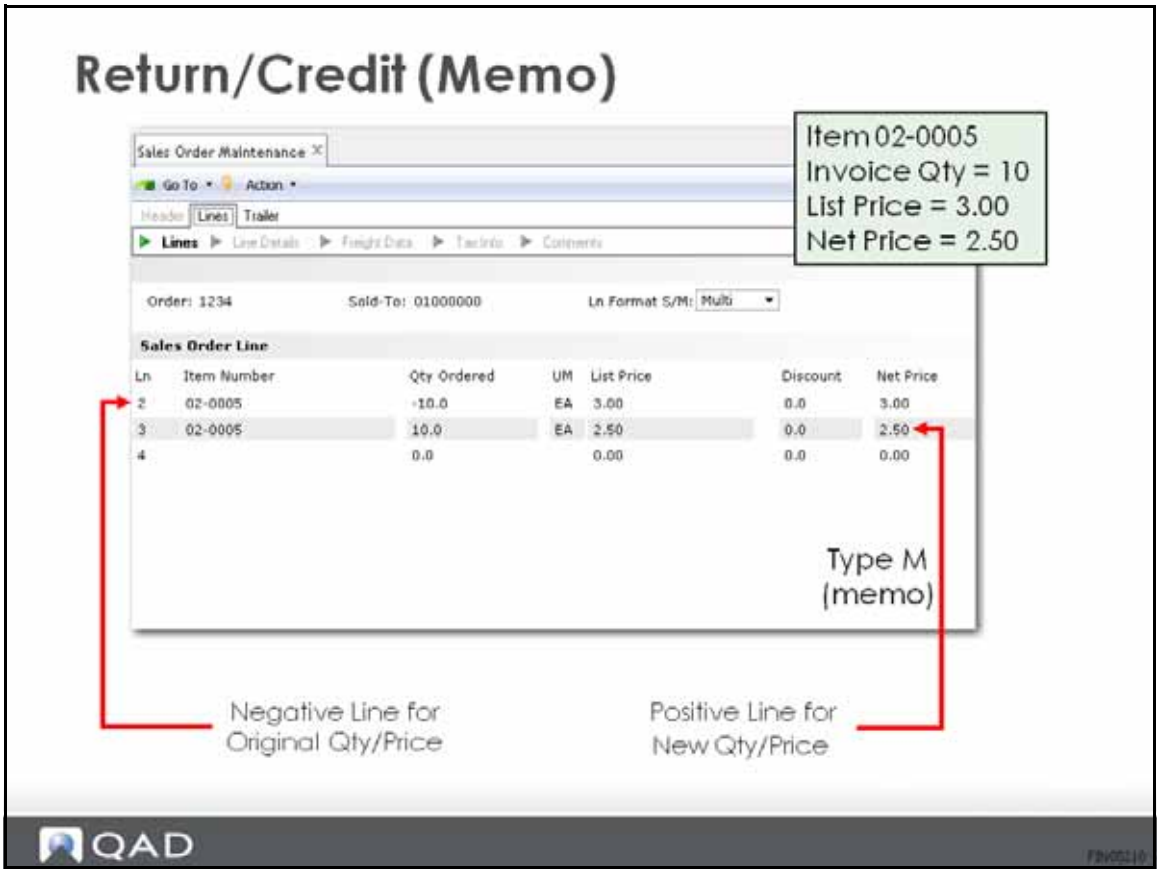
Return/Credit (Inventory)



Note There is a shortcut for processing returns. You could enter a pending invoice directly, using Pending Invoice Maintenance with a negative quantity to invoice. This records the sale (return), update inventory, and create a credit invoice. Since this updates inventory, be sure to enter the correct site and location.

On field service returns, the return is initially recorded in the Field Service module using RMA Maintenance rather than in Sales Orders/Invoices. If you set the Ship RMA option to Yes, the system automatically creates a negative pending invoice for the returned quantity. You must use the Field Service module to change an RMA pending invoice. However, you can view it in the Pending Invoice Register.

Returns and Credits (Memo)



Credit invoices are issued for reasons other than inventory returns. These corrections are recorded as type Memo items in Pending Invoice Maintenance to ensure that they do not affect inventory.

1 Pricing

Since pricing corrections should be reflected in sales and commission history, you need to enter two line items: one with the original invoice quantity entered as a negative quantity and the original price, and the second line with a positive quantity and the correct price. The resulting invoice is for the amount of the difference, whether it is a debit or credit.

2 Sales Taxes

If sales taxes are charged (or not charged) in error, the same procedure is used to correct this problem: Enter all the original information with negative quantities, then again with positive quantities and the correct taxable flag. Be very careful to enter all of the information exactly the same and set the type to Memo. When the invoice is posted, it updates your sales tax journal correctly.

3 Trailer Charges

Sometimes the change does not affect the line items—for example, if you charged a trailer amount such as freight incorrectly. You can simply enter an invoice with no line items and a negative trailer amount.

Any other credits, for which you do not need to print a credit invoice and do not effect inventory, can be entered directly into the Accounts Receivable module using DR/CR Memo Maintenance (27.1).

Exercise 5: Sales Order Management, Shipping/Invoicing

Sales Order Management

In this exercise, you will enter a sales order so that you see where and how GL account codes, salesperson commissions, trailer charges, and taxes are entered.

Since this order exceeds the customer's credit limit, you will see that the order is automatically placed on hold. You will remove the hold using the credit management functions.

Sales Order Maintenance

1 In Sales Order Maintenance (7.1.1), Click Next at the Order field, the computer will generate the next order number for customer 100.

2 Write down the order number. In the lower frame, notice how the credit terms default from the customer record.

Calculate Freight:	No
Display Weights:	No

3 Enter the following information for items 02-0010 (eraser refill packs) and 02-0020 (lead refill packs).

Line:	1
Item Number:	02-0010
Site:	Train
Quantity Ordered	100
List Price:	1.00
Line:	2
Item Number:	02-0020
Site:	Train
Quantity Ordered	100
List Price:	.75

4 Enter a non-taxable freight charge on the trailer.

Freight:	10
Amount:	15.00

You should see a line item total of $175.00 and freight of $15.00.

Notice the system automatically places the order on hold (HD). This is because the Sales Order Control is set to Hold Orders over Credit Limit.

Open amount excludes tax.

Sales Order Credit Inquiry

5 Use the Sales Order Credit Inquiry (7.1.14) to review the status of all open orders for customer 100.

Sales Order Credit Maintenance

6 As the credit manager, you have reviewed the customer's credit history and determined that it is OK to process this order. Before you can create a packing list and shipment, however, you must change the order's action status to blank. Do this in Sales Order Credit Maintenance (7.1.13). You could have also used Sales Order Auto Credit Approval (7.1.17).

Shipping/Invoicing

Start by shipping the order entered in the last exercise. Then, you will modify, print, and post the pending invoice for the order.

Sales Order Shipments

1 In Sales Order Shipments (7.9.15), process a shipment for the order you entered in the last exercise. (If necessary, do a lookup browse to find the order for customer 100.) Ship the entire order from site Train and location 200. (Disregard any warning messages that the lot/serial does not exist at the site/location.)

Note Process the shipment by recreating it in the lower part of the screen.

2 On the trailer screen, change the freight charge to $13.75, the actual UPS charge for shipping these products. After you press Next, notice that Invoice Number is blank, Ready to Invoice is set to Yes, and Invoiced is set to No, because the shipment has not yet been invoiced.

3 Press Next again to complete the transaction.

Invoice Print

4 In Invoice Print (7.13.3), print the invoice.

5 If the invoice looks OK, respond OK to the message Update Invoice.

This action updates the Invoice Number, Ready to Invoice, and Invoiced fields in the order trailer. However, if your paper jams or you see an error, reset this to Cancel.

6 Destroy the invoice(s) you just printed, make the correction, and reprint.

Pending Invoice Maintenance

After printing the invoice, you discovered that salesperson 99's commission on line 1 should have been 7%.

7 Go to Pending Invoice Maintenance (7.13.1) to make the correction. You will see a message: WARNING: INVOICE PRINTED BUT NOT POSTED. This warns you that you may have already sent the invoice to the customer. In this case, the customer invoice would not show commission changes, so reprinting the invoice is optional.

Note If you must reprint an invoice, you can do so using Invoice Print (7.13.3). Before reprinting, you must reset Ready to Invoice to Yes and Invoiced to No in Pending Invoice Maintenance (7.13.1).

Pending Invoice Register

8 In Pending Invoice Register (7.13.2), review the register for your sales order by sending the output to your terminal. Notice that the report is empty. Why?

The Include Ready to Post option allows you to include only invoices that have been printed but not posted. Since Include Ready to Post defaults to No, your invoice does not show up.

9 Now, reset Include Ready to Post to Yes, and rerun the report.

You will need to reprint the invoice before you can post it.

Invoice Post

10 Post the invoice to AR using Invoice Post (7.13.4).

11 Leave the invoice fields blank.

Usually, it is a good idea to set the GL effective date to the day on which the invoices were printed. This ensures that invoices are posted to the correct financial period.

12 Review the post report. Notice the GL account distribution.

Pending Invoice Maintenance

13 In Pending Invoice Maintenance (7.13.1), enter your sales order number manually and stop.

14 Look at the bottom left of your screen. Notice Adding new record. You can reuse an order number once the original is closed and posted.

In most cases, when adding an order, you would let the system assign the next order number. (If you see Modifying existing record, stop and call your instructor.) The purpose of this is to illustrate that you cannot modify a closed order, but you can reuse the order number for a new order.

Browses and Reports

15 Review the Invoice History Browses (7.13.7), the Invoice History report (7.13.8), and the Closed Invoice Reprint report (7.13.12).

You can use Closed Invoice Reprint to reprint lost invoices.

Sales by Salesperson Browses

16 Review the Sales Analysis browses and reports.

- Sales By Salesperson Browse (7.17.5)
- Sales By Customer Browse (7.17.13)
- Sales By Item Browse (7.17.17)

These were updated when you posted the invoice. The margin on the sale was calculated as the net price (after discount) less the cost.

Salesperson Commission Report

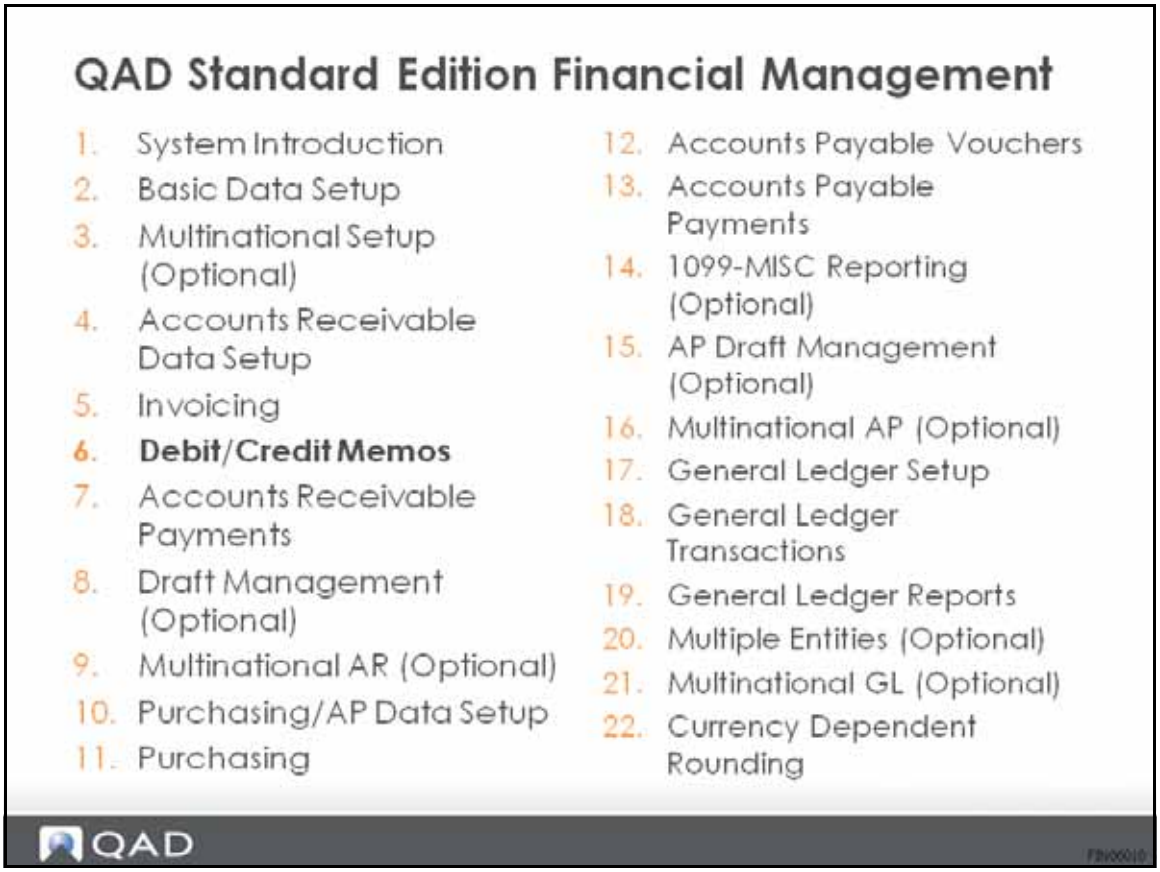
17 Print the Salesperson Commission report (2.5.13) for salesperson 99.

You can select commission based on sales or margin. This report lists the total sales amount with a calculated commission percentage for the order total. This report is not split out by line item total.

Chapter 6

DR/CR Memos

Overview

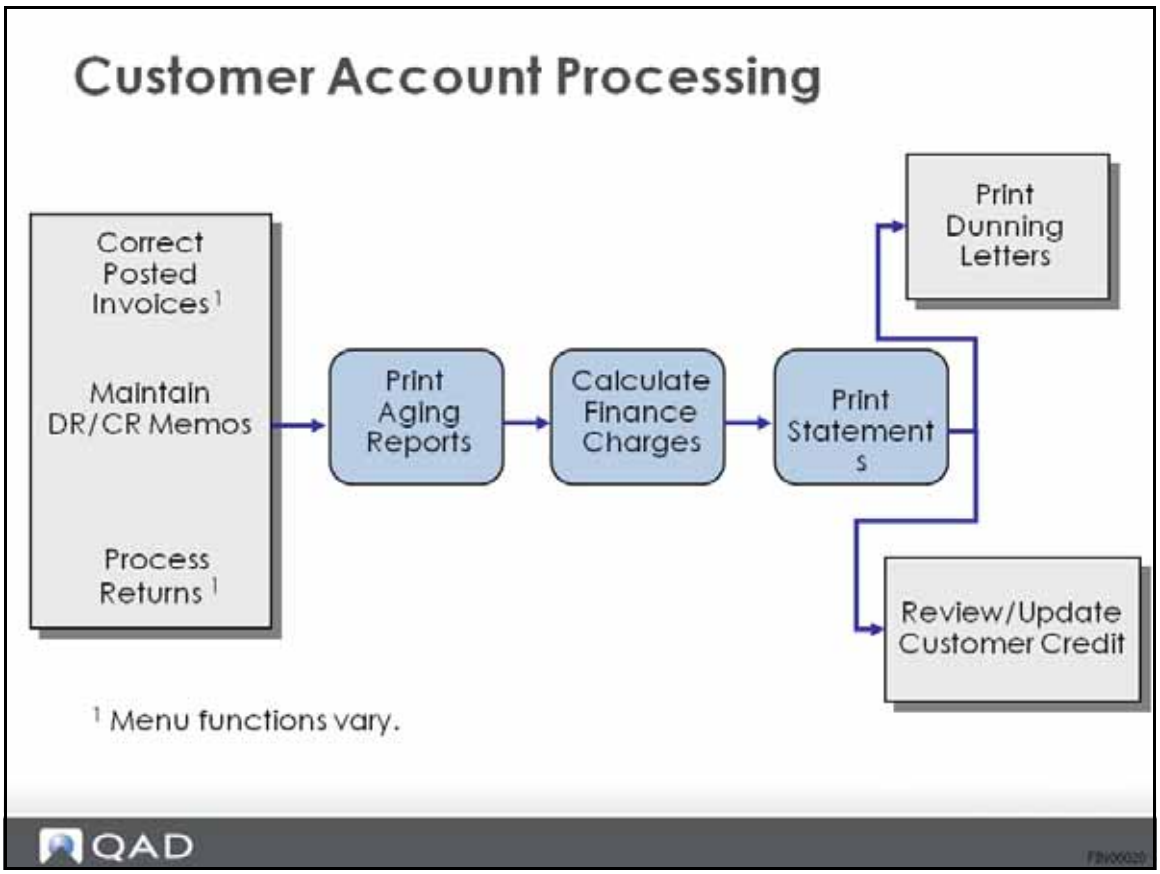


The Accounts Receivable module is used to process customer payments (checks, wire transfers, drafts) against invoices, update account balances for deposits, returns, and debits/credits; and to identify overdue balances and taking action to encourage or enforce payment.

Most companies have a lot of cash tied up in receivables, so it is important to ensure that customers pay invoices promptly. Timeliness in recording payments is important, because the sales department uses customer account balances to determine whether to extend credit on future sales.

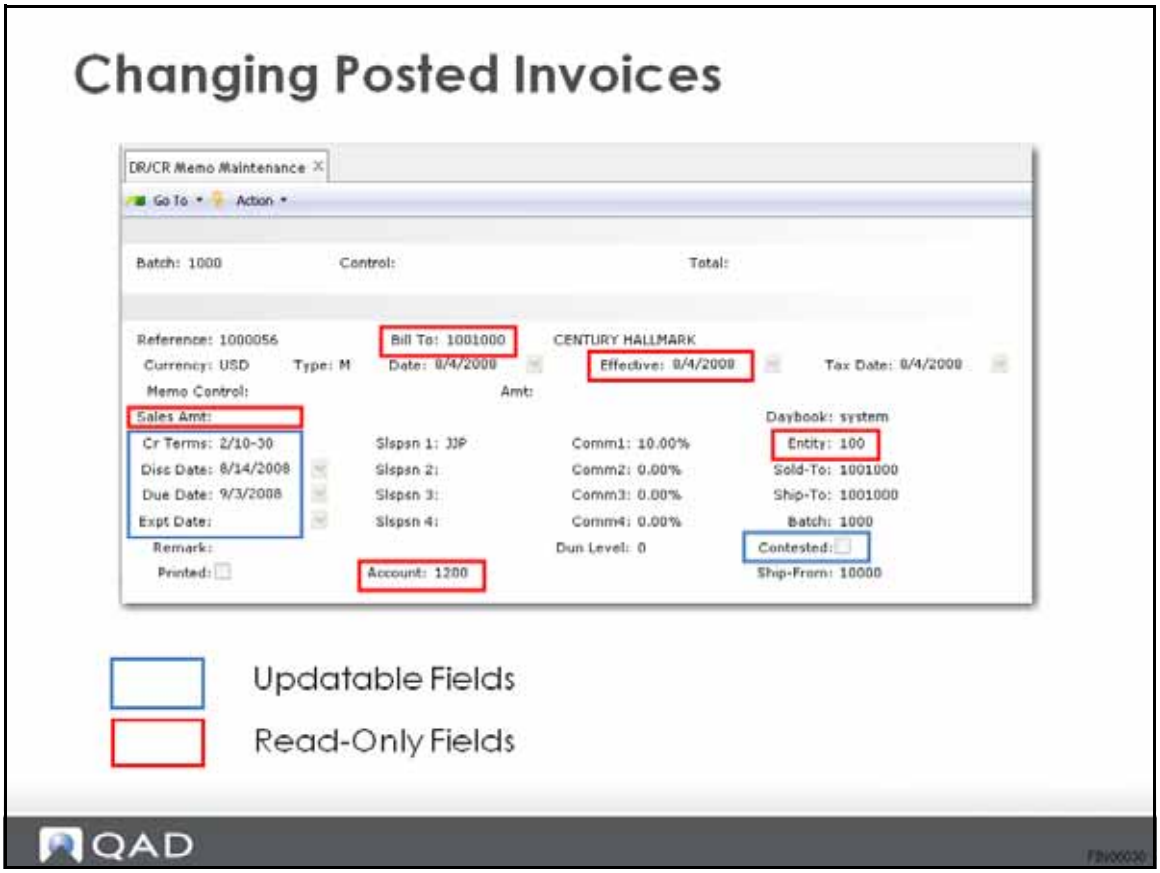
Receivables appear on cash flow reports as sources of cash. They also appear as a current asset on the company balance sheet.

Customer Account Processing



The slide shows the activities involved in maintaining customer accounts. Most of these activities occur in Accounts Receivable, but corrections and returns also use the sales order and invoicing functions. We cover all of these in detail in this lesson.

Changing Posted Invoices



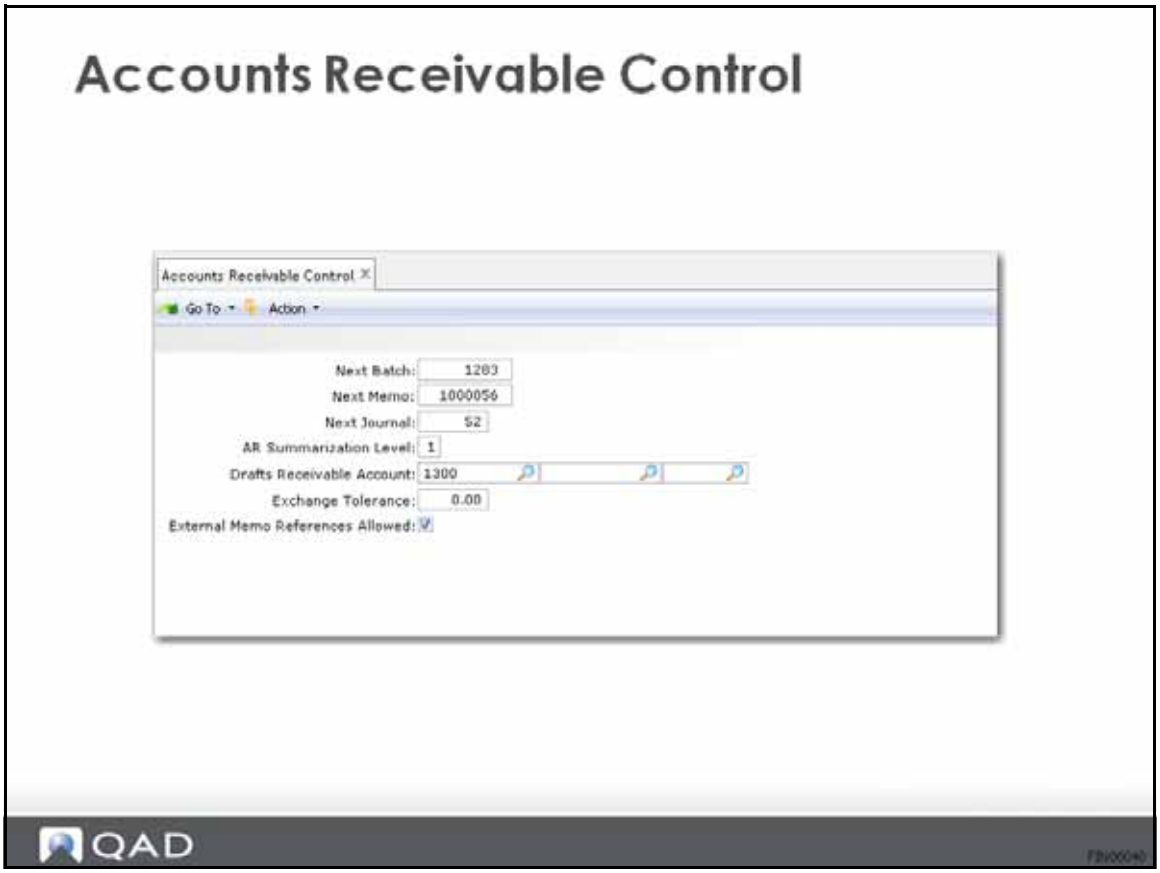
In DR/CR Memo Maintenance (27.1), you can modify selected fields on an invoice after it has been posted to Accounts Receivable. This step is sometimes necessary if you do not have to produce a printed document for the customer (for example, if you are changing the terms, discount, or due dates). QAD SE does not recalculate dates until you clear existing dates by pressing Shift +? in the field.

If you change the salesperson, commission, and sales amount, the changes are reflected in the salesperson commission reports, but not in the Sales Analysis reports. The same applies for changes to the bill-to address code.

One setting you may want to change is the Contested field. When a customer disagrees with an invoice, you can mark it as contested so that it is not included in Finance Charge Calculation (27.12). The Deduct Contested option appears on several reports, including the agings. The DR/CR Memo report (27.4) also contains a Show Contested Only option.

You cannot change GL distribution lines on memos for posted invoices.

Accounts Receivable Control\



Accounts Receivable Control (27.24) provides default information for AR invoicing and payment processing functions. The control program should be initialized before you begin to use AR functions. In most instances, you can override the control program values during transaction entry.

Next Batch. Each group of invoices, memos, finance charges, and payments created at the same time is automatically assigned a batch number. You can use the batch number to select groups of transactions to appear on reports. You do not have to know the batch number to modify a transaction—you can simply leave the batch number blank.

Next Memo. All AR documents have a reference number. This number is used when modifying a transaction.

Next Journal. General ledger journal entries are created automatically by AR activity. The GL reference number begins with AR and is followed by the system date and the next journal number.

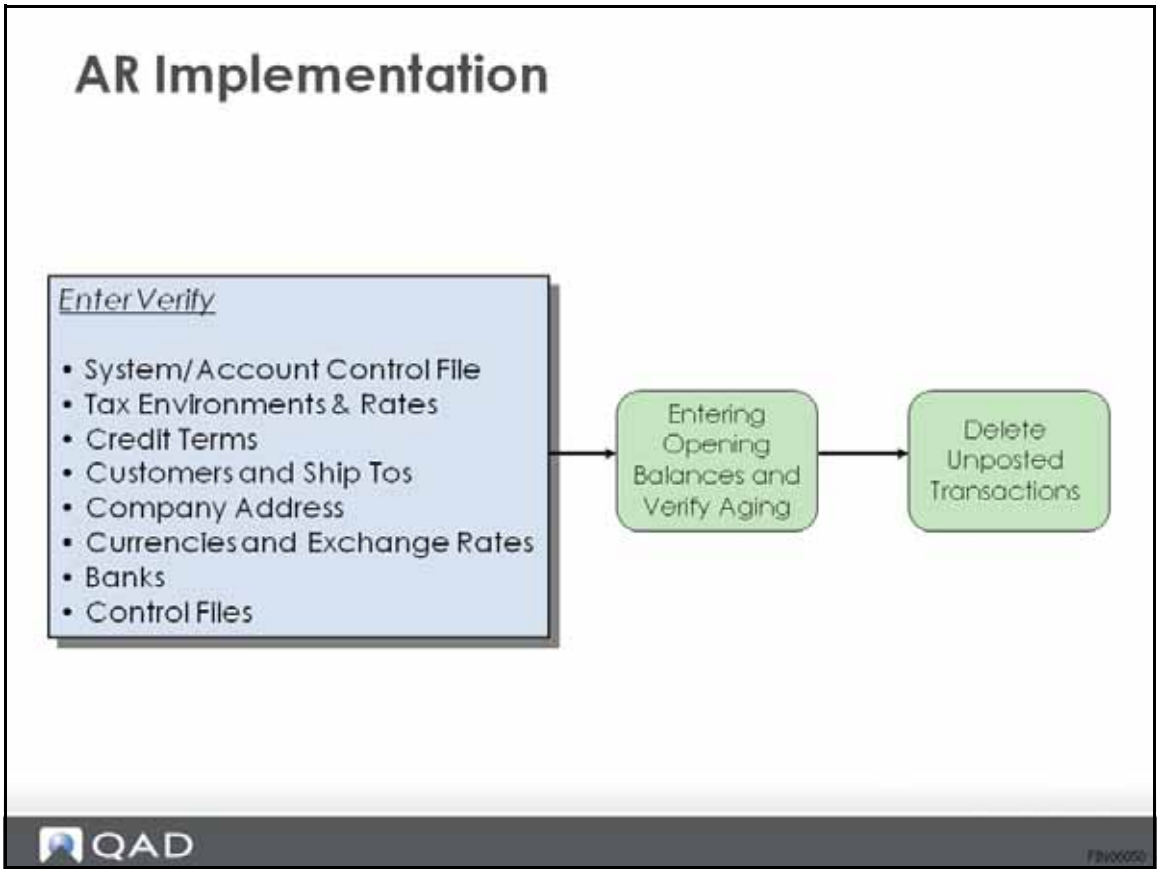
AR Summarization. Determines the level of detailed information for AR transactions. Level 1 created detailed transactions by entity, account, sub-account, cost center, and project, with one distribution line for each AR transaction. Level 2 creates AR transactions summarized by batch, account, sub-account, cost center, and project. Level 3 creates detailed individual AR transactions with separate GL references for each document.

Drafts Receivable Account. Enter the default account you want to use with the Draft Approval function. Once a draft is approved, the draft amount is debited to the drafts receivable account and AR is credited.

Exchange Tolerance. Used only if you are processing AR in multiple currencies. Used as a control when you accept payments in your base currency for foreign currency invoices or memos. The system does not allow an exchange rate that differs from the rate set in 26.1 by more than the percentage set here.

External Memo References Allowed. Determines the numbering system and level of user flexibility in entering DR/CR memo numbers. Yes allows you to manually enter DR/CR memo numbers in DR/CR Memo Maintenance. No improves security by preventing manual entries; QAD SE generates continuous DR/CR memo numbers by incrementing the Next Memo number.

Accounts Receivable Implementation



We have seen how Sales and Accounts Receivable functions interrelate and how to apply cash against AR and record miscellaneous charges through DR/CR maintenance. The other use of DR/CR memos, as we mentioned earlier, is to record your opening customer balances into the system. We review the process you should go through when first beginning to use AR functions.

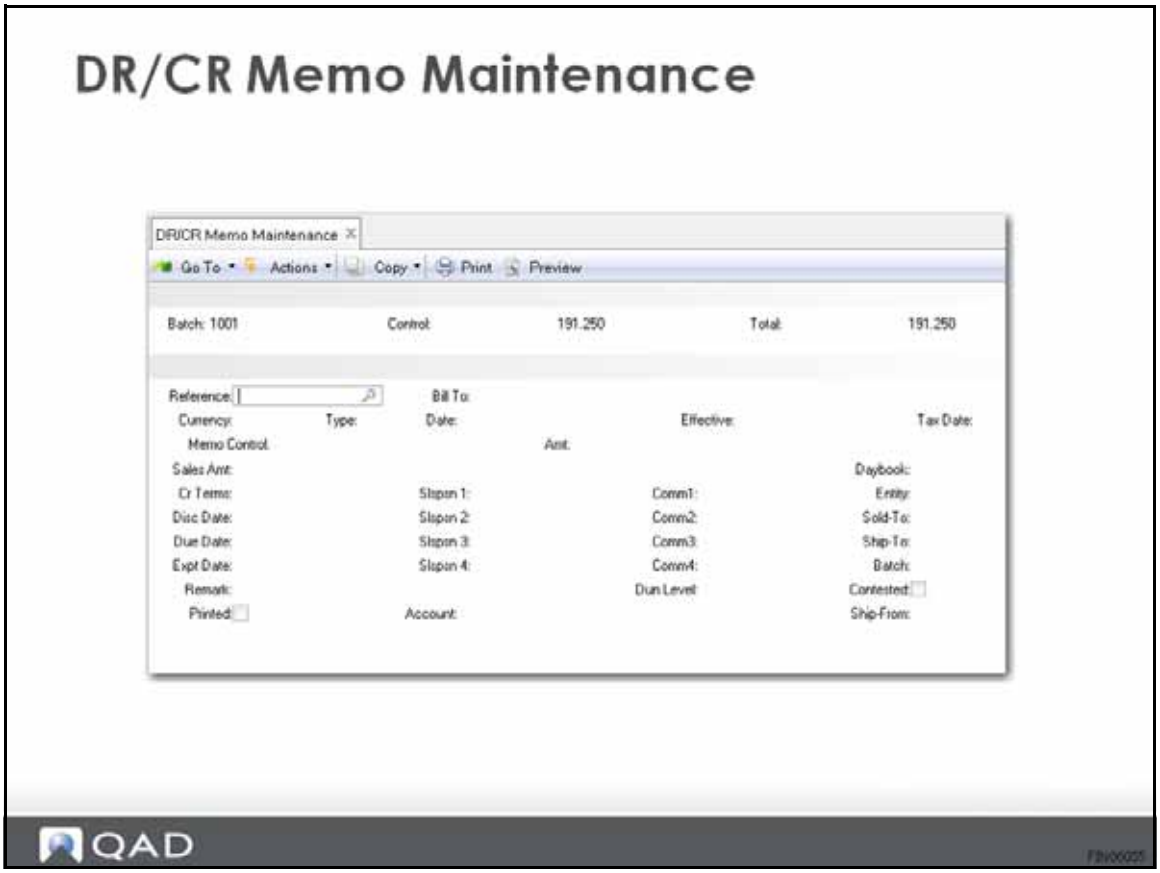
As shown in the above slide, the starting point for AR is to set up and verify the basic information in the system. This includes checking Domain/Account Control (36.1) to ensure that the correct account defaults are set up; verifying tax codes and rates, checking credit terms, entering your company shipping addresses and supplier addresses, setting up banks, and initializing control program values. We have discussed each of these steps already.

Once this is done, the implementation process should include the following steps:

1. Print an AR aging report from your existing system.
2. In DR/CR Maintenance, record open invoices and credits in detail or just enter open balances by period. Enter the invoice number from your existing system as the memo number. Make sure you enter correct invoice dates and terms.
3. Print and verify customer balances using QAD SE's AR aging reports. Make any corrections.

Delete the unposted GL-AR transactions using Delete Unposted Transactions.

DR/CR Memos



DR/CR memos are transactions that QAD SE uses to update customer balances. QAD SE automatically creates memos whenever you post invoices from the Sales Orders/Invoices module, create a draft, calculate finance charges, or apply unapplied payments. All of these are stored in the same file, and all of the DR/CR memo amounts combine to determine the customer's balance.

You do not use debit/credit memos most of the time. The main reasons you would use DR/CR Memo Maintenance (27.1) are to:

- Change information on a posted invoice.
- Record certain miscellaneous adjustments to customer balances such as bad debts, advertising allowances, rebates, or total quantity discounts earned when a document does not need to be sent to the customer.
- Enter your customer opening balances during system implementation.
- Print DR/CR memos using DR/CR Memo Print (27.15).

Note Remember, DR/CR memos should not be used to record corrections or adjustments that affect inventory, sales history, or commissions. Do not change salesperson commissions, sales amounts, or ship-to addresses, since these changes are reflected in salesperson commission reports but not in sales analysis or shipment transaction reports.

Batch ID. Identifies a group of transactions entered at the same time. Can be used to select groups of transactions to appear on reports. The batch ID displays when you enter the transaction reference number. When modifying a transaction, you do not have to enter its

batch ID, but you must know the memo reference number. The batch ID defaults from the Next Batch number in Accounts Receivable Control. You can use the AR Batch Report to review transactions by batch.

Control Totals. The total debit amount of all entries, regardless of currency. (If two amounts are entered, one for 100 USD and another for 24 EUR, the control total is 124.) There are two control totals: one for the batch, and another for individual memos. Both are optional, but they do ensure that a warning displays when actual totals do not equal the control totals. You can use the AR Balance Report to review unbalanced (as well as balanced or unused) batches. Note that control totals have no financial impact—they are used only to verify data entry.

Reference. Identifies a specific DR/CR memo. On memos for posted invoices, Reference is the invoice number. If left blank, it defaults from the Next Memo number in Accounts Receivable Control. You can manually specify a reference number if External Memo References Allowed is Yes in Accounts Receivable Control. You may want to designate ranges of reference numbers to identify specific types of transactions. QAD SE displays an error if duplicate numbers are entered.

Bill-To/Sold-To/Ship-To. When the customer bill-to address is set to Yes (that is, customer is taxable), the customer ship-to address is used for calculating taxes. The sold-to and ship-to default from the sales order invoice, if one exists.

Currency. Defaults to the customer's payment currency. On foreign currency, for new memos, it defaults to the rate for transaction effective date and on memos for invoices, it is the rate for the invoice post date.

Memo Date. Date associated with the transaction. On an invoice, this is the date the invoice was posted. On a memo or draft, this is the date these transactions were created. This date is used in conjunction with the credit terms code to calculate payment discount and due dates if these fields are left blank. The AR Aging by Invoice Date also uses this date to calculate aged amounts.

Effective Date. Memos create GL transactions that affect AR, taxes, sales, cash, and other accounts. The effective date determines when these GL transactions are included in the balances for these accounts. Usually, you should leave this set to the system date; however, in some situations, you may want to change it. (For example, if your accounting period ended on Friday but you did not finish entering that period's transactions, you can enter them on Monday, back-dating the effective date to Friday.) You can select most reports for a range of effective dates. QAD SE verifies that the date you enter is in an open GL calendar period if the Verify GL Accounts field is set to Yes in Domain/Account Control (36.1).

Tax Date. Determines which tax rate to apply. If left blank, it defaults to the effective date. When processing a credit, change the tax date to the date of the original sale.

Note If you are processing a credit for a sale that was originally taxable (that is, you are reversing tax liability as well as sales liability), you must enter the return through the Sales Order module first. Only the Sales Order module posts to the US Sales Tax files.

Sales Amount. Amount used to calculate salesperson commissions (normally, the transaction total less any noncommissioned charges such as freight or taxes). As noted earlier, memos update commission reports but not sales analysis history; for this reason, you normally enter

sales invoices and credits in the Sales Orders/Invoices module. This amount is also used when the customer terms are discountable. This is the amount that the customer can take a discount on.

Credit Terms. Used in conjunction with the memo date to calculate payment discount and due dates (if these fields are left blank). If no credit terms are entered, you must manually enter the discount/due dates; otherwise, they default to today's date.

Discount Date. When you process payments, QAD SE calculates and displays any payment discount amount for which the customer qualifies.

Due Date. The due date prints on customer statements and other AR documents. The AR Aging by Due Date uses this date to calculate aged amounts. Other reports offer selections based on due date. When payments or drafts are recorded, the due date is compared to the payment date when calculating average days paid late. This is useful for determining a customer's credit worthiness.

Expect Date. Date you expect to receive payment from the customer (or the date you expect the customer to honor a draft). This date is used on the Cash Flow Projection report (31.8) in the Cash Management module to project incoming cash based on firm commitments or known customer payment patterns.

Remark. General remarks pertaining to the transaction. On posted invoices, this field displays the customer PO number. The text here automatically appears as the GL journal entry description for every account on this screen. Remarks also print on most reports. You can also use any customer PO numbers recorded in this field to select information on some reports and inquiries.

Salesperson/Commission. Remember, on posted invoices, these should not be changed because sales analysis reporting will not show the changes.

Account. The GL accounts receivable account/sub-account and cost center affected by memos for this customer. Defaults from the customer bill-to address; if no bill-to address is specified, the account for the sold-to address is used Customer Maintenance. GL allocation codes can also be entered in the Account field.

Entity. The entity for which accounts receivable is updated. Defaults to the entity for the site specified in the sales order header.

Contested. Indicates whether the customer disputes the memo amount. You can selectively exclude contested memos from some aging reports. Finance charges are not calculated on contested memos. You do not have to change the Contested field to process a customer payment.

Account/Description. You can use the Account field to reference GL accounts, account/sub-account combinations, or allocation codes. The description appears on the GL journal entry for the distribution line.

Entity. On individual distribution lines, you can designate different entities than the AR entity that receives the payment. On memos with multiple entities, QAD SE creates balancing transactions for the intercompany account specified in Accounts Receivable Control.

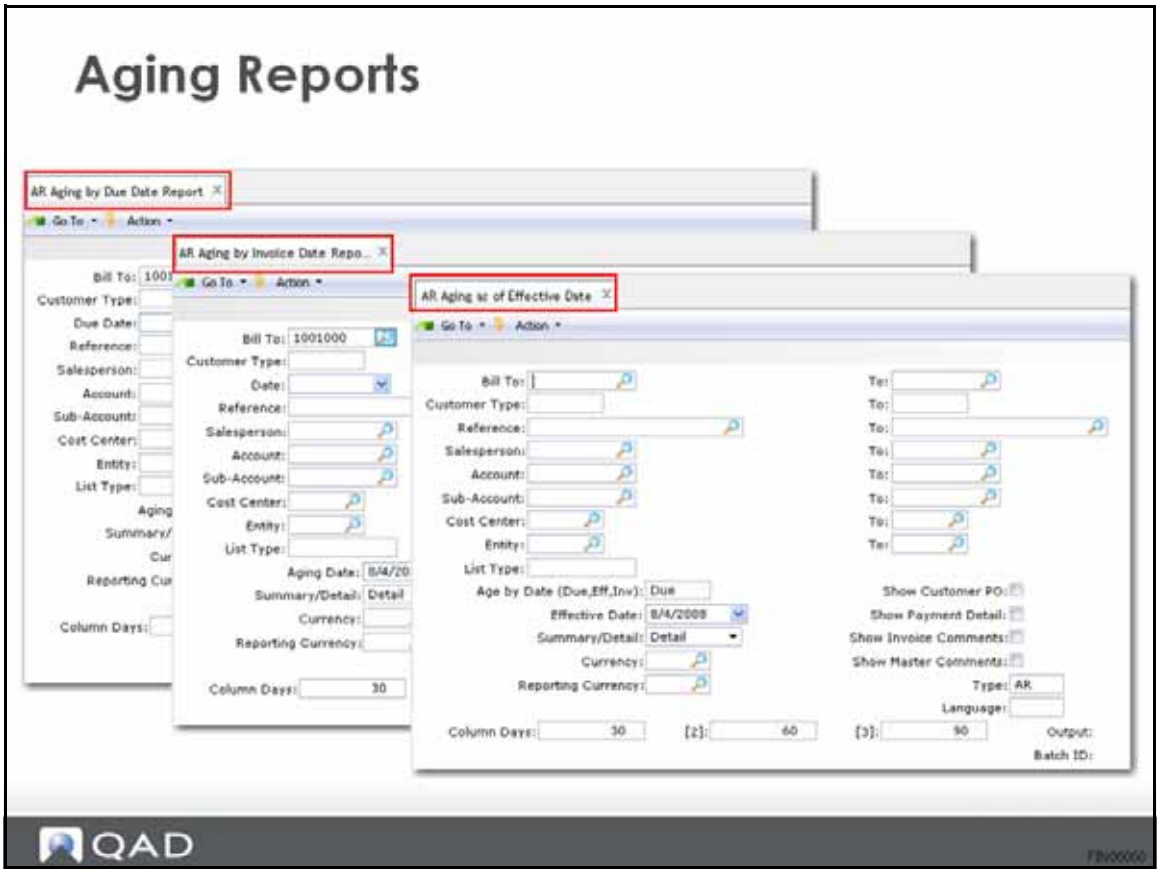
Sub-Account, Cost Center/Project. All are optional that can be used in your company.

T (Taxable Status). On posted invoices, the taxable status defaults from the invoice; on other memos, from the customer file. QAD SE automatically calculates most tax amounts and creates entries for the GL accounts specified in the Global Tax Maintenance menu.

Amount. Credit amounts are entered with a minus (–) sign.

When you change distribution lines, be aware that for some changes (account, cost center, entity), you first have to delete the line and then reenter the line with the correct information. Manually adjust tax amounts if you change GL distribution, because QAD SE does not recalculate them.

Aging Reports



Use aging reports to review outstanding customer account balances. Normally, you would generate aging reports at month-end prior to calculating finance charges or entering activity for the next month.

QAD SE provides three AR aging reports. Most companies elect to print just one of these. Each report works differently, so it is important to understand what each report does and which ones you would use under particular circumstances.

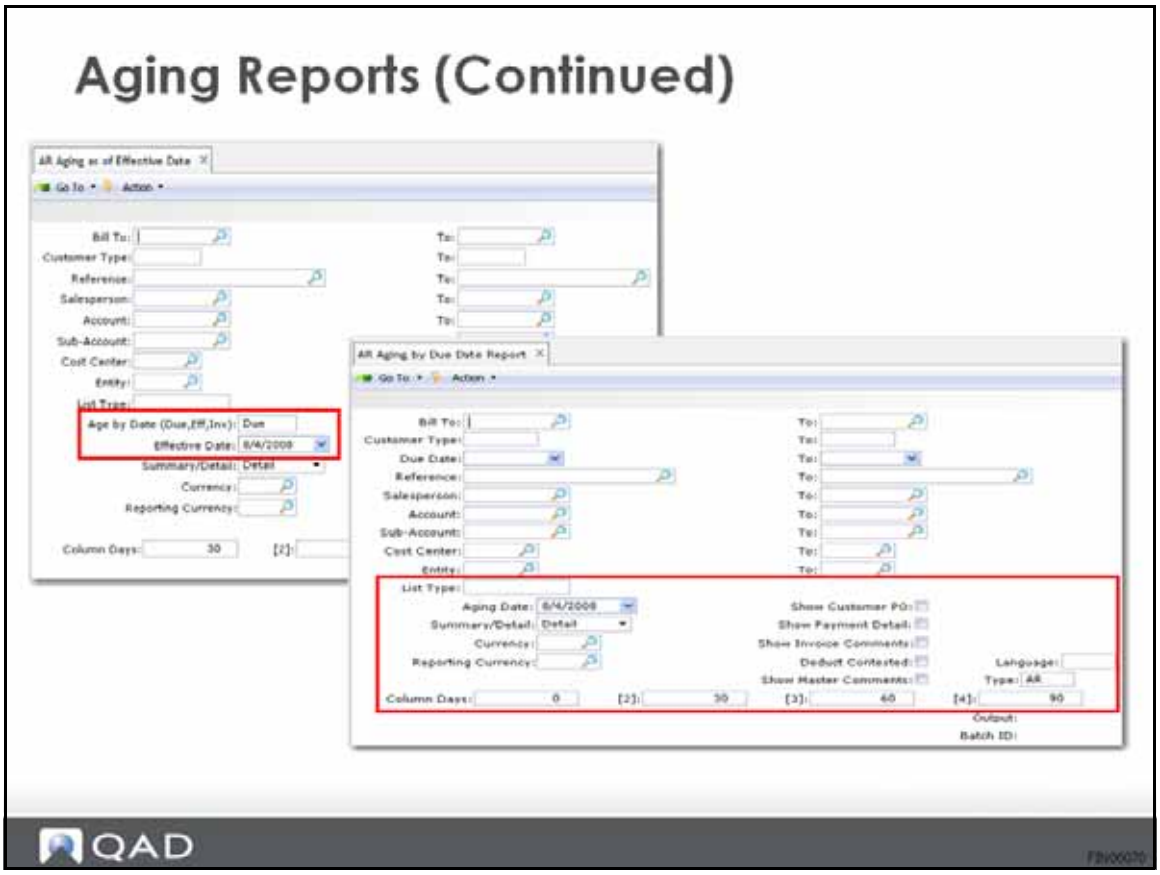
For example, if your company's credit terms are always Net 30 from invoice date, the aging reports are identical. However, if credit terms are Net 30 from EOM (end of month), the agings are different.

The AR Aging by Due Date report (27.16) is the best report for companies that use a variety of credit terms, EOM credit terms, or credit terms with multiple due dates.

The AR Aging as of Effective Date report (27.18) is used to reconcile AR with GL records. It is the only aging that can be calculated as of a date prior to the system date. It takes a long time to run, because it must review all transactions in the database.

You can print all aging reports for one or a range of customer accounts based on customer bill-to address, DR/CR reference number, and other criteria. Customer Type and List Type are two codes your company can use to group customers for reporting purposes. Customer types are specified in

Customer Maintenance (2.1.1), and address list types are assigned to customers in Address List Type Maintenance. However, you can assign only user-defined list types. The system types are assigned as new records are created.



The remaining selection criteria specify the information to be included for each customer account on the aging report.

Aging Date. Enables you to measure all activity in relation to a specific date (for example, month-end).

Age by Date vs Effective Date. Age by Date determines whether amounts are aged based on payment due date, GL effective date, or invoice date. Effective Date determines which amounts are aged; amounts are included if their effective date is the same or earlier than the report effective date.

Summary/Detail. Choose Summary to see only the aging period totals and total outstanding balances for each customer. Choose Detail to see all the open DR/CR memos.

Currency. Base shows all open balances in the system base currency, even if the original balance is in a foreign currency. However, if you specify a currency code, only amounts in that currency are included.

Deduct Contested. Contested amounts (usually when a customer disputes an invoice) always appear on agings but are flagged as contested. However, the Deduct Contested option enables you to exclude these amounts from customer totals.

Show Customer PO. Indicates whether to print the remarks from DR/CR memos. (On memos for posted invoices, the Remarks field contains the original customer PO number.)

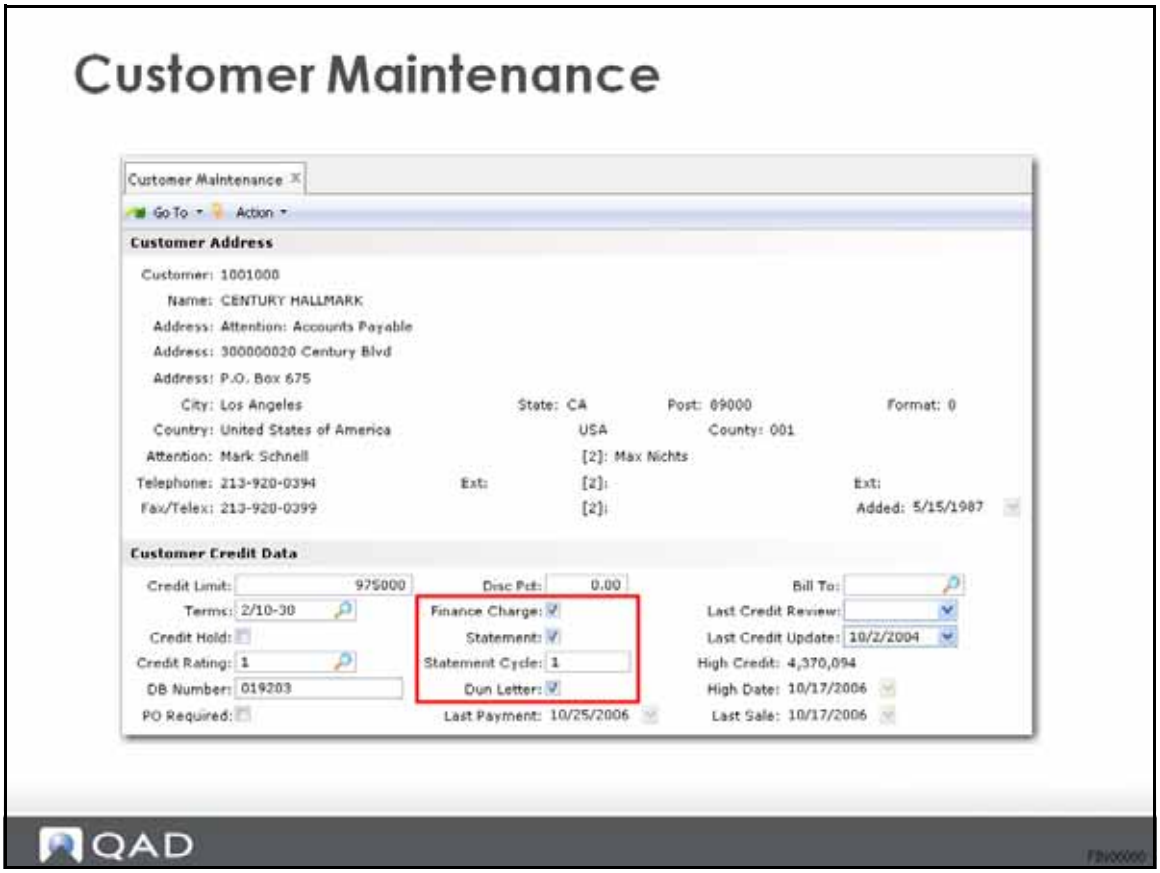
Show Payment Detail. Specifies whether unapplied payments are included on the report.

Show Invoice/Master Comments. Enables you to include master comments attached to the customer and transaction comments attached to the invoice.

Comment Type/Language. Enables you to select master comments by type and language code. You can set up customer master comments in Master Comment Maintenance.

Column Days. The default aging periods are 0, 30, 60, and 90+ days; however, you can change these. (You can even project cash inflow by specifying negative column periods, such as –30 for receivables due in the next 30 days. However, the Cash Management module contains a more flexible cash flow projection report.)

Customer Maintenance



The next activities—finance charge calculations, statements, and dunning letters—are optional.

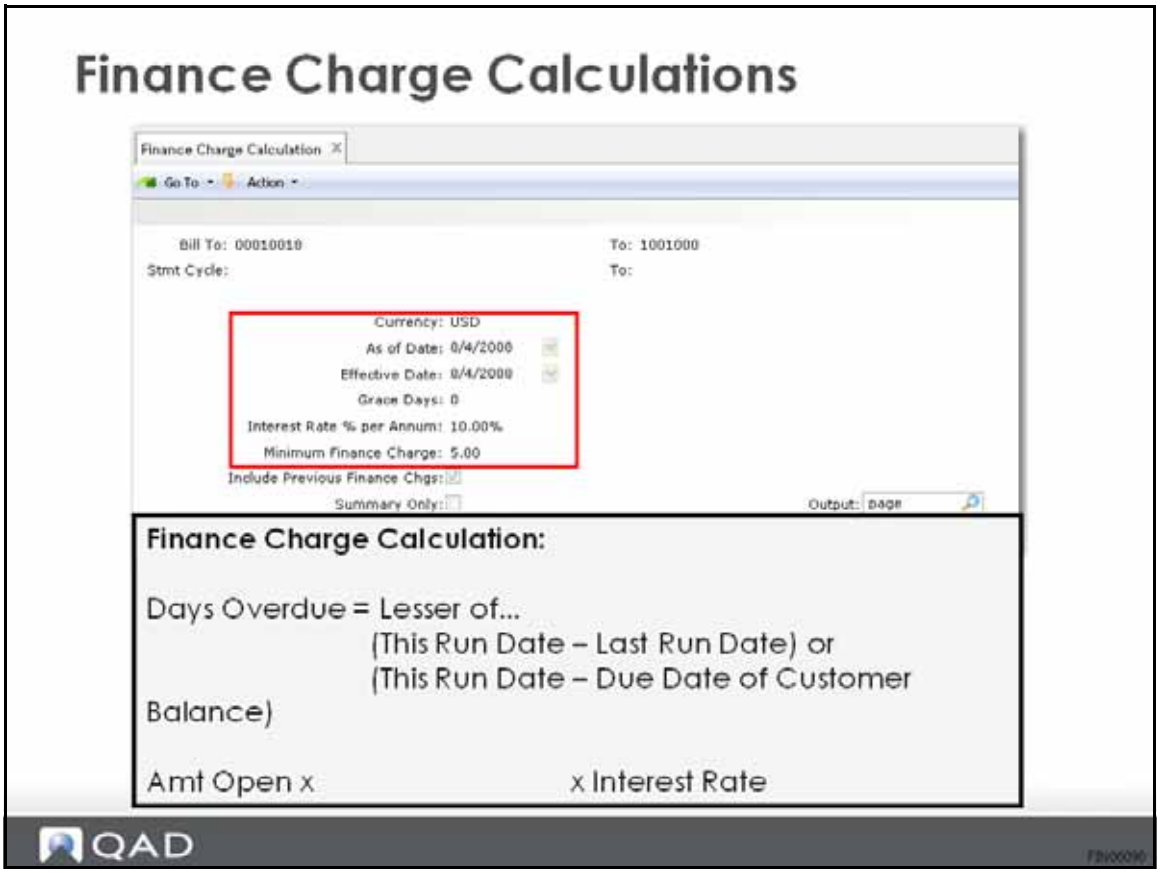
Prior to doing any of these, however, you should ensure that customers are set up correctly in Customer Maintenance (2.1.1). Customers must be flagged appropriately before you can calculate finance charges or print statements and dunning letters for them.

Finance Charge. Set Finance Chg to Yes. A Statement Cycle code is optional, but you can use it to select customers for finance charges based on their statement frequency.

Statement. Set Statement to Yes, and specify a Statement Cycle. For statements, Statement Cycle is mandatory.

Dunning Letters. Set Dun Letter to Yes. A Statement Cycle code is optional, but you can use it to select customers for dunning letters based on their statement frequency.

Finance Charge Calculations



You can calculate finance charges for a range of customers and statement cycles and for a specific currency. The system posts finance charges to the Sales Finance account specified in Domain/Account Control (36.1). QAD SE first determines the number of days the customer balance is overdue, then calculates the actual finance charge amount.

As of Date. Date from which open items is aged. Enables you to calculate finance charges as of the end of the month.

Effective Date. When the finance charges become effective in the general ledger–usually the system date (however, at month-end, you may want to backdate the charges if you do not calculate them until the next month).

Grace Days. Some companies give customers extra days before assessing finance charges. For example, if an invoice is due in 30 days, they may give a grace period of five days and not assess finance charges until the invoice is overdue by five days.

Interest Rate Percentage Per Annum. Annual interest rate.

Minimum Finance Charge. A minimum charge often applies. A company might charge a minimum of $10, even if the calculated charge is only $2.50.

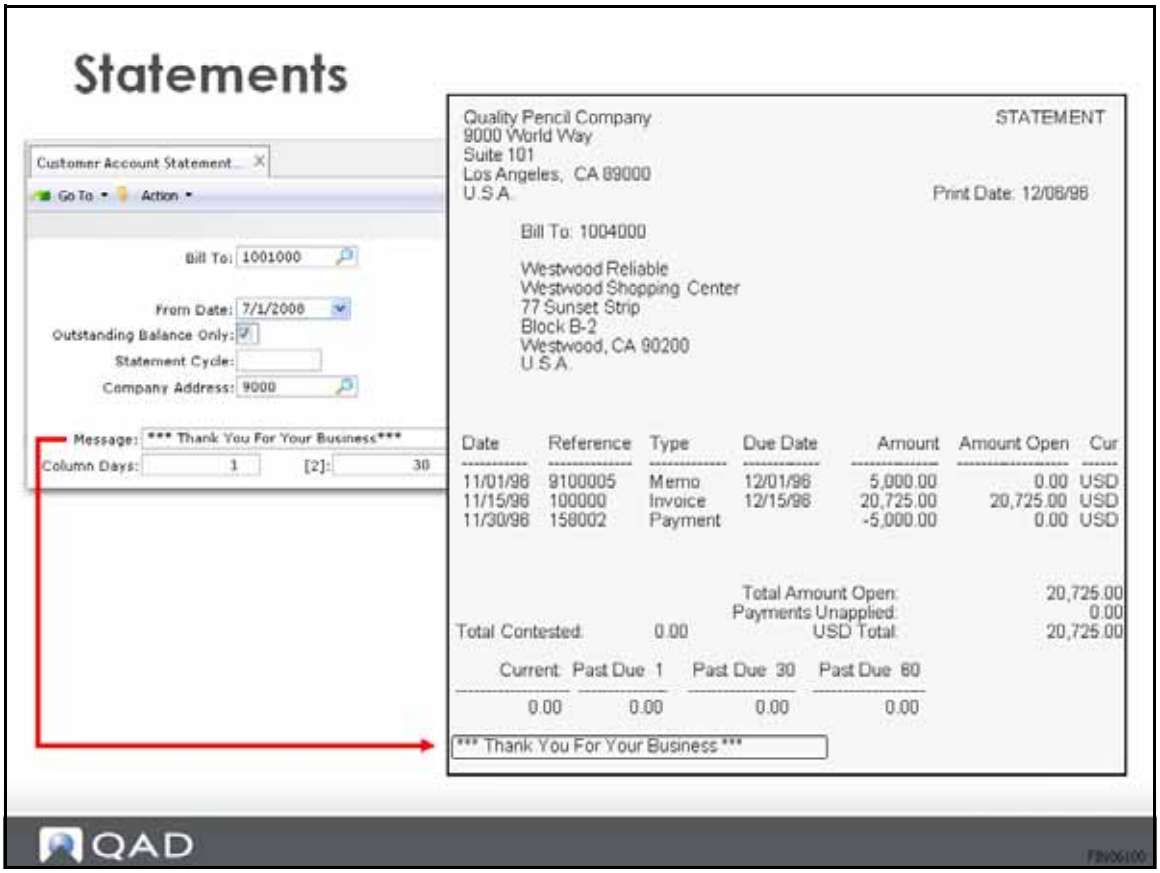
Include Previous Finance Charges. Finance charges can be calculated on open invoices and memos only, or can include unpaid charges that are overdue.

Summary Only. Yes to list customer totals, No to also list transaction totals.

Finance Charges Password Protect

You cannot reverse the calculation once run. You can, however, enter an adjusting DR/CR memo. This function should be password-protected.

Statements



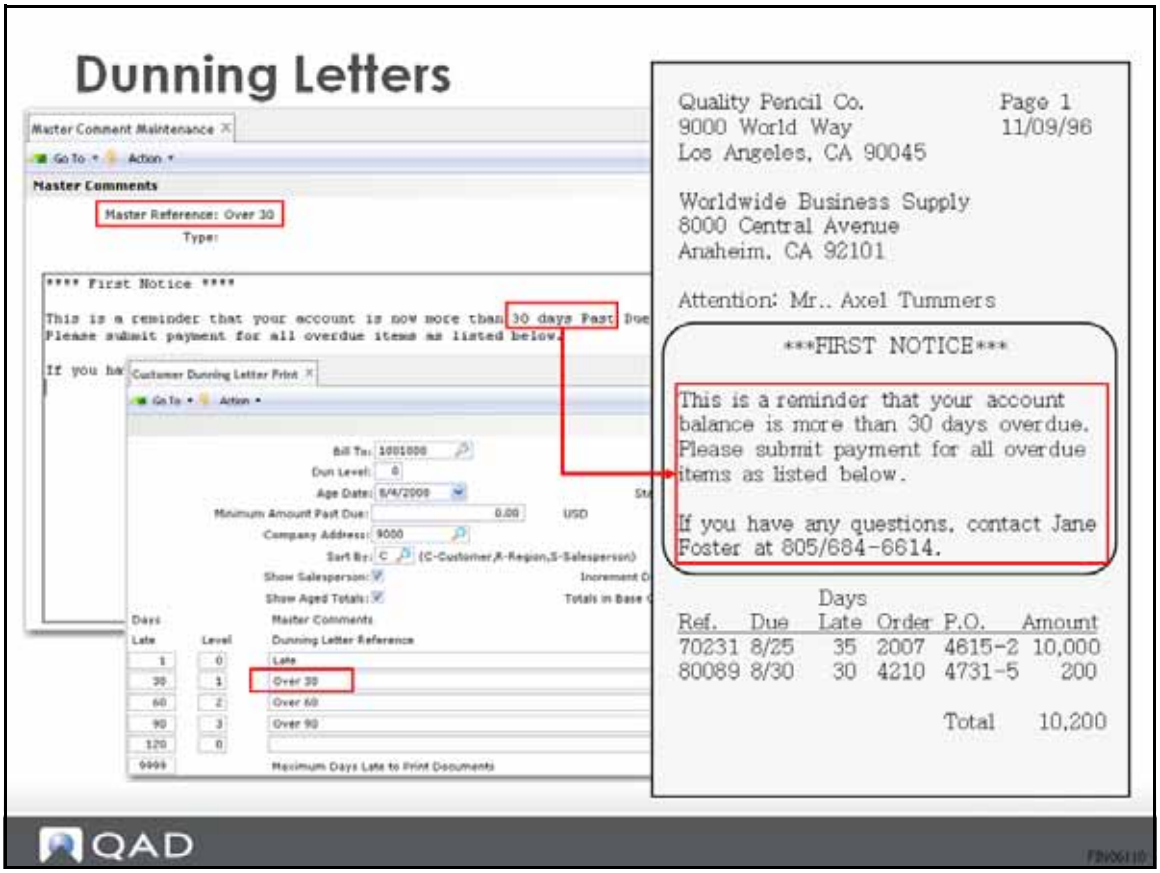
Usually statements are printed on a regular basis, such as monthly or quarterly, based on the customer statement cycle. Customer Account Statement Print (27.14) list all open invoices, memos, finance charges, and payments. Specifying a From Date enables you to print only activity that has happened since this date, along with a complete history of open invoices regardless of dates.

Outstanding Balance Only. Specifying Yes in the Outstanding Balance Only field limits the report to any outstanding balance, without the rest of the history. The default is No.

Company Address. The Company Address field enables you to select which company address appears on statements.

Column days, detail selections, and messages are user-defined. You can use them to tailor statements to customer requirements.

Dunning Letters



Dunning letters are different from statements in that they can be printed with a standard form letter requesting payment. Using Customer Dunning Letters Print (27.11), a different letter may be printed based on the number of days late the amount is. For example, you may print a different letter for someone who is only 30 days late than for someone who is over 6 months late with their payments. Dunning Letter Reference, Type, and Language code are used to access the appropriate dunning letter text.

The text of the form letter is recorded in Master Comment Maintenance. You can set up an unlimited number of letters in multiple languages simply by using different master comment reference codes. This enables you to store letters that vary in intensity based on the number of days the account is overdue. You can also store letters in multiple languages.

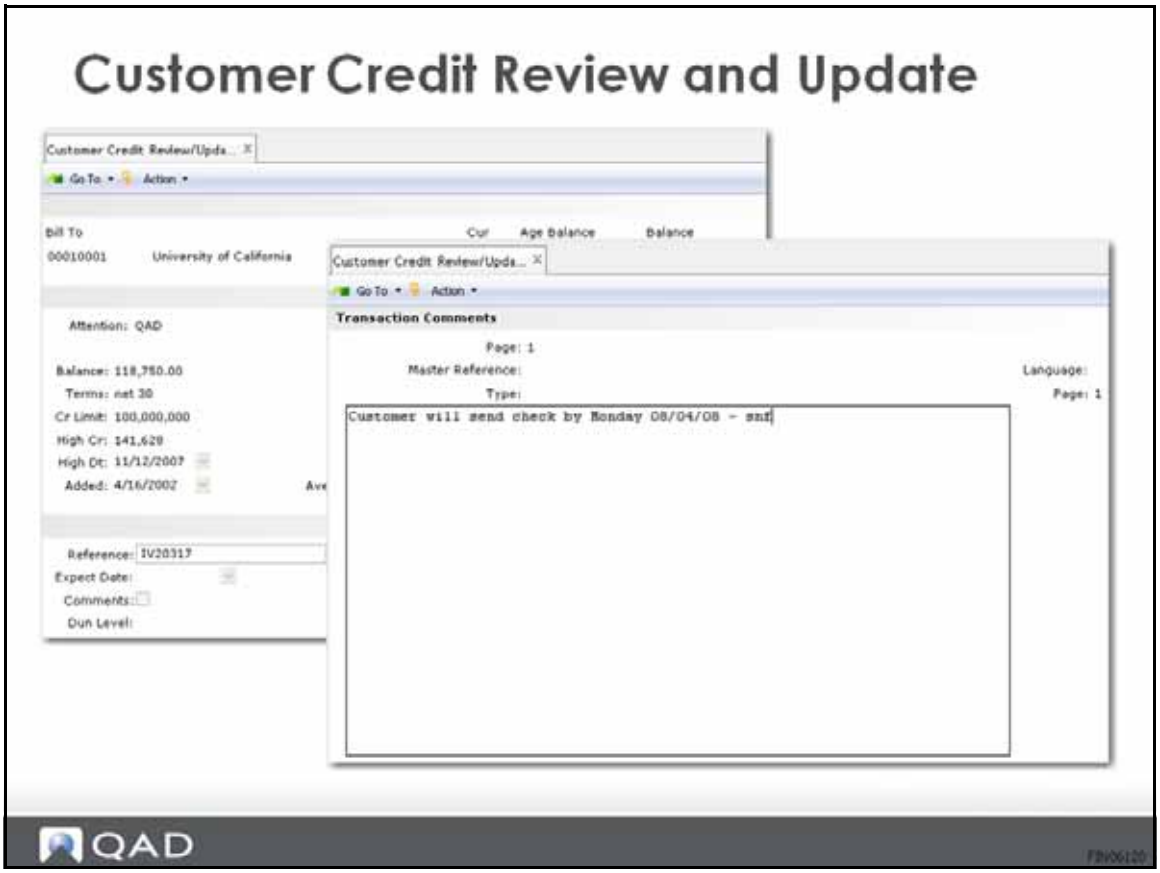
When the letters print, they print the customer name and address, along with the letter text. At the bottom of the letter, all of the aged overdue balances for the customer are printed. This includes open invoices, memos, and finance charges.

You can print dunning letters for a range of customers in a batch. You need not print letters for customers owing only a small amount. (Set the Minimum Amount Past Due.) First, the system ages the amounts due for a customer and finds the oldest amount; it then chooses the letter text corresponding to that past due period.

Another option when printing dunning letters is to have the system put the customer, and even all orders for the customer, on hold based on the number of days late. This resets the hold flags for the customer and sales order.

If a customer has a contested invoice, QAD SE still prints a dunning letter.

Customer Credit Review and Update



When you are trying to collect overdue amounts, quite often you want to record comments. For example, if a customer disputes an amount, you may want to record the details of the dispute. Or, when a customer is late in paying, you may want to record the reason. This information would then be available the next time you call to collect.

Credit Information

Customer Credit Review/Update (27.10) has two main sections. The first gives you a summary of the customer's current credit status including aged balance, credit rating, and payment information. This provides you with vital credit information at a glance.

Comments

The second section lets you attach comments to a specific invoice or memo. You can easily update them as collections activities progress. When the memo is closed and deleted/archived, the system automatically deletes these comments.

Credit Limit Update

You can also use the Customer Credit Limit Adjustment (2.1.7) to automatically increase or decrease credit limits for a range of customers, and base the update on a fixed, compound, or simple percentage rate.

Exercise 6: AR, AR Support, and Reports

Review Invoices in AR

Begin by reviewing the invoice information that was passed to Accounts Receivable by Invoice Post.

DR/CR Memo Inquiry

1 In your DR/CR Memo Inquiry (27.2), enter your invoice number into the Reference field.

If you forgot your invoice number, enter your customer bill-to code (100). This lists all of the invoices for this customer.

2 Examine the amount and distribution information. You should be able to identify the amounts that were posted as sales (account 3000, cost center 0100), and freight revenue (account 4100).

DR/CR Memo Maintenance

3 Try to change the invoice in DR/CR Memo Maintenance (27.1).

4 Enter the batch number

(or press Next to set it to blank) and the reference (invoice) number.

What fields can you change?

What fields are you unable to change?

Note Do not save any changes.

Enter DR/CR Memo

During implementation, debit/credit memos are used to initialize customer opening balances. In this exercise, you use a DR/CR memo to enter the opening balance for customer 1004000. This customer has already been set up in the training database.

DR/CR Memo Maintenance

1 In one batch, enter the following balance information for customer 1004000.

You can use the Reference field to cross-reference the invoice numbers from your old system.

Batch:	Next
(Batch) Control:	12,550.00

Let the system calculate the discount and due dates for each memo.

The first memo is for an invoice from three months ago. Be sure to get the dates right.

Reference:	102
Bill-To:	1004000
Currency:	USD
Type:	M

Date:	3 months ago
Effective Date:	3 months ago
Tax Date:	3 months ago
Memo Control:	2,050.00
Sales Amount:	2,050.00
Credit Terms:	30
Salesperson[1]:	99
Commission[1:]	2%
Account:	1200
Contested:	Yes
Daybook:	D/C Memo

2 Ignore Tax Error for now. Remove the Tax usage code from the pop-up tax window.

Distribution Lines:

Account	CC	Tax	Description	Amount
3000	0100	N	Sales	2,050.00

3 The second memo is for an invoice from two months ago.

Reference:	351
Bill-To:	1004000
Currency:	USD
Type:	M
Date:	2 months ago
Effective Date:	2 months ago
Tax Date:	2 months ago
Memo Control:	5,500.00
Sales Amount:	5,500.00
Credit Terms:	30
Salesperson[1]:	99
Commission[1:]	5%
Account:	1200
Contested:	No
Daybook:	D/C Memo

Distribution Lines:

Account	CC	Tax	Description	Amount
3000	0100	N	Sales	5,500.00

4 Ignore Tax warnings. Take out the Tax usage code in the tax pop-up window.

5 The final memo is a credit against invoice (memo) 351. Credits are entered as negative amounts.

Reference:	CR351
Bill-To:	1004000
Currency:	USD

Type:	M
Date:	today
Effective Date:	today
Tax Date:	today
Memo Control:	-2,000.00
Sales Amount:	-2,000.00
Credit Terms:	0
Salesperson[1]:	99
Commission[1:]	3%
Account:	1200
Contested:	No
Daybook:	D/C Memo

Distribution Lines:

Account	CC	Tax	Description	Amount
3000	0100	N	Sales	-2,000.00

6 Ignore Tax warnings. Take out the Tax usage code in the tax pop-up window.

DR/CR Memo Inquiry

7 IN DR/CR Memo Inquiry (27.2), review the memos you just entered for customer 1004000.

DR/CR Memo Register

8 Print the DR/CR Memo Register (27.3) for your batch.

9 Reset Print GL Detail to Yes; the detail is useful for reconciling AR and GL.

This report should always be printed after entering a batch to verify the entry. Filed copies may be helpful for quick viewing and for use by non-AR people.

Customer Account Inquiry

10 In Customer Account Inquiry (27.13), review the account information for customer 1004000.

11 Enter the customer number. The total balance displays in the Balance field. It should be $12,500.00. (If not, go back and correct your DR/CR memos.)

12 Press Next. The customer's detailed account information displays showing a list of all customer invoices, DR/CR memos, finance charges, and payments.

13 In Customer Account Inquiry, review balance information for other customers. At the Customer field, press the Up Arrow or the Down Arrow keys to scroll through all the customer balances.

14 Notice that you can review balance information in terms of either your base currency or the currency of the DR/CR memo.

15 For customer 2001000, change the currency to CAD.

Currency = CAD

Reporting Currency = CAD

Print Aging Reports

In this exercise, you will print and compare two different types of agings. Try each of the selection criteria to see how you can generate reports for specific customers or groups of invoices.

AR Aging by Due Date Report

1 Print the AR Aging by Due Date report (27.16) for customer 1004000.

Currency = USD

Reporting Currency = USD

AR Aging by Invoice Date Report

2 Print the AR Aging by Invoice Date report (27.17) for customer 1004000.

Currency = USD

Reporting Currency = USD

3 Compare the two agings. Are there any differences?

Finance Charges, Statements, and Dunning Letters (Optional)

First, you will calculate and verify finance charges on overdue amounts. Then, you will print customer statements to see how these amounts appear. An optional exercise on setting up and printing dunning letters follows. Do it only if you have time.

DR/CR Memo Inquiry

1 Calculate finance charges for customer 1004000 using Finance Charge Calculation (27.12)

2 Enter a grace period of seven days, an interest rate of 10%, and a minimum finance charge of $5.00.

Notice that finance charges are not calculated on the contested invoice (#102).

3 In DR/CR Memo Inquiry (27.2), review the DR/CR memo created for the finance charge.

The Type should be Finance Chg.

Customer Account Statement Print

4 In Customer Account Statement Print (27.14), print the statement for customer 1004000.

Master Comment Maintenance

5 In Master Comment Maintenance (1.12), record text for three dunning letters.

6 Use master references Over30, Over60, and Over90.

Each letter will be used for a different aging period. Note that you can use the Type code to distinguish between multiple dunning letters for the same master reference.

Customer Dunning Letter Print

7 In Customer Dunning Letter Print (27.11), print dunning letters for all customers with a past due amount greater than $100.00.

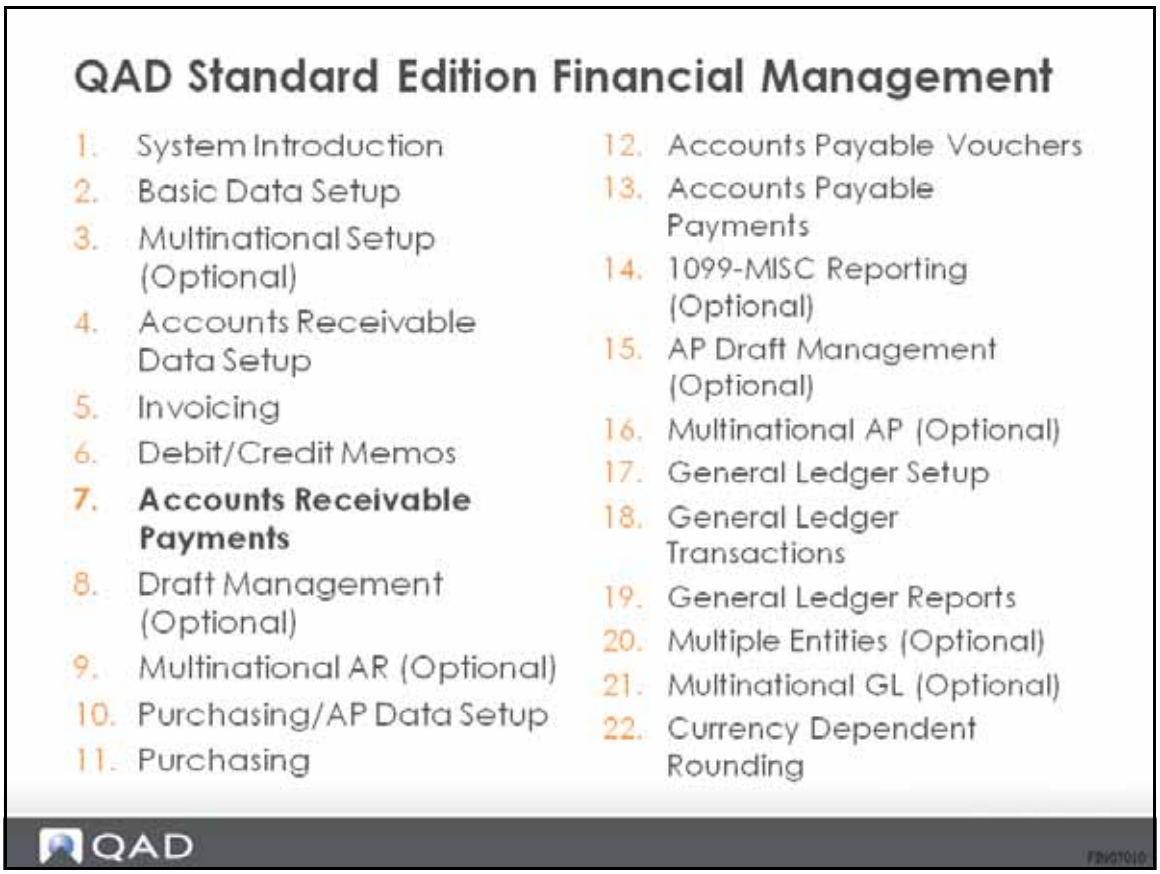
8 Specify Days Late of 30, 60, and 90 and the master comment reference codes you entered previously. (Disregard any warning messages about currency exchange master errors.)

Which dunning letter printed for customer 1004000? Did one print for customer 100? (If the dunning letters did not print, check the Dun Letter field.) Compare the dunning letter to the statement. When would you use each?

Chapter 7

AR Payments

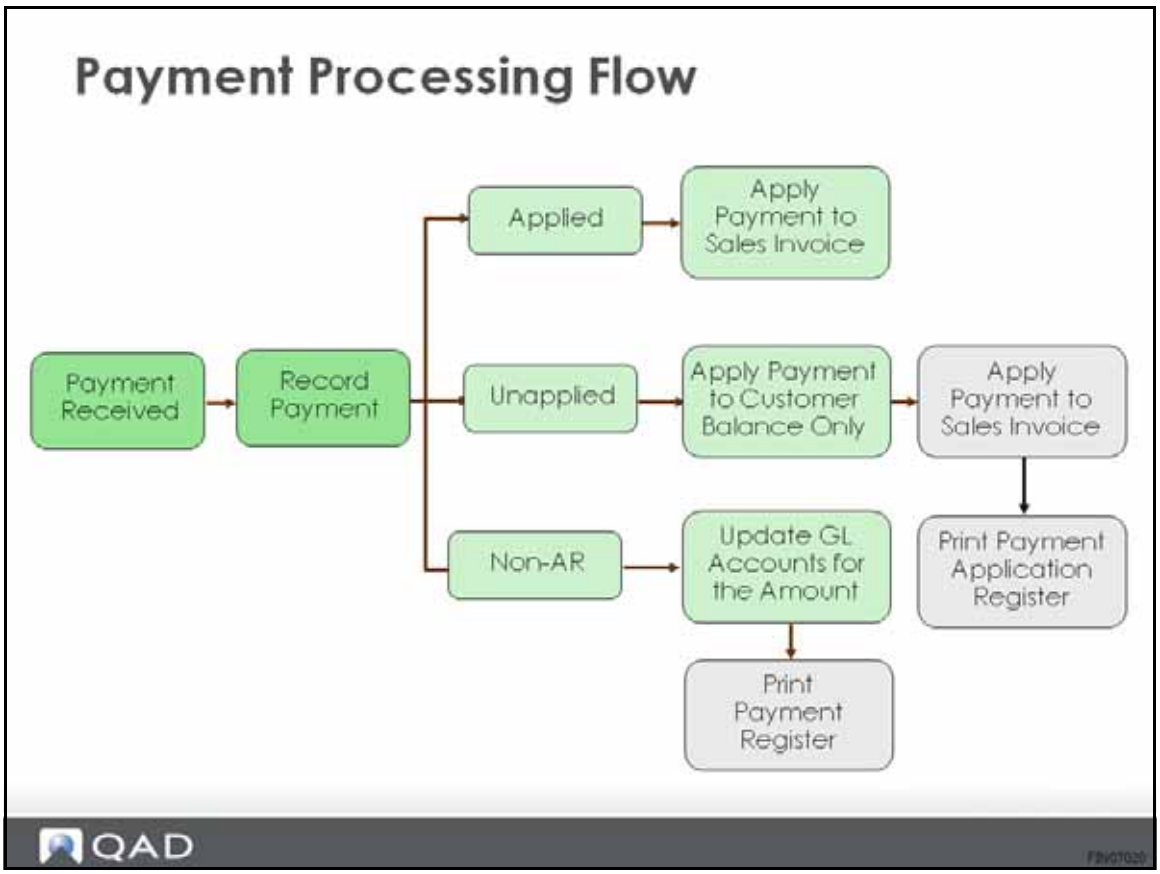
Overview



This chapter describes how to process payments in accounts receivable.

There are two main categories of payments: direct payments and drafts. Direct payments are cash, checks, and wire transfers sent by the customer. Drafts are a specialized form of payment used mainly in Europe. Different functions are used to process direct payments and drafts. This chapter focuses on direct payments.

Payment Processing Flow



Use Payment Maintenance (27.6.4) to record customer payments and apply them to an open item, such as an invoice, or to record miscellaneous cash receipts, such as tax refunds.There are three types of direct payments.

- Applied Payments

  Use applied payments to record cash from a customer specific invoices, memos, or finance charges.

- Unapplied Payments

  Use unapplied payments to record cash received from a customer that does not apply to specific invoices, memos, or finance charges—for example, a prepayment for a future invoice or an overpayment.

- Non-AR Payments

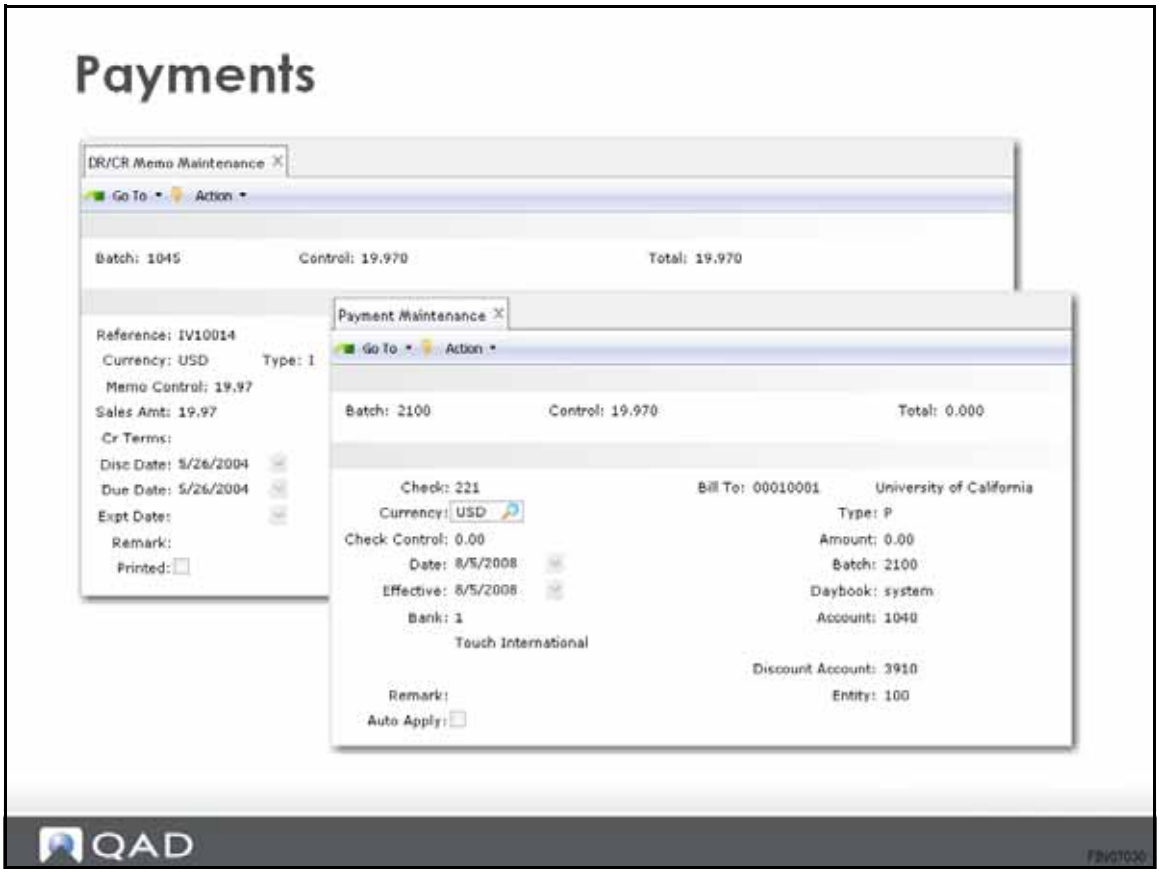
  Non-AR payments include tax refunds or rebates that do not originate as a result of customer sales. While non-AR payments do not need to be processed in the Accounts Receivable module, entering them with other cash receipts simplifies data entry and provides an audit trail.

Note Payments should be applied whenever possible. If it is unclear how a payment is to be applied, you can initially record the amount as type Unapplied and research it after the rest of the batch is entered. You should always go back and apply unapplied payments; open payments cannot be deleted or archived.

Print Registers

After processing payments, you should print the Payment Register (27.6.6) and Payment Application Register (27.6.10). You probably need to go back to them when reconciling bank statements and to track cash flow.

Payments



Using Payment Maintenance (27.6.4), you can enter batch and check control totals, effective dates, GL account codes, and customer bill-to codes.

Note Payment Maintenance looks similar to DR/CR Memo Maintenance.

The following is a summary of the main fields in Payment Maintenance:

Check. The check number to be applied. Typically, the number printed on the customer's check. The check number must be unique for a customer, but two customers may send you the same check number.

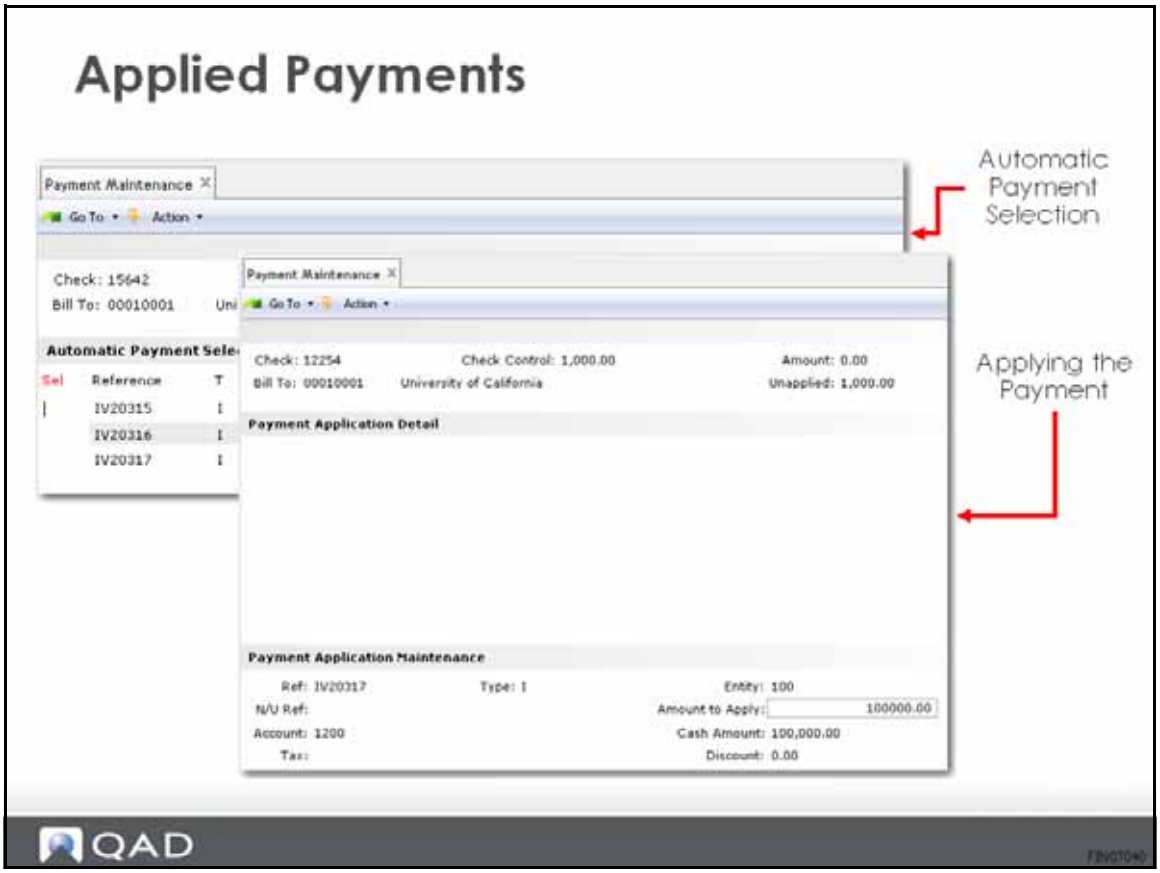
Currency. Enter a valid currency for this payment. Currency defaults from the Bill-To address. If you are processing a cash receipt in another currency, you must specify it here.

Bank. Bank into which you deposit the payment. It defaults to the first bank code (alphabetically) for the customer currency. If you change the currency, the bank code changes automatically. The GL cash and exchange gain/loss accounts default from Bank Maintenance based on the bank selected. If you use a separate GL account to control each bank account, you should not change the default account. The bank code is assigned to an entity.

Auto Apply. Enables you to apply one check to multiple invoices, memos, and finance charges. If you set Auto Apply to Yes, the system displays an Invoice/Memo Selection frame, where you can enter a range of transactions to include.

Select All. Determines the default status of each transaction as selected or unselected. Set Select All to Yes if most or all of the retrieved open items are covered by the payment.

Applied Payments



Apply a customer's payment by entering the reference numbers of the invoices, memos, or finance charges for the payment in the Reference field of the payment distribution line.

After entering the reference number, the system prompts you to enter the amount to apply. You enter the entire amount paid, including any discount taken. You can also apply one payment to multiple invoices, memos, and finance charges.

The following is a summary of the main fields used when applying payments:

Reference. Identifies invoices, memos, or finance charges paid by the check. If you do not remember the reference numbers, use the look-up browse to display the customer's open items and the amounts. The open items are displayed in sequence by date, enabling you to apply payment against the oldest item first. If the reference has a contested amount, a warning displays.

T (Payment Type). Identifies the payment type as Invoice, Memo, Draft, Unapplied, or Non-AR. On applied payments, the type displays for the transaction you enter in the Reference field.

Account. On applied payments, the account, account and sub-account combination, cost center, or allocation code displays for the reference. You can override this information if necessary.

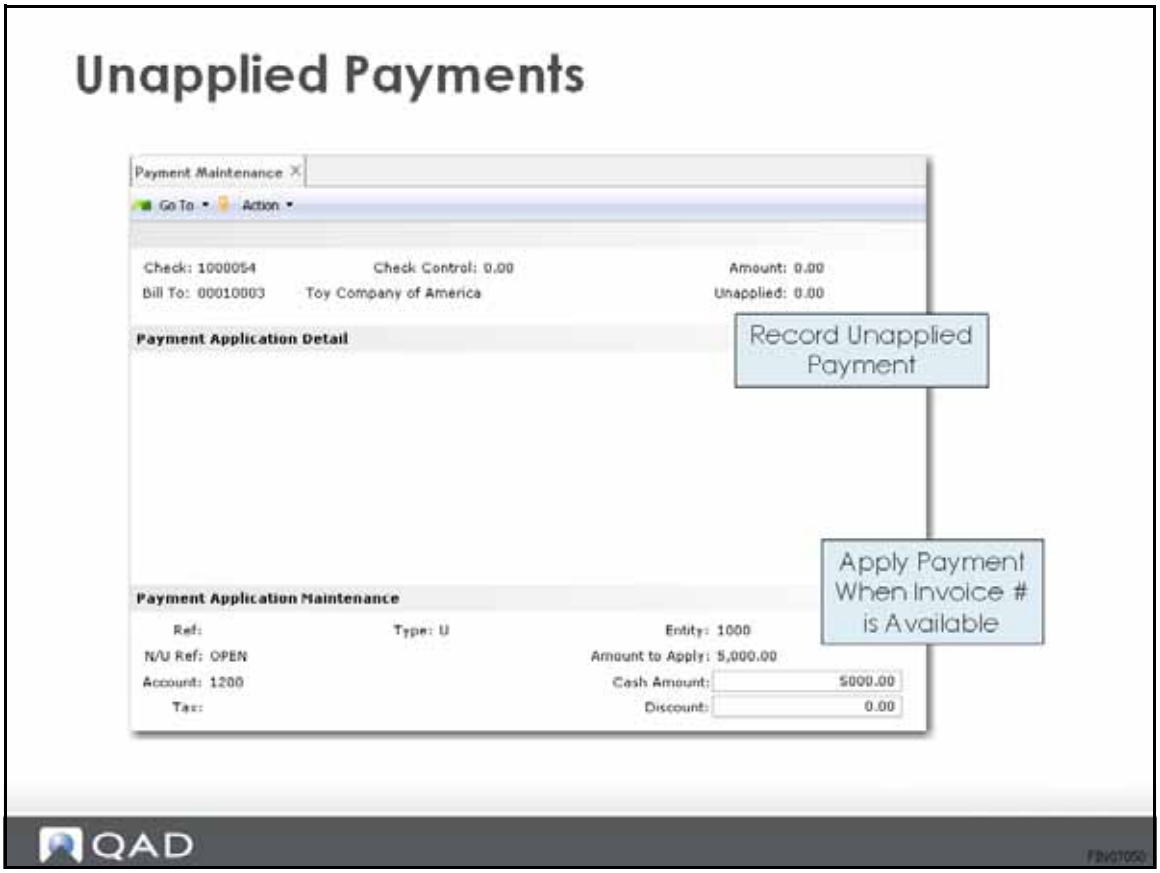
Amount to Apply. This field displays the entire invoice amount before discounts.

Cash Amount. This field displays the amount the customer owes.

Discount. This field displays the discount the customer is qualified to take on this payment, calculated by the credit terms and payment date. You can manually override this amount.

For example, if a customer takes a 2 percent early payment discount and pays you only $980 toward a $1,000 invoice, the Amount to Apply value is $1,000. If the customer is eligible, the system displays a cash amount of $980 and a discount of $20. If not, Cash Amount is $1,000 and Discount is zero.

Unapplied Payments



In some situations, you receive a customer payment but do not have an invoice (for example, prepayment or deposit) or are not sure which open item to apply it to. In Payment Maintenance, you record this as an unapplied payment. Unapplied payments decrease the customer balance; however, they remain open until applied. The following is a summary of the main fields used for unapplied payments:

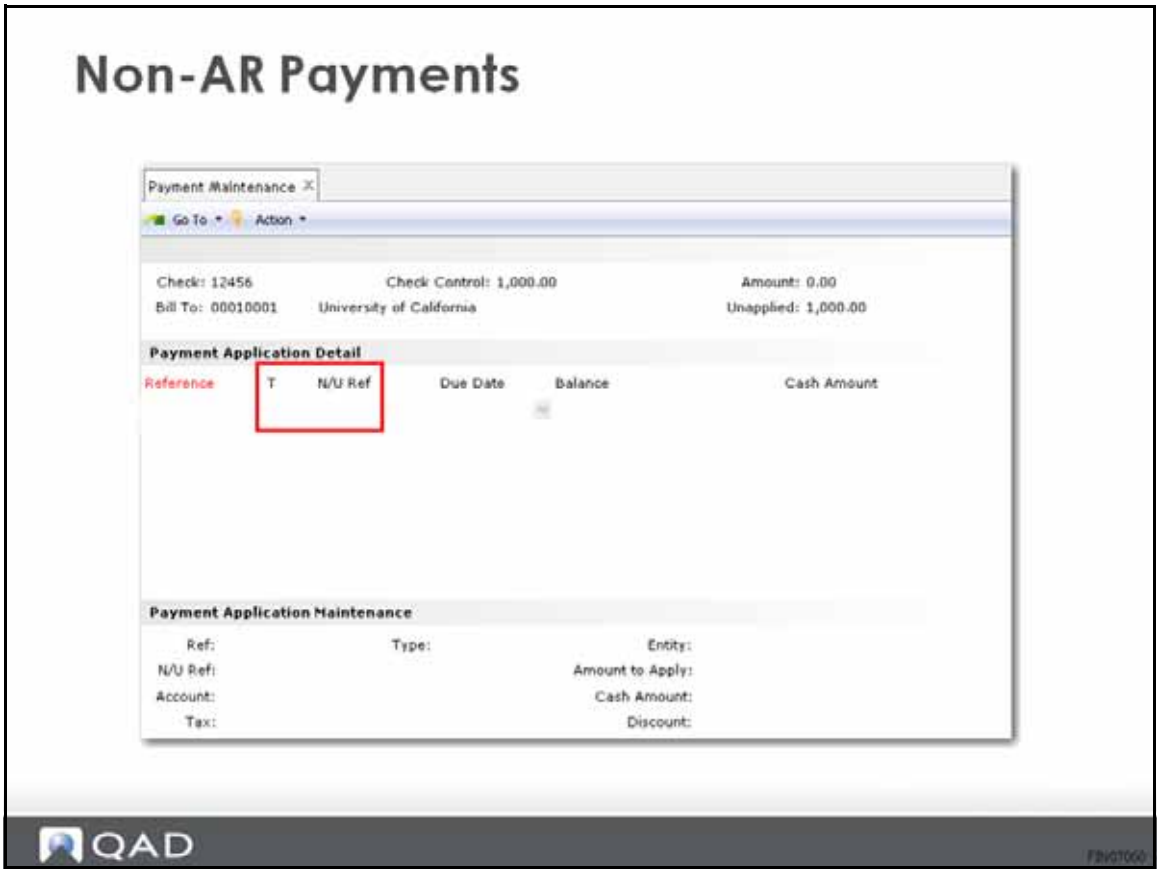
Reference. Leave the field blank because you do not have a reference for the payment.

T (Payment Type). Specify type Unapplied. The N/U (Non-AR/Unapplied) Reference window then displays for you to record an optional reference, such as the sales order number associated with a prepayment, for the unapplied payment. You can enter multiple distribution lines for the same payment by specifying multiple N/U references.

Account. To accumulate prepayments in a GL liability account, change the default GL account to your prepayment account during line item entry. When you apply the payment, the amount is moved from this prepayment account to the AR account for the invoice.

Use Unapplied Payment Application (27.6.9) to apply the payment amount to open items. You simply enter the check number, the unapplied reference number, and the reference numbers to which the payment applies. This function creates an audit trail by adding a payment record with a new reference number and the type Applied.

Non-AR Payments

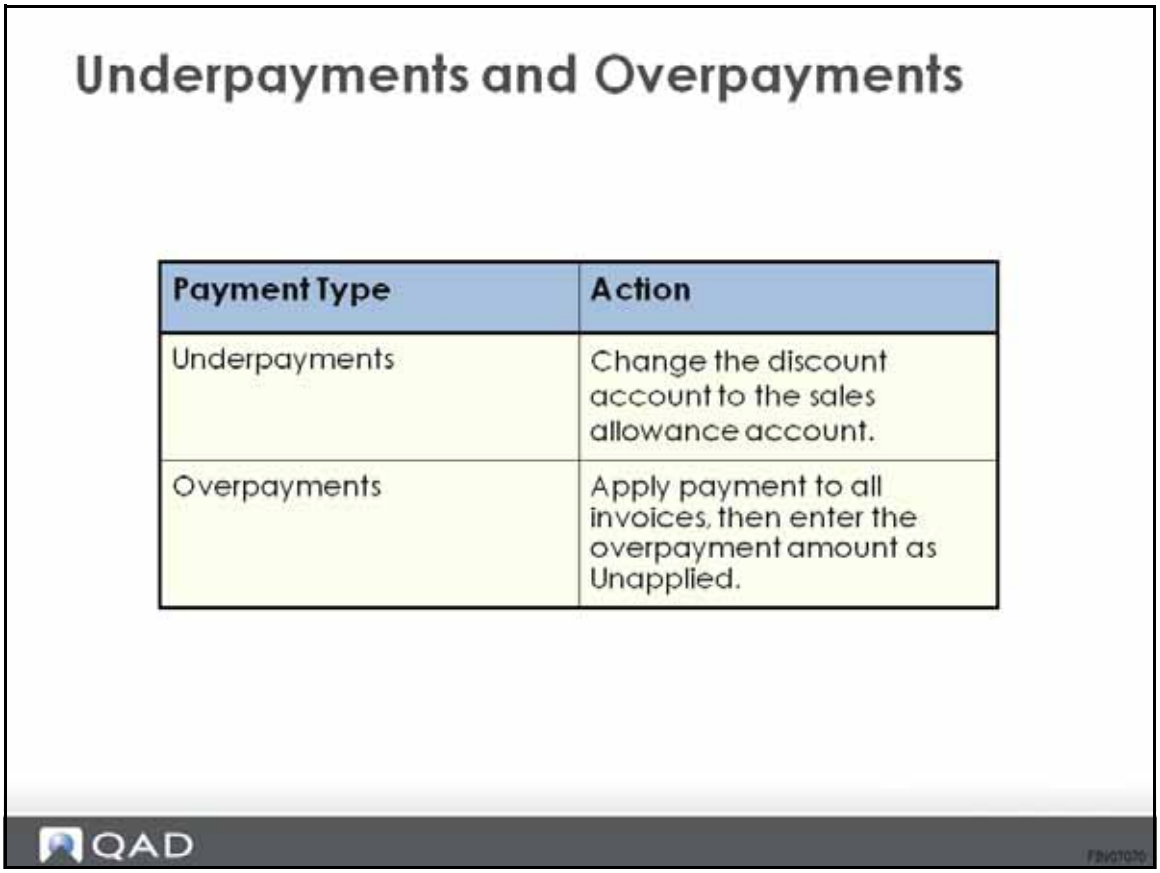


Sometimes, your company receives miscellaneous payments, such as tax refunds, that are not associated with customer sales. These payments are referred to as non-AR payments. In Payment Maintenance, non-AR payments are handled in a similar manner to unapplied payments, except that you must set the payment type to Non-AR.

You must also process non-AR payments against a customer set up in Customer Maintenance (2.1.1). Most companies set up a miscellaneous customer record specifically for non-AR payments, and then record the actual source of the payment in the payment Remarks field.

Non-AR payments create GL entries for the accounts you specify.

Underpayments and Overpayments

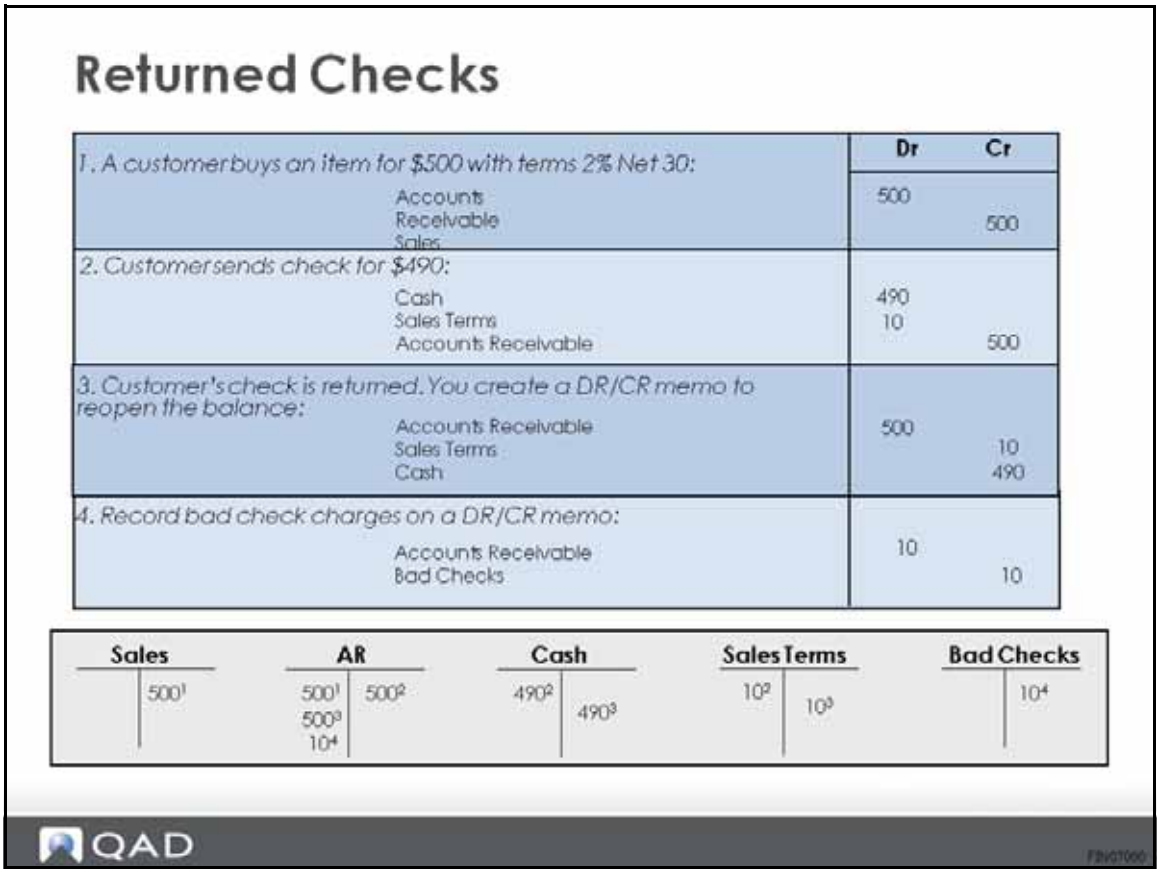


When a customer underpays, you can either leave the balance open or write it off. You can write off the amount using Payment Maintenance (27.6.4). If you have a GL account for sales allowances, simply change the discount account on the payment to the sales allowance account.

Overpayments are handled differently. When a customer overpays, enter the overpayment amount as an unapplied type of payment in Payment Maintenance (27.6.4). When you enter the payment distribution line for the overpayment, leave the Ref field blank and enter U (for unapplied) in the T (type) field. Enter the overpayment as a separate payment distribution line.

The overpayment amount remains on the customer's balance and statement until you apply it to a future invoice or memo.

Returned Checks



1 Re-open AR when a check bounces.

   To handle checks returned by the bank as NSF (non-sufficient funds), you can enter an AR adjustment to re-open the account balance.

2 Enter DR/CR memo with remarks.

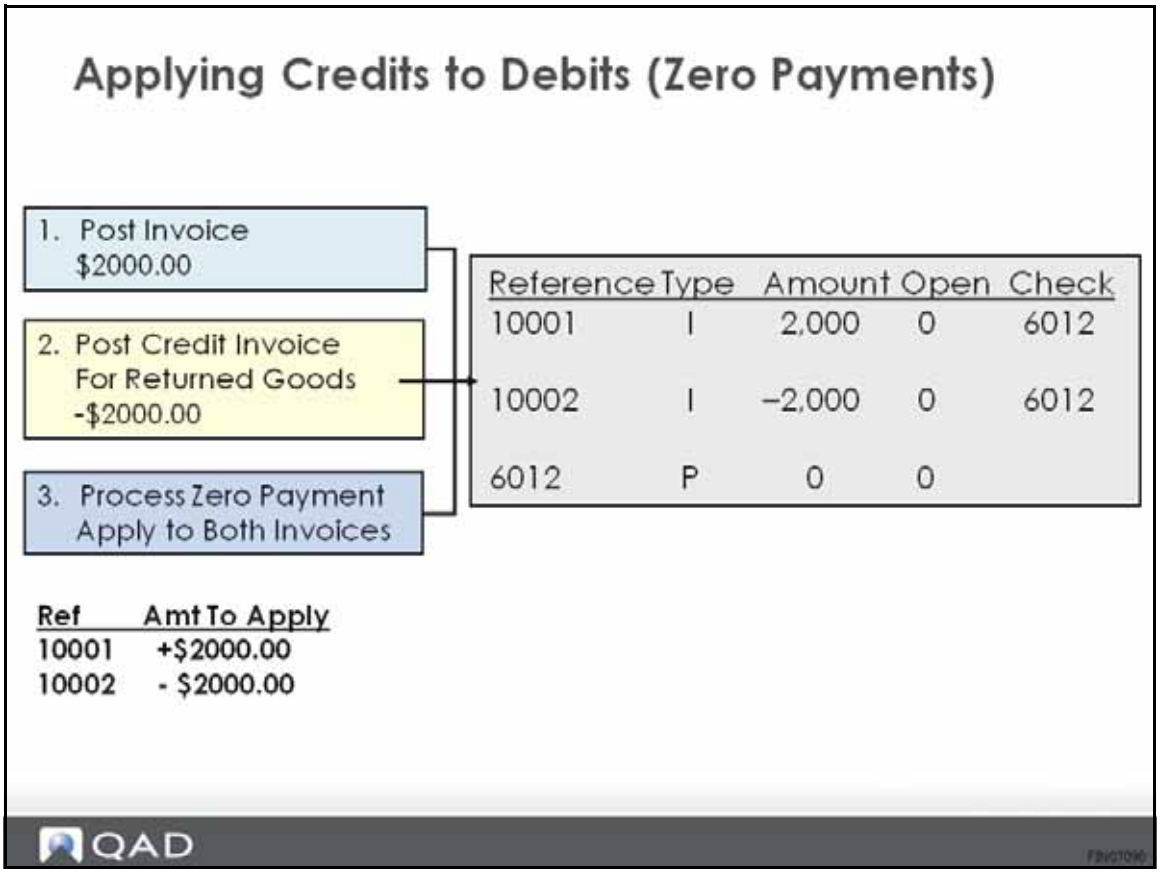
   The best way to handle a returned check is to enter a debit/credit memo for the amount and use the Remarks field to identify the reason. This procedure maintains the correct audit trail and GL transactions. You can also enter a processing fee at this time.

3 Send a pending invoice with customer check.

   Another way to handle a returned check is to create a pending invoice and send it to the customer along with the check.

The slide shows the entire process in detail, as well as the GL transactions created.

Applying Credits to Debits

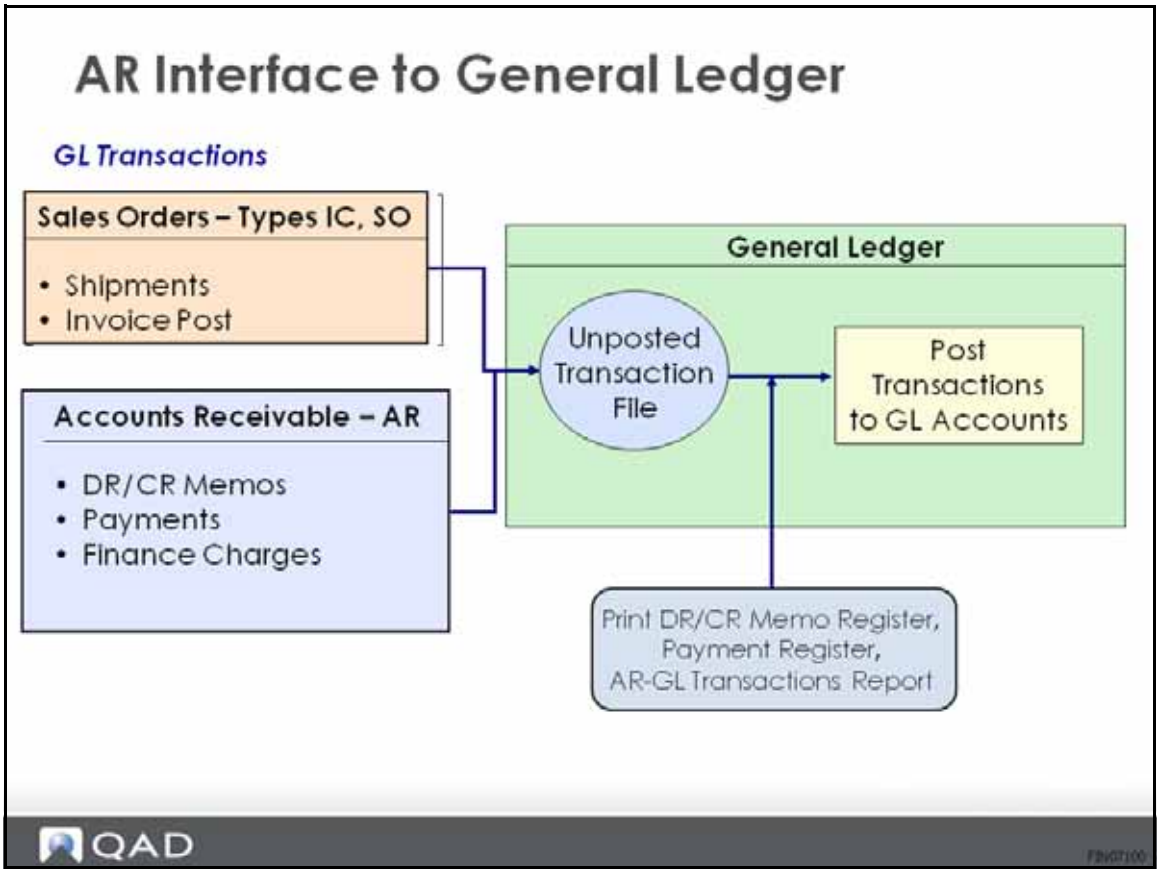


When a customer has an outstanding credit, they typically subtract it from the total amount they owe before they send you payments.

For example, if a customer owes you $1,000, but has an open credit for $50, the customer usually sends a check for $950. In this situation, you would process the $950 payment and apply both the $950 payment and the $50 credit to the $1,000 invoice.

However, sometimes, a customer's debits equal their credits, so the customer does not owe you anything. Perhaps the customer was billed by mistake, or the customer returned all the goods for credit on future sales. In order to close out both invoices, you must process a zero payment and apply it to both invoices as shown in the slide. This action sets the open amount to zero on both invoices.

AR Interface to General Ledger



The Accounts Receivable module generates transactions that are eventually posted to accounts, sub-accounts, cost centers, and projects in the General Ledger module. Because the general ledger is the source of a company's financial reports, accuracy in accounts and amounts is vital during sales and AR activities.

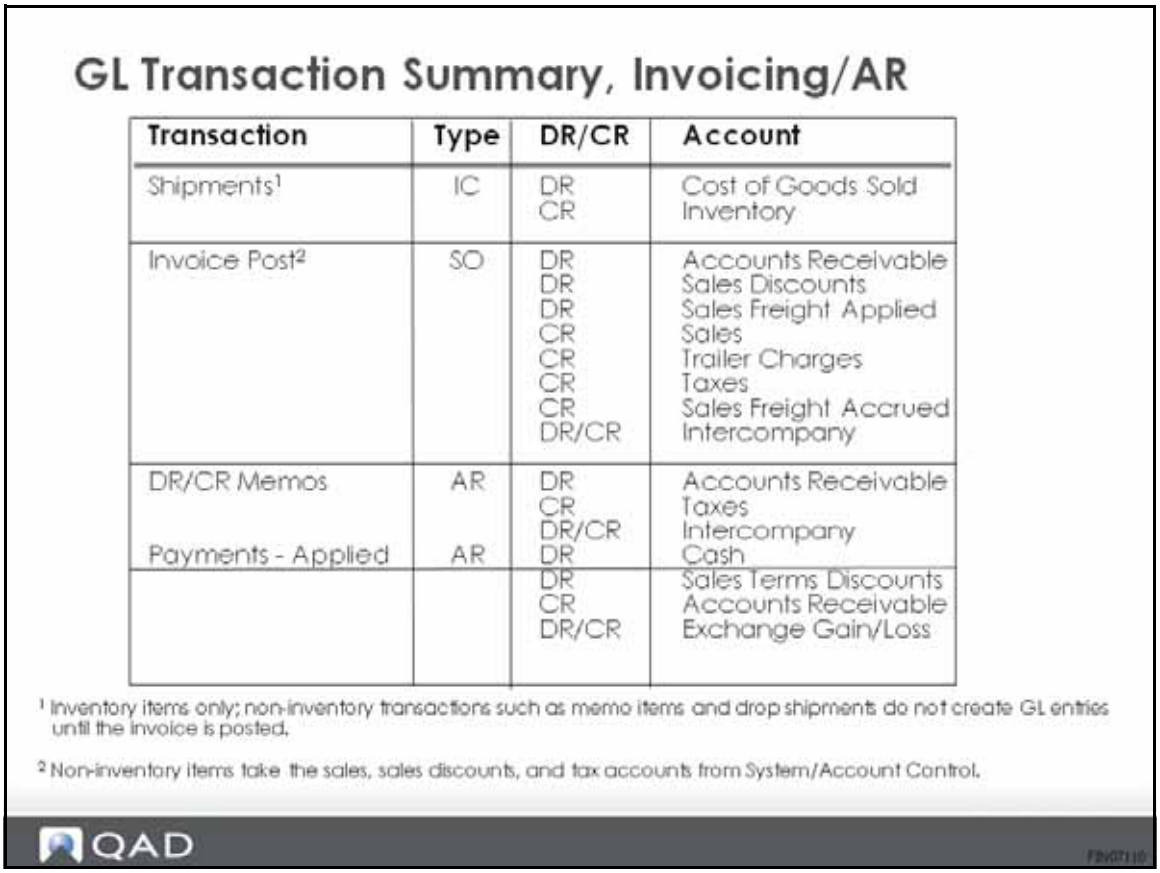
All GL transactions are stored in the unposted transaction file until they are posted in Transaction Post. Before posting, you should carefully review the AR-GL Transaction report, which lists all unposted GL transactions created by AR activities. You should also print DR/CR Memo Register and Payment Register with Print GL Detail set to Yes. These reports are useful for finding transactions that correspond to those printed on GL reports.

The system may create AR transactions in detail (one GL transaction for each AR transaction) or summary mode (summarized by day, type, and batch), as specified in Accounts Receivable Control.

The GL transactions for any given activity vary depending on the kind of sale, whether there are variances, and whether the activity involves multiple currencies or entities.

In the General Ledger module, reports are often printed by transaction type. Sales transactions that affect inventory are type IC, invoices are type SO, and all accounts receivable transactions are type AR.

GL Transaction Summary and Invoicing



It is very useful to look at the GL transactions created by invoicing and AR activities.

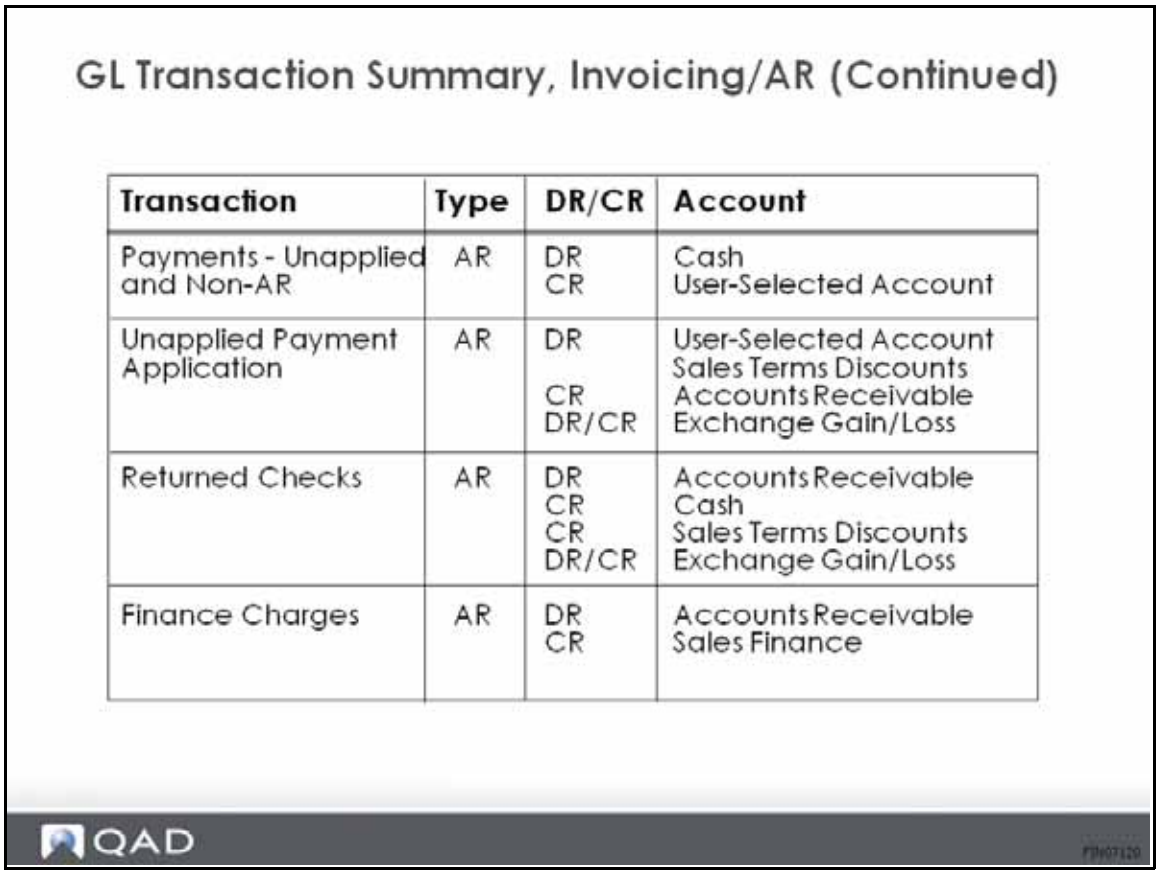
Shipments credit (decrease) inventory at the site (entity) from which the product was shipped and debit (increase) cost of goods sold at the line item site.

Invoices/Memos

Invoice Post credits sales, taxes, and other charges and debits accounts receivable and sales discounts at the site (entity) that shipped the order. If the two entities are different, an intercompany balancing entry is created.

Entity by Line

Debit/credit memos post the AR amount to the AR entity. Other accounts (usually sales, freight, and taxes) are entered on the distribution lines. You can specify a different entity on each line. The system automatically creates intercompany balancing entries for the account specified in Accounts Receivable Control (27.24).



Payments can also reference multiple entities. The cash is debited to the entity specified and the AR amounts are credited based on the entity from the invoice or memo, and intercompany entries are created.

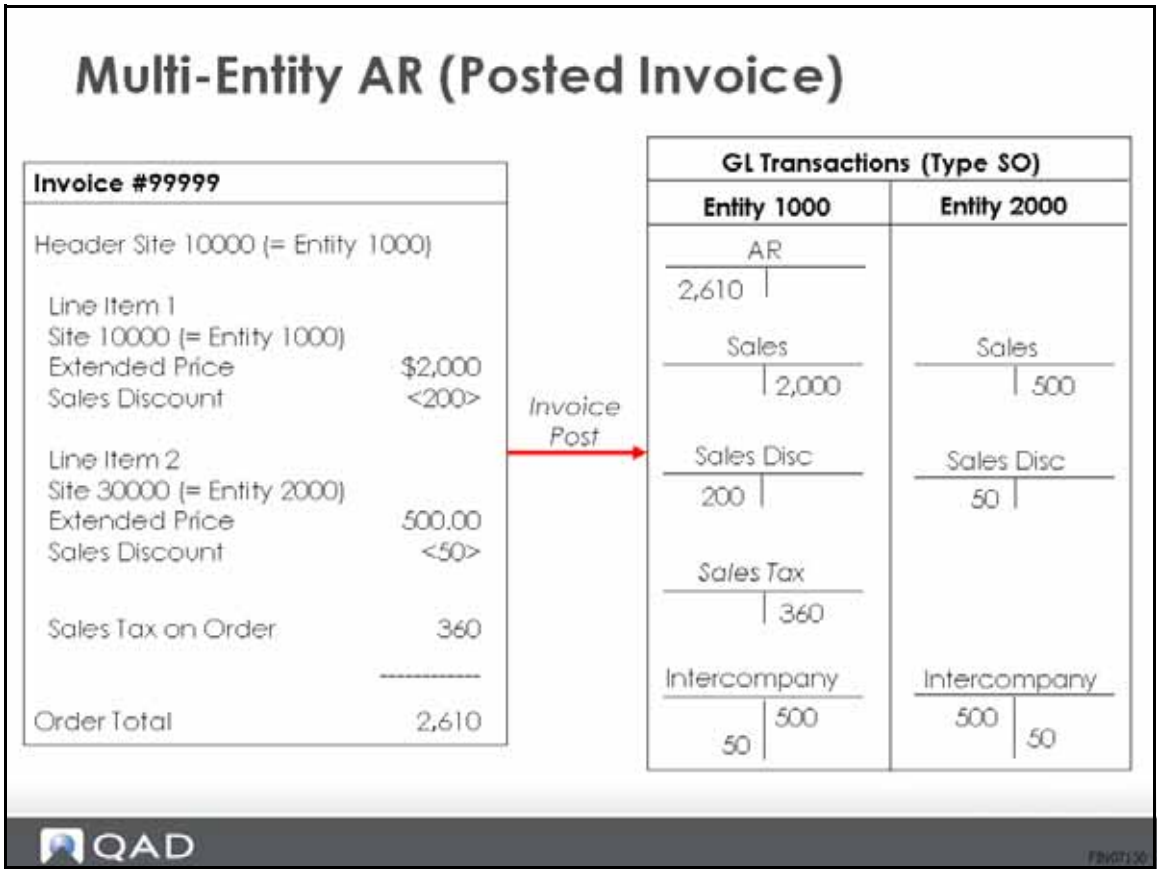
Finance Charges

Finance charges debit the Accounts Receivable account for the customer and credit Sales Finance as specified in Domain/Account Control (36.1).

Unapplied/Non-AR

For unapplied and non-AR payments, you need to specify the account to be credited. The credit account defaults to the customer AR account or the sales account, but you may want to override these defaults.

Multi-Entity AR



The GL transactions become more complicated in multi-entity environments.

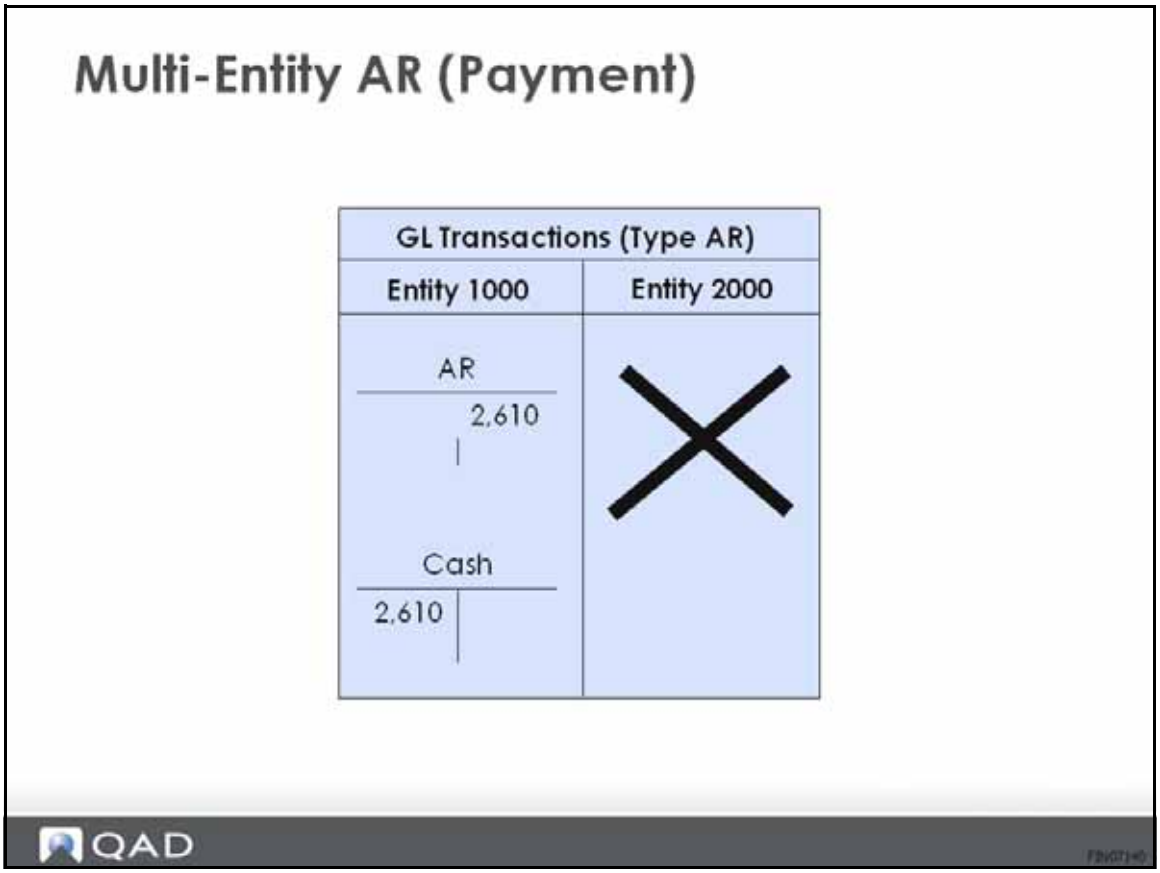
In the slide, an invoice is created at site 10000, which is assigned to entity 1000. The first line item is shipped from site 10000, but the second is shipped from site 30000.

The AR and sales tax entries are posted to entity 1000 because entity 1000 originated the invoice. Sales and sales discounts for the first line item are also posted to entity 1000. However, the sales and sales discount amounts are posted to entity 2000.

Since site 30000 is assigned to a different entity (2000), mirror entries are created for the intercompany account for the sales and sales discount amounts of the second line item.

If the sales order header does not specify a site, QAD SE creates the GL entries for the default entity from Domain/Account Control (36.1).

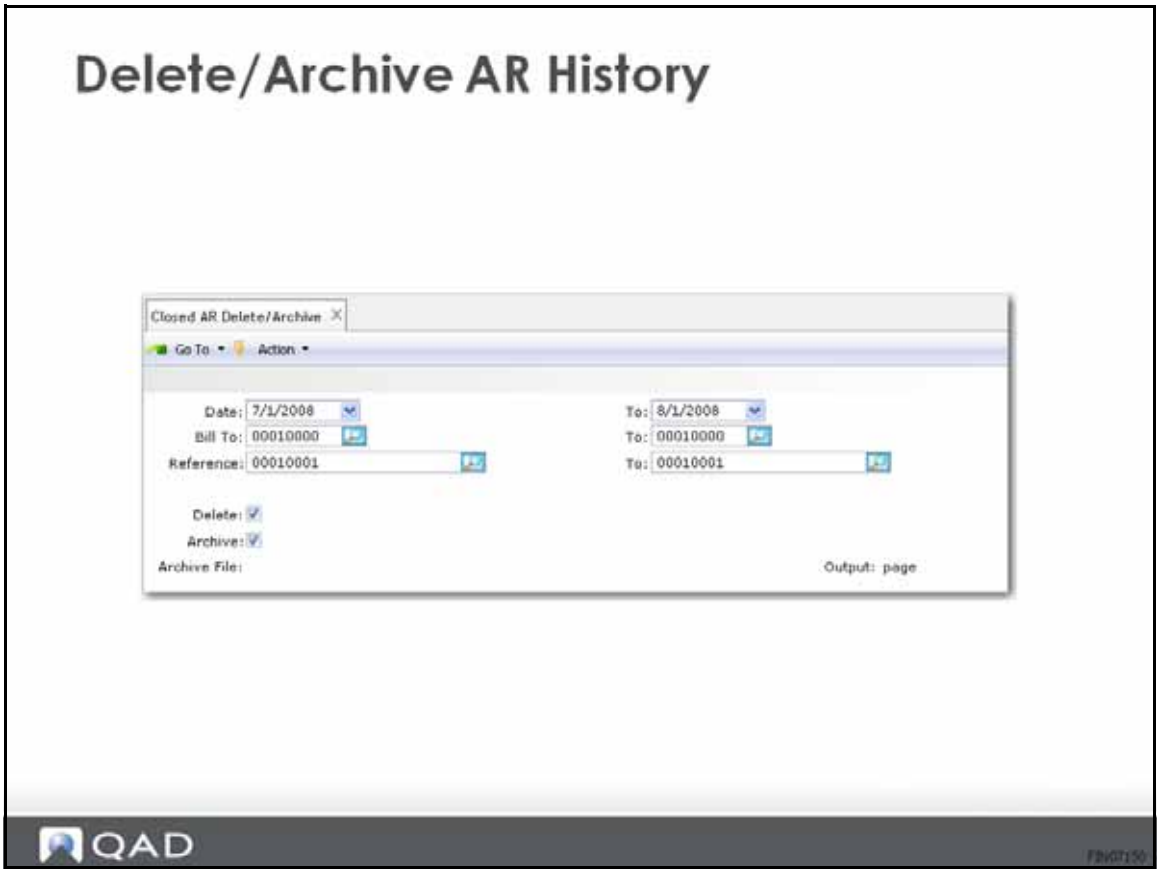
Multi-Entity AR (Payment)



Payment is processed by entity 1000, not entity 2000.

QAD SE enables you to create sales, inventory, and cost of goods sold transactions that reference multiple entities; however, if your company requires AR reporting by entity, make sure that sales order lines are created only for sites assigned to the same entity the sales order header site is assigned to.

Delete/Archive AR History



The system keeps all of invoicing and accounts receivable information online for an unlimited amount of time. There is no automatic purge at month or year end. To delete accounts receivable information, use Closed AR Delete/Archive (27.23).

The system only deletes AR transactions that are totally paid and payments that are totally applied. It also deletes non-AR payments. The system does not delete unapplied payments.

Run the program without actually deleting any records by setting Delete to No. Then review the resulting report before setting Delete to Yes and running the program again.

Temporary customers disappear when you perform the delete/archive.

A good way to make sure you do not delete items you need is to run this report specifying Delete = No. Print and verify the report, then rerun it with Delete = Yes.

You can save items to an archive file before they are deleted. Archive files should be backed up to tape and put in a safe storage place. Then, if you ever need to reload this information (for example, for the auditors), you can load it back into your database from the tape.

Exercise 7: Entering Payments, Returns and Credits

Entering Payments

In this exercise, you will enter applied and unapplied payments.

Payment Maintenance

You have just received payments from two customers. One is a payment for $184.97 from customer 100 to pay an open invoice. The other is a $5,000.00 payment from customer 1004000, and you are not sure what to apply it to.

1 In Payment Maintenance (27.6.4), process the payments as follows:

Batch:	Next
(Batch) Control:	184.97

2 The first payment, from customer 100, is applied to an open invoice.

Check:	221
Bill-To:	100
Check Control:	184.97
Date:	tomorrow
Effective:	tomorrow
Daybook:	AR Payment

3 Click Next.

4 Do a lookup browse in the Ref field to see a listing of open items for customer 100. Select the invoice for $188.75

Ref:	Select invoice for $188.75
Account:	1200 (AR)
Amount to Apply:	188.75
Cash Amount:	184.97
Discount:	3.78

Notice how the system calculated the discount for you.

5 Return to the main screen. Start a new batch. The next payment is $5,000.00 from customer 1004000, and you do not know what invoices to apply it to.

Check:	402
Bill-To:	1004000
Check Control:	5,000.00
Date:	tomorrow
Effective:	tomorrow

6 Click Next three times to get to the payment application frame. Since this is an unapplied payment, leave the reference blank. You see a warning message reminding you that you have not applied the payment.

Type:	U
N/U Ref:	OPEN
Account:	1200 (AR)
Amount to Apply:	5,000.00
Cash Amount:	5,000.00
Discount:	0

Customer Account Inquiry

7 In Customer Account Inquiry, review the account balance for customer 100. Notice how check number 221 is pegged to your invoice and how the payment has a zero in the Amount Open field. The system also calculates the number of days it took the customer to submit the last payment received against the item. This is calculated as the difference between the invoice date and last payment date.

8 Review the account balance for customer 1004000. Their balance is decreased by $5,000.00, but all items remain open.

Payment Inquiry

9 In Payment Inquiry (27.6.5), review the unapplied payment (#402).

Unapplied Payment Application

10 You call customer 1004000, and they tell you to apply the $5,000.00 check to their oldest invoices.

11 In Unapplied Payment Application (27.6.9), enter the following:

Reference:	Next
Bill-To:	1004000
Check:	402
Unapplied Ref:	OPEN
Date:	tomorrow
Effective Date:	tomorrow

Do a lookup browse for a list of open items and apply check 402 to the oldest one.

Which items did you apply the invoice to and how much did you apply to each?

Customer Account Inquiry

12 In Customer Account Inquiry (27.13), review customer 1004000. Notice the balance has not changed, but the amount open on the items has changed. Set Open Only to Yes to display only the open items.

Payment Register

13 Print the Payment Register (27.6.6).

14 Set Print GL Detail to Yes.

This is a very useful report, especially for cash control purposes. It should be printed on a regular basis and filed. You usually need to go back to this when reconciling bank statements and to track cash flow.

Payment Application Register

15 Review the Payment Application Register (27.6.10) for tomorrow's date. This shows where the unapplied payment was applied.

Returns and Credits (Optional)

In this exercise, you will complete the entire process of sales order returns and credits. First, you will create, ship, and post an invoice. The customer returns the order, so in Sales Orders/Invoices, you will create a negative sales order (to update sales history), a negative shipment (to update inventory), and a negative invoice (to update accounts receivable).

Since the return takes place after the original invoice was posted, you also apply a zero payment in AR to close the DR/CR memos for the original invoice and the negative invoice.

Sales Order Maintenance

1 In Sales Order Maintenance (7.1.1), create a sales order for customer 1001000 for 100 of item 02-0010. Note the order number. Calculate Freight = No.

Sales Order Shipments

2 In Sales Order Shipments (7.9.15), ship the entire order.

Calculate Freight:	No

Note You may receive a UM conversion error. If you do, ignore the message.

Invoice Print

3 In Invoice Print (7.13.3), print the invoice.

Invoice Post

4 Using Invoice Post (7.13.4), post the invoice to accounts receivable.

Sales Order Maintenance

Customer 1001000 returns the order for credit.

5 In Sales Order Maintenance (7.1.1), create a negative sales order (–100 of item 02-0010). Notice the word `** C R E D I T **` in the trailer. Calculate Freight = No.

Ignore the Warning.

Sales Order Shipments

6 In Sales Order Shipments (7.9.15), create a negative shipment for the order.

Invoice Print

7 In Invoice Print (7.13.3), print the negative invoice.

Invoice Post

8 In Invoice Post (7.13.4), post the negative invoice. Leave the From and To invoice numbers blank.

Customer Account Inquiry

9 In Customer Account/Inquiry (27.13), check customer 1001000's account. Do you see the debit and the credit? (If not, speak to your instructor now.)

Payment Maintenance

10 Use Payment Maintenance (27.6.4) to record a zero payment to close out both DR/CR memos.

11 Enter zero for the batch control.

12 Press Next for the next check number.

13 Enter zero for the check control.

For the first invoice, record the following:

Amount to Apply:	85.00
Cash Amount:	85.00
Discount:	0

Since no discount applies to returns, the discount is zeroed out. Now, you will record the credit to the debit.

Amount to Apply:	-85.00
Cash Amount:	-85.00
Discount:	0

Customer Account Inquiry

14 Use the Customer Account Inquiry to review the effects of the zero payment for customer 1001000.

Review General Ledger Transactions (Optional)

Print out a list of the GL transactions you have created and review them. Make sure you understand where each one was created and where the accounts came from.

AR-GL Transactions Report

1 Print the AR-GL Transactions Report (27.21).

Review the transactions that you have created. Notice that these are summarized by entity, account, and cost center.

Chapter 8

Draft Management

Overview

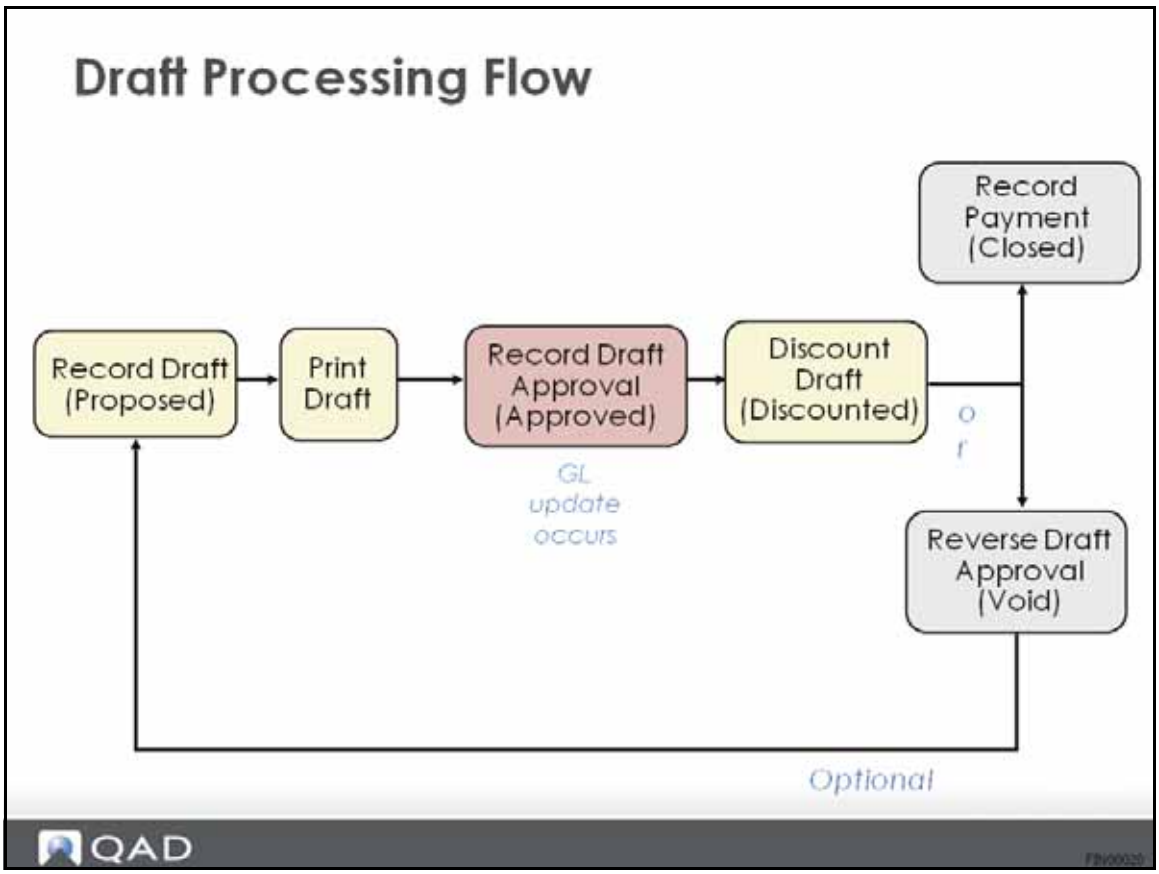
In many European companies, invoices are commonly paid by drafts (notes receivable). A draft is a form of payment that represents a promise to pay on a certain date.

After invoices are posted (or DR/CR memos are entered), your company creates a draft against the shipped items and sends the draft to the customer. The customer then asks for modifications or approves the draft, signs it, and returns it to you.

The value of the draft usually equals the invoice amount, but there are other charges associated with the draft. A supplier usually charges collection fees (to cover the cost of having the bank collect the due amount from the customer) and discounting charges to cover the discounting fee if the draft is sold to a bank.

In AR reporting, an open draft is treated just like an open invoice or memo. An approved draft closes the customer invoice, but the draft itself remains open as a draft receivable until you (or the third party who bought the draft from you) receive payment from the customer. In QAD SE, draft amounts appear on all inquiries and reports, including agings. Drafts have an AR transaction type of D. Drafts also appear on cash flow reports.

Draft Processing Flow



In QAD SE, the draft processing flow is as follows.

- Record the Draft

  The draft is entered in Draft Maintenance (27.6.13). and attached to one or more invoices or memos.

- Print the Draft

  Drafts are printed using Draft Print (27.6.18). The printed copy of the draft is sent to the customer for approval.

- Record Draft Approval

  If the customer sent back an approved draft, this is recorded in Draft Approval (27.6.20). If the customer initiated the draft, the draft is recorded first in Draft Maintenance (27.6.13). Approving the draft creates a GL transaction to move amounts from accounts receivable into drafts receivable. The invoices referenced on the draft are marked as closed.

- Discount Draft

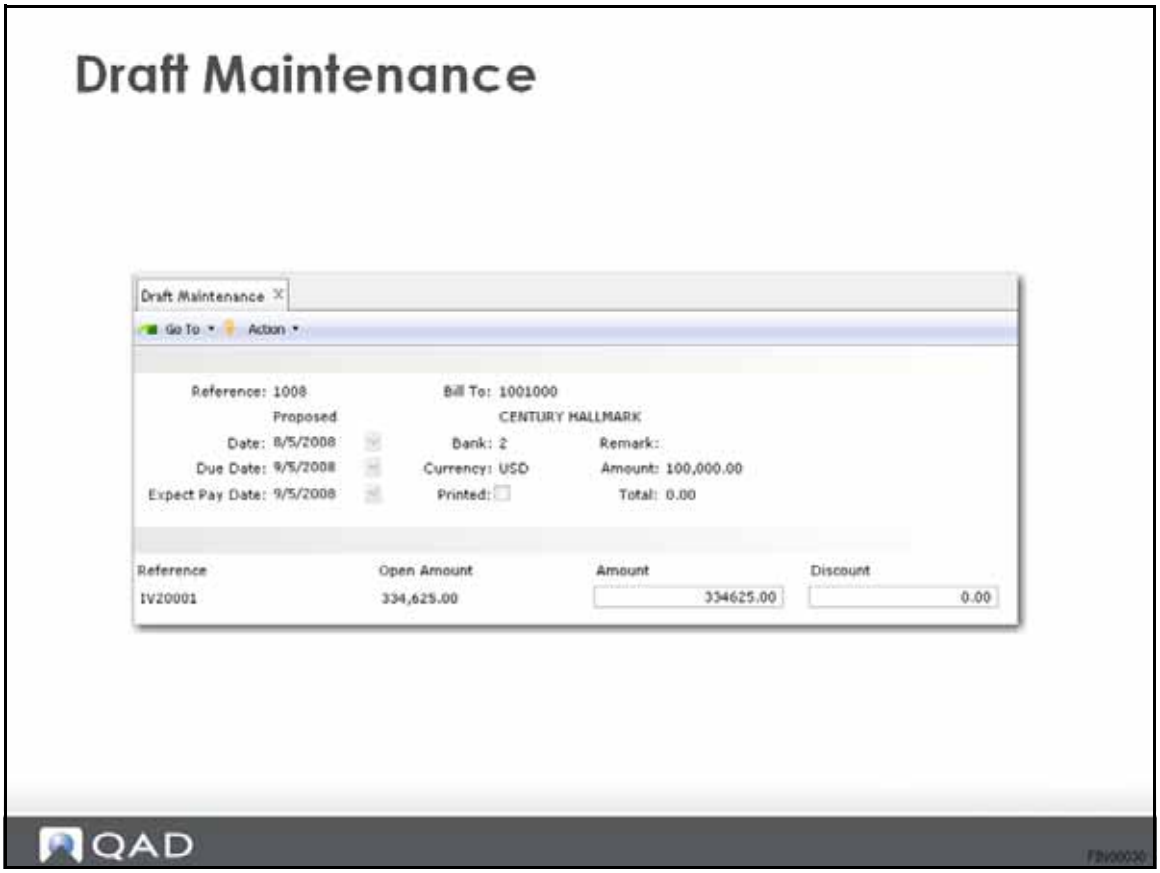
  Often, drafts are sold to a third party at a discount. Discounting a draft records the cash receipt and discount amount, but does not close the draft. Instead, the draft amount remains in a bank clearing account as a liability in case the customer defaults.

- Record Payment

When the customer pays you or the bank, the payment is recorded against the draft in Payment Maintenance (27.6.4). Recording a payment closes the draft. The draft and its associated invoices can then be deleted or archived.

If an approved draft must be modified before payment or if a customer defaults, Approved Draft Reversal (27.6.24) is used to create the necessary GL reversing transactions and to reopen invoices.

Recording Drafts



In Draft Maintenance (27.6.13), you record general information about the expected payment and when it is due, and list the open invoices or memos to be included.

The draft status is displayed below the reference number. New unapproved drafts have a status of Proposed. Approved drafts have a status of Approved. When a draft has a status of Discounted, Closed, or Void, you cannot access it again in Draft Maintenance.

The amount entered at the top of the screen acts as a control total, limiting the total amount of invoices and memos that can be paid on this draft.

You can change anything on the draft prior to approval. However, once you approve the draft, you can change only the due date and expected date.

In the draft header, the key fields are:

Reference. The AR reference number for the draft. This value defaults from the Next Memo number in Accounts Receivable Control. You can manually specify a number if External Memo References Allowed is set to Yes in Accounts Receivable Control.

Due Date. The date when the draft is due to be paid. This date prints on formal documents, such as customer statements. The AR Aging by Due Date report uses this date to calculate aged amounts.

Expect Pay Date. Optional, the date you expect the customer to honor the draft. Cash flow reports use the expected pay date instead of the due date to project incoming cash based on firm commitments or known customer payment patterns.

Bank. The bank you expect to receive payment into. The bank code accesses the correct entity and GL accounts when you post transactions. If necessary, you can change the bank when you discount or record payment for the draft.

Currency. The bank currency must match the draft or customer currency. On foreign currency drafts, you are prompted with the default exchange rate, which you can override.

Remark. The system displays general remarks pertaining to this transaction. Invoices posted from Sales Orders/Invoices store the customer PO number in the Remarks field.

Amount. This amount must equal the total of all the invoices, memos, or finance charges (minus credit terms discounts) referenced on the draft before the draft can be approved.

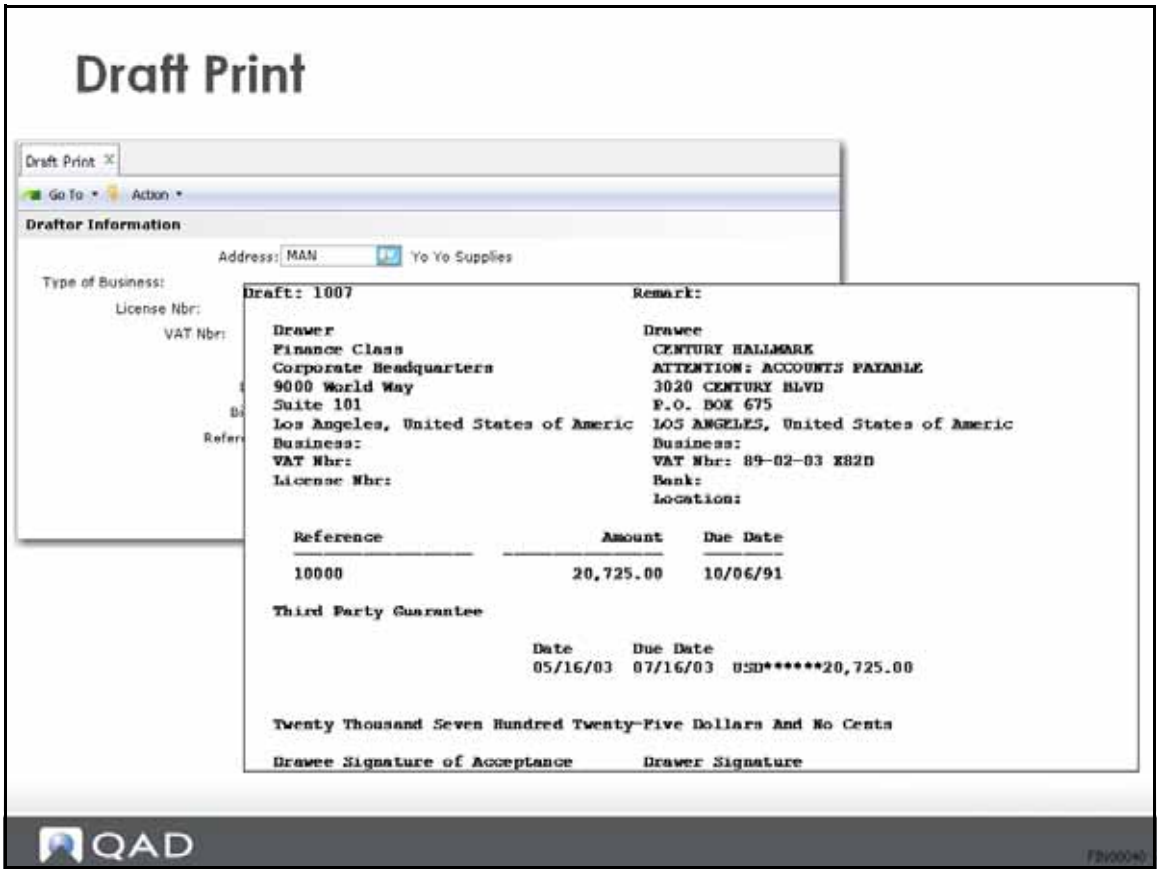
In the second frame, you list the open items to be paid on the draft. Each draft can reference one or more open invoices, memos, or finance charges. The open amount for the reference displays.

Normally, the entire amount open is paid, but partial payments are accepted. Once the draft is approved, the entire open amount on each individual item is decreased by the draft amount; the draft remains open until payment is recorded. If the customer is eligible to take a credit terms discount on the open item, it displays. You can manually override this amount.

There is no GL effect until the draft is approved.

After recording drafts, you should generate and review the Draft report (27.6.15). The Draft Summary Register (27.6.16) provides a permanent record.

Draft Print



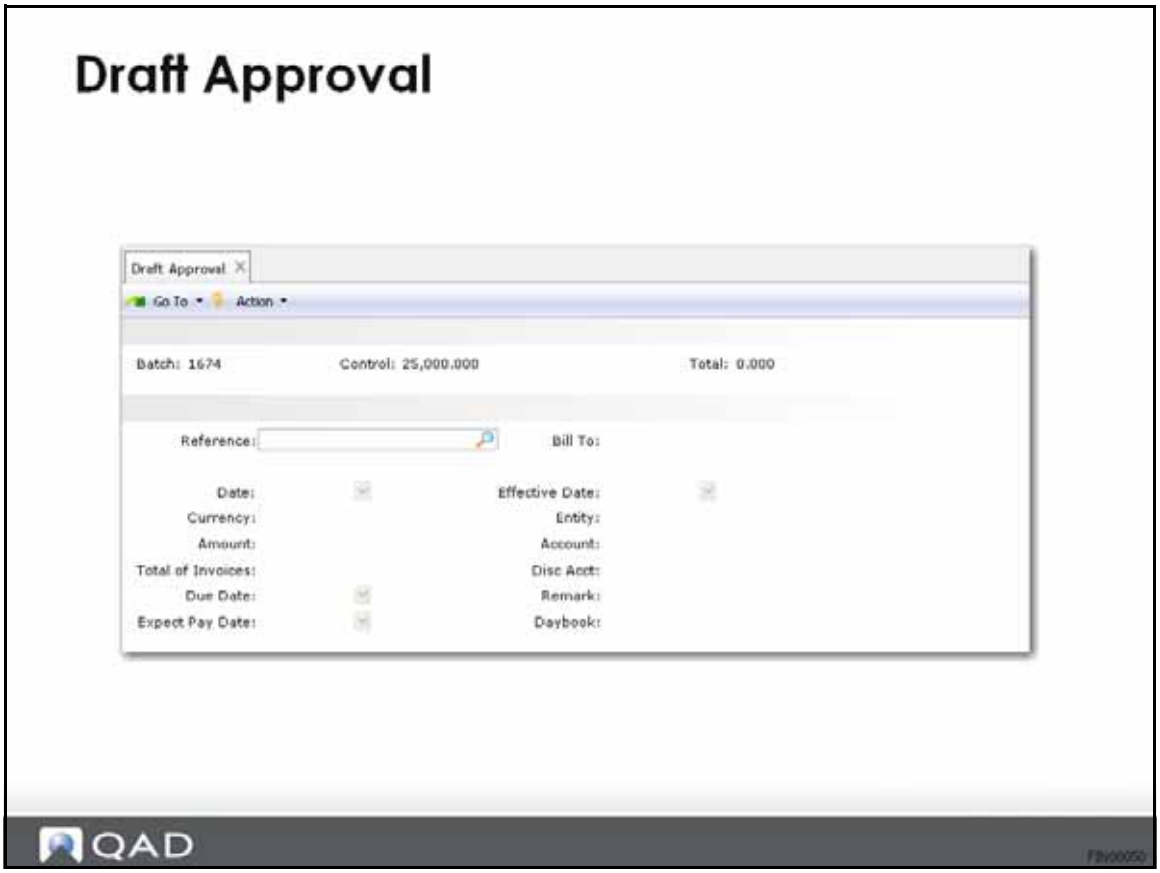
Use Draft Print (27.6.18) to print a copy of the draft to send to the customer.

The Address code is your company's remit-to address, which defaults from the company address specified in Sales Order Control (7.1.24). The Type of Business, License Nbr, and VAT Nbr fields in the first frame allow you to record optional information about the company issuing the draft. This information prints on the draft document.

By default, drafts print in order of their reference numbers; Sort by Date and Sort by Customer allow you to specify a different sort priority.

This function resets the Printed field in Draft Maintenance (27.6.13), to Yes to prevent the draft from being reprinted accidentally. In order to reprint a draft, you must set this field back to No.

Draft Approval



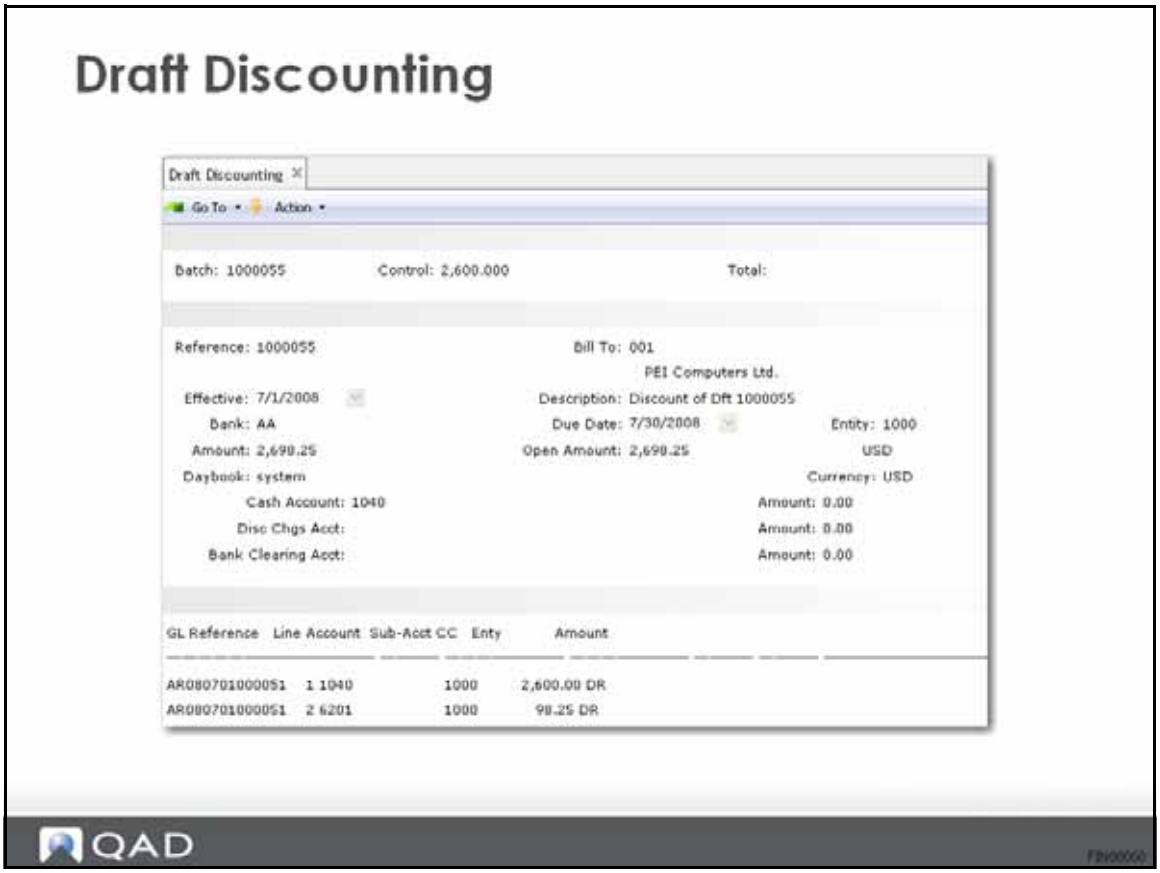
Use Draft Approval (27.6.20) to record an approved draft. A draft is a proposal to pay. Either your company has listed some open items it would like the customer to pay, or the customer has noted items they are prepared to pay. There is no cash impact until the draft is approved.

Once approved, the draft is a promissory note. The items it paid are closed and the draft itself becomes a receivable. Approved drafts have a status of Approved.

Approving the draft decreases the amount open on all account items, and the system generates GL transactions to clear the regular AR account. It does not decrease the customer's open balance, however, since the draft remains a receivable until payment is recorded.

If you need to change the currency, amount, or other information on the day you approve the draft, you must do this first from Draft Maintenance. After you approve the draft, the only way to change it is by voiding it in Approved Draft Reversal (27.6.24) and entering a new one.

Draft Discounting



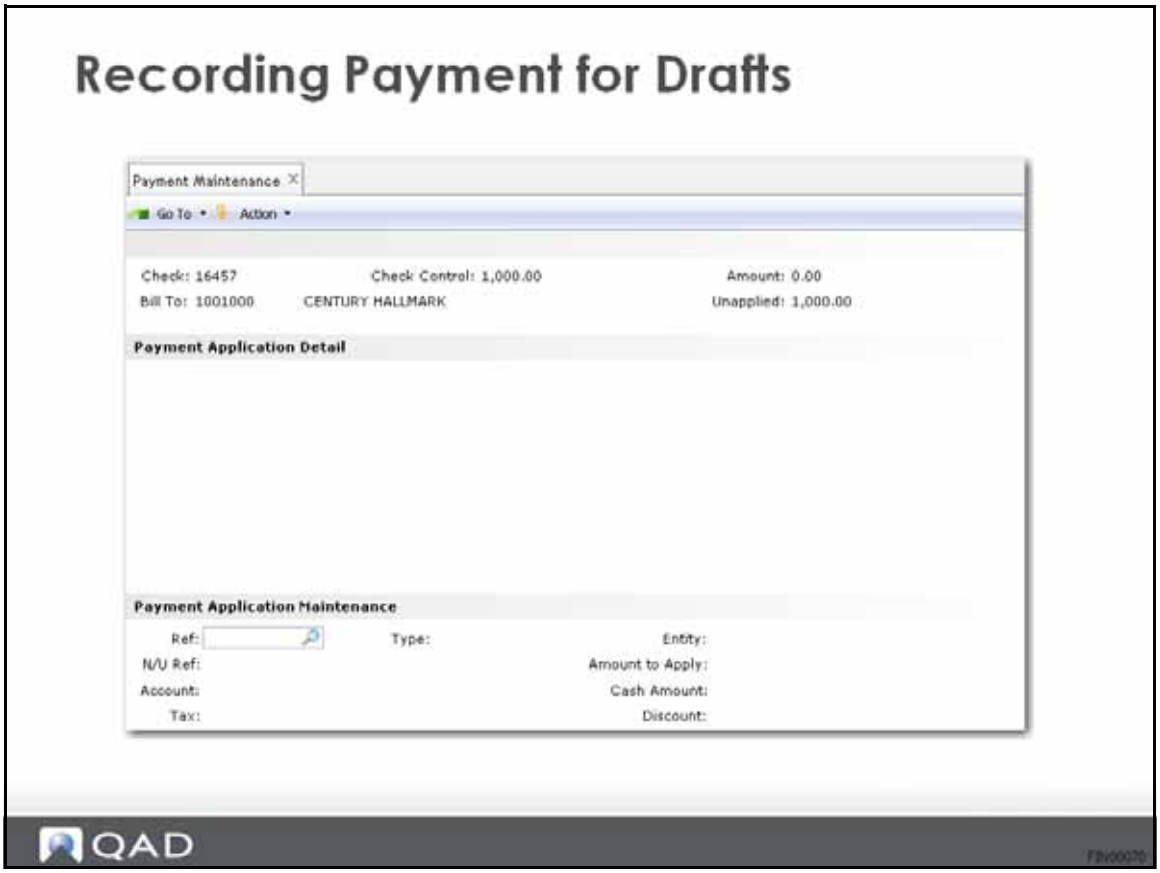
If you sell a draft to a third party (usually the bank) for collection, this is recorded in Draft Discounting (27.6.22). Even after the draft is sold, the draft receivable remains on your books. Discounting the draft gives your company the cash faster and costs only the discounting charge. However, discounting incurs a liability that remains until the customer pays the draft.

On foreign currency drafts, a pop-up window displays the default exchange rate for the system date. The second frame displays the GL entries created by discounting. If these are not correct, answer No to change the GL accounts.

The description identifies the GL journal entry on reports that show the GL transactions created by discounting. The default description is “Discount of Dft <*number*>”, but you can override it.

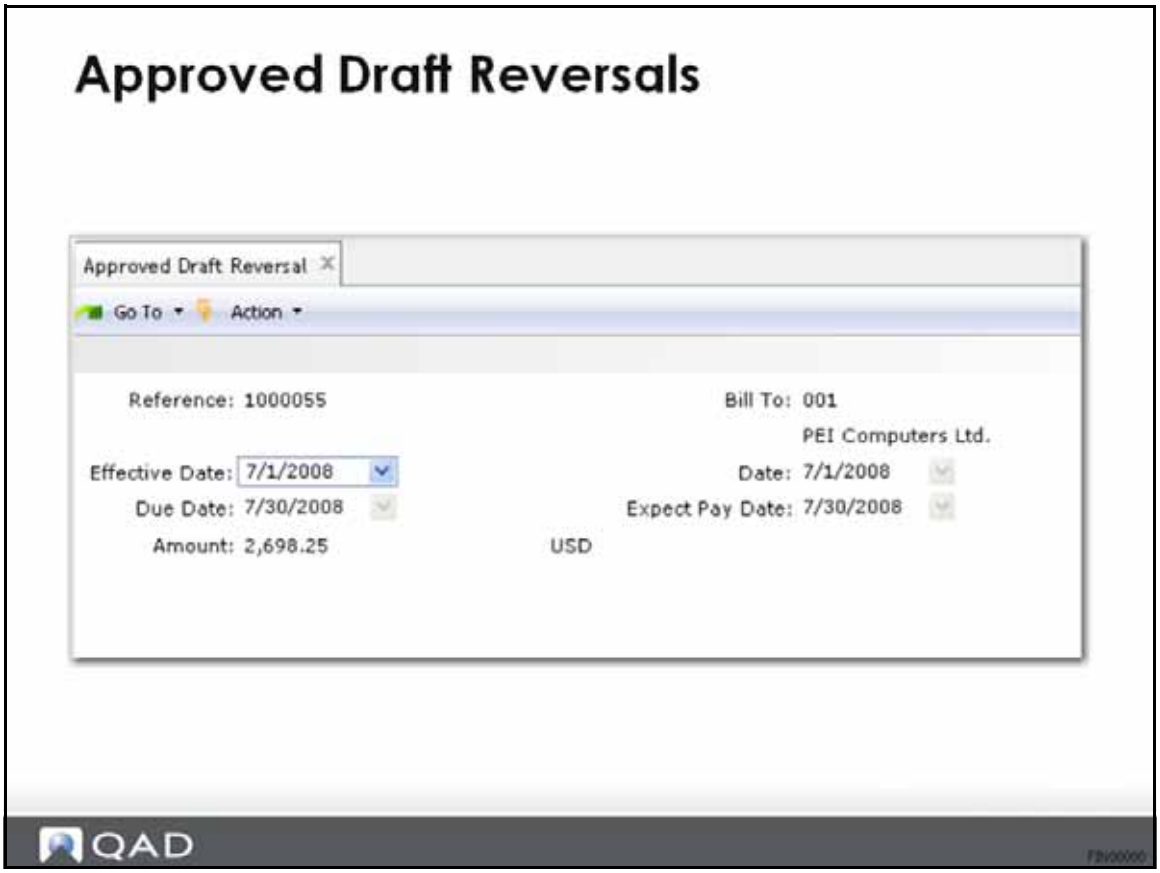
The draft must be approved in Draft Approval before you can discount it. If you need to change an approved or discounted draft, you must void it in Approved Draft Reversal (27.6.24) and then enter and approve a new draft.

Recording Payment for Drafts



When the customer pays you or the bank, if the draft was discounted, you must record the payment in Payment Maintenance (27.6.4) in order to close the draft. This procedure is the same as that used to record applied payments.

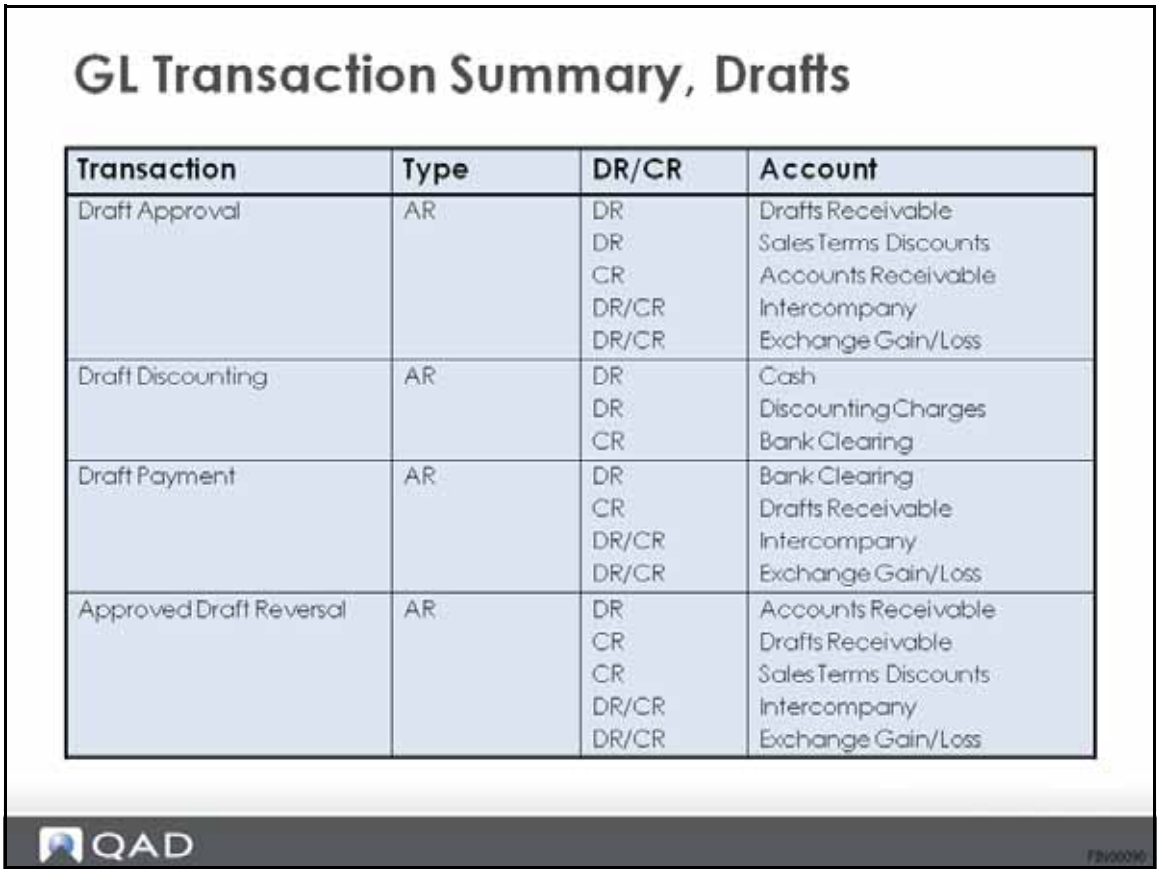
Approved Draft Reversals



If a customer defaults on a draft, or if you need to change an approved or discounted draft, you record this in Approved Draft Reversal (27.6.24). This function creates GL transactions that reverse those created when the draft was approved or discounted.

You can print the audit trail only when you perform the reversal. However, you can print the Draft Report to show voided (reversed) drafts.

GL Transaction Summary, Drafts



The slide shows the GL transactions created by draft processing. Like other AR transactions, drafts have a GL transaction type of AR.

Entries for Sales Terms Discounts are created only by drafts in which the customer takes early payment discounts. You can change this account for different sites and entities or for different types of discounts, for example, to write off bad debts or underpayments.

Multi-entity drafts create intercompany balancing entries. Foreign currency drafts create entries to account for exchange rate fluctuations.

This chart also shows where the accounts for the GL transactions originate. This information is useful when investigating GL problems in which the wrong account appears on a transaction.

In Draft Discounting, the accounts for Discounting Charges and Bank Clearing are user-specified.

Exercise 8: Draft Processing

Drafts (Optional)

In this exercise, you will go through draft processing, from recording the draft on through receiving the payment. You will also review the status of the draft and the GL entries it created.

Customer 1001000 has a posted invoice that is to be paid by draft.

Draft Maintenance

1 In Draft Maintenance (27.6.13), create a draft with the following information. Write down the number of the draft here: _____.

Draft Data

Reference:	Next
Bill-To:	1001000
Date:	today
Due Date:	two months from today
Expect Pay Date:	one month from today
Bank:	BC
Currency:	USD
Printed:	No
Amount:	20,725.00
Reference:	10000

The open amount, draft amount, and discount display.

Draft Inquiry

2 In Draft Inquiry (27.6.14), review the draft you just created. What is the status of this draft?

Draft Approval

3 In Draft Approval (27.6.20), approve the draft.

Draft Approval Data

Batch:	Next
(Batch) Control:	20,725.00
Reference:	Enter draft, or do a lookup browse to display list

Draft Inquiry

4 In Draft Inquiry (27.6.14), what is the status of the draft now?

Draft Discounting

The draft is sold to a third party and a discount is taken.

5 Enter the following data in Draft Discounting (27.6.22):

Draft Discounting Data

Batch:	Next
(Batch) Control:	20,725.00
Reference:	Enter draft, or do a lookup browse to display list
Cash Account:	1040 Amount 20,000.00
Discount Charges:	6201 Amount 725.00
Bank Clearing:	2101

Notice the GL distribution lines created by this transaction. At the prompt:

Are Transactions Correct? answer Yes, or press Next if they are.

Draft Inquiry

6 In Draft Inquiry (27.6.14), what is the status of the draft?

Payment Maintenance

The draft has now been paid. Record the payment.

7 Enter the following data in Payment Maintenance:

Payment Data

Batch:	Next
(Batch) Control:	20,725.00
Check:	876
Bill-To:	1001000
Check Control:	20,725.00
Bank:	BC (Bank Clearing)

At the Reference field, enter the draft number or press Back, and select the draft from the pop-up window. Apply the entire cash amount of 20,725.00. Notice that the draft balance is now zero.

8 Open Draft Inquiry (27.6.14).

9 What is the status of the draft now?

AR-GL Transactions Report

10 Review the AR-GL Transactions report (27.21). What are the GL journal entries created by the draft approval? Discounting? Payment?

Draft Approval:		
Debit	Drafts Receivable (1300):	20,725.00
Credit	Accts. Receivable (1200):	-20,725.00
Discounting:		

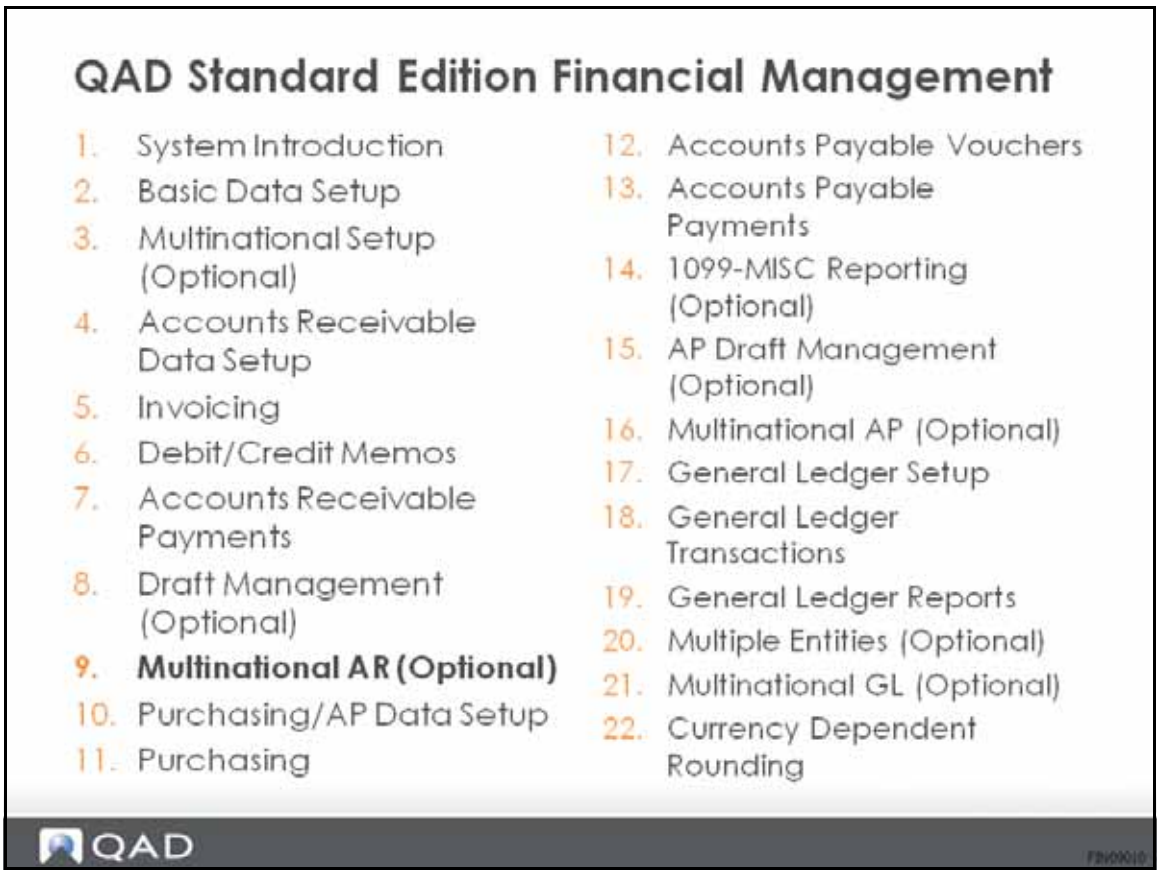
Debit	Cash (1040):	20,000.00
Debit	Discounts (6201):	725.00
Credit	Bank Clearing (2101):	-20,725.00
Payment:		
Debit	Bank Clearing (2101):	20,725.00
Credit	Drafts Receivable (1300):	-27,725.00

These are easier to see if you get the transaction number from this report, then look at them in GL Unposted Transactions.

Chapter 9

Multinational AR

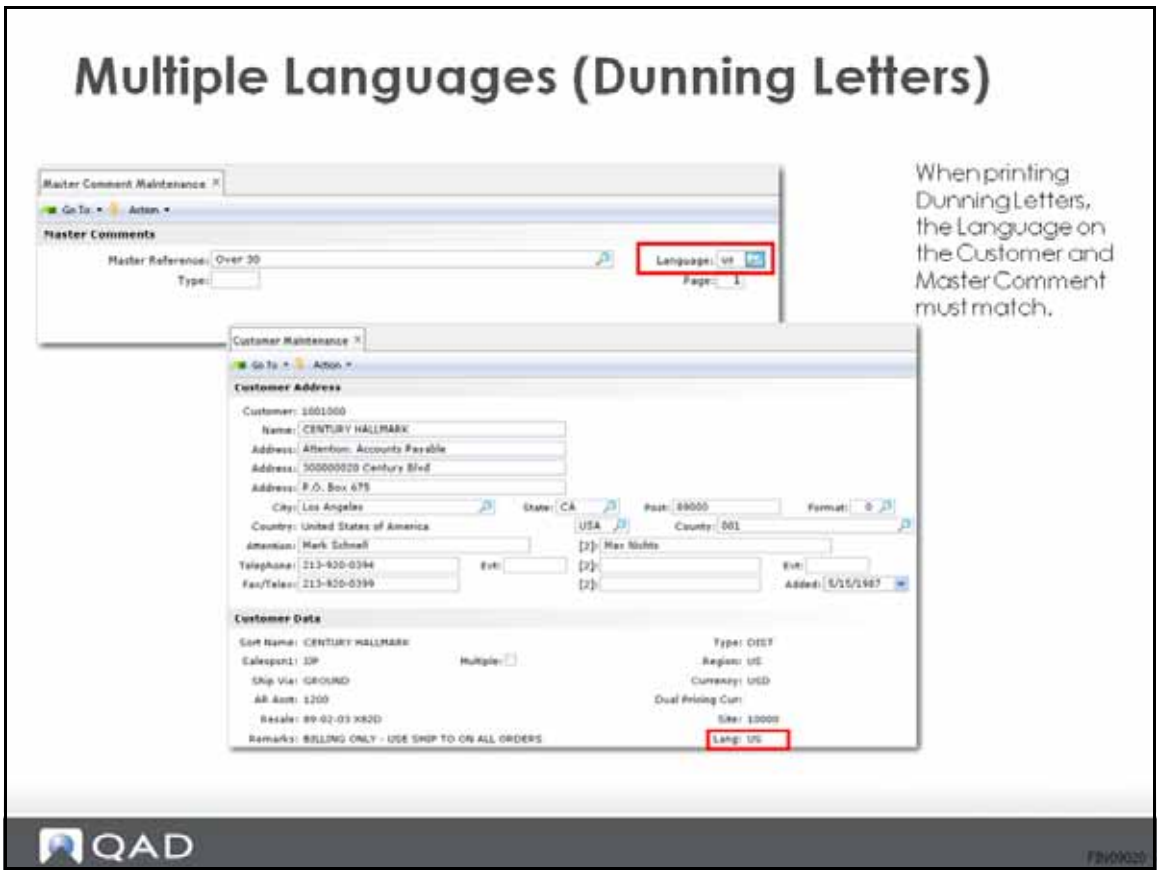
Overview



Some AR functions can generate documents in multiple languages

Sales orders and invoices can be selected by and printed in the customer's language as defined in Customer Maintenance (2.1.1).

Multiple Languages (Dunning Letters)

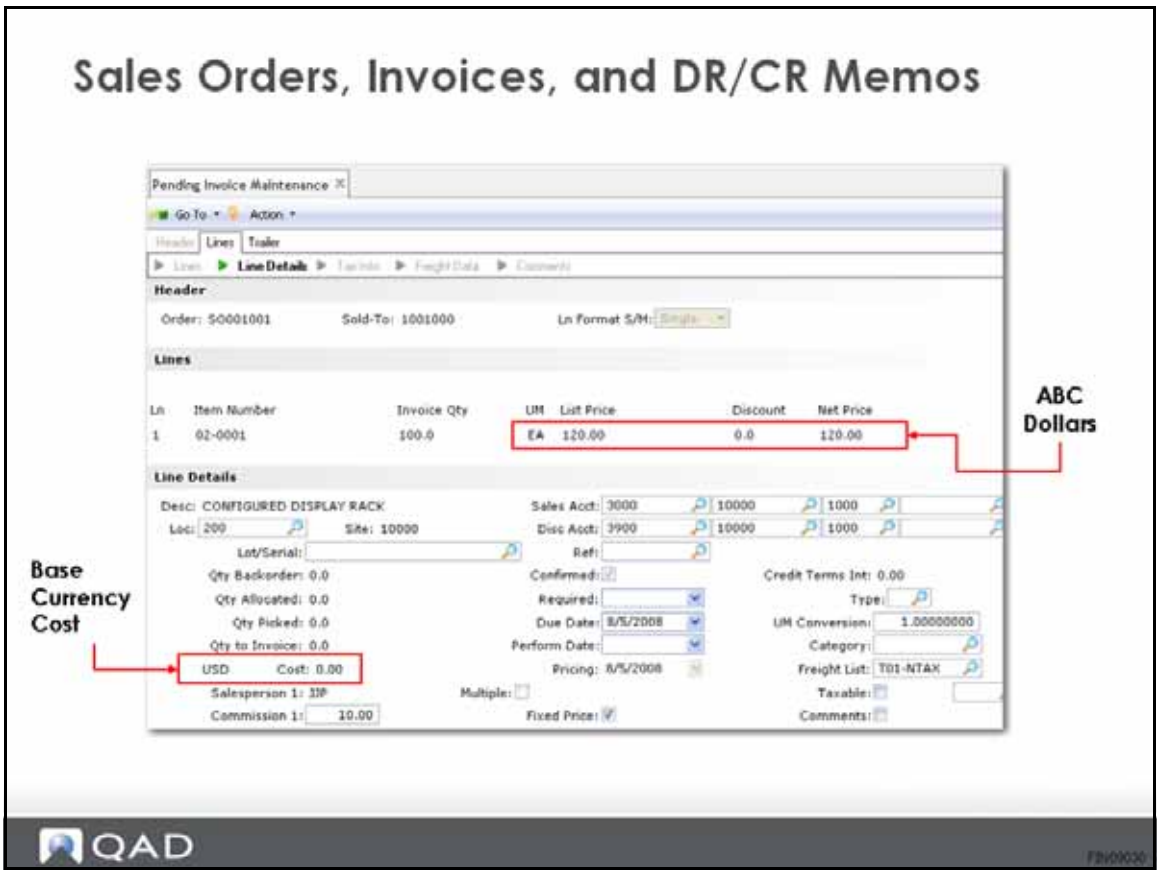


In Customer Dunning Letter Print (27.11), you can select customers for dunning letters based on their language. If you set up dunning letters in the language, you can also print the letters in the language. As we noted earlier, text for dunning letters is recorded in Master Comment Maintenance (14.12).

On the aging reports, customer master comments that are printed on the aging can also be selected by language.

You can enter DR/CR memos, payments, and drafts in any currency that has a currency code and exchange rate for the transaction effective date. Currencies are set up in Exchange Rate Maintenance (26.4).

Sales Orders, Invoices, and DR/CR Memos



On sales orders, invoices, and DR/CR memos, the currency defaults from the customer bill-to address recorded in Customer Maintenance (2.1.1). You can use this currency or change it to any other currency that is set up in the system.

On sales orders, the exchange rate defaults from the rate for the order date. On pending invoices and DR/CR memos, the rate comes from the rate for the transaction effective date; however, on all of these transactions, a pop-up window appears enabling you to enter a spot rate. On sales orders, you can specify a fixed rate that follows the transaction through invoicing and payment.

On orders and invoices, line item prices are converted to the transaction currency, but the list price and GL cost are also displayed in base currency for reference.

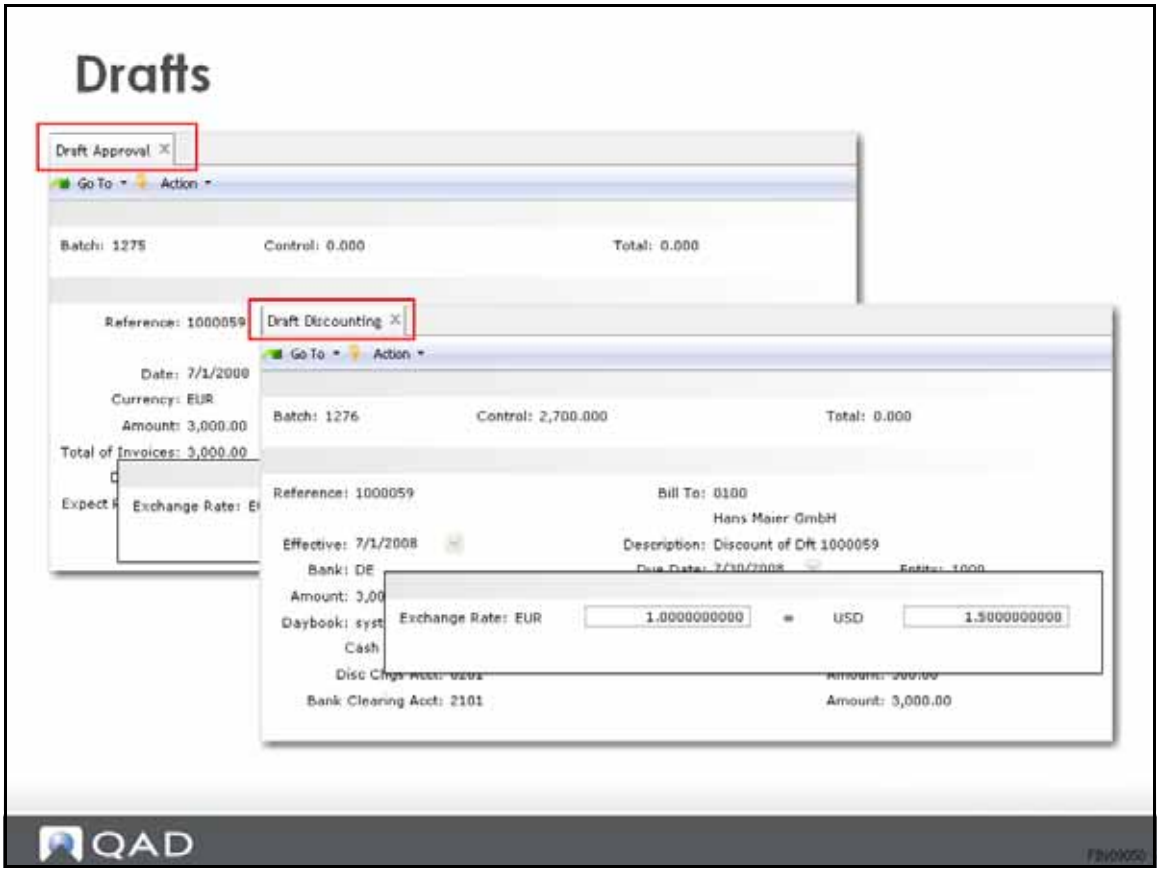
Payments

In Payment Maintenance (27.6.4), the currency also defaults from the customer. However, you can apply payments only in the invoice/memo currency or in the system base currency. In the latter case, a warning displays, but you are allowed to proceed.

A pop-up window displays the exchange rate for the transaction effective date. On unapplied payments, the currency and rate from Payment Maintenance (27.6.4) carry over to Unapplied Payment Application (27.6.9).

Note If you specified a fixed rate on the sales order, you are still allowed to enter a new rate here; however, this rate affects only the calculation of exchange gain/loss, not the default amount to apply.

Drafts (Optional)



In Draft Maintenance (27.6.13), the currency defaults from the customer.

When you approve the draft, a pop-up window enables you to override the exchange rate for the transaction effective date, and the exchange gain/loss account for the bank.

In Draft Discounting (27.6.22), the GL accounts must be in the draft currency or an error displays. Again, a pop-up window allows you to override the exchange rate for the transaction effective date.

Realized Gain/Loss on Sale

Unless you are using a fixed exchange rate, the exchange rate usually fluctuates between the time a sales order is created and the time the payment is received. QAD SE accounts for exchange gains/losses by calculating variances when payments are applied.

A realized gain or loss occurs when you receive more or less cash than you expected from the customer relative to your system base currency because you invoiced at one exchange rate and were paid at another.

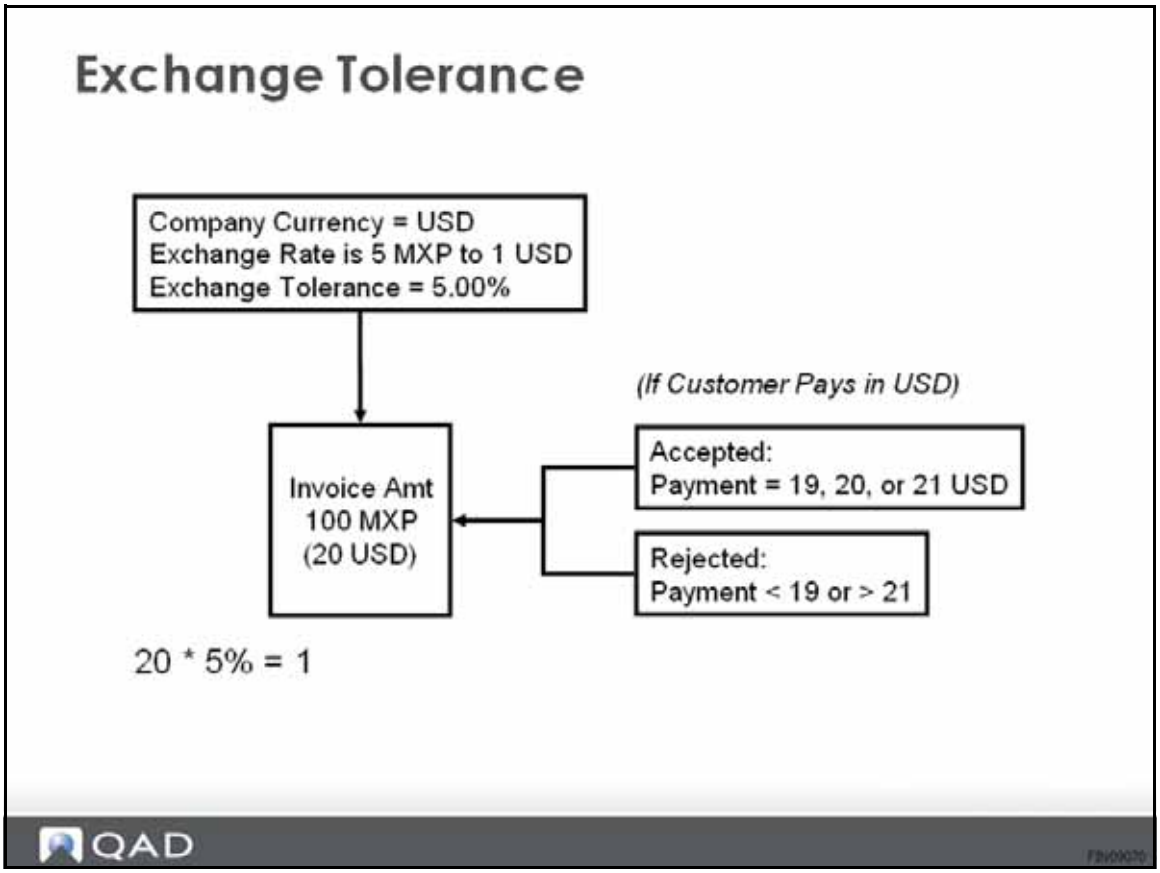
Example

Your company's base currency is USD. You invoice a customer for 100 MXP at an exchange rate of 5 MXP to 1 USD. At that exchange rate, 100 MXP is worth 20 USD.

However, on the day you receive the payment, the exchange rate is 4 MXP to 1 USD. The customer still pays you 100 MXP, but at today's exchange rate, 100 MXP is worth 25 USD. So, there is a gain of 5 USD.

The reverse is also true. If the exchange rate on the payment date were 6 MXP to 1 USD, 100 MXP would be worth only 16.67 USD, resulting in a loss of 3.33 USD.

Exchange Tolerance

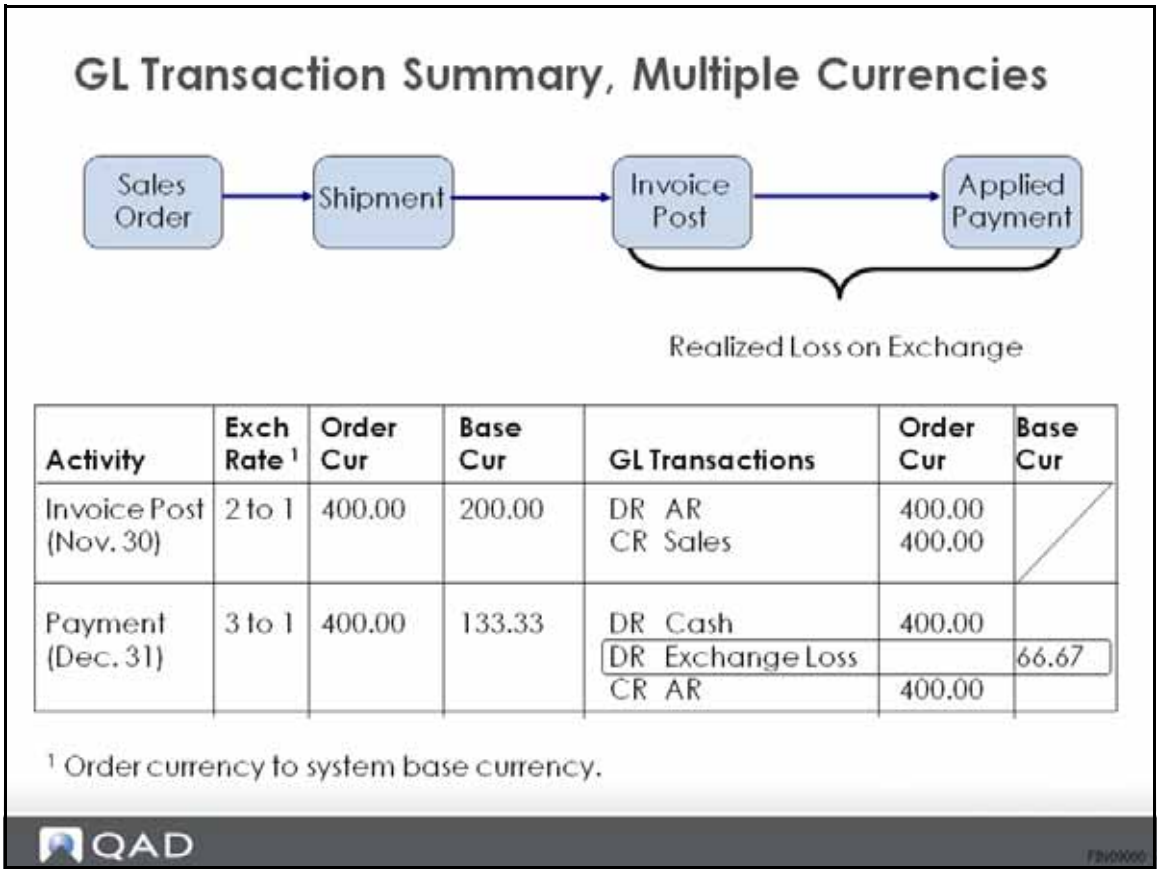


You can limit the effects of exchange rate fluctuations by using the Exchange Tolerance option in Accounts Receivable Control (27.24). This option functions as a control point during multicurrency payment processing. If you specify a percentage, the system warns you about payments that are out of tolerance.

Exchange tolerance applies only to payments processed in a different currency than the one used on the original invoice or memo. Whenever a payment is entered in a different currency, you are prompted to enter the currency code and exchange rate. The exchange tolerance verifies that this rate is reasonable.

The above example illustrates how exchange tolerance works. If a payment is rejected, you must either change the exchange rate on the payment so that the payment amount remains within the tolerance, or you must temporarily change the Exchange Tolerance field in the control program while you process the payment.

GL Transaction Summary, Multiple Currencies



To understand GL transactions for multiple currencies, examine the above example for a typical shipment, invoice, and payment cycle.

You create a sales order in a foreign currency and then ship the items. The sales order does not have any GL effects in any environment. The shipment creates the same GL transactions (DR Cost of Goods Sold, CR Inventory) it does in a single-currency environment.

At Invoice Post, the system posts the invoice at the exchange rate for November 30, the effective date of the post. The GL entries to update Accounts Receivable and Sales are posted in the order currency, not the system base currency.

When the payment is applied to the invoice, the GL entries for Cash and Accounts Receivable are posted in the order currency. Since the exchange rate changed between the posting effective date and the payment effective date, a realized loss on exchange was calculated. This loss is posted in the system base currency.

Exercise 9: Multinational AR

Your company has just made a sale to a Swiss customer. In this exercise, you will process the sale and the receivable. Before you can process the sales order, you must set up the currency code, exchange rates, and a customer record.

When you have completed the setup, you enter and post a pending invoice. Afterward, you record and post the payment against the invoice. You will then review the variance (realized exchange gain or loss) that ensues.

Currency Maintenance

1 In Currency Maintenance (26.1), set up a new currency, ABC, for Train dollars.

Note Check Active Box Yes.

Exchange Rate Maintenance

2 In Exchange Rate Maintenance (26.4), enter the following rates relative to your system base currency, US dollars. Accept the default values for all fields except the ones in which you enter the exchange rates.

Exchange Rates

Beg/End Date	**Exch Rate**
Today	1.6
Tomorrow	1.7

Account Code Maintenance

3 In Account Code Maintenance (25.3.13), set up a bank account 1020 (CASH—Train Dollars.)

Now, set up the receivables account for Train Dollars.

Account:	1243
Description:	Accounts Receivable - ABC
Type:	A (Asset)
Currency:	ABC
Format Position:	11310 (Acct. Receivable)
Active	Yes

Bank Maintenance

4 In Bank Maintenance (26.13), enter a Bank TD. Currency ABC, Country USA.

Customer Maintenance

5 In Customer Maintenance (2.1.1), create a record 4007000 for a Train dollar customer.

6 Set the AR account to 1243, Currency to ABC, Site to train, and Credit Limit to 10,000.00.

Pending Invoice Maintenance

7 In Pending Invoice Maintenance (7.13.1), enter a pending invoice for customer 4007000.

8 Write down the invoice number here: _____.

9 Set the order date to today.

The pop-up window should show the exchange rate. In the line item screen, enter a memo item whose list price is 1,000.00 Train dollars.

Invoice Print

10 Using Invoice Print (7.13.3), print the invoice. (Remember to set Update to Yes.)

Invoice Post

11 In Invoice Post (7.13.4), post the invoice. For the post, set the GL effective date to today.

Payment Maintenance

12 In Payment Maintenance (27.6.4), record customer 4007000's payment for the invoice, resetting the payment date and effective date to tomorrow. The pop-up window should show an exchange rate of 1.7.

AR-GL Transactions Report

13 Print the AR-GL Transactions Report and the GL Unposted Transaction Register. Which GL entries were created by the invoice and payment? What entry was created for the exchange gain/loss account, and was it a gain or a loss?

Unposted Transaction Register

The following table shows the amounts, accounts, and calculations for the given exchange rates.

Pending Invoice				
Exch Rates	**USD Amt**	**GL Acct.**	**Amt**	**Cur**
1.6	625.00	No GL entries Until post		
Invoice Post				
Exch Rate	**USD Amt**	**GL Account**	**Amt**	**Cur**
1.6	625.00	1243 (AR-ABC)	1000	ABC
		3000 (Sales)	-1000	
Payment				
Exch Rate	**USD Amt**	**GL Account**	**Amt**	**Cur**
1.7	588.24	1043 (Cash)	1000	ABC

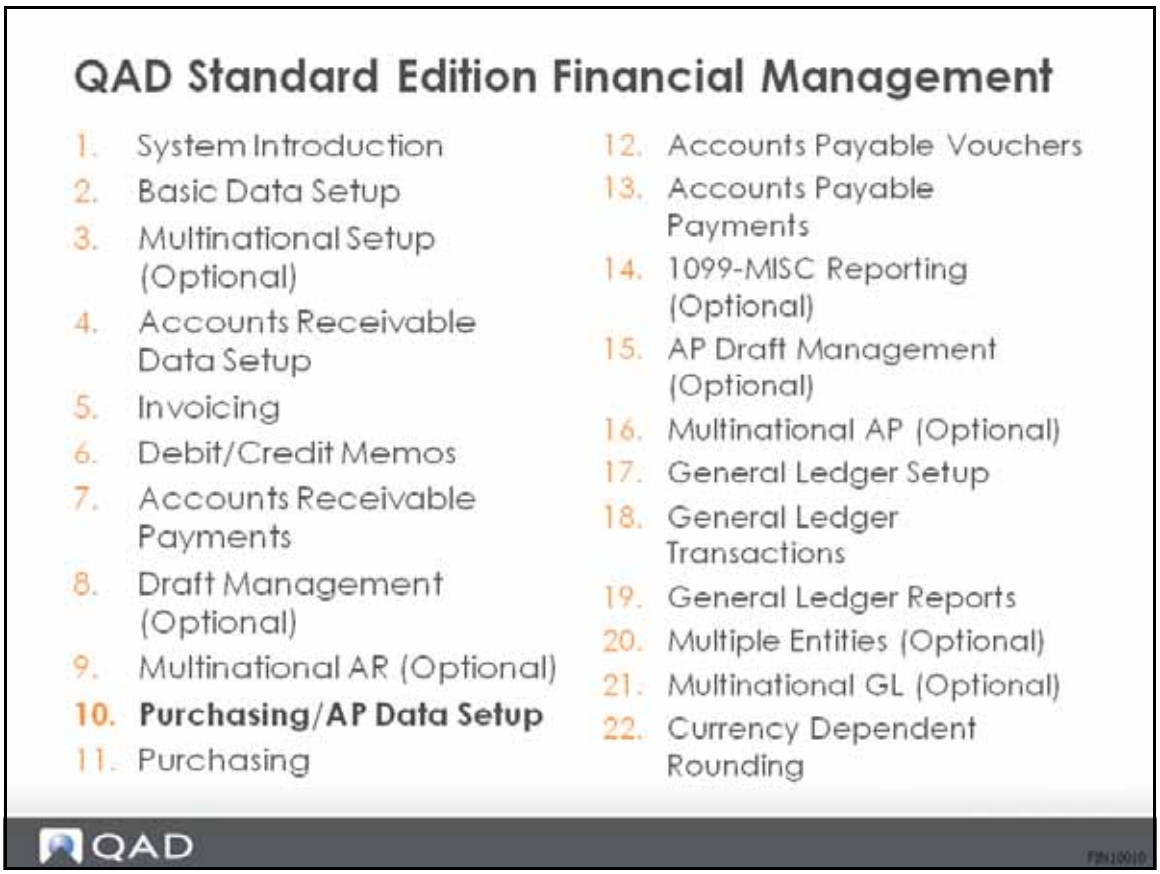
		1038 (Exch Gain/Loss	36.76	USD
		1243 AR-ABC	-1000	ABC

The 36.76 USD represented a loss. (1038) When you posted the invoice, the invoice amount, 1,000.00 ABC, was worth 625.00 USD, or 1,000.00 ABC / 1.6. But when you received the payment, it was worth only 588.24 USD, or 1,000.00 ABC / 1.7.

Chapter 10

Purchasing and AP Setup

Overview



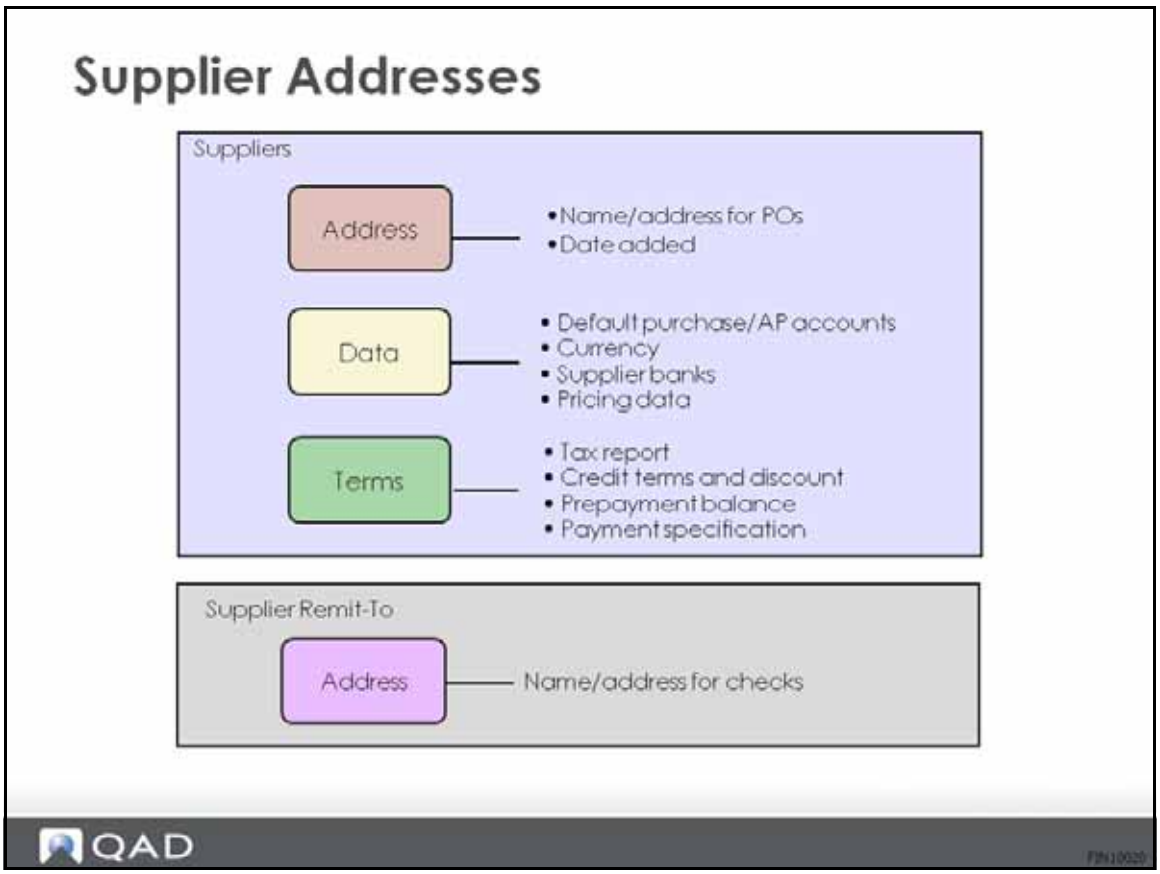
There are many similarities between the sales orders, invoicing, and accounts receivables functions and the purchasing and accounts payable functions.

Tis course follows the flow of issuing a purchase order, receiving the purchased items, recording the supplier invoice, and processing the supplier payment. Along the way, the course describes how purchase price variances are calculated, how prepayments are processed, and how credits are managed.

Before processing accounts payable transactions, you must set up:

- Supplier names and addresses
- Supplier remit-to addresses

Supplier Addresses



Some of the supplier information in QAD SE is maintained and used by Purchasing, and some of it is maintained and used by Accounts Payable.

Supplier information is divided into several components. Each supplier has a name and address, which are used by purchasing. When a purchase order is printed, the system prints this name and address.

Set up supplier addresses in Supplier Maintenance (2.3.1) and Supplier Remit-to Maintenance (2.3.13). Supplier addresses are used in Purchasing, Accounts Payable, Service/Support Management, and other functions.

Supplier addresses, like customer addresses, determine default field values and affect how supplier transactions are processed in the system. Remit-to addresses are used when payments created in Accounts Payable must be sent to an address different from the supplier address. Each supplier can have only one remit-to address.

Suppliers can be marked as temporary for one-time purchases or payments. When the AP transactions are completely closed, the Closed AP Delete/Archive (28.23) function deletes the transaction history and the supplier.

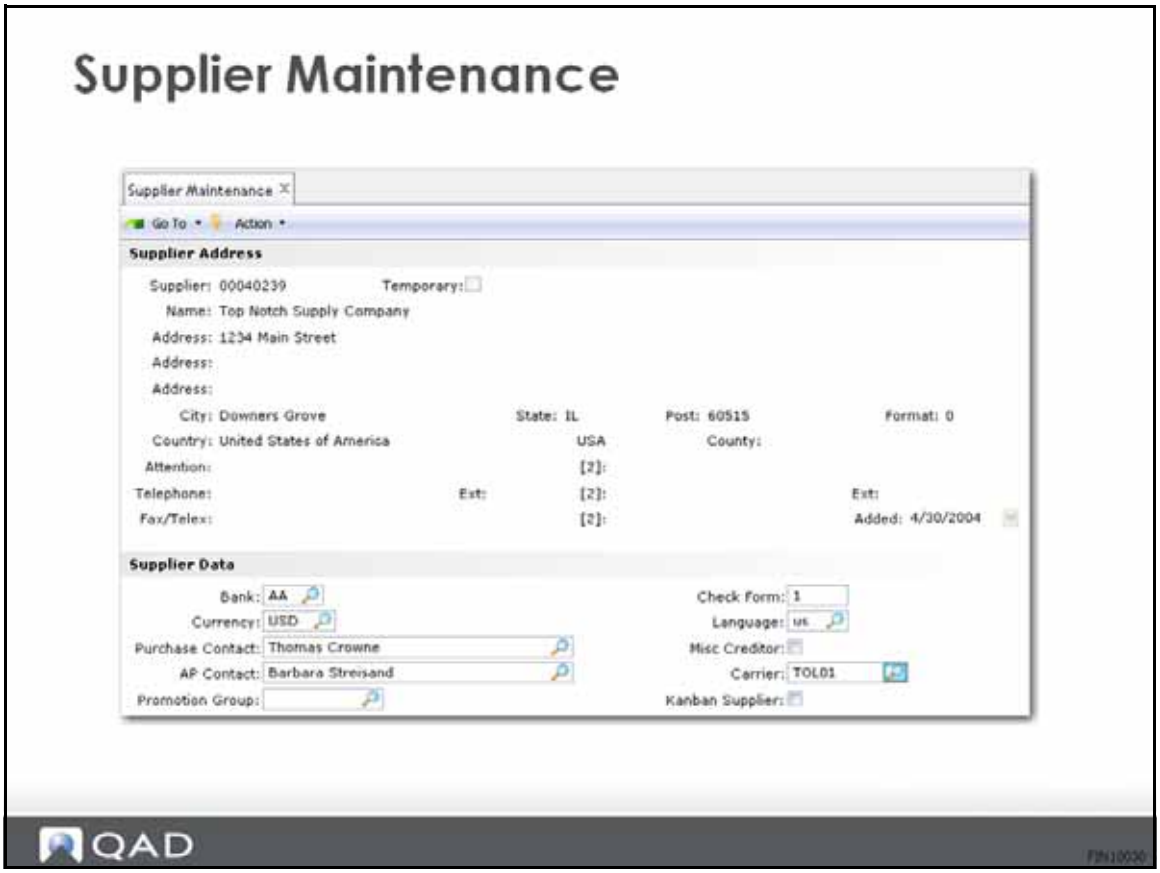
Other information is also maintained for your reference. This includes the date the supplier was added—useful for identifying inactive suppliers, and general contact information: names, phone numbers, and fax/telex numbers.

Note Like customers, suppliers have both a name and a sort name. Remember, the sort name is used for arranging suppliers on most purchasing and accounts payable reports.

The supplier type is a four-character code that your company can use to differentiate suppliers. It is available as a selection criteria on many AP reports.

Whenever you change a supplier record, QAD SE generates an audit trail of the old and new values. You can print this audit trail using the Master Audit Data report (36.17.1).

Supplier Maintenance



Supplier Maintenance (2.3.1) has several frames used to record the supplier name, address, and other purchasing-related information, such as currency, GL accounts, pricing, terms, and supplier bank accounts.

Each supplier has two accounts: a purchases account (Pur Acct) and an AP account. Their initial values come from Domain/Account Control (36.1).

- Purchases

  This account is used only for non-inventory items purchased from this supplier. Previously, we discussed product lines and how accounts are associated with items based on their product line. Purchases of inventory items are tied to the purchasing (PO Receipts) account for the product line, not the supplier. The supplier purchases account is only used on memo purchase orders. This is usually an expense account used only for suppliers who sell you items like office supplies or capital equipment.

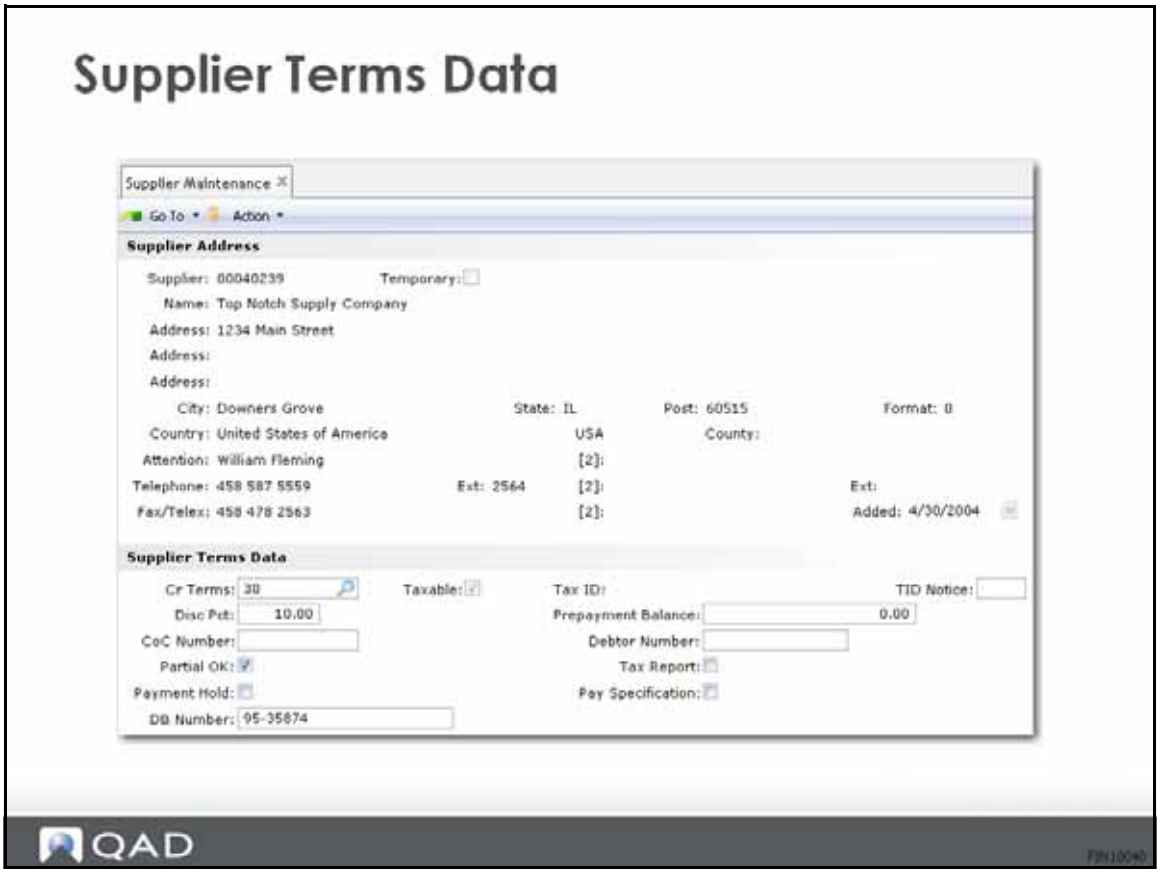
- AP Account

  Most companies use only one accounts payable account to track supplier balances. As described previously, this account is entered in Domain/Account Control (Payables) and is the default AP account when you enter new suppliers.

AP drafts, an optional method of payment common in many countries, use check form (5), (6), or (7). Currently, these check forms are equivalent, and specify the draft printing format, which includes a due date and the bank location at which the draft is collectible.

You can assign one or more of the customer/supplier banks created in Customer/Supplier Bank Maintenance (2.21.1) to each supplier record, specifying the account type and bank account number. These banks are generally used to handle EFT transactions. When you generate payments for the supplier, the system then verifies that the supplier bank from the voucher has a bank account whose type matches the account type specified, and that this type is valid for the check date.

Supplier Terms Data



Credit Terms

Using Supplier Maintenance, you can assign a credit terms code to each supplier, which identifies the terms they normally extend to you, such as net 30 or COD. These terms are accessed automatically on all purchase orders and miscellaneous vouchers entered for this supplier. Credit terms are used to calculate voucher discount and due dates. Payment amounts can be selected to take advantage of discounts available.

Payment Hold. If Payment Hold is set to Yes, checks are not automatically processed by the system. Also, you are warned when entering vouchers or manual checks.

Prepayment Balance. The system updates the supplier's Prepayment Balance whenever you record and pay prepayment vouchers.

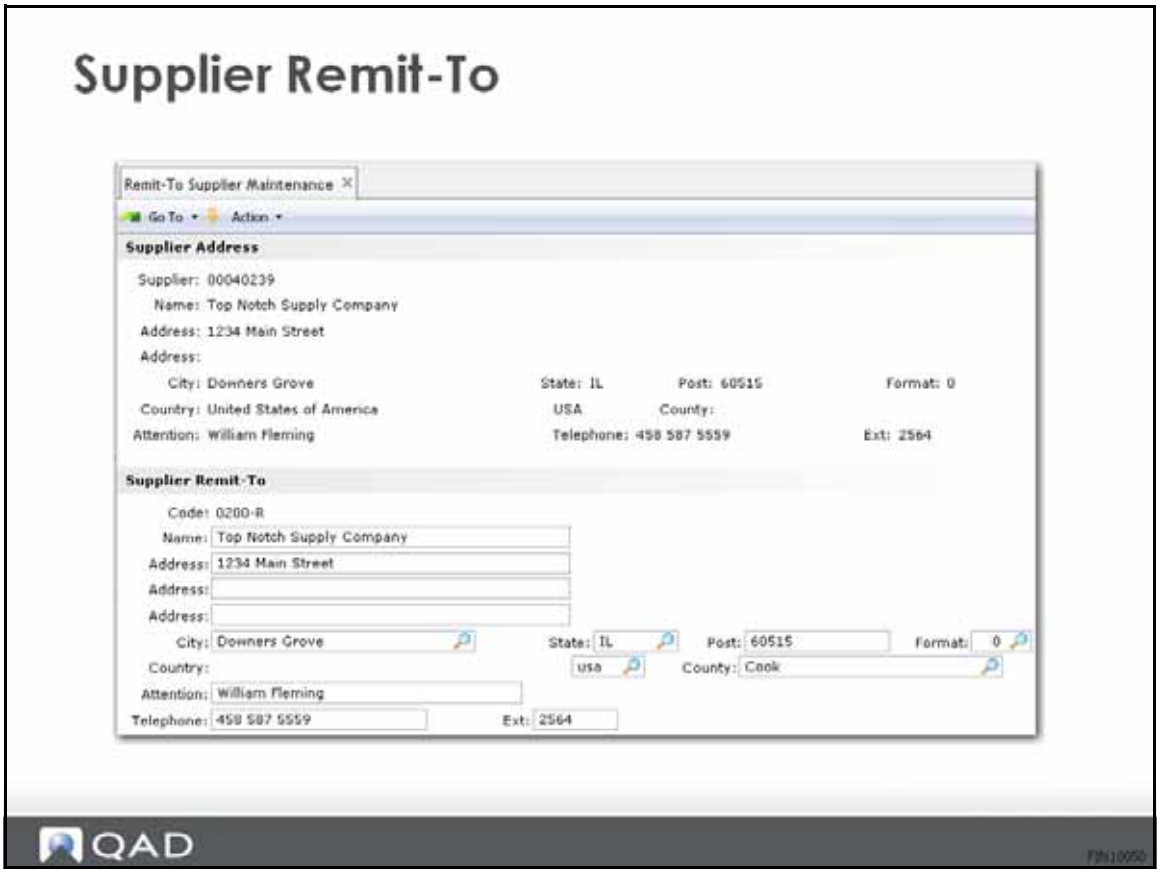
Tax Report (1099). The Tax Report field indicates whether a Supplier Activity Report (called a 1099 in the US) is needed. The Supplier Activity Report simply lists supplier payment activity over a specified time. (Users outside the US may find this report useful.) The report only prints if Tax Report is flagged Yes for the supplier. If this field is No, the supplier is never considered by the report, no matter what the selection criteria. The Supplier Activity Report prints the supplier tax ID.

Pay Specification. A printed document (or payment specification) is automatically generated for the supplier if Pay Specification is set to Yes in Supplier Maintenance. This document resembles a check stub. The Bank and Check Form fields are used to indicate how vouchers for the supplier are to be paid.

Printed checks use check form (1) or (2). The standard printed check is check form (1). An alternative check format, displaying the payment amount below the date, is check form (2).

Electronic fund transfers use check form (3) or (4). Check form (3) is used for making electronic funds transfer requests via a printed audit trail, which is sent to a bank. Check form (4) performs as (3), but creates an ASCII file, rather than a printed form, which can be sent to the bank to initiate the funds transfer. You also use check forms (3) and (4) in connection with Customer/Supplier banks, discussed below.

Supplier Remit-To



Sometimes, the addresses on purchase orders and AP payments are not the same. In these cases, you should enter the accounts payable address using Supplier Remit-to Maintenance (2.3.13). This step is only necessary if the supplier's remit-to address is different from the address for the PO.

Notice that a different address code is used to identify the remit-to address. Most companies devise a remit-to coding scheme that ties logically to the supplier. For example, you might use the supplier address code beginning with an R (for remit-to), or followed by a –1.

Whenever you enter a voucher, you specify the supplier code rather than the remit-to. The system automatically retrieves the remit-to (if any) for this supplier and uses it for all payments. You can use the same remit-to address code for multiple suppliers. However, each supplier can have only one remit-to code. Supplier history is consolidated under the supplier code, not the remit-to code.

Exercise 10: Adding a Supplier

Create a Supplier

In this exercise, you create a supplier. You will use this supplier for many of the purchasing and accounts payable activities that follow.

Supplier Maintenance

1 Use Supplier Maintenance (2.3.1) to create a new supplier. This supplier is a permanent supplier from whom you purchase both raw materials and supply items.

Supplier:	500
Temporary:	No
Name:	The Supply Warehouse
Address:	1027 Brockton Lane
City/ST/Post:	Ventura, CA 93003
Country:	USA
County:	Ventura

2 Enter the sort name Supply Warehouse, The system sorts the company under S instead of T.

3 Allow the GL accounts to default. Leave the currency set to USD.

4 Enter a purchasing and AP contact name.

5 Enter the following supplier terms:

Cr Terms:	2/10-30

6 Specify a bank account for the supplier.

Review Purchasing Control Settings

In this section, you will verify the Purchasing Control settings for purchasing. These settings must be configured correctly to ensure consistent results in later activities.

Purchasing Control

1 Review the default values in Purchasing Control (5.24). If necessary, change them to match the following:

Bill-To	10000000
Ship-To	10000000
PO Prefix:	P
Next Purchase Order	00050000
Next Receiver:	3000
Receiver Prefix:	R
Receive All:	No
Price Table Required:	No

Disc Table Required:	No
Apprvd Reqs for PO's:	No
Inspect Location:	Inspect
Receiver Type:	2
Tolerance Percent:	10
Tolerance Cost:	1,000.00
Ln Format S/:	Single
PO Header Comments:	No
PO Line Comments:	No
Cancel Backorders:	No
Keep Booking History:	Yes
ERS Processing:	No
ERS Option:	1

Chapter 11

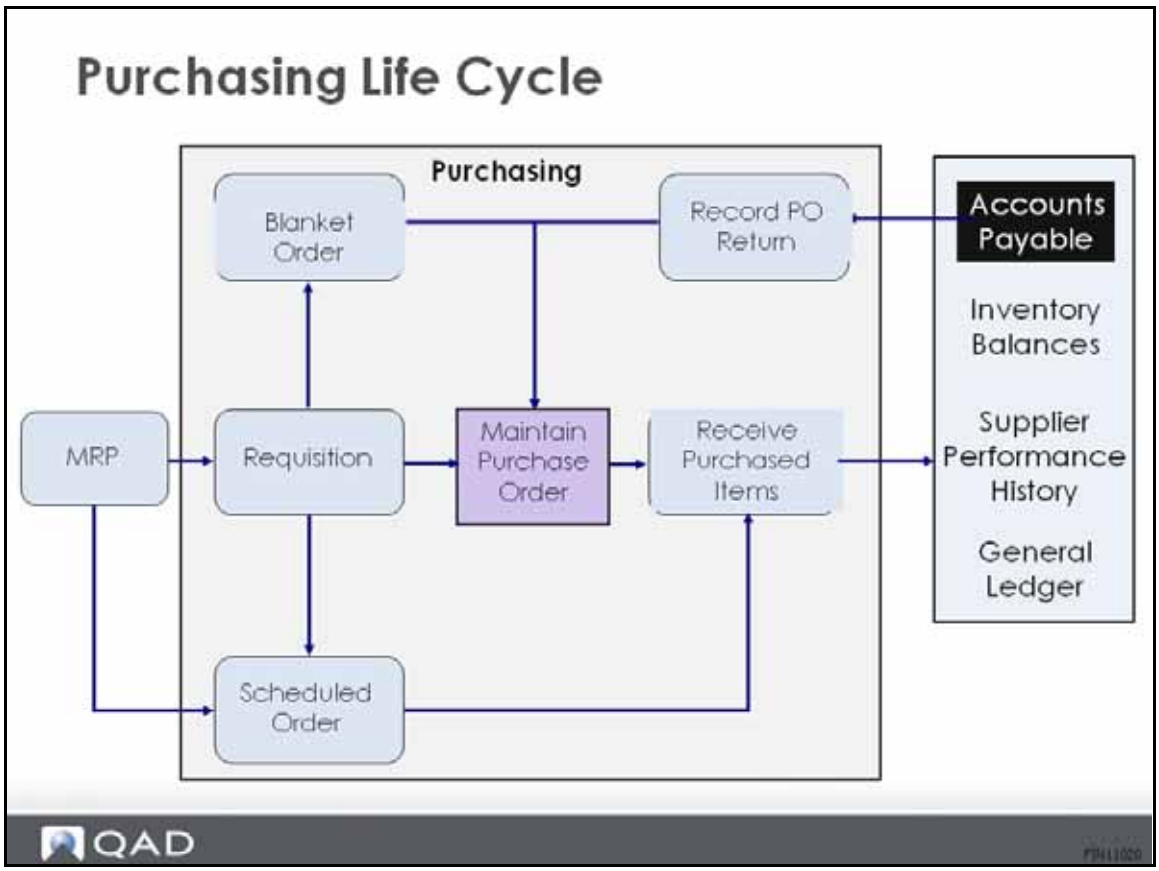
Purchasing

Overview

In many cases, the starting point for accounts payable activity is purchasing. Purchase orders are sent to a supplier, prepayments are processed, and purchased items are received. When the supplier sends you an invoice, you verify it against the original purchase order and the received quantities.

This chapter examines the flow of purchasing information in general and then focuses on the aspects of purchasing that are directly relevant to accounting. These aspects include costs, purchase price variances, prepayments, and receiving records.

Purchasing Life Cycle



The starting point for AP processing is purchasing.

The role of the purchasing department is to satisfy demands for purchased items—both inventory items and non-inventory (memo) items. Both demands can be communicated to the purchasing department using requisitions. For inventory items, planning calculations (MRP) are the main source of demand. MRP generates planned orders that become purchase requisitions when the planner confirms them. For non-inventory items, such as office supplies, you can manually enter requisitions in the Purchasing module.

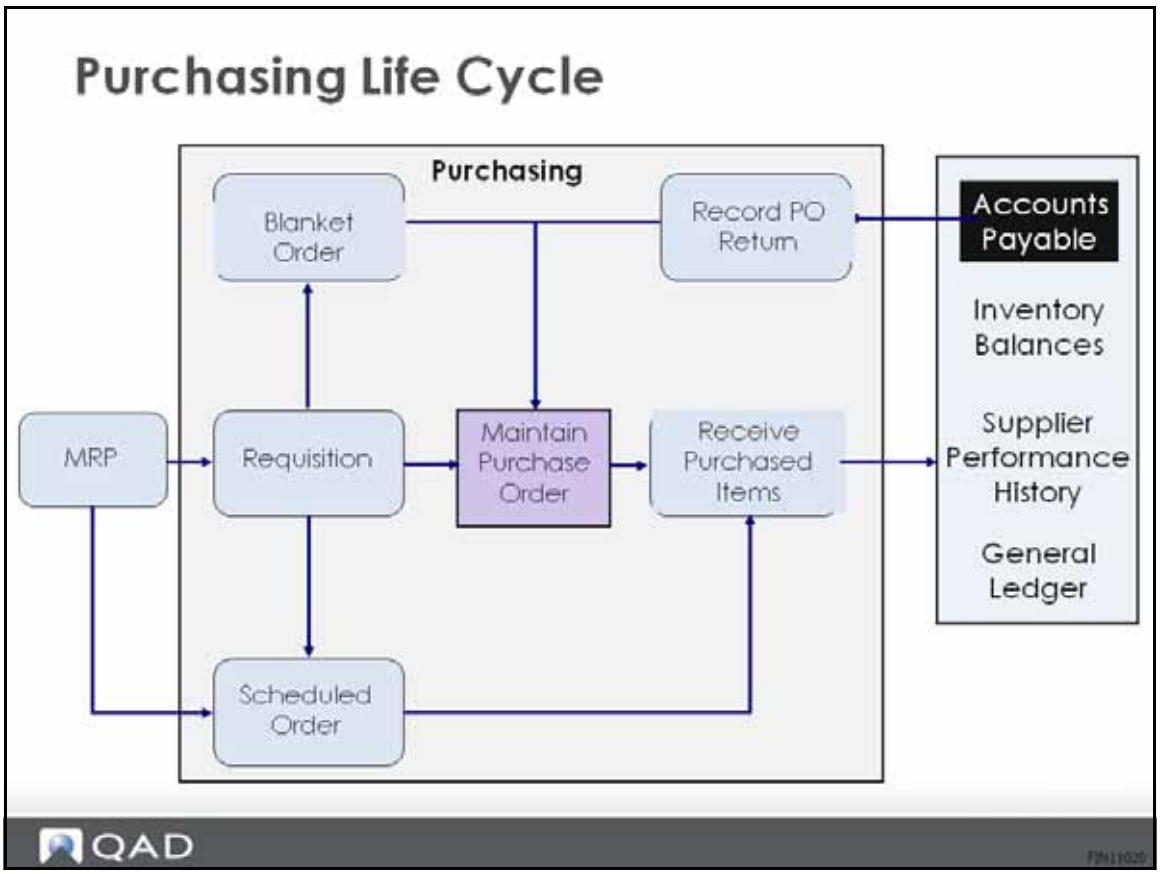
When the requisition reaches the purchasing department, there is usually an approval process. The purchasing agent then enters a purchase order or negotiates a blanket order or scheduled order with the supplier.

- A purchase order is an agreement that confirms the intent to purchase specific items and quantities at a specific price, to be delivered on a specific delivery date.
- A blanket order is like a purchase order, but is not usually associated with a specific delivery date. Instead, a blanket order is an agreement to purchase a certain quantity over time at an agreed-on price. When requirements arise, a delivery quantity is released against the blanket order.
- A scheduled order is another type of order for regular weekly, daily, or even hourly deliveries of the same item, usually over a long period of time.

Often, you print a formal purchase document for the supplier.

Upon delivery, the receiving department records the incoming quantities on a receiver. In addition to updating inventory balances and receiving history, receivers are used for automatic three-way matching in Accounts Payable. During vouchering, the system verifies the invoice cost and quantity against the purchase order and receiver so you can investigate discrepancies before you pay the invoice.

Purchasing Control



Before you get started, there are two control programs you need to initialize. Purchasing Control (5.24) defines how purchasing and receiving functions work. Before you start purchasing or AP processing, check the values for:

Bill-To. Uniquely identifies a name and address record. This address is the normal billing address for your company. It should be set up first using Company Address Maintenance (2.12).

Ship-To. Enter the address to which the supplier is to send the goods. The value you define here is the default ship-to.

Company ship-to addresses are defined in Company Address Maintenance (2.12).

Next Purchase Order. While you may specify the next numbers assigned to purchase orders and receivers, it is faster and easier in most cases to allow the system to assign them.

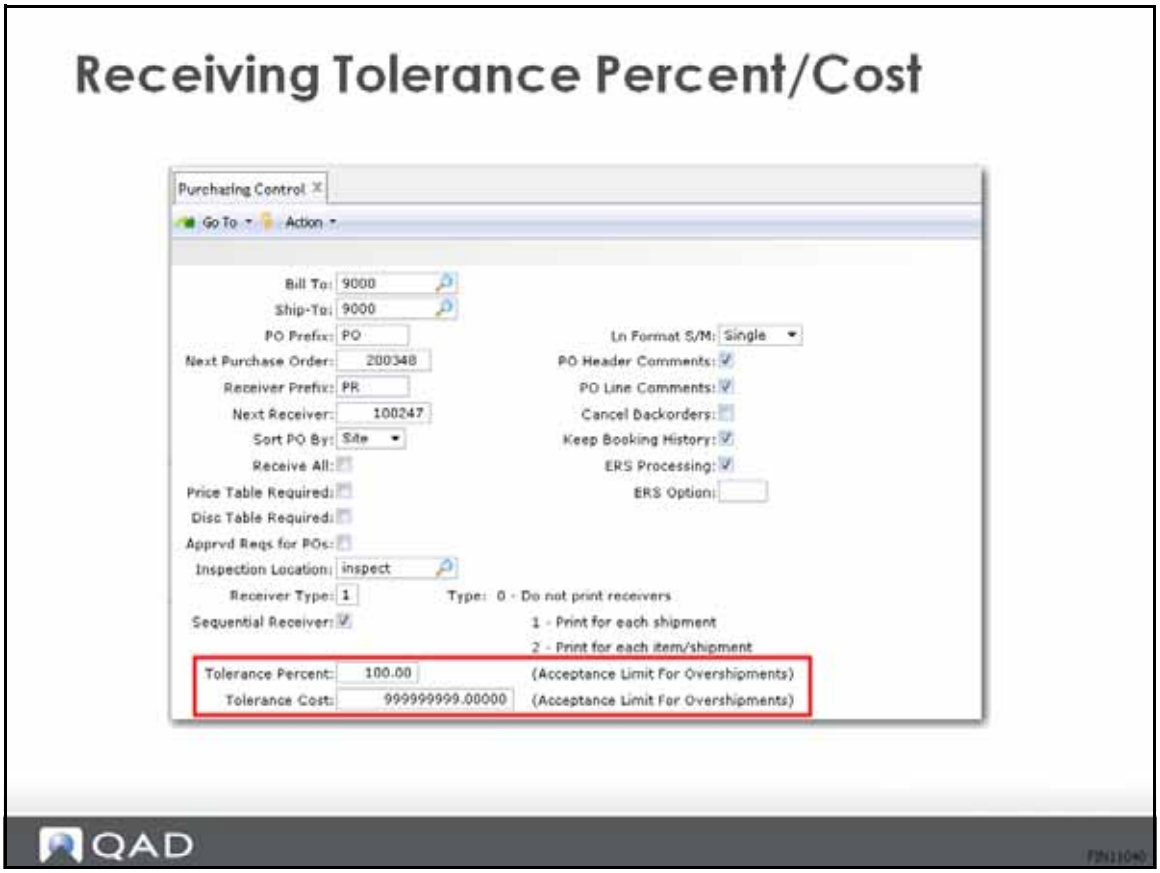
Approved Requisitions for POs. Determines whether line items require an approved requisition prior to entering a purchase order.

Receiver Type. When you receive or return purchases, you record a receiver. When you voucher the supplier invoice in Accounts Payable, you match the invoiced quantities against the received quantities. Each receiver has a unique number.

The receiver type determines whether the system creates one receiver per shipment (type 0 or 1), or one receiver per line item and shipment (type 2). This distinction is important if your AP department processes only one voucher per receiver. One voucher can also reference multiple receivers. If suppliers ever bill you separately by line item, Receiver Type should be 2.

PO Credit Terms Interest Applied/Accrued Accounts. In hyperinflationary environments, suppliers increment item prices based on the inflation rate between the time you order the goods and the time they are shipped. The system posts the estimated inflation gain/loss to these accounts.

Receiving Tolerance Percent/Cost



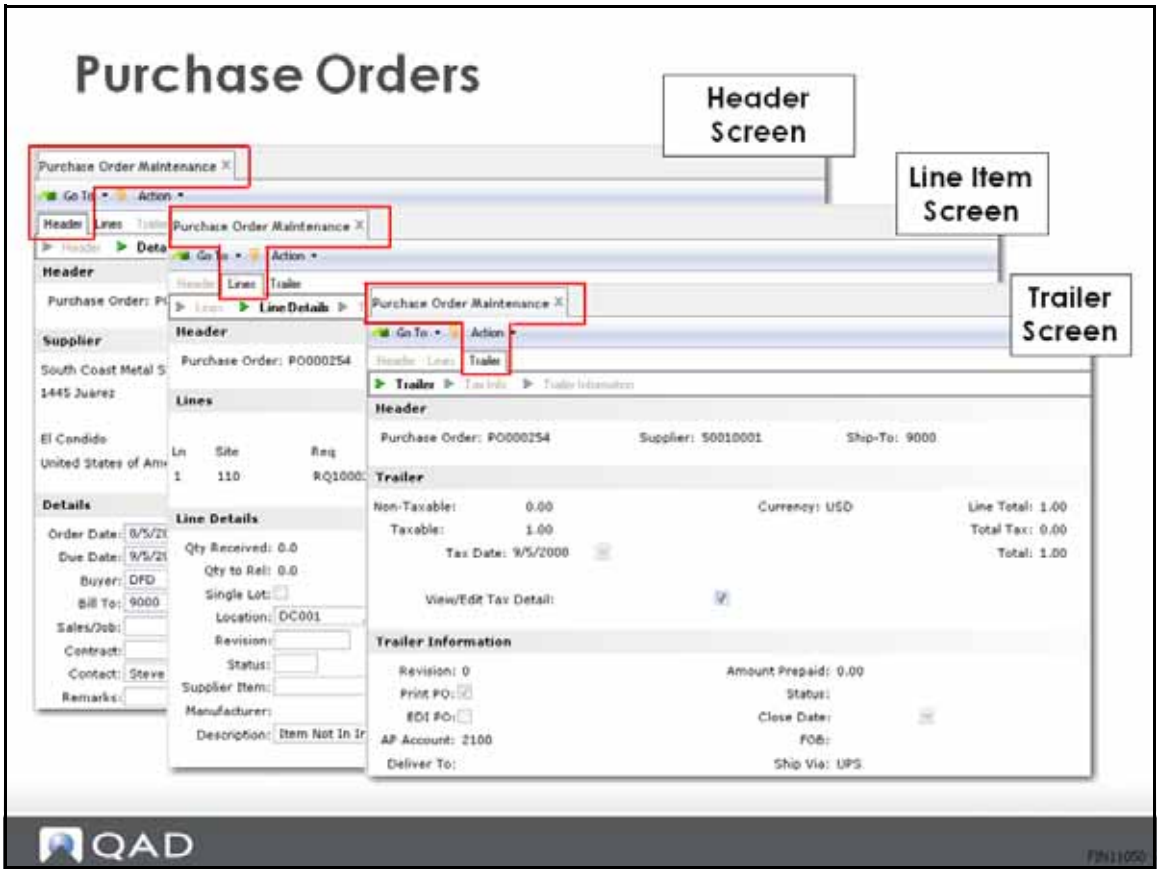
The receiving tolerances control the acceptance of overshipments. Both of these fields are used in conjunction with Purchase Order Receipts to determine if an overshipment is accepted.

For example, you order 100 units of an item having a standard cost of $5 per unit. If your supplier ships you 150 units, should you accept the extra 50 units or not? The cost or value of this overshipment is $250 and the percentage overshipment is 50%. These values are compared to the tolerances you establish in Purchasing Control (5.2.4).

If the overshipment is outside the tolerance range—that is, if it is over the defined cost or percentage allowed—an error displays and the receipt cannot be processed. The only way to receive the additional quantity is by going back and increasing the quantity on the purchase order or by temporarily changing the tolerance.

When determining which tolerances to establish, try to find the value and quantity that prevents overshipments that affect your cash flow and planning, and yet does not require daily attention by management to override the tolerance quantity.

Purchase Orders



In QAD SE, Purchase Order Maintenance (5.7) is composed of three main sections:

- Order header
- Line items
- Trailer

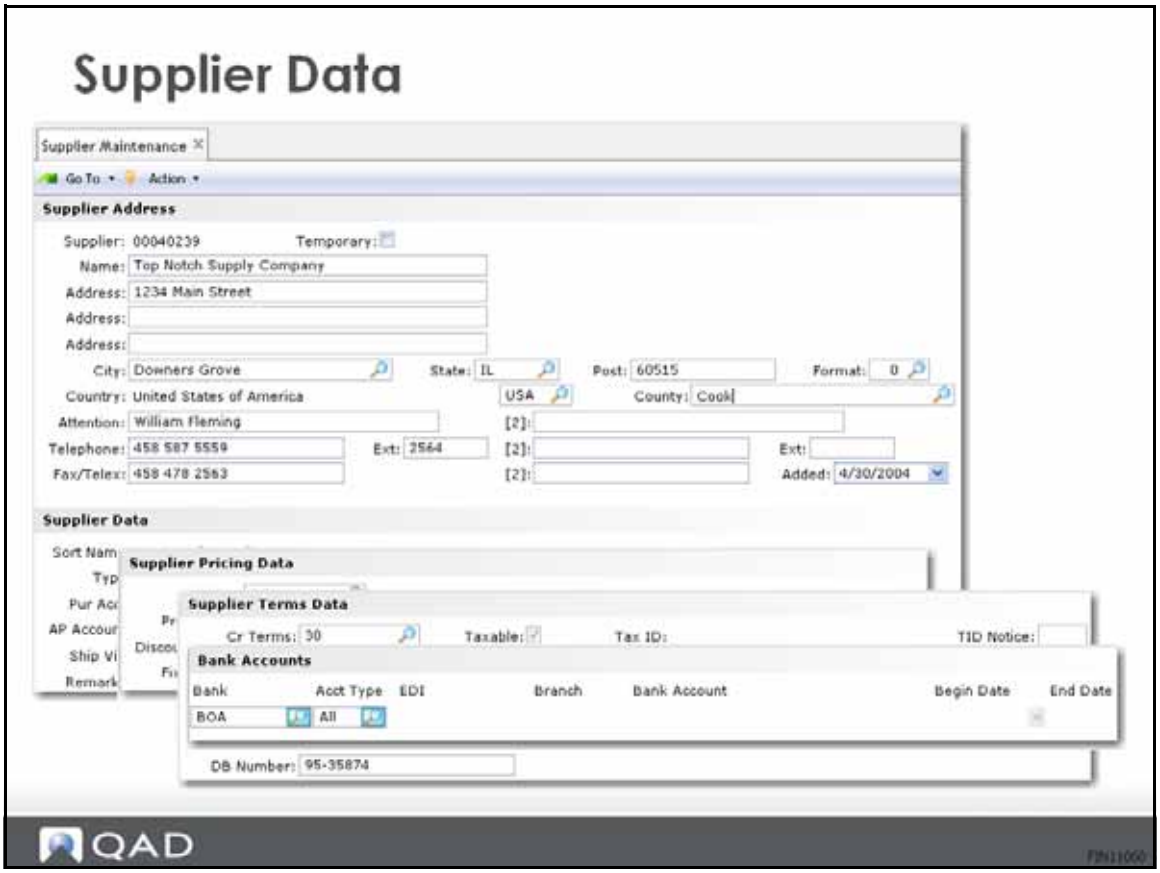
Information that applies to the entire order is contained in the header. Much of this information comes from the supplier record (Supplier Maintenance), but you can change it for individual orders.

Information that applies to individual items on the order is contained in the line item screen. Some of this information defaults from the item record (Item Data Menu), and some of it comes from the order header, but you can change most of it for individual lines.

The trailer lists the total item, freight, and other charges, as well as taxes. Some of the shipping data also appears here.

The purchase order data that affects AP relates pricing and discounts, GL account codes, add-on charges, and taxes.

Supplier Data



When you record a PO, information for the following fields defaults from the supplier record in Supplier Maintenance (2.3.1), but you can change the fields for individual orders.

Buyer. enter the code identifying the buyer responsible for purchases from this supplier. This field is validated against predefined values entered in Generalized Codes Maintenance (36.2.13) for field vd_buyer,

Remarks. Enter brief remarks (up to 40 characters) related to this supplier, usually pertaining to the order or shipping process. The supplier remarks default to formal documents, including purchase orders, blanket orders, receivers, and return documents.

Price Tbl and Disc Tbl. Pricing structure that determines line item list prices, discounts, and markups at different quantity levels used with this supplier. Can be stated in the base currency or any other currency. The item price defaults from any price table specified, if the item code exists in the price table. Otherwise, the item price defaults from the item master.

Currency. Specify the currency in which you normally do business with this supplier.

Language. Specify the native language used at this supplier address.

Credit Terms. Enter the credit terms code for this supplier. Credit terms codes identify specific types of payment terms. They print on formal documents and determine the payment due date and any discount allowed for early payment.

Disc%. Enter the discount percentage normally offered by this supplier, usually in addition to quantity discounts for individual items. The supplier discount percentage defaults to purchase orders, blanket orders, and scheduled orders entered for this supplier. The discount percentage can be changed manually during order entry.

Pur Acct. Enter the general ledger (GL) account code affected by purchase orders and vouchers for non-inventory items purchased from this supplier. This field defaults from Domain/Account Control.

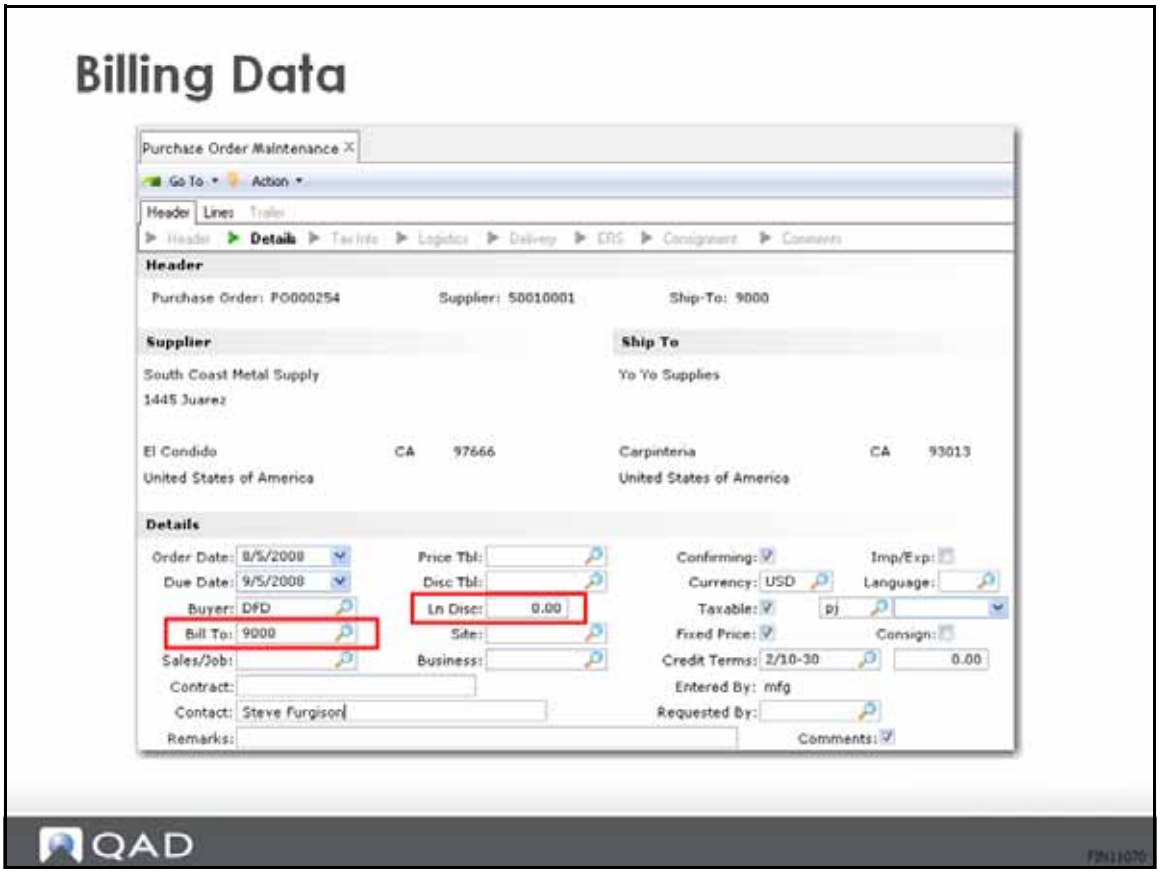
AP Acct. Enter the general ledger (GL) AP account affected by accounts payable (AP) vouchers for this supplier.

Most companies track accounts payable (AP) amounts using one AP account. Enter that account in Domain/Account Control (36.1) and it defaults to all suppliers.

Ship Via. Enter the ship-via code that specifies the preferred carrier for this supplier. The supplier ship-via code defaults to purchase and blanket orders for this supplier. You can change ship via manually during order entry, if necessary.

Supplier Banks. The bank the supplier uses to receive payments from your company. You can record an unlimited number of banks for each supplier. For each bank, you can also specify a separate account for electronic funds transfers and printed checks.

Billing Data



The supplier uses the following data in billing your company.

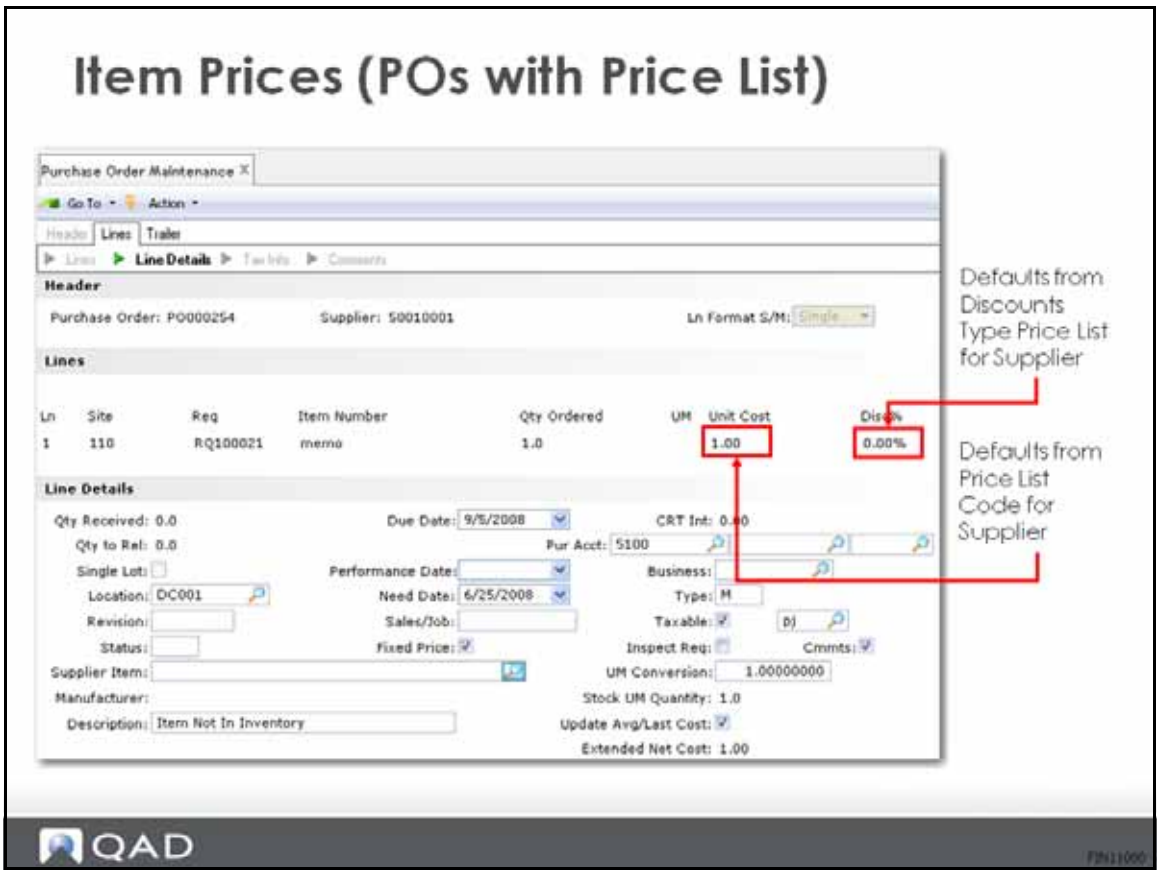
Bill-To. The address to which your supplier sends the invoice. This value defaults from Purchasing Control.

Credit Terms. Enter the credit terms code that applies to this order. Credit terms default from the supplier address.

Credit terms are used to calculate the due date and any discount dates for early payment. You To set up a new credit terms code, use Credit Terms Maintenance (2.19.1).

Line Discount. Enter the discount percentage for this order. This percentage represents the discount normally offered by this supplier, usually in addition to quantity discounts on individual items. Line discount defaults from the supplier address, if specified in Supplier Maintenance (2.3.1).

Item Prices



On purchase orders, item pricing depends on a number of factors, such as the order currency, effective date, and the item quantity. Pricing also depends on if you specify a price list on the order and on the type of price list specified.

Price Lists

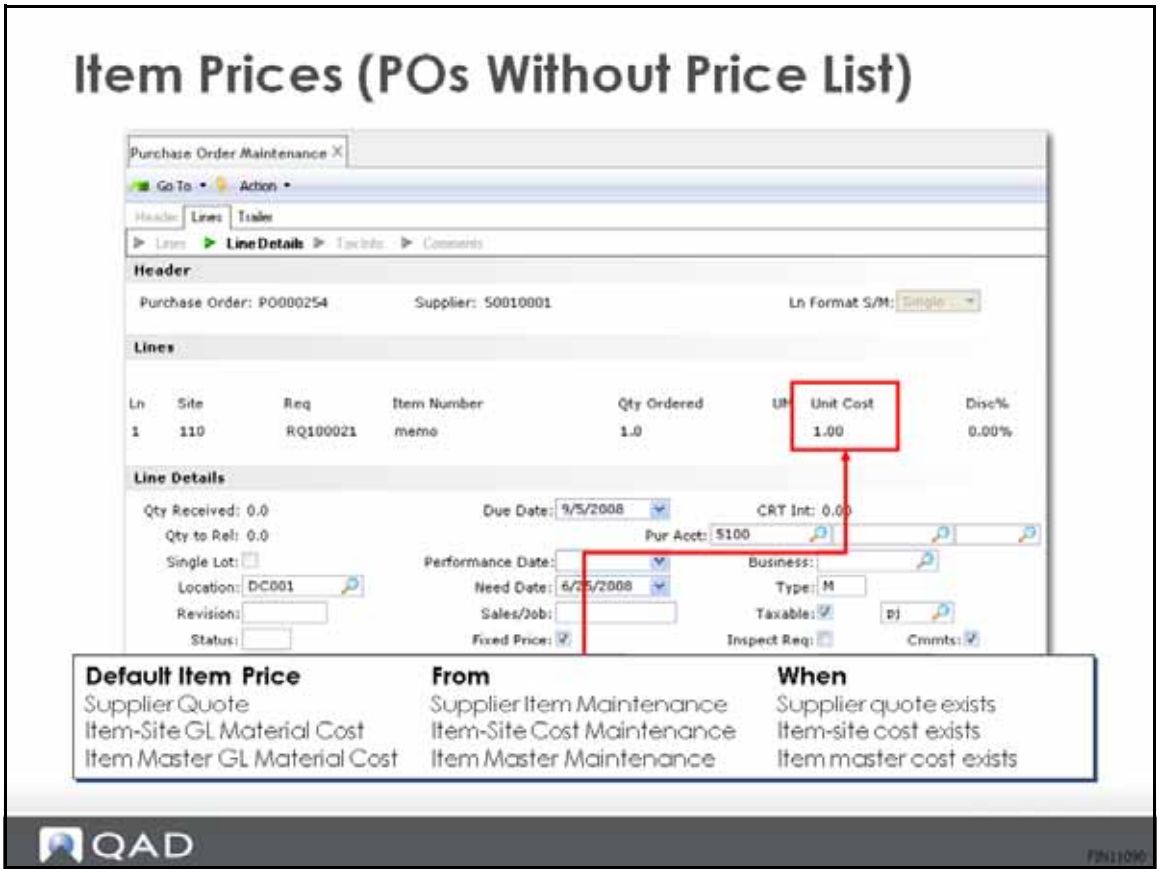
A price list defaults to new orders if it is part of the supplier record in Supplier Maintenance (2.3.1).

A list type price list determines default line item prices. A discount type price list determines whether each line item is subject to discounts, such as quantity breaks and markups. Both types of price lists are set up using Price List Maintenance (1.10.1.1). You can view the price lists set up in the database by doing a look-up browse.

Using list type price lists, you can specify maximum and minimum prices for each inventory item, and phase in price changes by entering effectivity dates. Discount type price lists can control pricing issues such as the discount portion of line item pricing, whether the item price is based on a price list or on the item master.

Price lists can use the company base currency or any other currency. The system recalculates prices based on price lists only when the line item is added, not when it is changed.

Pricing on POs Without a Price List

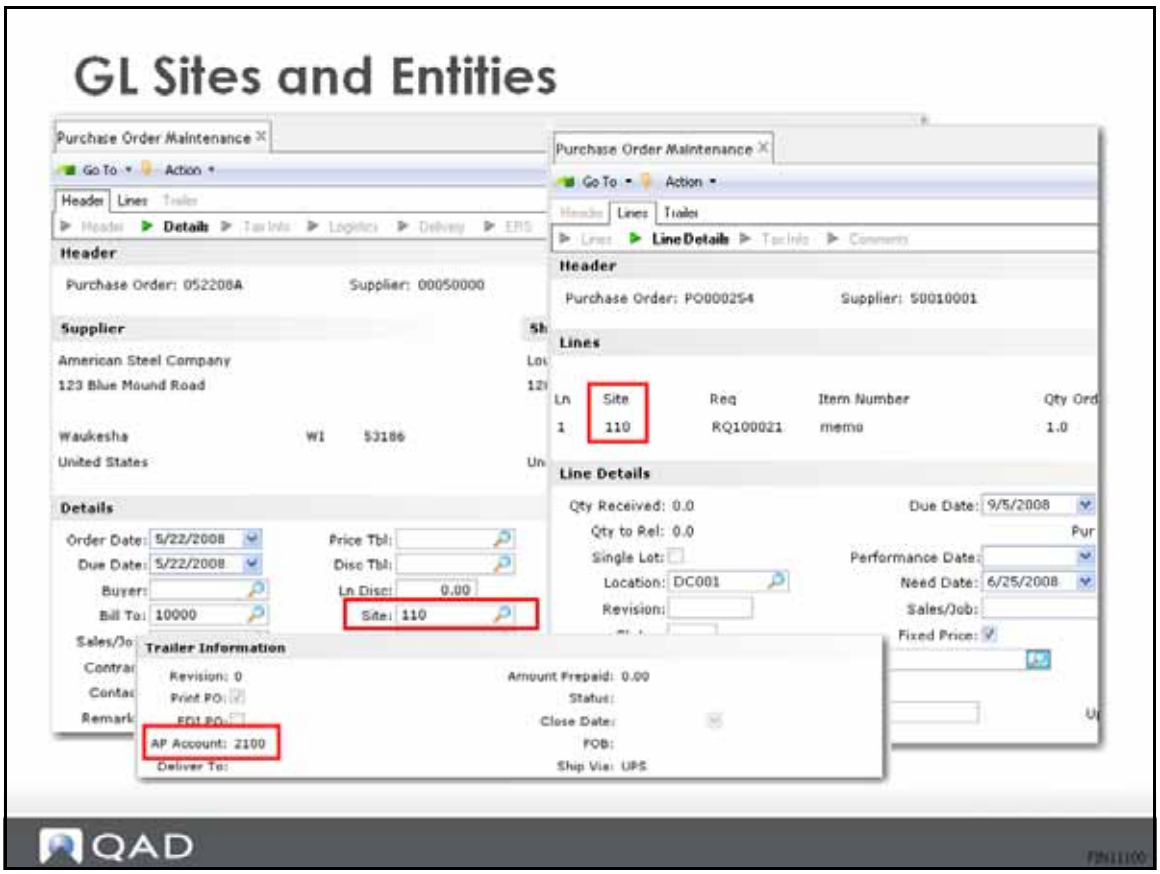


On orders without a price list, QAD SE checks several records to arrive at an item price.

The system first checks to see if a quote has been recorded for the item, supplier, order quantity, and unit of measure. If none exists, the system determines the unit cost of an item to be one of the following:

- Supplier item price, if one exists
- Item master general ledger (GL) cost, if one exists
- Requisition cost

GL Sites and Entities



In QAD SE, each purchase order is associated with a site (for example, inventory receiving site or warehouse) for inventory reporting. In turn, each site is assigned to an entity for financial and tax reporting.

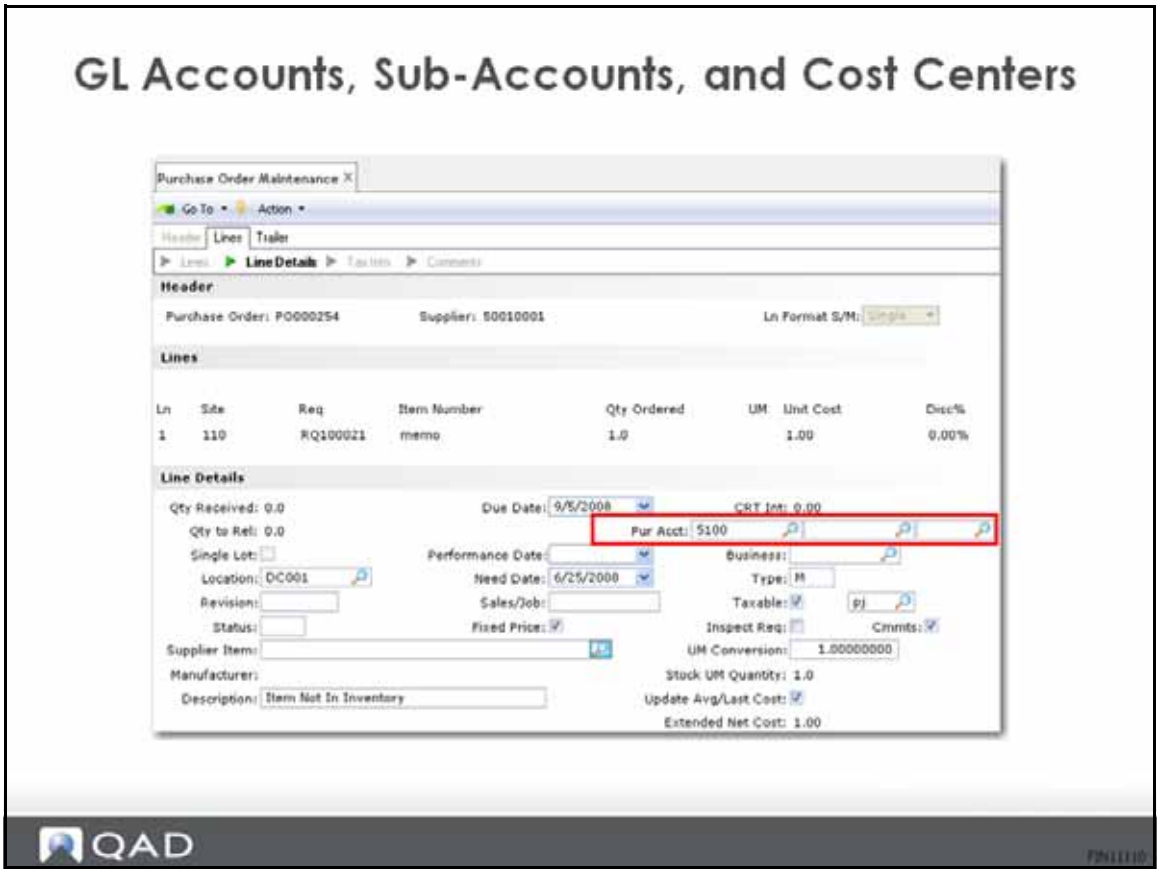
GL transactions for sites are posted to the entity for the site. During AP vouchering, GL transactions for AP and taxes are posted to the site (entity) identified in the PO header. If you do not enter a site in the header, you must manually enter a site for each line item, and AP and taxes are posted to the default entity specified in Domain/Account Control (36.1).

However, individual line items can be shipped to multiple sites that may or may not be assigned to the same entity as the header site. Therefore, PO receipts are posted to the entity for the line item site.

Whenever line items are shipped to sites assigned to different entities, QAD SE creates intercompany transactions. If a PO header site is specified, intercompany transactions are created during PO receipt for the inventory intercompany account. If a PO header site is not specified, intercompany transactions are created during AP vouchering for the AP intercompany account.

If your company requires all AP reporting to be done by the same entity, make sure that purchase orders reference only sites linked to the same entity.

GL Accounts, Sub-Accounts, and Cost Centers



In addition to being identified by entity and site, purchasing and AP transactions are always posted to specific GL accounts. Based on how your company sets up its database, the system can post transactions to sub-accounts and cost centers. Generally, accounts are used for entity or company-level reporting, sub-accounts are used for divisional reporting, and cost centers are used for departmental reporting. In an account field, you can usually designate a sub-account and cost center, although these two fields are not always labeled on the screen.

Purchase orders do not create GL entries until PO receipt, but the receipt and subsequent vouchering use accounts maintained in the purchase order for memo items or the product line for most inventory items.

Pur Acct. Usage and origin varies depending on the kind of PO line item.

Non-inventory (memo) items: Used as a debit account in PO Receipts. PO receipts debit the Pur Acct and credit Expensed Item Receipts. The account defaults from the requisition if one exists, or the supplier record if it does not.

Inventory items (PO type = blank): Not used. In Purchase Order Receipts (5.13.1), the debit account is the inventory account for the item's product line.

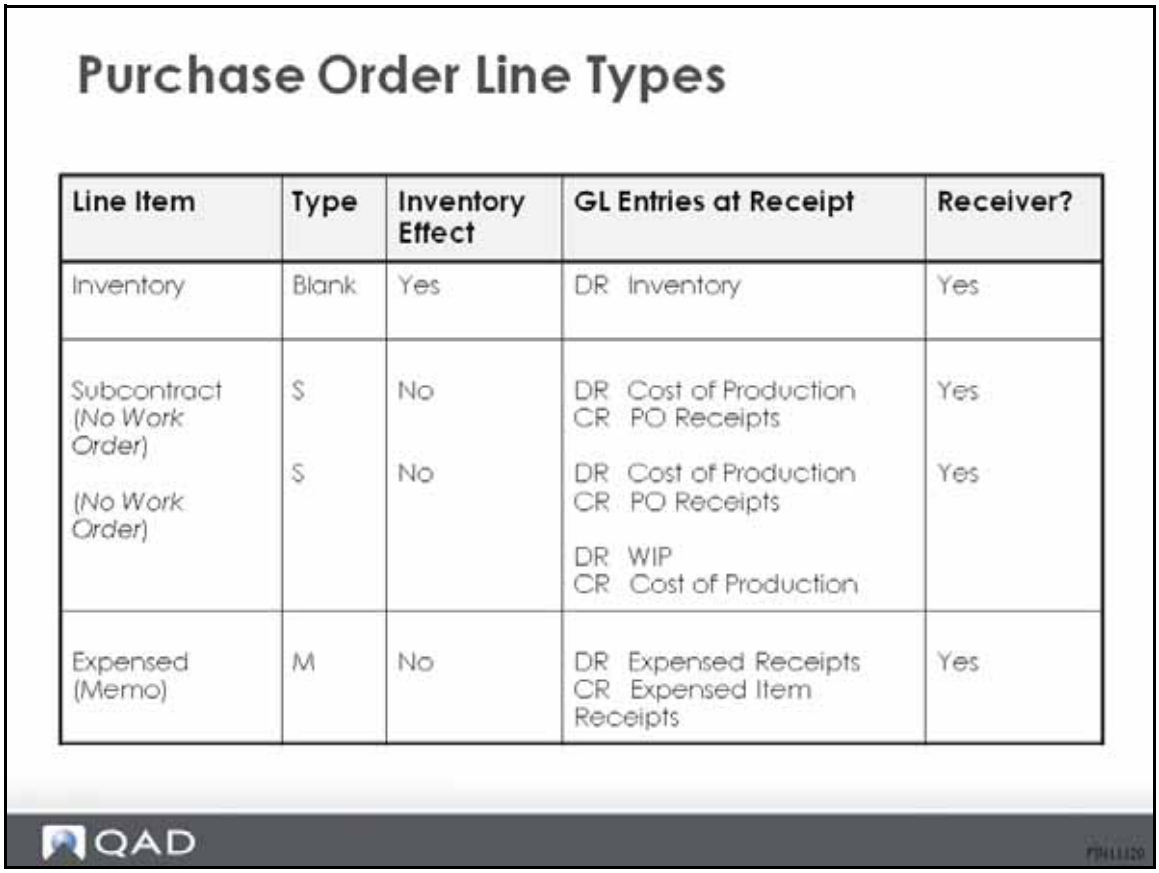
Inventory items (PO type = memo): Used as the debit account in Purchase Order Receipts (5.13.1). If an inventory item is purchased as a memo item, the Pur Acct defaults from the product line Purchases account.

AP Acct. Defaults from Supplier Maintenance (2.3.1). Appears on the purchase order, but the system does not create GL entries for this account until the PO is vouchered in Accounts Payable.

Project. Optional, you can use it to track orders or individual line items purchased to support specific company activities. The project in the order header displays as the default for line items, but can be changed for individual lines. If a PO is associated with a project, any GL transactions created for the order also reference the project code. Project codes are set up in Project Code Maintenance (25.3.11).

The exact GL entries created vary by PO line item type—inventory items, subcontract items, or expensed (memo).

Purchase Order Line Types



Purchase order line items are categorized by type. When a purchase order is entered, the correct type code must be entered on each line. The type determines whether the receipt affects inventory and which GL transactions are created.

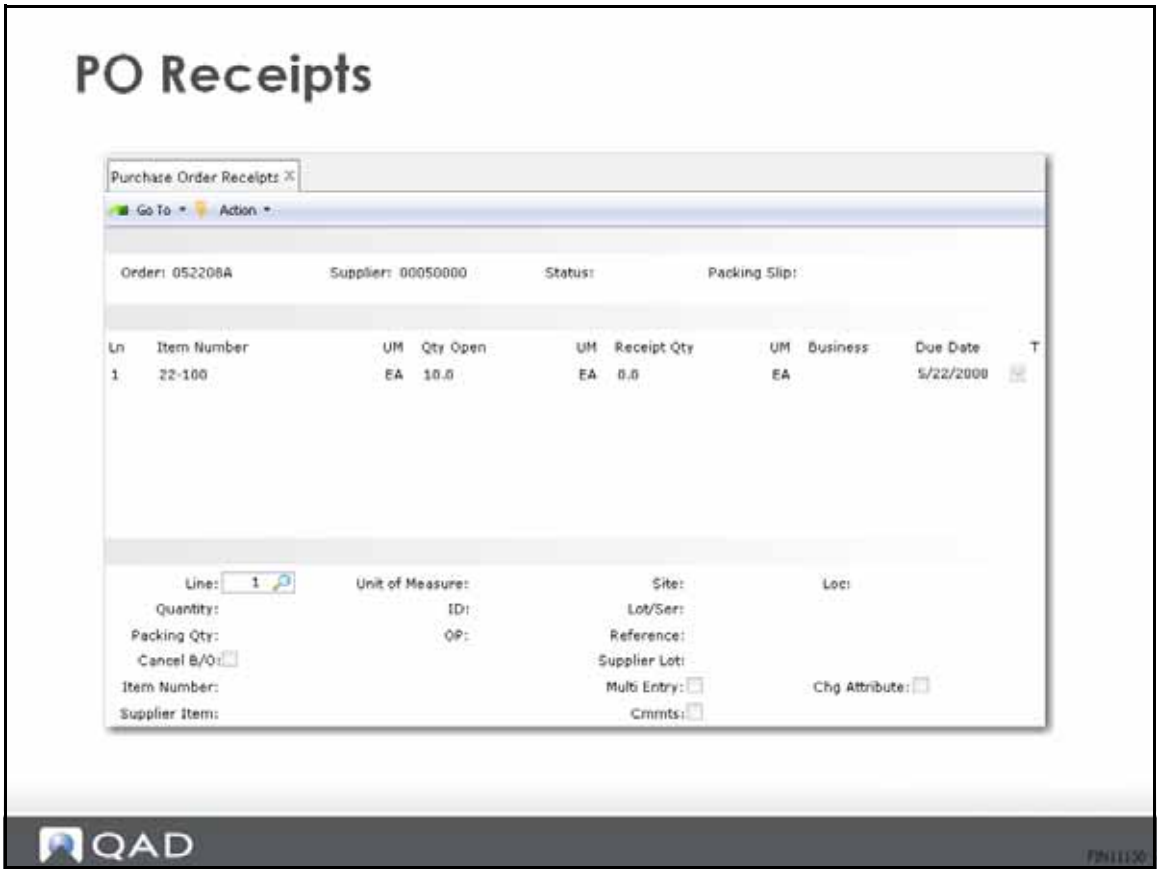
The normal type of purchase order is an inventory purchase. On these, Type is left blank. When the items are received, they are put into inventory and a purchase accrual is posted. Both the purchase accrual (PO receipts) and inventory accounts come from the product line of the purchased item.

Sometimes, you enter a subcontract PO to purchase outside assistance for manufacturing. Specific work order operations can also be subcontracted out to a supplier. On subcontract lines, reset the type to Subcontract. When the processed items are received for a work order, they do not go into inventory; instead, they go into work in process at the next operation. The WIP account defaults from the work order.

When you enter PO lines for non-inventory items (expenses and assets), the system automatically flags these as type Memo. These lines do not affect inventory. The expensed purchases account on the PO line item is the default debit account, but you can change it to another expense or asset account.

Ensure that regular inventory purchases are entered correctly. If a type code is accidentally entered on an inventory purchase, the PO does not update inventory or create the right GL accrual entry.

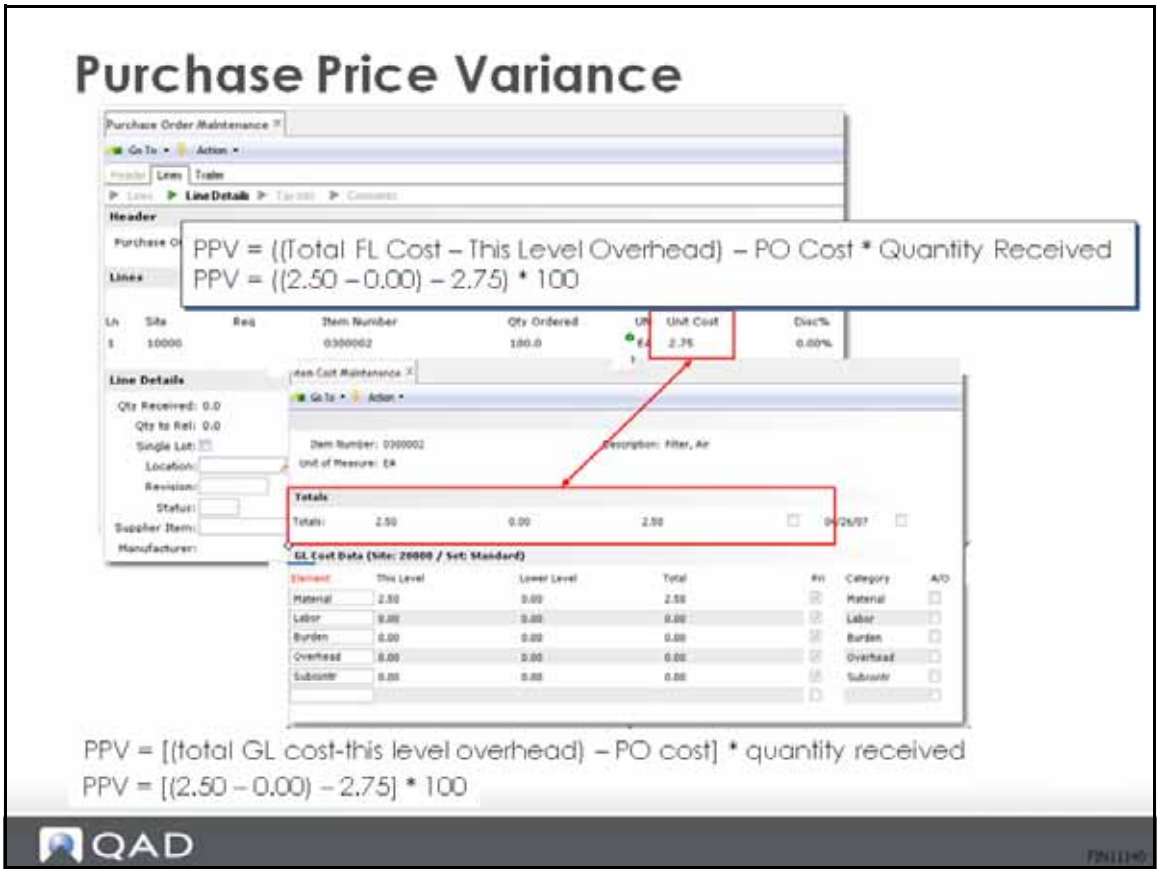
PO Receipts



The last step in the purchasing life cycle occurs when you receive the purchased items at your location. At that time, a purchase order receipt is recorded in Purchase Order Receipts (5.13.1) and, optionally, printed. When a receipt is recorded, several things happen:

1. Before a receipt is accepted, the receipt quantity is checked against over-shipment tolerances and rejected if the receipt quantity or cost exceeds tolerance. The over-shipment tolerance percentage and cost are specified in Purchasing Control.
2. Receipts automatically update inventory (or WIP) and create the appropriate GL transactions based on the PO line item type (inventory, subcontract, memo).
3. Receivers are automatically created to record the quantity received and purchase cost. You can print and manually route these to Accounts Payable for matching.
4. If the line item is completely received, or the backorder is canceled, the line item status is changed to Closed or X (canceled). This step prevents further receipts against this line item. Open lines have a status of blank.
5. When all of the line items are closed or canceled, the purchase order is marked as Closed.

Purchase Price Variance



At PO receipt, a variance is calculated that is later reflected in AP reporting: purchase price variance (PPV).

PPV is calculated when the item's PO cost does not match its standard cost (GL unit cost) in the item master. The formula for PPV is:

PPV = [(Total GL Cost – This-Level Overhead) – PO Cost] x Qty Received

In the example in the slide, you purchase 100 units of an item whose PO unit cost is $2.75. The item's total GL cost is only $2.50. We assume there is no overhead.

At PO receipt, the system debits Inventory for the item's GL cost minus overhead and credits PO Receipts for the item's PO cost. Since the two costs are different, QAD SE creates a balancing entry for the PPV account.

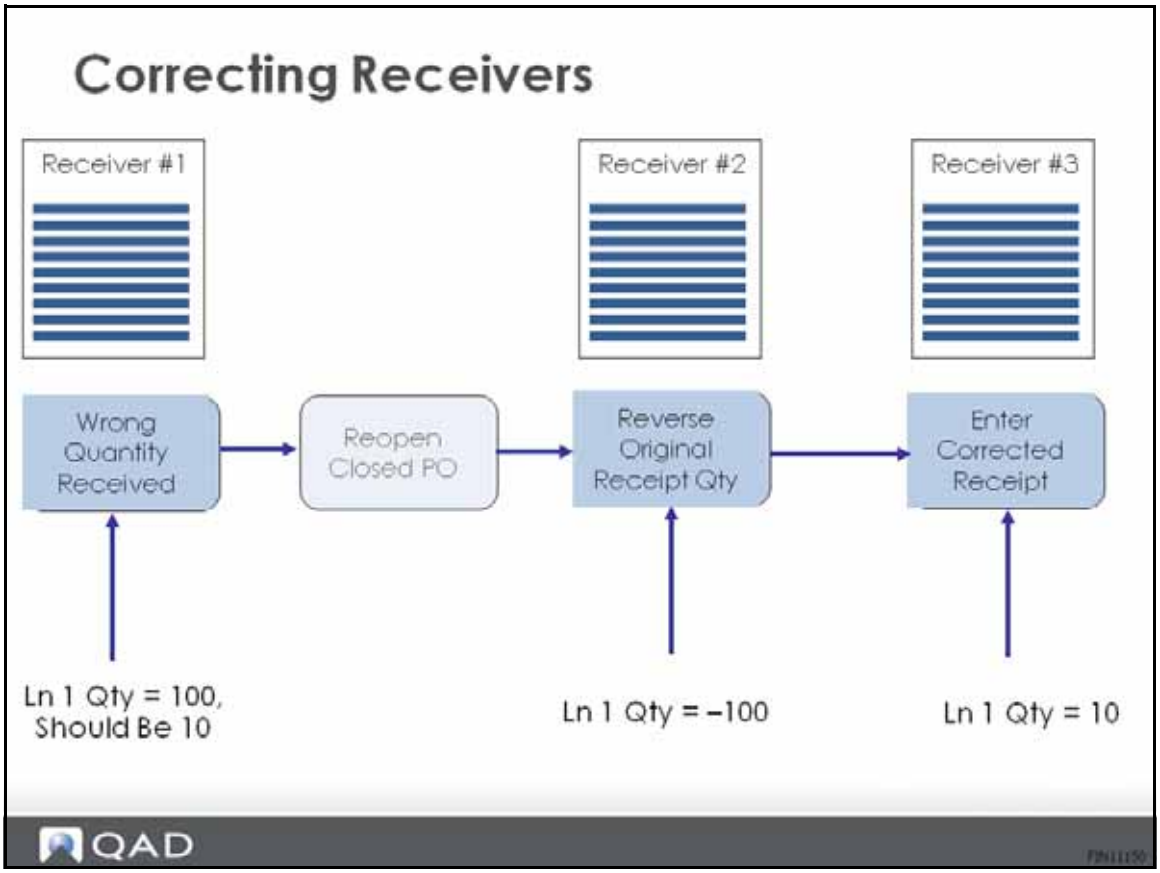
So, in the example, the GL entries are:

DR	*Inventory $275 (Qty Received of 100 x $2.75)*
CR	*PO Receipts $275*
DR	*PPV $25*

Another example of calculating a PPV is when a supplier assesses tax on a normally non-taxable item. For that PO receipt, excess tax is posted to PPV.

Note The Purchase Receipts report shows PPVs (PO-Std Var column).

Correcting Receivers



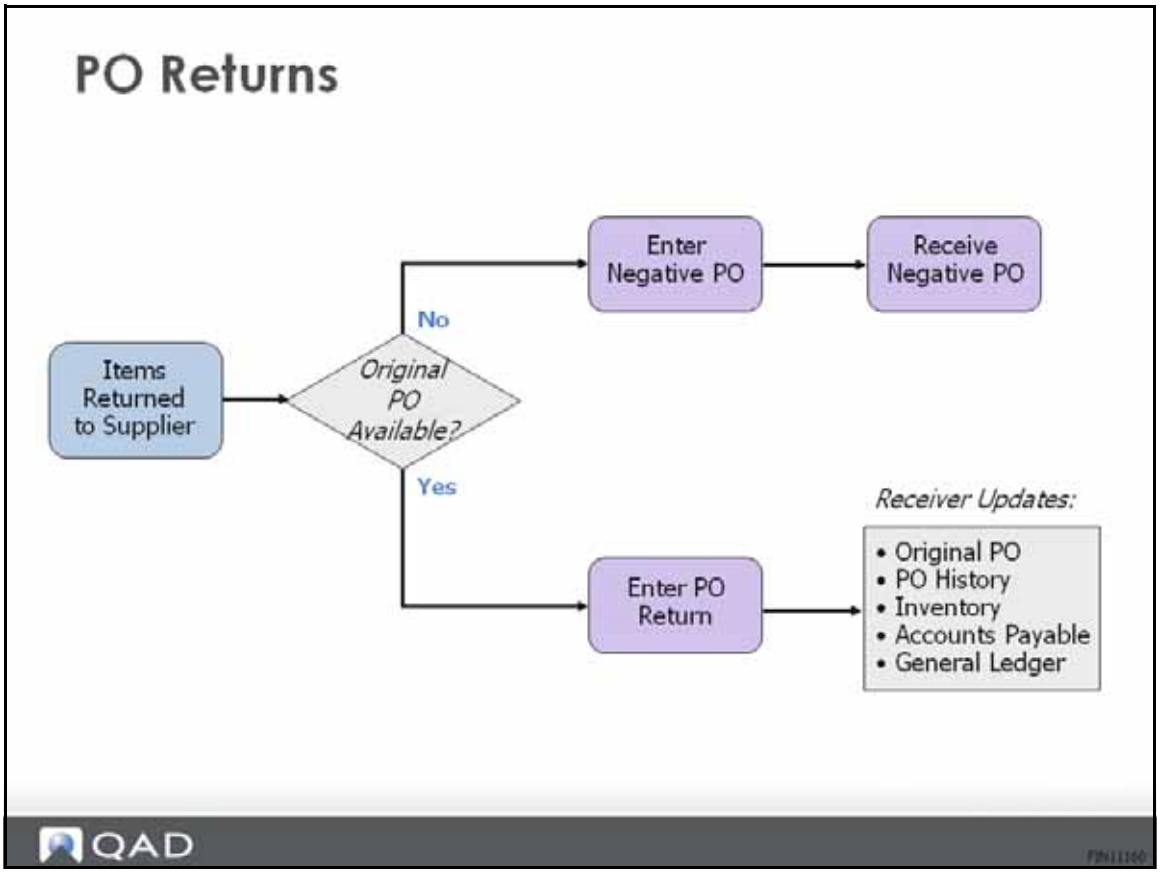
Since you cannot modify a receiver directly, note the following methods for adjusting receiver quantities and currency amounts.

For example, on a PO line item for a quantity of 100, you might receive a partial shipment of 10. If you accidentally entered the receipt quantity as 100 instead of 10, you could adjust inventory directly. However, that would not create a receiver in accounting or adjust the PO. To correct this, most companies enter one receiver line for –100 to reverse out the incorrect quantity, then enter a new receiver for the correct quantity, 10. This step updates purchasing history and corrects the accrual amount. It also updates the PO, increasing the quantity open by 90.

When the receiver has been corrected and a new receiver entered, you can delete the incorrect receivers using Uninvoiced Receipt Delete/Archive (28.22). (If you need an audit trail, however, you can preserve and voucher all three receivers.

Note If the order has been closed or canceled, you must reopen it in Purchase Order Maintenance (5.7) before you can process the correction.

PO Returns



A return is different than a correction. Usually, returns involve defective merchandise and you want to handle these separately. Returns to suppliers are processed in Purchase Order Returns (5.13.7). The purchase order does not have to be open for a return to be processed. The return transaction reverses the inventory and GL effects of the receipt, if any.

Returns create receivers for matching in Accounts Payable, just as negative receipts do. This process ensures that you do not pay for items that you sent back if the original receivers were already vouchered. You can track these negative receipts by reviewing the Purchase Receipt report (5.13.5) with Non-Vouchered Only set to Yes.

You can only process a return to a supplier against a valid purchase order. If the purchase order has been deleted, you cannot process the return against it. Instead, enter a new purchase order with negative order quantities and receive these negative quantities. Ensure that costs are entered correctly because they are passed on to Accounts Payable.

Whenever returns involve defective items that will be replaced, the Return for Replacement option should be set to Yes. QAD SE automatically adds a new line for the returned quantity to update the original PO; this process ensures that the quantity on the order, MRP, and transaction history are updated. When you voucher the supplier invoice in AP, the returned quantity appears in the receiver window as a negative quantity offset against the original.

Exercise 11: Purchase Orders, Receipts and Returns

Enter Purchase Orders

In this exercise, you enter a purchase order to see how GL account codes and types are used. In the following activities, you will receive and voucher this PO.

Purchase Order Maintenance

1 In Purchase Order Maintenance (5.7), enter a purchase order (press Next for the next PO number). Use supplier 500. Accept the defaults for the rest of the header screen, and press Next until you reach the line item entry screen.

Line:	1
Site:	Train
Req:	blank
Item Number:	12-4020
Quantity:	200
Unit Cost:	5.00
Update Avg/Last Cost:	No

When you enter each line item, you see a warning message on requisition approval codes. This is a security feature to alert you that no approved requisition was referenced for the item. In this exercise, you can ignore the message; note that you can set the Apprvd Reqs for POs field in Sales Order Control (7.1.24) to Yes to prevent the system from accepting an unapproved PO line.

Line:	2
Site:	Train
Req:	blank
Item Number:	12-4100
Quantity:	100
Unit Cost:	2.30
Update Avg/Last Cost:	Yes

Notice that the unit cost on each line item defaulted to the standard cost. On the second line item, you did not change this cost, and on the first you changed it. (The cost you entered on the first line item was much higher than the standard cost. Remember this later when you review purchase price variance calculations.)

2 After entering both line items, click End Lines, then Trailer. The trailer screen displays the order total.

Purchase Order Maintenance

3 In Purchase Order Maintenance (5.7), enter another purchase order (press Next for the next number). Use the miscellaneous supplier 99999999. Accept the defaults for the rest of the header screen. Press Next until you reach the line item entry screen.

4 Enter the following line items:

Line:	1
Site:	Train
Item Number:	paper
Qt:	100
UM:	EA
Unit Cost:	5.00

Since this item is not in the item master, the system displays a default description, Item Not In Inventory, which you can override. In QAD Enterprise Applications, non-inventory items are assigned an item type of Memo.

Purchase Order Print

5 In Purchase Order Print (5.10), print a formal copy of both of your purchase orders; they will be used later.

Purchase Order Commitment Report

Another useful report is the Purchase Order Commitment report (5.9.4). This report shows you all outstanding purchase orders and your projected cash requirements.

6 Print this report for all suppliers, setting Memo Items to Yes.

Purchase Order Receipts and Returns

In this exercise, you will receive the purchase orders you created in the previous exercise. You will also process a return for some of the items.

Purchase Order Receipts

1 In Purchase Order Receipts (5.13.1), process a receipt for the first purchase order.

2 Leave the receiver number blank and the system will assign one later.

3 Set Receive All to No. Receive all 200 units of item 12-4020, but receive only 90 of item 12-4100. Do not cancel the backorder.

Purchase Receipt Document Print

4 In Purchase Receipt Document Print (5.13.2), print the receiving documents for the PO. Keep these to refer to later.

Purchase Order Returns

Some of the units you received are defective.

5 In Purchase Order Returns (5.13.7), process a return for 5 units of item 12-4100. Ship-From Site Train. Set Comments to Yes. When you press Next, you see a screen in which you can record in detail why the goods were returned. You can print this detail later on the return document.

Purchase Order Receipts

6 In Purchase Order Receipts (5.13.1), process a receipt for the second purchase order. Receive 100 units of paper. You do not have to print a receiver for this PO.

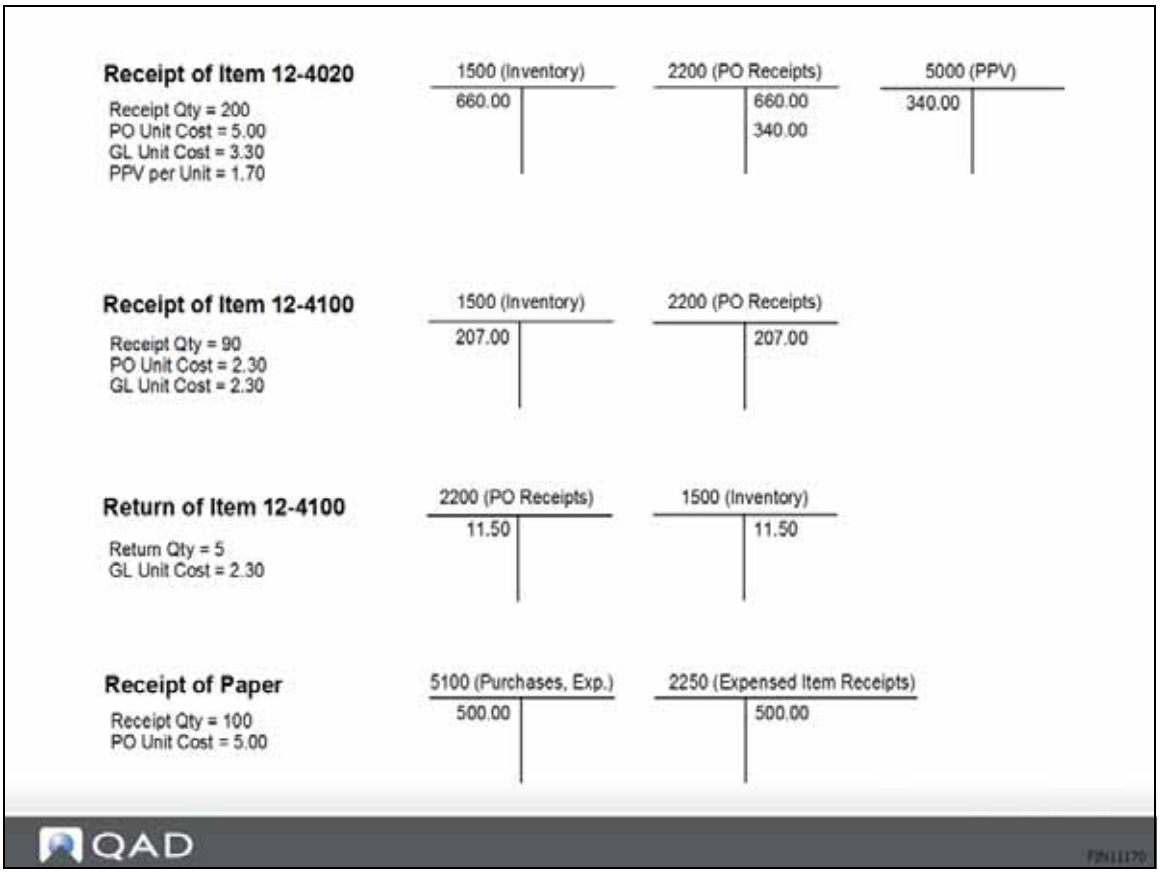
Unposted Transaction Register

7 In Unposted Transaction Register (25.13.14), print out the GL unposted transaction report and review the journal entries that were created. (Include only IC-type transactions with an effective date of today.)

What amounts were posted to inventory? Accrued purchases? Purchase price variance? What GL transaction was created by the receipt of the second purchase order?

The following page shows the transactions created by the receipts and the return.

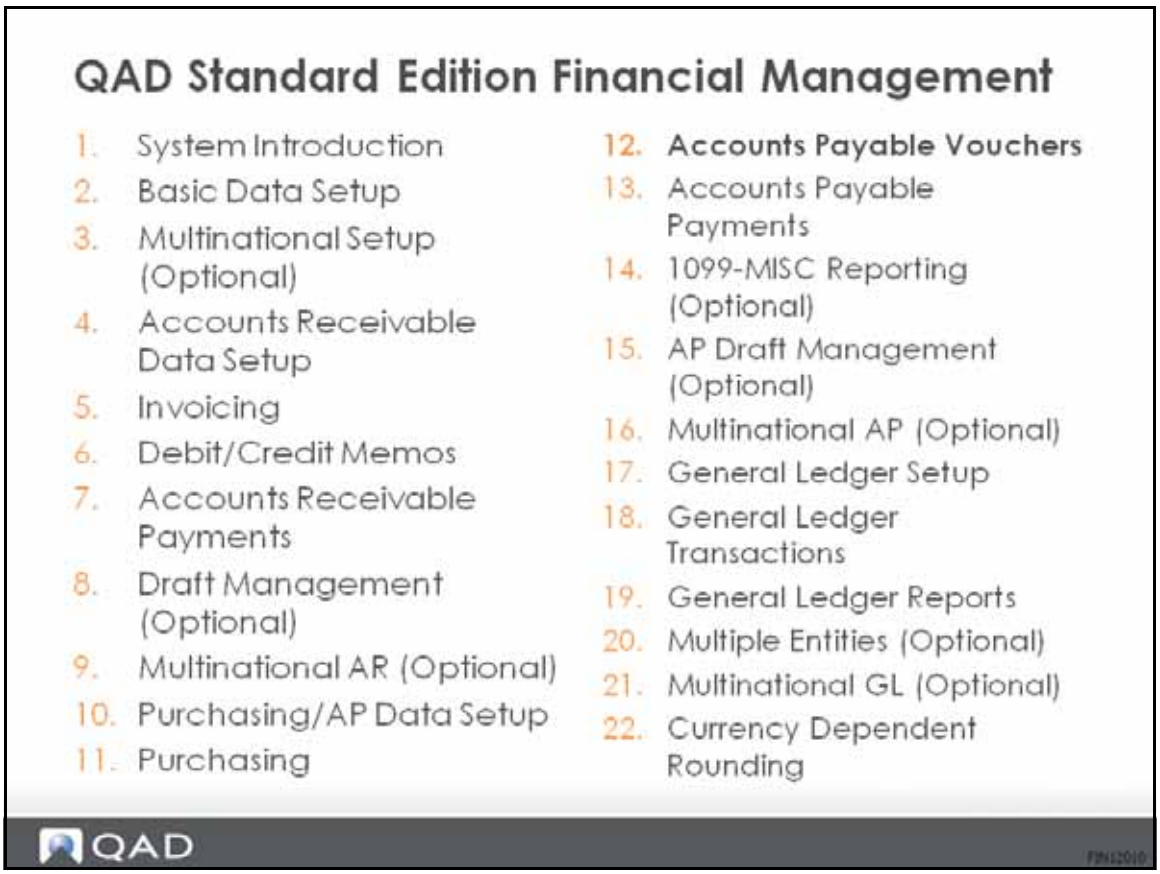
Analysis of Exercise 11.2 Transactions



Chapter 12

Accounts Payable Vouchers

Overview

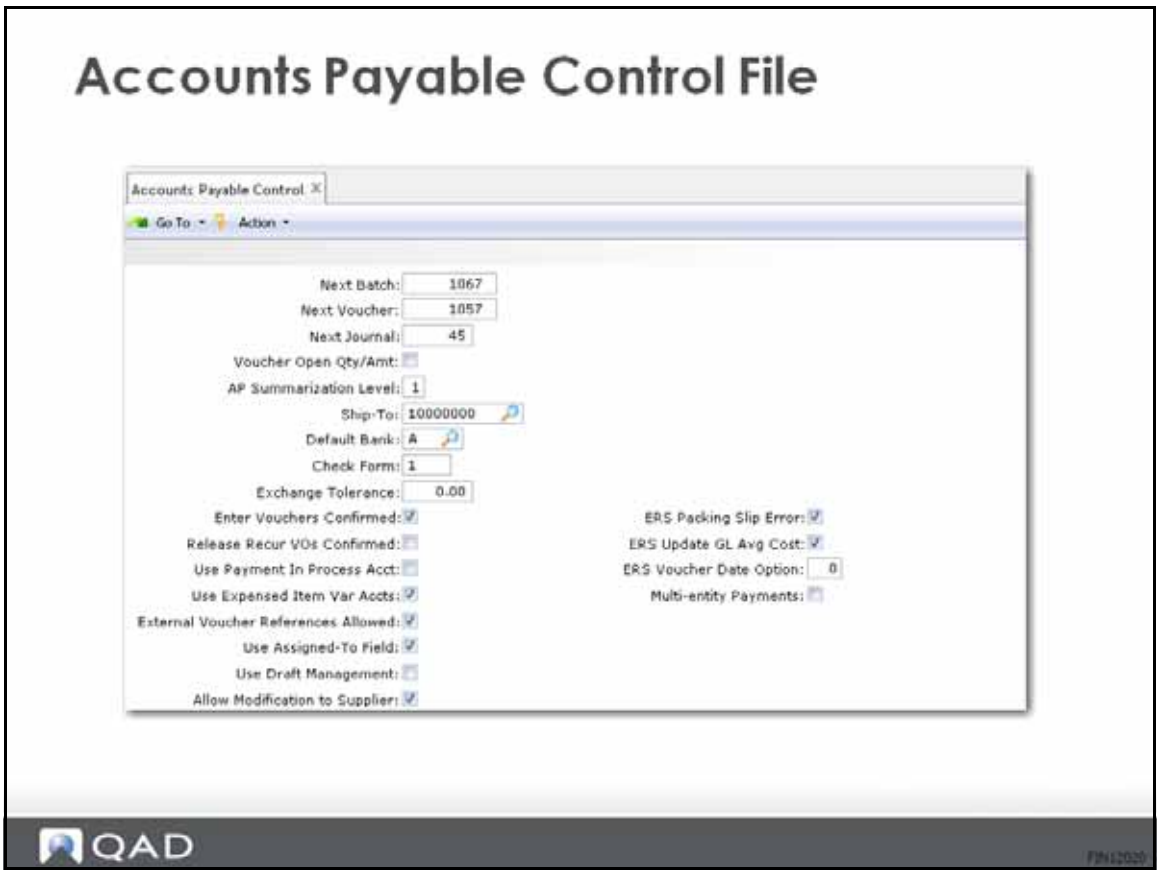


This chapter describes how invoices for purchased items are recorded on AP vouchers.

Vouchers are documents that control approval to pay cash to a supplier. Vouchers convey this authority and record all relevant data about the liability and details of its payment.

Vouchering ensures that invoiced amounts are reviewed and authorized before they are paid. On inventory items, vouchers also detects discrepancies between an item's invoiced cost and the PO cost, and between the item's invoiced and received quantities.

Accounts Payable Control



Accounts Payable Control (28.24) provides default information for AP voucher and check processing functions. The control program should be initialized before you begin to use AP functions. In most instances, you can override the control program values during transaction entry.

Next Batch. Each group of vouchers and payments created at the same time is automatically assigned a batch number. You can use the batch number to select groups of transactions to appear on reports. You do not have to know the batch number to modify a transaction—you can simply leave the batch number blank.

Next Voucher. The next voucher reference number. Accounts Payable vouchers and recurring vouchers are identified by a voucher Reference number. This number helps select specific information for reporting and update functions. If Reference is left blank, the system assigns the next number; it also increments the Next Voucher number in Accounts Payable Control.

Next Journal. The next number to use when a general ledger journal transaction is created by the system.

All Accounts Payable functions create general ledger journal transactions with a journal reference beginning AP, then the date in year/month/day format, and a six-digit sequential number. This number is defined here and incremented automatically by the system.

Voucher Open; Qty/Amt Voucher Open Qty/Amt. Can be used to speed up voucher entry if your suppliers normally consolidate PO receipts on one invoice. If Yes, when you voucher a PO, the system automatically sets the invoice quantity to the receipt quantity and marks all

receiver lines as vouchered. If your suppliers normally invoice separately by shipment, set this to No. Otherwise, if someone overlooks a discrepancy between the invoice and receipt quantities and processes the voucher, all receivers are marked as closed and a large variance is booked.

AP Summarization. Determines the level of detailed information for AP transactions.

Level 1 created detailed transactions by entity, account, sub-account, cost center, and project, with one distribution line for each AP transaction.

Level 2 creates AP transactions summarized by batch, account, sub-account, cost center, and project.

Level 3 creates detailed individual AP transactions with separate GL references for each document.

Ship-To. The normal company ship-to address. This code must be predefined in Company Address Maintenance (2.12).

This code only operates when a voucher is entered that does not reference a purchase order number. The default ship-to address code displays on the Voucher Maintenance (28.1) screen and can be changed by the operator. (If a purchase order is referenced, the ship-to address code from the purchase order displays.)

Default Bank. Specify the default bank code for all new supplier records in Supplier Maintenance.

Check Form. Specify the default check form for processing automatic checks. Printed checks use form 1 or 2; electronic funds transfers use 3 or 4; drafts use 5, 6, or 7.

Exchange Tolerance. Specify the maximum difference allowed between the amount owed and the amount paid. Applies only to payments processed in a currency different from the voucher currency.

Enter Vouchers Confirmed. Enter No if vouchers are normally entered unconfirmed pending managerial approval. No GL entries are created until the voucher is confirmed.

Release Recur VOs Confirmed. Recurring vouchers are templates used to create vouchers for recurring amounts such as rent. If vouchers created from the template recurring voucher are to be created confirmed, set this field to Yes. Recurring vouchers are discussed in more detail in Lesson 12.

Use Payment in Process Acct. This field indicates whether payments are to post to the cash account or the payment in process account. (In the US, payments in process can be referred to as Cash In Transit.)

Payment in Process is primarily used in Europe. If you set the field to Yes, payments credit the bank's payment in process account instead of the cash account. When these payments are reconciled, payment in process is debited and cash is credited.

Use Expensed Item Var Accts. This field determines whether Accounts Payable rate and usage variances for non-inventory items are posted to expensed item variance accounts or to the expensed item receipts account.

External Voucher References Allowed. This field determines the numbering system and level of user flexibility in entering voucher numbers. If the field is set to Yes, you can manually enter voucher numbers in Voucher Maintenance.

Setting the field to No improves security by preventing manual entries. QAD SE generates continuous voucher numbers by incrementing the Next Voucher number.

Use Assigned-To. This field determines whether Assigned-To is a required field in Voucher Maintenance. You can use this field to assign vouchers to employees for approval and then track vouchers by employee using the Voucher Register by Assigned-To report (28.3.2).

Use Draft Management. Activates draft-related fields while you are processing AP payments. To use the draft form of voucher payment, this field must be set to Yes.

Multi-Entity Payments. Indicates whether accounts payable payments against a voucher can be made by banks at other entities.

ERS Packing Slip Error. When set to Yes, this ERS Processor prints an error for all lines on a Purchase Order eligible for ERS processing where the packing slip was left blank during receiving.

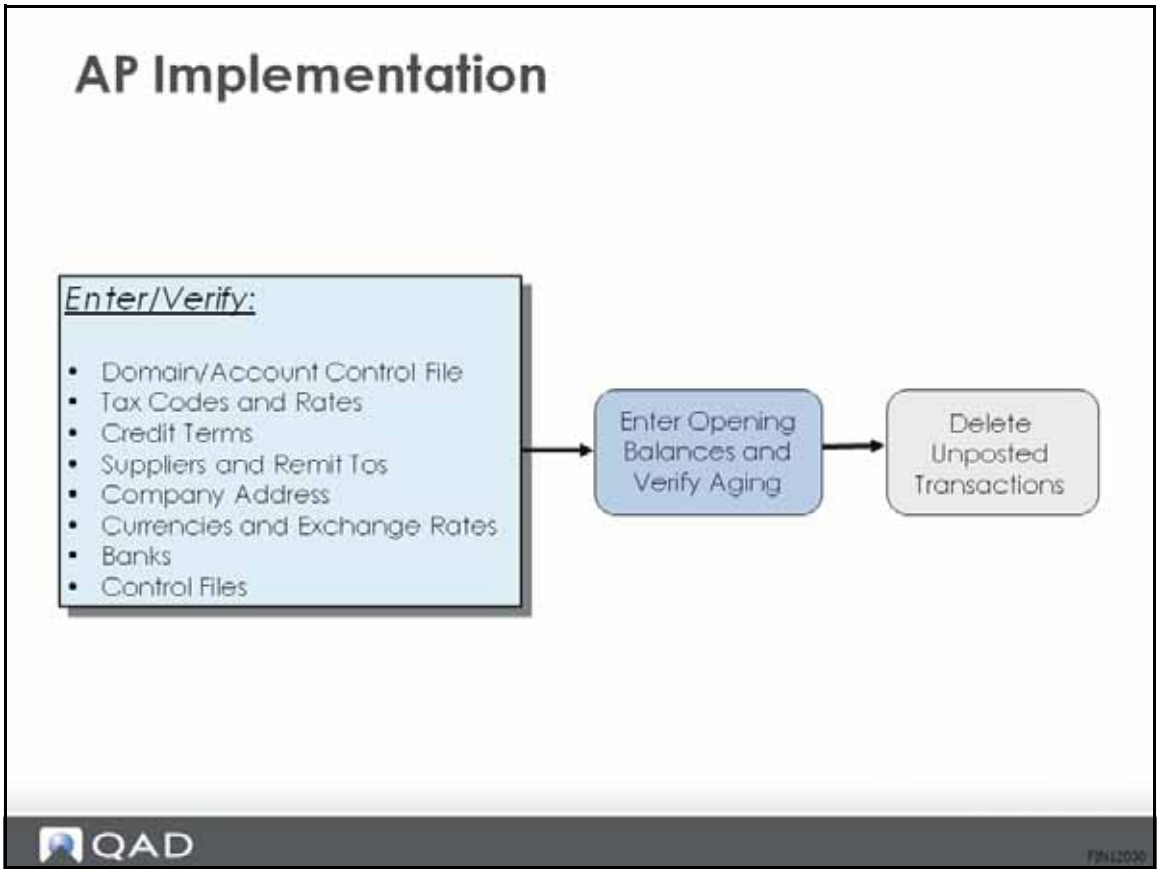
Update GL Average Cost. When set to Yes, the average cost of items is updated during a run of the ERS Processor and average costing is being use. When set to No, the average cost of items is not updated.

Voucher Date Option. Indicates the date to use for the voucher date in ERS Processing.

0 - receipt date of the receiver is used as voucher date.

1 - shipment date of the receiver is used as the voucher date.

Accounts Payable Implementation



Earlier in this course, we saw how Purchasing and Accounts Payable functions interrelate and how to match vouchers against POs and record vouchers for miscellaneous items.

The other use of vouchers, as noted earlier, is to record opening supplier balances.

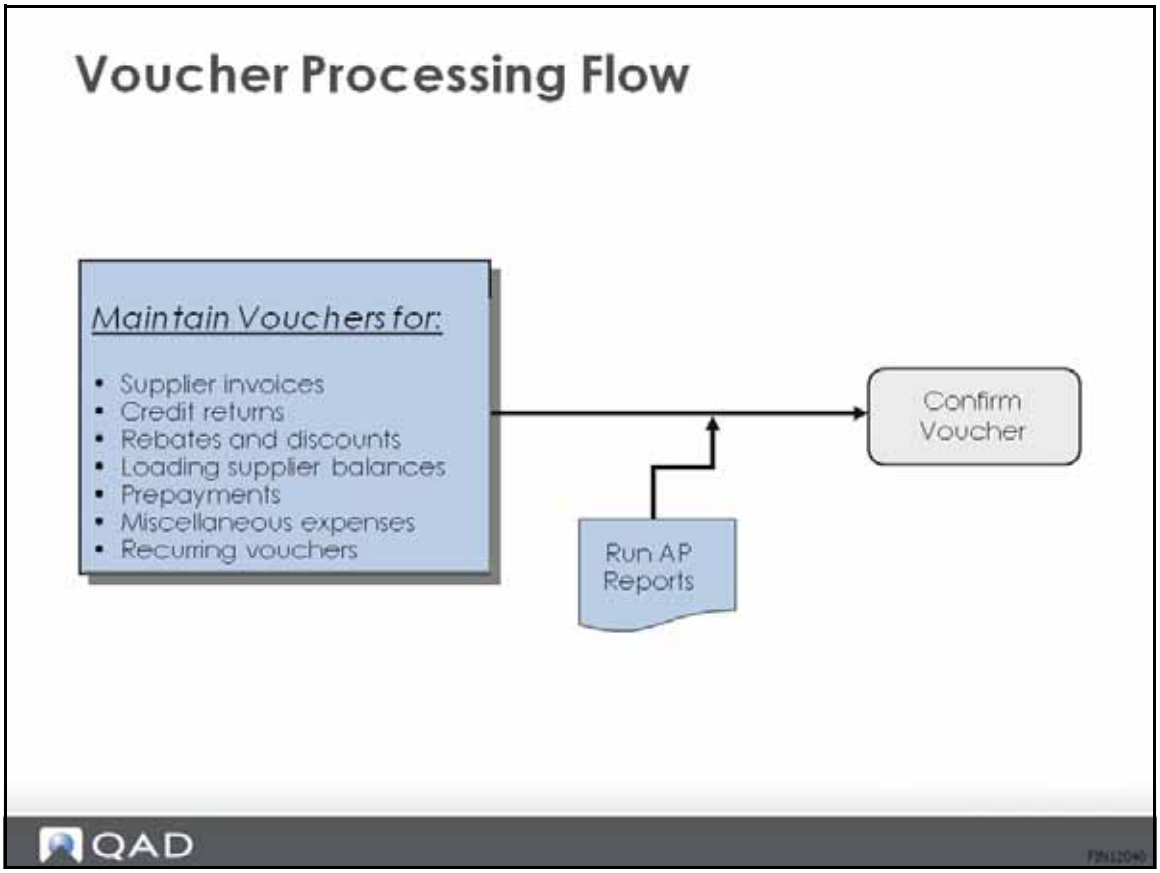
As shown in the above slide, the starting point for AP is to set up and verify the basic information in the system. This includes checking Domain/Account Control to ensure that the correct account defaults are set up, verifying tax codes and rates, checking credit terms, entering your company shipping addresses and supplier addresses, setting up banks; and initializing control program values.

When you have finished the AP setup tasks, the implementation process should include the following steps:

1. Print an AP aging report from your existing system.
2. In Voucher Maintenance (28.1), record open invoices and credits in detail or just enter open balances by period. Enter the invoice number from your existing system as the voucher number. Make sure you enter correct invoice dates and terms.
3. Print and verify supplier balances using QAD SE's AP aging reports. Make any corrections.
4. Delete the unposted GL-AP transactions. These transactions were already recorded in your general ledger when you entered the AP account balances.

5 If you have been using the Purchasing module, delete any outstanding receivers that have been invoiced and are included in these supplier balances. Use Uninvoiced Receipt Delete/Archive (28.22).

Voucher Processing Flow



Typically, vouchers are recorded when supplier invoices arrive and after items have been received so the system can compare the PO, receiver, and invoice.

When you enter a voucher that references a purchase order, the voucher is validated against the original PO and receipt. You can specify multiple POs, provided that all POs on a voucher have the same supplier, currency, exchange rate, and exchange rate status (fixed or non-fixed).

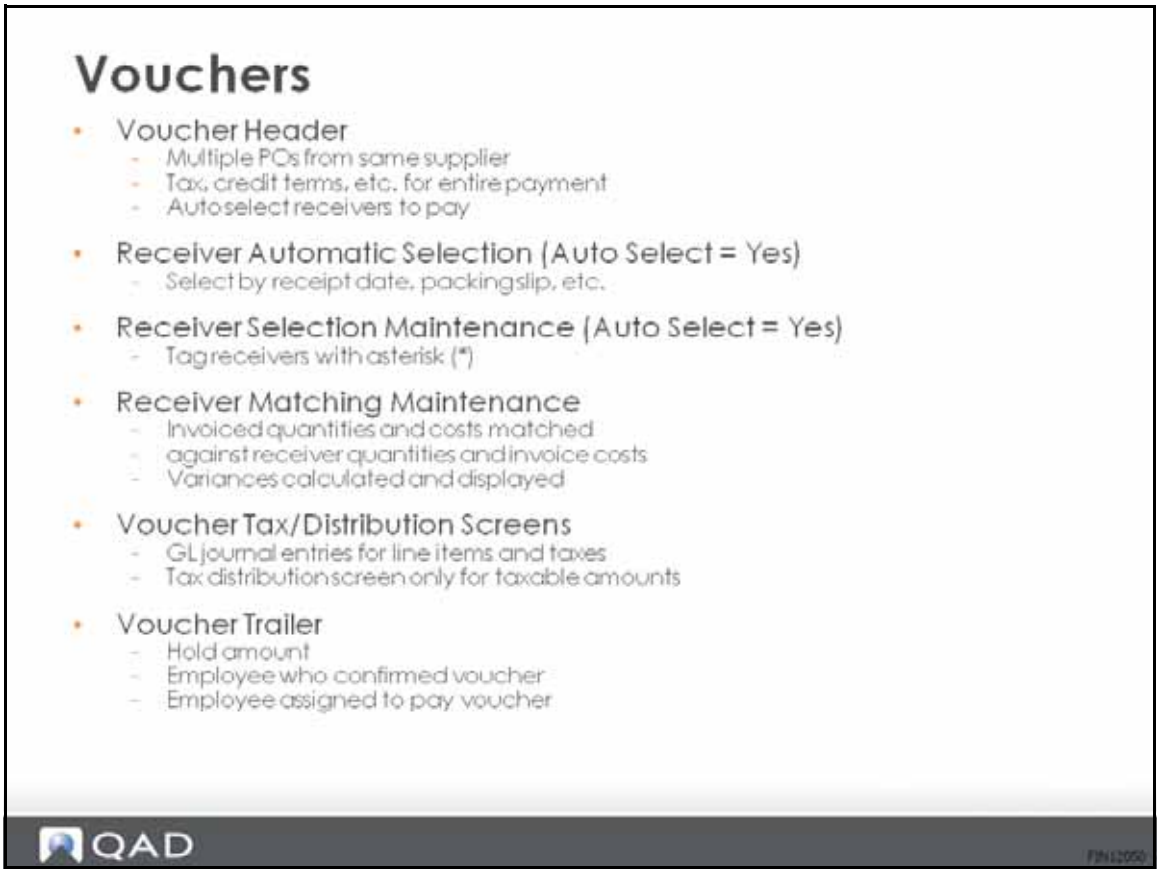
However, you can also record vouchers in the absence of an invoice or PO receipt. You can enter vouchers directly to record miscellaneous expense, such as utilities, commissions payable, or expense checks; prepayments; or supplier credits, such as returns. For cyclical payables with fixed amounts, such as rent, you can periodically generate a voucher from a template called a recurring voucher. During implementation, you can use vouchers to initialize supplier balances.

Initially, you can record the voucher as either confirmed or unconfirmed, but you must confirm it before you can select it for payment. You can confirm vouchers either automatically or manually. The system does not create GL transactions until the voucher is confirmed.

A voucher system requires you to prepare a voucher for each expenditure. This is your method of controlling and approving these expenditures. You should confirm a voucher only after the expenditure has been approved.

You can pay a voucher immediately or at a later date, depending upon the circumstances and payment terms. Only in unusual situations would you ever issue a check that is not specifically related to a voucher.

Vouchers



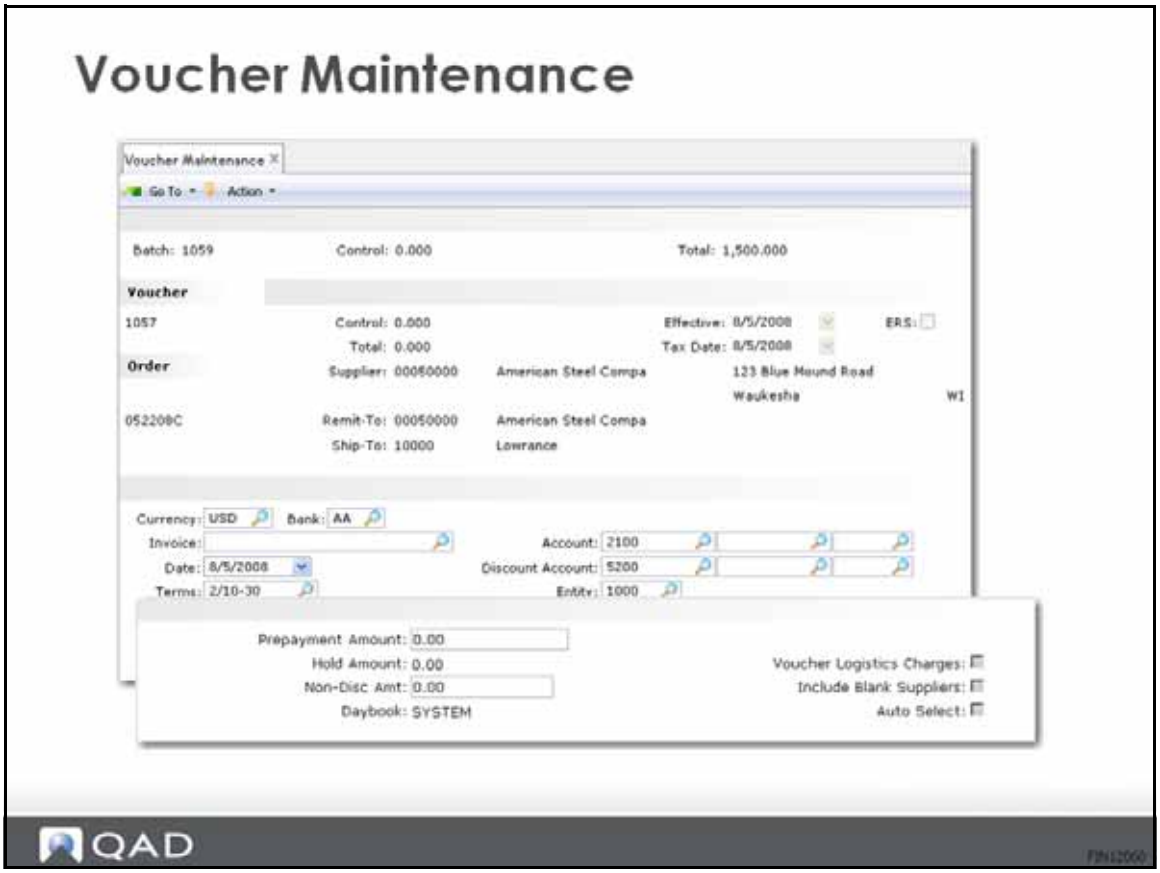
Voucher Maintenance (28.1) is comprised of the following screens, where you can enter general information about the transaction, match invoices against receivers, and record or change distribution amounts:

- The introductory screen, sometimes called the header.
- The Receiver Auto Selection screen, displayed when the Auto Select field is set to Yes.
- The Receiver Selection screen, displayed when the Auto Select field is set to No.
- The Receiver Matching Detail screen, displayed only if you reference a PO that has been at least partially received.
- The Distribution screens, where you can modify the GL entries for AP, tax, and other amounts.
- The voucher trailer screen, which displays transaction totals and other information.

You can process vouchers with or without matching them against purchase orders and receipts. For matching, you can select receivers automatically or manually. If you process vouchers without matching, you enter distribution amounts for taxes and GL accounts.

When entering vouchers, you should reference the PO number whenever possible. Most voucher data, such as the supplier addresses, bank, currency, and credit terms is then displayed automatically. If no PO is recorded, the information defaults from the supplier code. Some settings (for example, Confirmed and Voucher All) default from Accounts Payable Control (28.24).

Voucher Maintenance



Batch. This field is used internally to track vouchers entered at the same time. Leave the field blank for the system to assign the next number from Accounts Payable Control (28.24).

You do not need to enter a voucher's batch number in order to view or correct the voucher. If a batch is not balanced, a warning displays as you leave Voucher Maintenance (28.1). The AP Batch Report shows unbalanced batches.

Control. The top control total is used to ensure that the sum of all vouchers entered in the batch is correct. The voucher control total ensures that individual vouchers are entered in balance. Both are optional but strongly recommended. Note that control totals have no financial impact—they are used only to verify data entry.

Voucher. Leave the field blank for the system to assign the next number from Accounts Payable Control. If you find you cannot manually enter a voucher number, it is probably because the External Voucher References Allowed field is set to No in Accounts Payable Control.

Order. After entering a purchase order number, press Enter to add another number or press End to continue to the next frame. You can enter any number of purchase orders for the same supplier. However, only the last three numbers entered display on the screen.

Supplier. Enter the supplier with which this payment is associated.

Effective. Date the voucher should affect the GL. Usually the system date; however, in some situations you might want to change it (for example, at month-end). Some companies use the invoice date as the effective date.

Tax Date. The tax date is optional. If you enter a tax date, the system calculates taxes based on the rate for the ship-to address for the tax effective date, if a rate is defined. If you do not enter a tax date, the system defaults the tax date and rate on vouchers as follows.

- If a PO is referenced, the tax date defaults from the PO.
- If a PO is not referenced, the tax date defaults from the voucher effective date.

Remit-To. Supplier's address for receiving payments. Appears if the supplier has a remit-to address and cannot be changed. Remit-to addresses are set up in 2.3.13. This is only necessary if the supplier's remit-to address is different from the address in the PO.

Ship-To. Enter an address code, usually one of your company addresses.

If you specify a purchase order number, this field defaults from the ship-to on the PO. Otherwise, Ship-To defaults from the Ship-To field in Accounts Payable Control.

Currency. Enter the currency used to pay the voucher. This field defaults to the PO currency or the supplier currency if no PO is entered. A pop-up window displays the default exchange rate for the effective date, or you can enter a fixed rate.

Bank. Enter the bank from which you expect to pay this voucher. The bank code and account number default from Supplier Maintenance.

Invoice. The supplier invoice number associated with this voucher. Although not required, recording the supplier invoice number lets you look up a voucher if your supplier calls with a question.

Terms. If a purchase order number is entered on this voucher, the purchase order terms display. If no purchase order number is entered, the supplier terms display. Used to calculate invoice discount/due dates.

Disc(ount) Date. The discount date for this voucher. Payments made before this date are subject to an early payment credit terms discount.

If this date is left blank, the credit terms and invoice date entries are used to calculate it. If credit terms is left blank, discount date remains blank.

Due Date. If this date is left blank, the credit terms and invoice date entries are used to calculate it. If credit terms is left blank, due date is set to today's date.

If you change the credit terms, type a Shift + ? in the date field to force the system recalculate the date.

Exp(ect) Date. The date you plan to pay this voucher.

Projects cash requirements on cash flow reports based on your payment policies—you can have a policy of always taking discounts, or always paying 30 days late.

Account. Enter the general ledger (GL) account code used to track accounts payable (AP) amounts for this supplier.

Discount Account. Enter the general ledger (GL) account code used to track early payment discounts.

Entity. Specify the entity to which AP posts. The field defaults to the entity on the PO header or to the system entity on non-PO vouchers. Each distribution line can reference a different entity; the system automatically creates balancing entries to the intercompany account.

Remark. General remarks pertaining to the transaction. Becomes the description for the GL journal entries for the AP and AP Discount accounts. Remarks print on the check stub.

Supp Bk. The supplier bank to use for this voucher. Defaults from the supplier record, if a supplier bank is referenced there.

Type. Specify an optional code used to classify vouchers by type for reporting (for example, to track different kinds of cash expenditures). On 1099 reports (US), voucher types are also used to classify payments. For 1099 tracking, three type codes must be used for rents, royalties, and non-employee compensation. The voucher type is not related to the supplier type.

Check Form. Specify the check method you expect to use to pay this voucher. This field defaults to the supplier's check method.

Check forms 1 or 2 apply for printed checks (form 2 displays the payment amount below the date)

Check forms 3 or 4 are used for electronic funds transfer (form 3 sends output to a printer; form 4 sends it to a file)

Check forms 5, 6, or 7 are printed AP draft formats that include a due date and the bank address.

Separate Check. Specifies whether a voucher should be paid on a separate check.

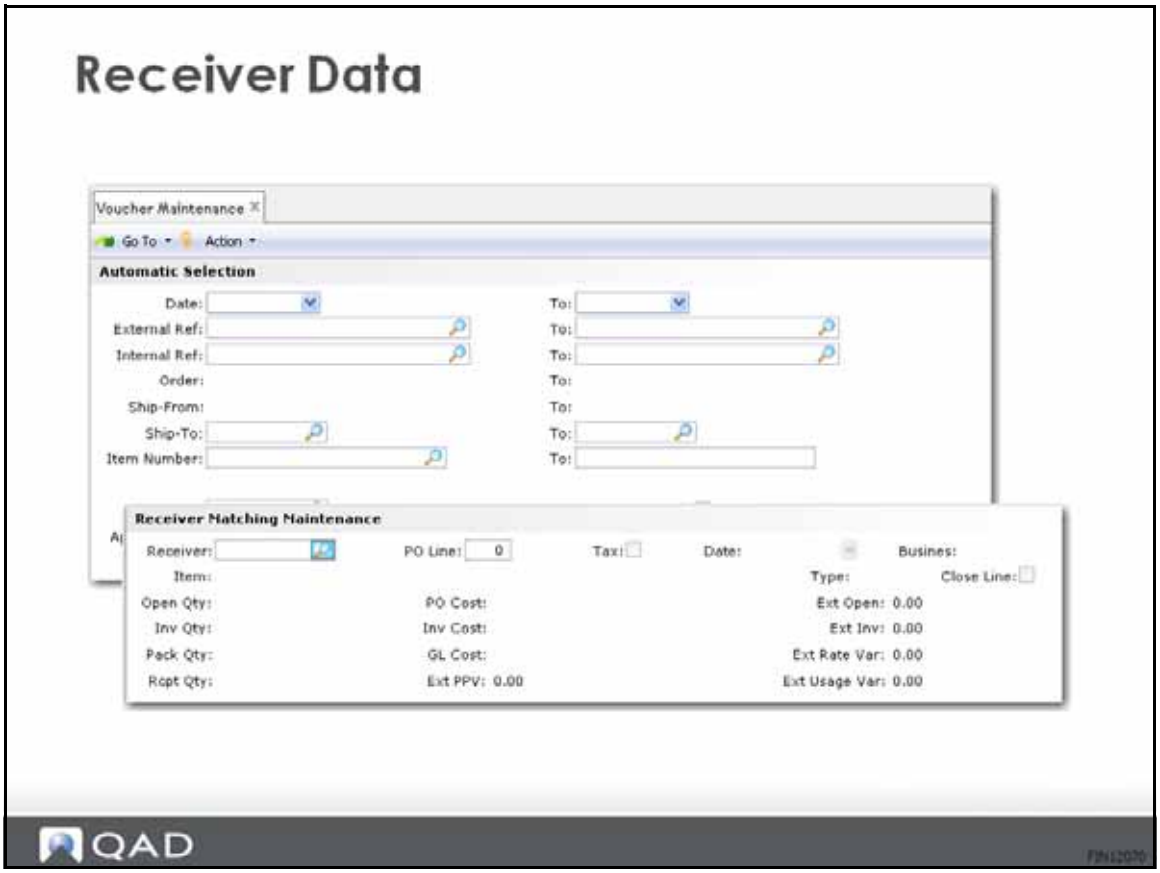
Auto Select. Determines whether to display the Receiver Automatic Selection Screen, where you can enter selection criteria to match against multiple receivers.

Prepay Amount. This field displays any amount prepaid on the voucher.

Hold Amount. Reflects any amount in dispute or on hold for some other reason. The voucher header displays any hold amounts, but you modify the hold amount in the voucher trailer.

Non-Disc Amount. When the terms indicate an early payment discount is available, this discount normally does not apply to the entire invoice-add-on charges such as freight, duty, and taxes are not usually discountable. Enter the total of these amounts here; they are deducted before the discount is calculated.

Receiver Data



If you set the Auto Select field to Yes on the voucher header, the system displays the Receiver Automatic Selection frame where you can enter a range of receivers for the voucher. You can also choose the Voucher Open Qty and Select All options in this frame.

Voucher Open Qty. Determines the value of the fields Invoice Qty and Invoice Cost for each of the retrieved receivers.

Yes: For each receiver the system defaults the uninvoiced receipt quantity to Invoice Qty and the purchase order net unit cost to Invoice Cost.

No: These fields default to zero.

You can set a default value for this field in Accounts Payable Control (28.24).

Select All. Determines the default status of each receiver displayed in the Receiver Selection Maintenance frame. If you set the field to Yes, all receivers are selected by default (designated by an asterisk).

In the Receiver Selection Maintenance frame, you can modify the list of receivers that were automatically selected or manually select one or more receivers. This frame, however, appears only if you referenced a PO. After you have selected a group of receivers, you can display the receivers in the Receiver Matching Detail screen, where you match receiver quantity and amounts against the invoice.

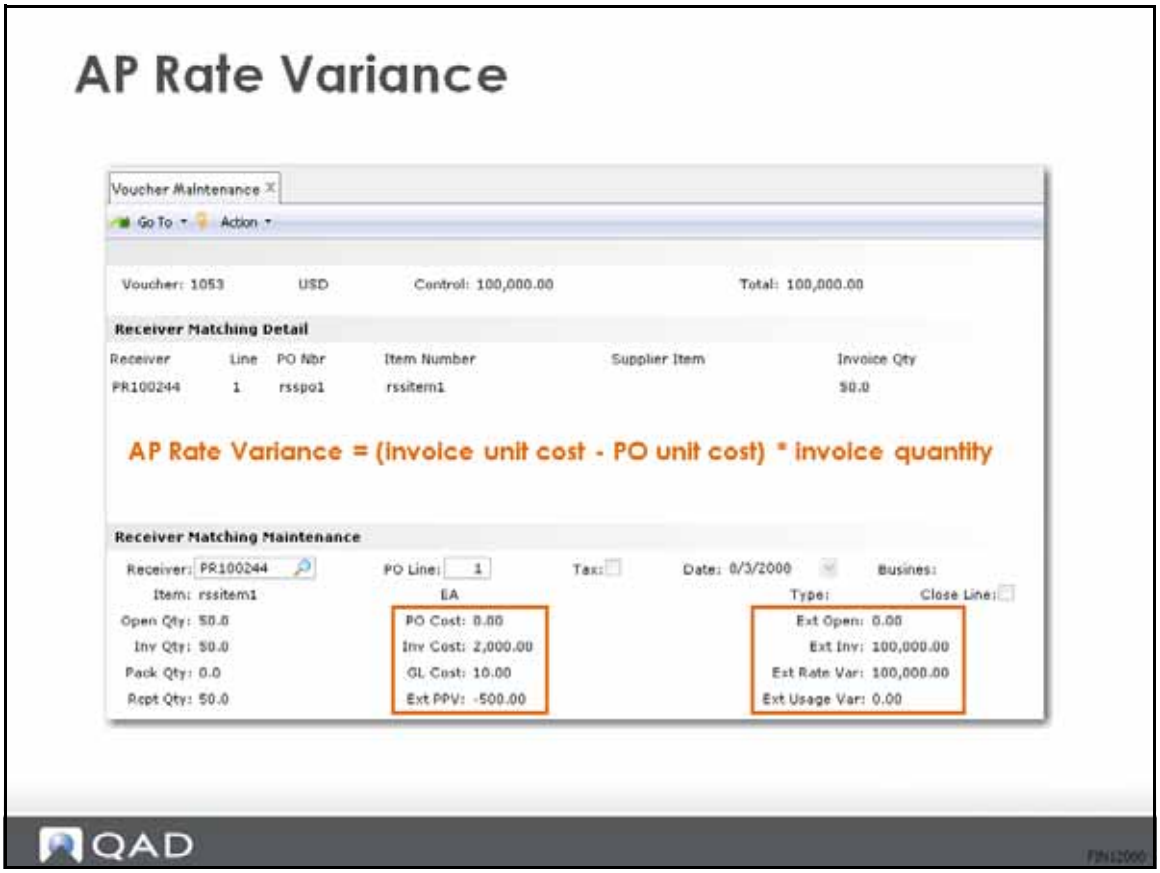
If you set Auto Select to No, you can manually choose one or more receivers and process them in the Receiver Matching Detail screen.

If a voucher has multiple receipts and only some can be matched against the invoice at voucher entry time, you can enter a partial match. The system automatically creates the GL entries and you can update the voucher control total when the additional amounts become available.

Note You can have multiple vouchers per receiver. You can also have multiple receivers (for the same PO) on the same voucher. If the voucher quantity is less than the receiver quantity, the system asks if you want to close the receiver. Specify No to keep the receiver open for reference on another voucher. If you specify Yes, the quantity difference is posted as an AP usage variance.

As you enter information on the invoice quantity, tax status or class, and cost for invoice matching, both the receipt quantity and PO cost are displayed for verification. After processing all invoiced receiver line items, press End to exit. The system calculates and displays distribution amounts for the accrual accounts and variances.

AP Rate Variance



AP rate variance occurs if there is a discrepancy between an item's PO cost and its invoice price.

AP rate variances can be caused by a variety of things, the most common being errors made during PO entry or incorrect quotes received from suppliers. The variance displays in the Receiver Matching Maintenance frame. The formula is:

AP Rate Variance = (Invoice Unit Cost – PO Unit Cost) x Invoice Qty

Assume that an item's invoice cost was $3.00 instead of the $5.00 cost of the PO receipt. When the voucher is recorded, the invoice cost is posted to AP:

CR Accounts Payable 3.00 (x Qty Received of 200)

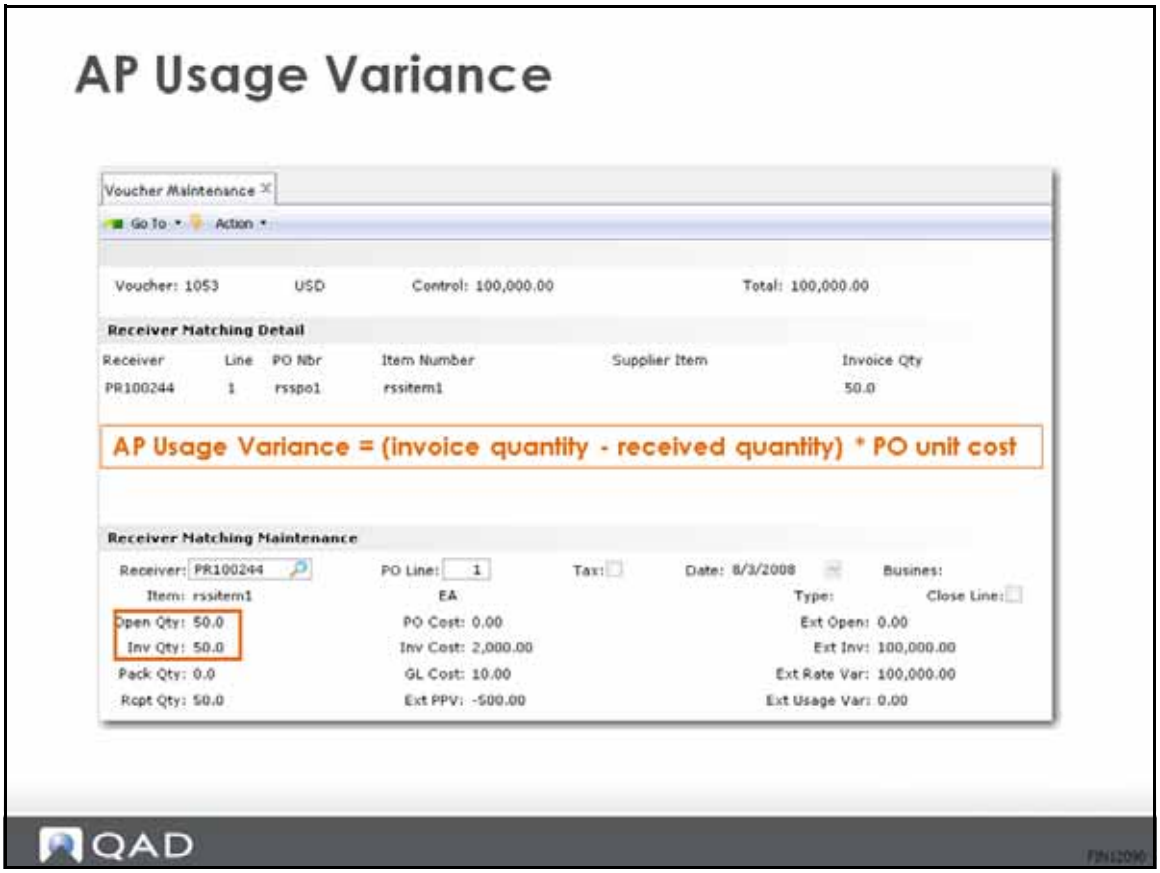
However, the PO Receipts account must be cleared based on the amount originally posted to it. The posting is:

DR PO Receipts 5.00 (x Qty Received of 200)

A balancing posting must be made to the AP Rate Variance account:

DR AP Rate Variance -2.00 (x Qty Received of 200)

AP Usage Variance



The Ext Usage Var field displays the total AP usage and rate variance for the receiver.

AP usage variance occurs if there is a discrepancy between an item's PO receipt quantity and its invoice quantity. The formula is:

AP Usage Variance = (Invoice Qty – Received Qty) x PO Unit Cost

Suppose the purchase order was for 100 units of an item whose PO cost was $1.00, but you actually received 100 units and the invoice was for 110. PO Receipts is debited for the quantity actually received, multiplied by the PO cost:

DR PO Receipts $1.00 (x Qty Received of 100.00)

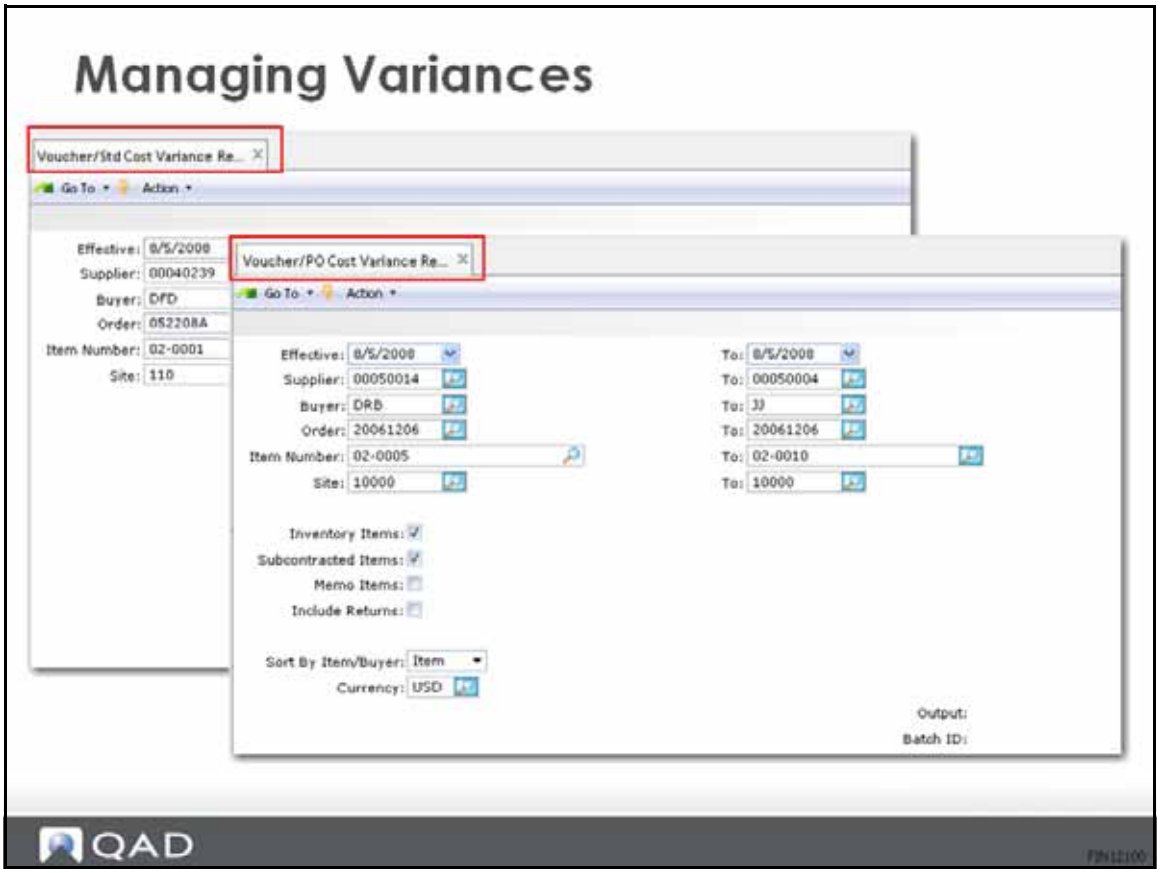
The AP account is credited for the invoice quantity, multiplied by the invoice cost:

CR Accounts Payable $1.00 (x Qty Invoiced of 110)

The discrepancy is debited to AP Usage Variance:

DR AP Usage Variance $1.00 (x Excess Qty Invoiced of 10)

Managing Variances



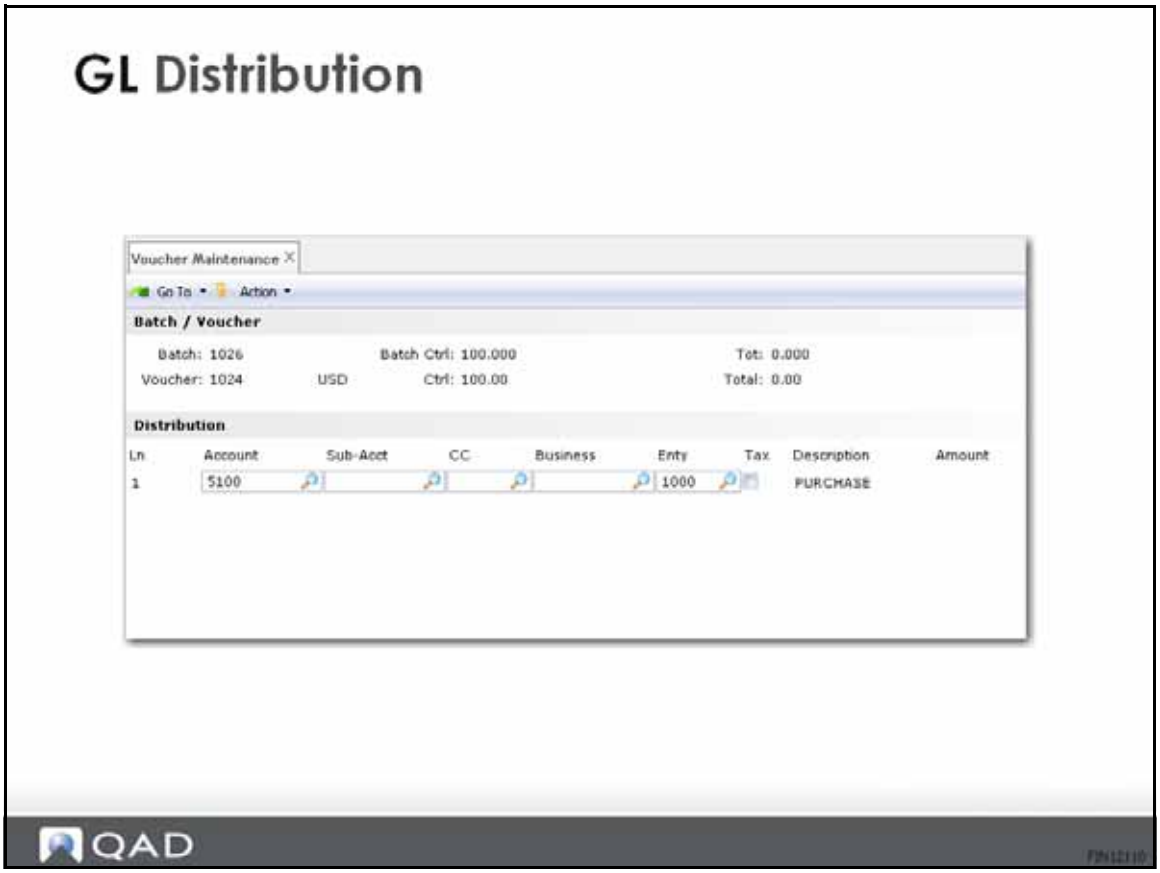
Variances can arise because a supplier quote is incorrect. You can review and change these quotes in Supplier Item Maintenance (1.19).

When an unfavorable variance is calculated during vouchering, QAD SE automatically assumes that you are disputing the amount with the supplier, and records the variance as a hold amount. You can also use the Hold Amount field to manually record disputed amounts. You can hold all or part of an invoice. The system does not select hold amounts for payment.

The Receiver Matching screen in Voucher Maintenance (28.1) also shows the total variances. The Ext PPV field displays the total variance between the item GL cost and the invoice cost. The Ext Usage Var field displays the total variance between the item's PO cost and the invoice cost.

The Voucher/Standard Cost Variance report and the Voucher/PO Cost Variance report (28.17.2) are very useful when reviewing variances. Use the Voucher/Standard Cost Variance report (28.17.1) to review GL Variances and Voucher/PO Cost Variance Report to review PO variances.

GL Distribution



The voucher distribution screen displays entries for GL accrual and variance accounts.

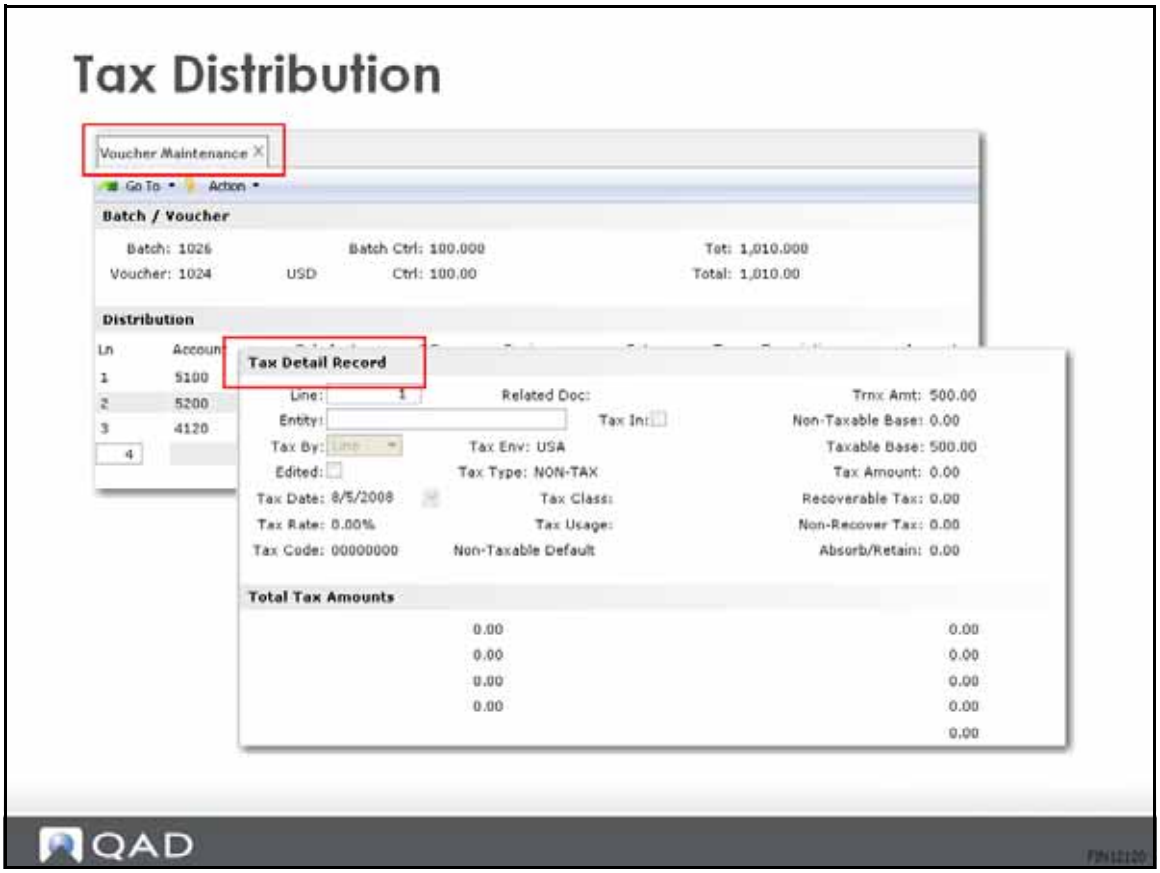
Distribution lines are recorded automatically, based on receiver quantities invoiced and invoice cost. These system-calculated lines are marked as type R. Normally, they post to PO Receipts and variance accounts. These entries cannot be changed.

You can record additional distribution amounts at this time. Amounts entered include add-on charges, such as freight, duty, or service charges. On vouchers not related to a PO, you must enter all distribution amounts. Distribution lines can reference accounts, sub-accounts, cost centers, or allocation codes.

Allocation codes are useful on expense vouchers, allowing you to post to a group of accounts by entering one code rather than each account separately. Allocation codes are discussed in more detail in Chapter 17, “GL Setup,” on page 311. If you do not enter any distribution lines, the system automatically deletes the voucher.

When GL transactions have been posted, and if the accounting period is still open, you can change the distribution on a voucher. This process also changes the GL. You cannot change the distribution if the voucher has been paid. Then, you must decide whether to adjust the GL or create an adjusting voucher to correct the GL

Tax Distribution



Taxes are calculated automatically and displayed on the tax detail frame of Voucher Maintenance (28.1).

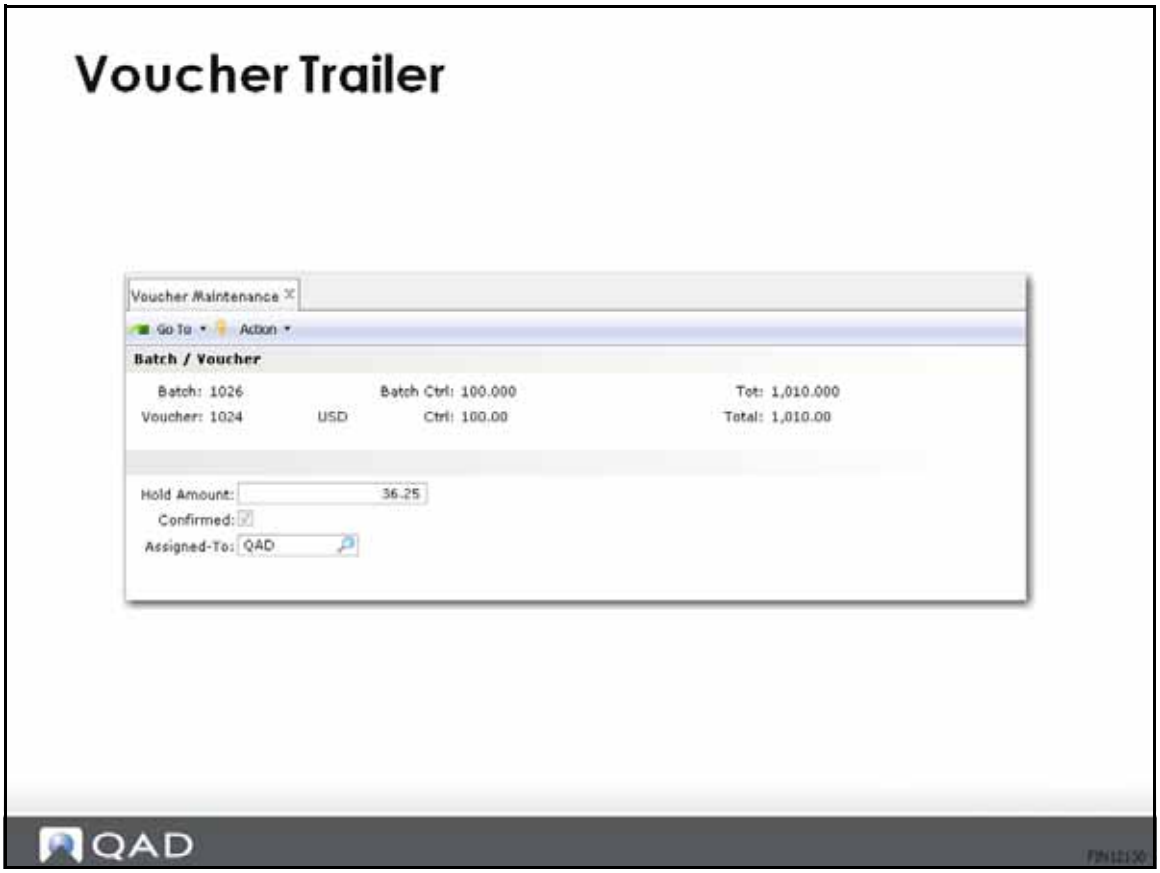
If taxes are owed, but are not to be paid to the supplier (for example, they are paid to the state), enter a new distribution line, crediting the tax amount to a tax accrual account. This process reduces the total amount due to match the invoice amount due. The GL would debit an expense account for the total amount (invoice and tax) and credit an accrued sales tax account with the tax amount.

Example

For example, the total of a voucher is $566.96, but only $523.75 is paid to the supplier. You enter another line of distribution crediting the tax accrual account for $43.21. The voucher total is now $566.96. The GL shows $566.96 posted to an expense account as a debit and $43.21 posted to the accrued sales tax account as a credit.

Note Subsequent changes to a voucher do not affect the tax distribution amounts. If there is a change, you must record it manually.

Voucher Trailer



In the last frame of Voucher Maintenance, you record disputed amounts, identify whether the voucher is ready for payment, and identify the employee responsible for confirming the voucher.

Hold Amount. Specify an amount on hold for this voucher that should not be paid. Usually an amount under dispute, such as an incorrect billing amount. Hold amount can be less than or equal to the voucher total.

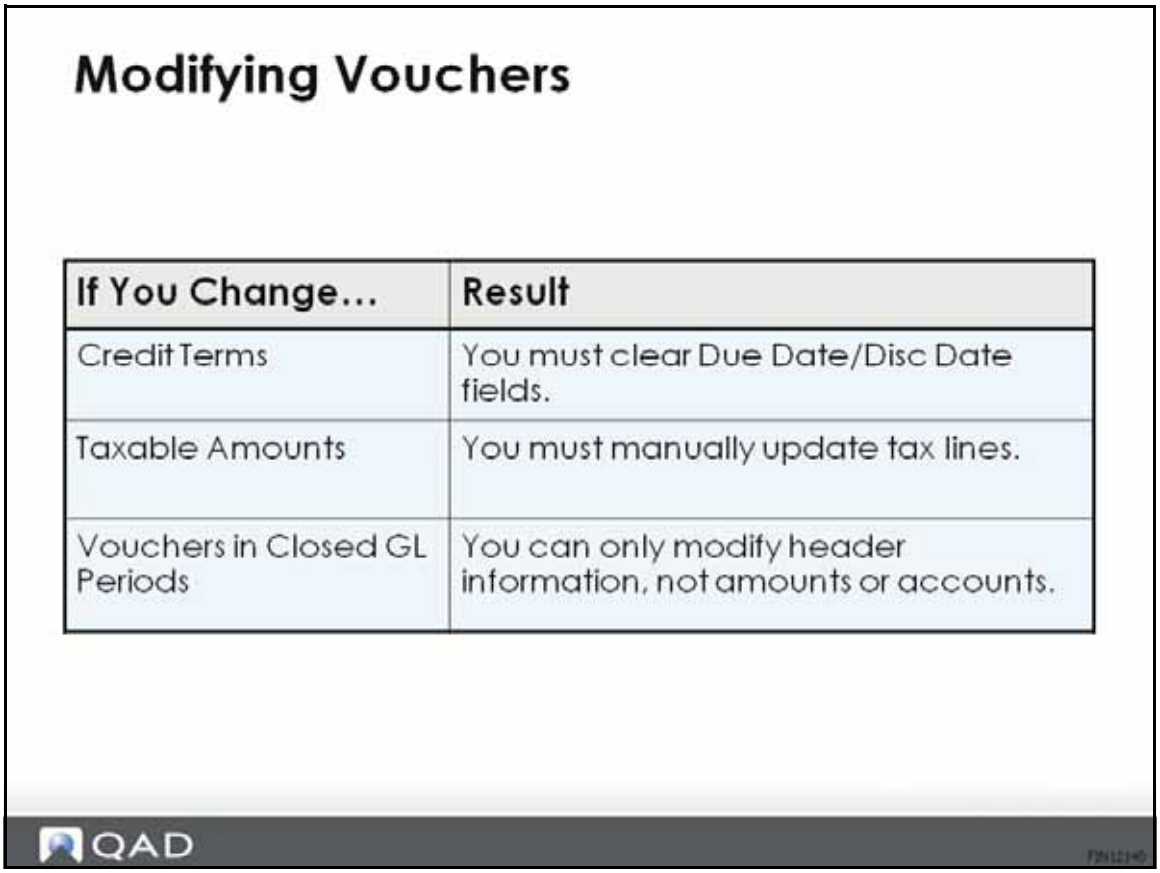
The amount marked as on hold cannot be paid until the hold amount is reset to zero. You cannot select this amount for payment either automatically or manually, and you cannot record a manual check including this amount, For example, if you enter a voucher for 100 dollars and enter a hold amount of 20 dollars, the system allows you to select and pay 80 dollars, but not 100.

Confirmed. Indicate whether the voucher is authorized for payment. The value for this field defaults from the Enter Vouchers Confirmed setting in the control program. No GL transactions are created until the voucher is confirmed. The Confirmed field displays in the trailer frame of Voucher Maintenance.

Assigned-To. Identifies the employee responsible for confirming the voucher. Provides more efficient voucher tracking capabilities for vouchers entered as unconfirmed. Enter the employee code for the person responsible for confirming the voucher. The Assigned-To code must reference an existing record from Employee Maintenance (2.7.1).

To review vouchers assigned to employees, print the Voucher Register by Assigned-To (28.3.2).

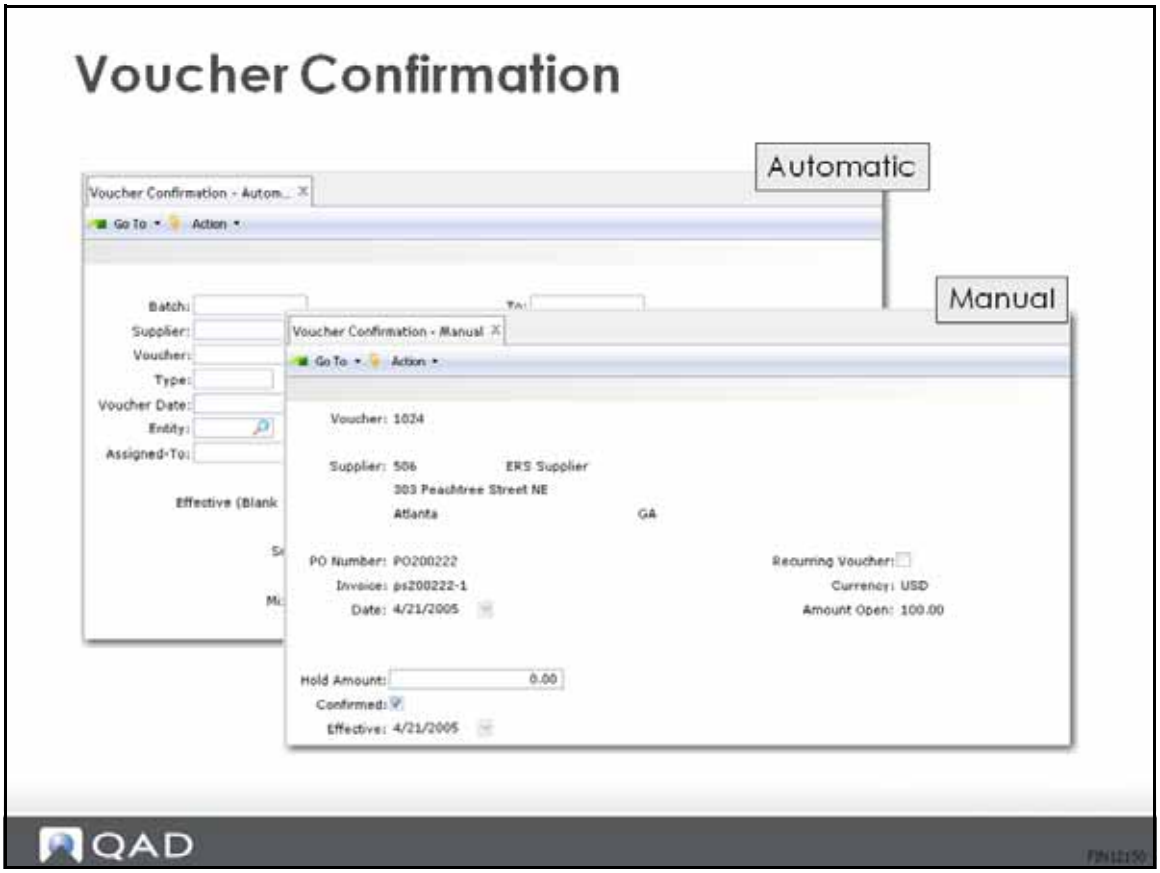
Modifying Vouchers



You can change a voucher any time until it is confirmed and selected for payment, or paid. When making a change, be aware that:

- If you modify the credit terms on an existing voucher, you must also clear the Due Date and Disc Date fields (Shift + ?) so that the dates are recalculated automatically; otherwise, you must change them manually.
- Item current costs are updated when the voucher is confirmed. If you are using average costing, cost reaverages are updated when the voucher is confirmed. Changes after confirmation do not update prior cost calculations.
- If the GL period is closed or the period is closed to AP transactions, you can only modify the voucher header.
- If distribution amounts for taxable lines are modified, the tax lines are not automatically recalculated; you must update them manually.

Voucher Confirmation



You can register a voucher prior to receiving the items—on prepayments or for tax reporting purposes in VAT and Canadian tax environments.

In QAD SE, the best way to handle these situations is to set Enter Vouchers Confirmed to No in AP Control so that new vouchers are unconfirmed by default. You can then confirm the vouchers when the goods are received.

You first run Voucher Confirmation - Automatic (28.6) by range of batches, suppliers, or voucher types. Here, you can override the effective date of the original vouchers. You can run Voucher Confirmation - Automatic (28.6) twice—once with Confirm set to No to review the report, and again with Confirm set to Yes when you are sure you have included only the vouchers you want to confirm.

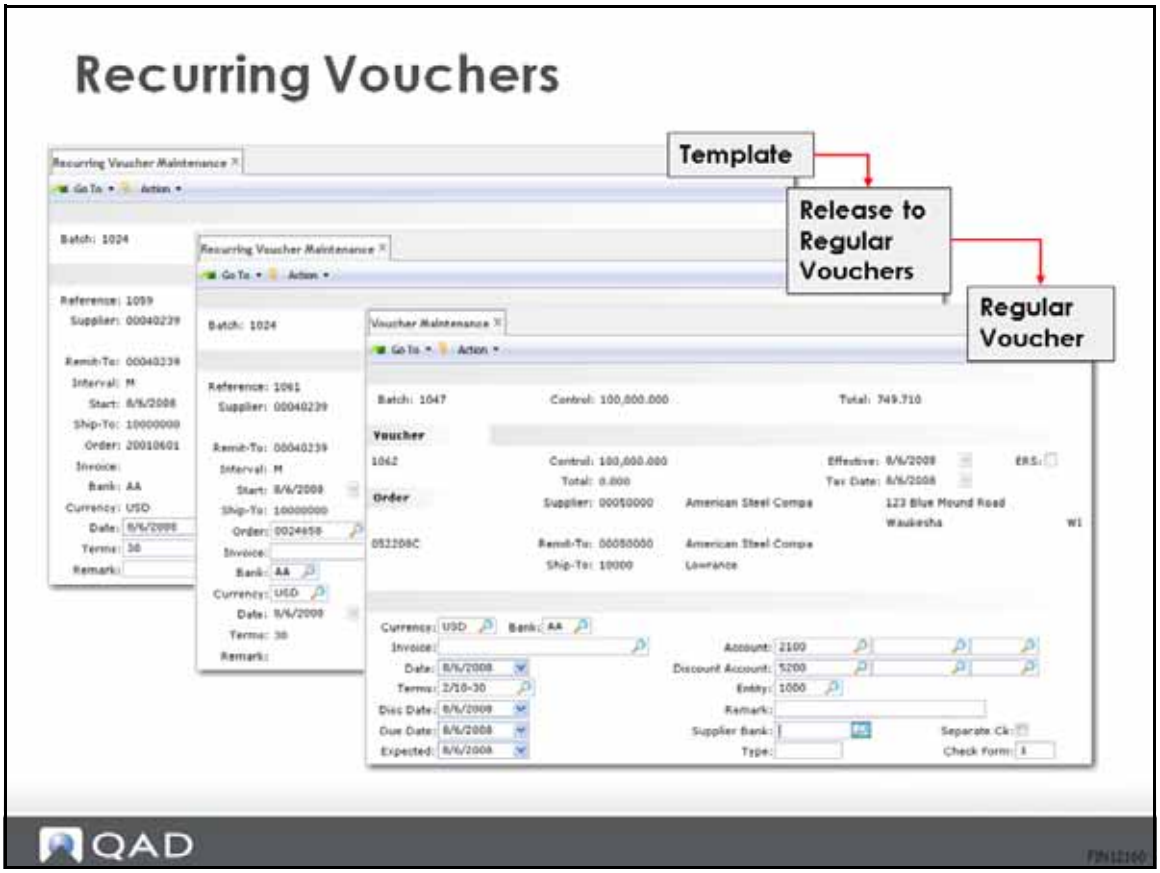
You can use Voucher Confirmation - Manual (28.7) to confirm only one voucher, to confirm a recurring voucher, or to reverse a voucher confirmation. Voucher Confirmation - Manual (28.7) also allows you to place all or part of a voucher amount on hold.

GL transactions are created when the voucher is confirmed. AP supplier balances are also updated.

Both voucher confirmation functions should be password-protected. In Voucher Confirmation - Manual (28.7), the Hold Amt field should also be password-protected.

If a voucher was entered as unconfirmed in a GL period that is now closed, you must run an automatic confirmation to confirm it in the current GL period.

Recurring Vouchers



Recurring vouchers simplify the processing of routine payables with fixed amounts, such as monthly rent.

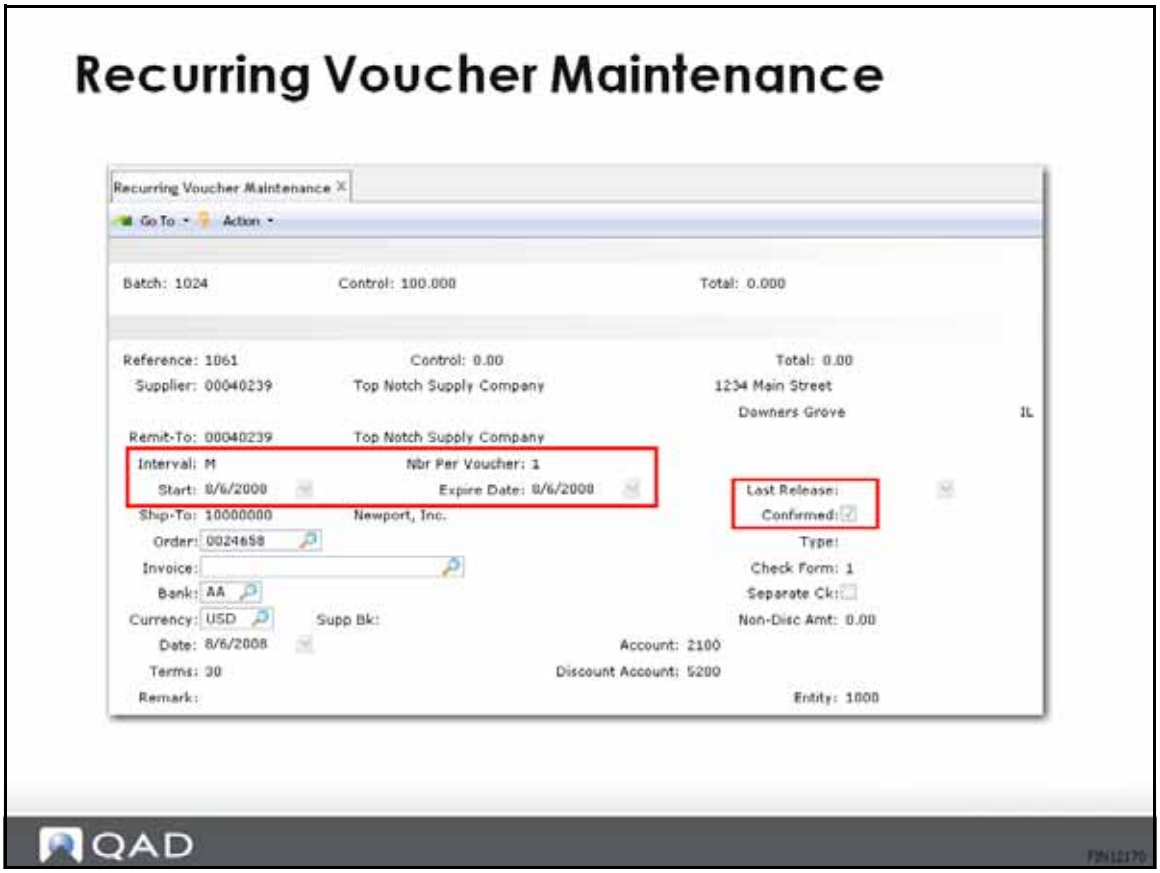
Recurring vouchers look like regular vouchers, but they are merely templates; they do not have an effect until they are confirmed and released to a regular voucher.

Recurring vouchers:

- Cannot be verified against PO receipts.
- Cannot be paid.
- Do not appear on agings.

However, a voucher created by releasing a recurring voucher is just like any other voucher. Recurring vouchers are recorded in Recurring Voucher Maintenance (28.8.1).

Recurring Voucher Maintenance



The following fields in Recurring Voucher Maintenance (28.8.1) determine the life span of the recurring voucher and how often it will be released.

Interval. Enter D (day), W (week), or M (month). The default is month.

Frequency at which amounts associated with the recurring voucher are payable. The Interval code is used to select recurring vouchers for release.

Nbr Per Voucher. Number of intervals between releases of this voucher. Controls how many interval periods must pass before a voucher is next released.

Start. First date that regular vouchers can be generated from this recurring voucher. The default is the system date.

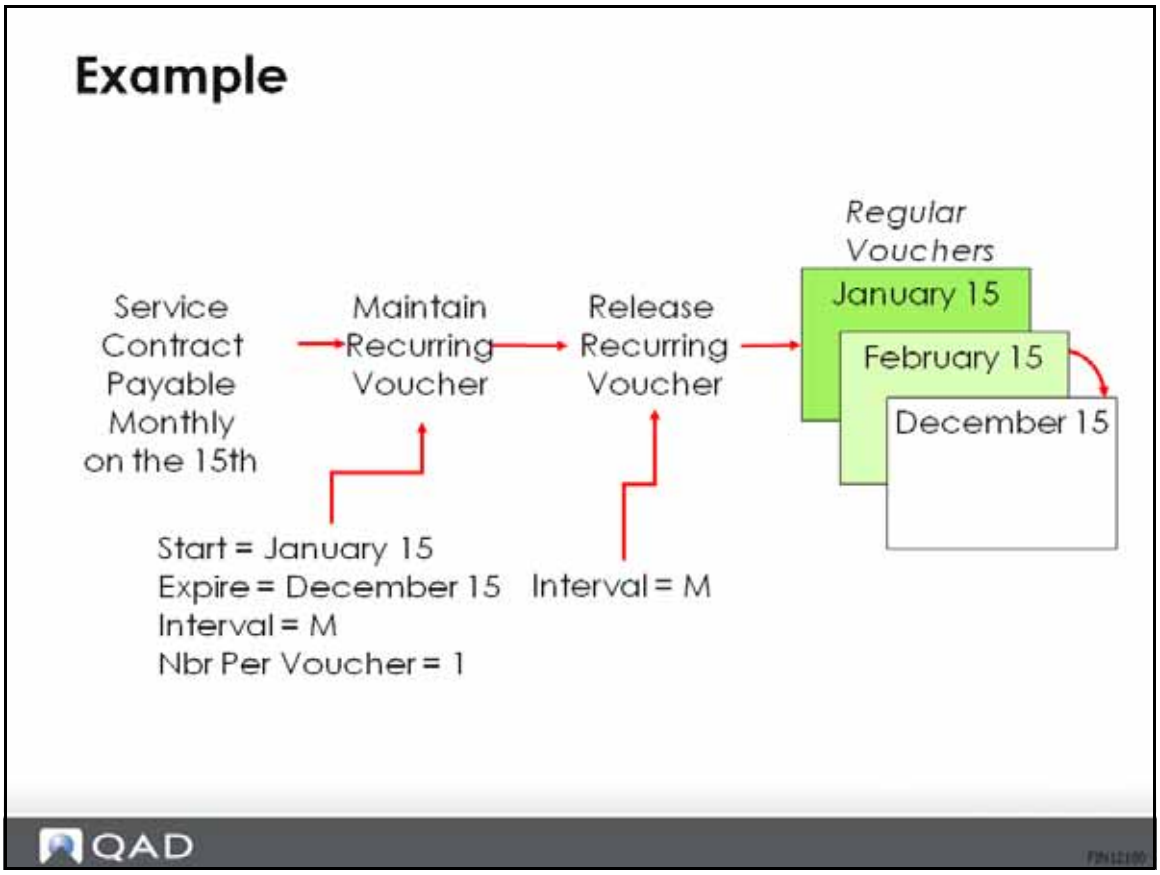
In Recurring Voucher Release, the Start and Expire dates define the time period in which regular vouchers can be generated from this recurring voucher. Start also determines the effective date of the first regular voucher.

Expire. Last date that regular vouchers may be generated from this recurring voucher. In Recurring Voucher Release, the Start and Expire dates define the time period in which regular vouchers may be generated from this recurring voucher. Start also determines the effective date of the first regular voucher.

Last Release. The field displays the effective date of the last released voucher.

The default status of the recurring voucher is determined by the Enter Vouchers Confirmed setting in Accounts Payable Control. If the recurring voucher is not entered as confirmed, it must be confirmed.

Periodically, regular vouchers are released from the recurring voucher in Recurring Voucher Release. These vouchers can also be either confirmed or unconfirmed by default, depending on the Release Recurr VOs Confirmed setting in Accounts Payable Control. On foreign currency recurring vouchers, you can use the Use Recurr Exg Rate option to ensure that all released vouchers take the exchange rate from the recurring voucher.



The slide shows an example of a typical use of recurring vouchers.

For example, your company has a service contract that is always due on the 15th of the month from January 15 until December 15 of the year.

The first step is to enter the template voucher in Recurring Voucher Maintenance (28.8.1). The field settings are listed above.

Then, every month, you release the recurring voucher to a regular voucher in Recurring Voucher Release (28.8.1), specifying an Interval of M (monthly). Interval is mandatory.

If necessary, you can change the released vouchers in Voucher Maintenance (28.1) at any time until they are confirmed.

Restrictions

When maintaining recurring vouchers, be aware of the following:

- Once confirmed, you cannot change the amount of the recurring voucher.
- The recurring voucher cannot be deleted after the first release.
- After the first release, you cannot change the recurring voucher's Start date, Interval, or Nbr Per Voucher; however, you can always change the expiration date.
- The recurring voucher is automatically closed when the last voucher is released. Once closed, it cannot be changed.

Exercise 12: AP and Voucher Maintenance

Review AP Control

Before processing vouchers, you must verify the Accounts Payable Control settings. These settings must be configured correctly to obtain consistent results in later activities.

Accounts Payable Control

1 Review the default values in Accounts Payable Control (28.24). If necessary, change them to match the following:

Next Batch:	200
Next Voucher:	910000
Next Journal:	1
Voucher Open Qty:	No
AP Summarization:	1
Ship-To	10000000
Default Bank:	AA
Check Form:	1
Exchange Tolerance:	5%
Enter Vouchers Confirmed:	Yes
Release Recur VOs Confirmed:	No
Use Payment in Process Account:	No
Use Expensed Item Var Accounts:	No
External Voucher References Allowed:	Yes
Use Assigned-To Field:	Yes
Use Draft Management:	No
Multi-Entity Payments:	No
ERS Packing Slip Error:	No
ERS Update GL Avg Cost:	No
ERS Voucher Date Option:	0

Voucher Maintenance

In this exercise, you will enter a voucher and review the effects on receivers and supplier balances.

Each voucher must have a supplier code. You can either set up the supplier in the supplier file (2.3.1) or reference a miscellaneous supplier. In the voucher in this exercise, use supplier 99999999, a miscellaneous supplier.

Vouchering against a miscellaneous supplier can sometimes save time; however, do not do this if you are planning to print computer-generated checks, because you need the supplier’s address for these.

Voucher Maintenance

1 In Voucher Maintenance (28.1), enter the following voucher. Leave the batch number blank.

Batch:	Enter
Control:	500.00
Voucher:	Enter
Order:	Back
Control:	500.00
Supplier:	99999999
Effective Date:	today
Bank:	AA
Invoice:	1234
Terms:	0
Remark:	Office Supply Store

Press Next until the distribution screen appears.

Distribution		
Account	**Description**	**Amount**
8200	Supplies	500.00

Voucher Inquiry

2 In Voucher Inquiry (28.2), review the voucher you just entered. Note the distribution lines and amount open.

In the next exercise, you will learn how to voucher against purchase orders.

Vouchering Against a Purchase Order

In this exercise, you will voucher the inventory purchase order you entered for supplier 500 in Exercise 11.1.

Voucher Maintenance

1 In Voucher Maintenance (28.1), enter a voucher for $842.50 for the purchase order for supplier 500.

2 Enter a non-discountable amount of $47.00 for freight.

Batch:	Enter
Control:	842.50
Voucher:	Enter
Order:	PO number (PO for Supplier 500), Back
Control:	842.50
Supplier:	500.00
Effective Date:	today
Terms:	0

Non-Disc Amount:	47.00
Auto Select:	No

3 In the next screen, do a lookup browse in the Receiver field to display the receiver lines for the purchase order.

The pop-up window displays what you actually received: 200 units of 12-4020 at a PO cost of $3.00 each; 90 units 0f 12-4100 at a PO cost of $2.30 each; and –5 units at a PO cost of $2.30.

However, the supplier undercharged you for 12-4020 and forgot to credit you for the 5 units of 12-4100 that you returned. (The supplier also forgot to ship you the remaining 10 units of 12-4100 you ordered.)

4 Review the distribution lines.

Notice the credit to AP rate variance for line 1, which resulted because the invoice price was different than the PO price. AP rate variance is calculated as:

(Invoice Unit Cost – PO Unit Cost) x Invoice Qty

($3.00 – $5.00) x 200 = -$400.00

5 Add a non-taxable distribution line for $47.00 for account 4120, freight cost. When you are done, exit. The control total should balance. (If you get a warning, go back and find and correct your error.)

Automatically Selecting POs to Voucher (Optional)

You can also select multiple purchase orders for a single voucher and automate much of the matching process. Since you probably combine payments for several supplier invoices on a single voucher, using this option should save you time.

To do this optional exercise, you must enter and receive at least two purchase orders for the same supplier. Note the purchase order numbers.

Voucher Maintenance

1 In Voucher Maintenance (28.1), enter a voucher, with or without a control total, for the supplier.

Enter the PO numbers received prior to this exercise.

2 Enter Yes in the Auto Select field; then press Enter.

3 Leave the range fields blank in the Receiver Automatic Selection frame. If you were handling a large volume of purchase orders, you could enter selection criteria and recall only receivers in the specified ranges.

4 Set Voucher Open Qty to No and Select All to Yes. Press Enter to recall the receivers and continue the selection process. Select All determines whether or not the transactions on the following screen are selected.

The Voucher Open Qty field determines default values for the Inv Qty and Inv Cost fields in the Receiver Matching Detail screen. Yes = invoice quantity defaults to uninvoiced receipt quantity; invoice cost defaults to the purchase order net unit cost.

You can select or deselect individual purchase orders/receivers in the Receiver Matching Maintenance frame.

The receivers you selected are now displayed in the Receiver Matching Detail frame, where you can enter data for invoice matching as you did in the last exercise.

Tracking Vouchers for Approval (Optional)

You can set up your QAD SE system to require approval for unconfirmed vouchers and track open vouchers by the employee to whom they are assigned.

This exercise assumes you have already set up at least one employee. If not, use Employee Maintenance to create an employee code. Anyone responsible for authorizing vouchers must be defined as an employee.

Accounts Payable Control

1 Set the Accounts Payable Control (28.24) to require voucher authorization: Set the Use Assigned-To field to Yes.

When this field is set to Yes, the system requires you to enter an employee code in the Assigned-To field for all unconfirmed vouchers. For confirmed vouchers, this field is always optional.

Voucher Maintenance

2 In Voucher Maintenance (28.1), enter an unconfirmed voucher for any supplier. After you have entered one or more line items and any required distribution amounts, press Back, change the confirmed field to No and enter an employee code in the Assigned-To field on the next frame.

Voucher Register by Assigned-To

3 Generate the Voucher Register by Employee report (28.3.2). Does the voucher you created appear there?

Enter Opening Balances

In addition to recording invoice data, vouchers are also used to initialize opening supplier balances during implementation. In this exercise, you enter the opening balances for supplier 5022000. Let the system assign the voucher numbers.

Voucher Maintenance

1 In Voucher Maintenance (28.1), enter the open AP balances for supplier 5022000. You do not have to enter due and discount dates; the system will calculate them from the credit terms code.

Batch:	Enter
(Batch) Control:	50,875.00
Voucher:	leave blank, click Next

Control:	225.00
Supplier:	5022000
Effective Date:	2 months ago
Bank:	AA
Invoice:	1001
Invoice Date:	2 months ago
Terms:	30
Separate Check:	Yes

Distribution		
Account	**Description**	**Amount**
5100	Purchases (Expensed)	225.00
	Hold Amount:	225.00

Voucher:	Enter
Order:	blank
Control:	50,000.00
Supplier:	5022000
Effective Date:	1 month ago
Bank:	AA
Invoice:	1507
Invoice Date:	1 month ago
Terms:	2/10-30

Distribution		
Account	**Description**	**Amount**
5100	Purchases (Expensed)	50,000.00

Voucher:	Enter
Order:	blank
Control:	650.00
Supplier:	5022000
Effective Date:	today
Bank:	AA
Invoice:	2590
Invoice Date:	today
Terms:	2/10-30

Distribution		
Account	**Description**	**Amount**
5100	Purchases (Expensed)	650.00

AP Aging by Due Date Report

2 Print the AP Aging by Due Date report (28.17.5) for supplier 5022000. Set Deduct Hold Amounts to Yes.

3 Print the aging again, but include hold amounts (Deduct Hold Amounts= No).

Notice the difference. When would you want to deduct or include these amounts?

AP Aging by Voucher Date Report

4 Print the AP Aging by Voucher Date report (28.17.4) for supplier 5022000. What is the difference?

AP Aging as of Effective Date

Note The Aging as of Effective Date report (28.17.6) lets you recreate an aging as of a previous period. To balance with the general ledger, this is the report you want to run. You can enter your own aging periods (Column Days). You can even enter a negative number in the aging period to project future cash requirements, or you can use the Cash Management module.

Recurring Vouchers

In this exercise, you will enter a recurring voucher, then create a regular voucher by releasing it.

Recurring Voucher Maintenance

1 In Recurring Voucher Maintenance (28.8.1), enter a recurring voucher for rent.

Voucher Data

Batch:	Enter
(Batch) Control	10,000.00
Reference:	Enter
Supplier:	5008000
Control:	10,000.00
Interval:	M (Monthly)
Nbr per Voucher:	1
Start Date:	01/01/08
Expire Date:	12/01/08
Remark:	RENT

Press Enter and accept all the other default information. Ignore the Tax warning message.

Distribution Data

Account	Entity	Tax	Description	Amount
8300	T100	N	Rent	10,000.00

Recurring Voucher Release

2 In Recurring Voucher Release (28.8.4), release all vouchers with an Interval of M (monthly). Set Release Up To to today's date.

Voucher Inquiry

3 Review the Voucher Inquiry (28.2) for supplier 5008000. Notice that a voucher was created for this month's rent, but that it is unconfirmed. Which setting in the control program (28.24) determined the default status of that voucher?

4 Note the reference number of this month's rent voucher.

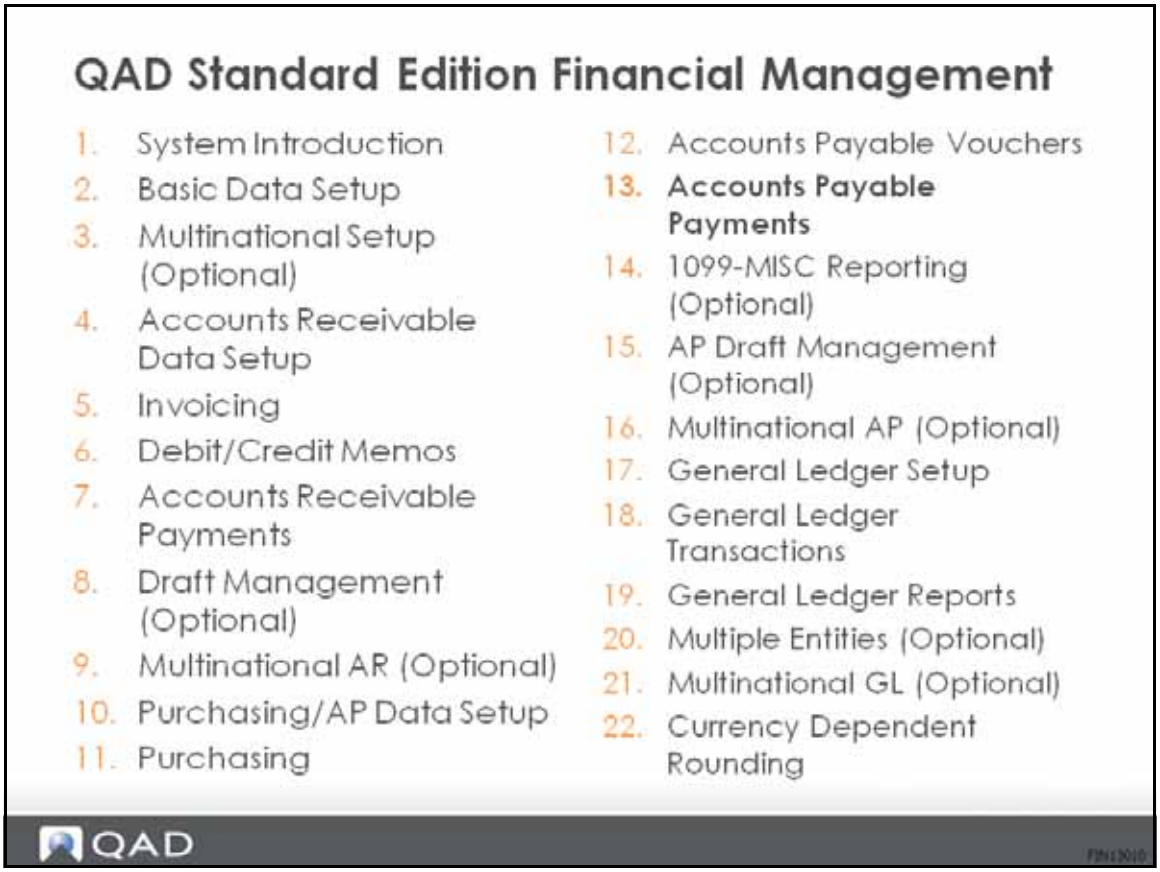
Voucher Confirmation - Manual

5 In Voucher Confirmation - Manual (28.7), confirm the voucher.

Chapter 13

Accounts Payable Payments

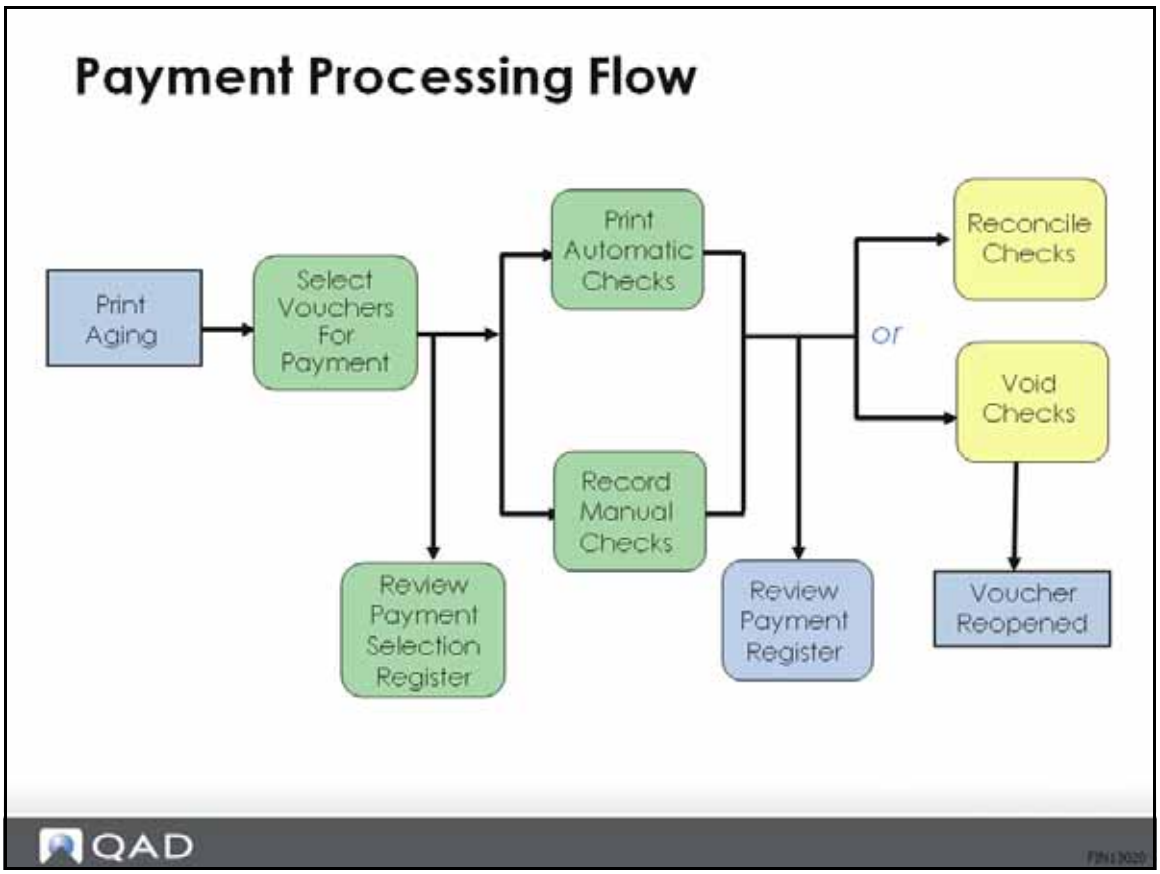
Overview



This section describes how vouchers are selected for payment and paid, and how payments are reconciled once they clear the bank, and how you void them. When we have studied all parts of the AP cycle, we will review the transactions that are passed to the General Ledger module.

The final step in routine AP processing is removing AP history from the system. To preserve database space, uninvoiced PO receipts and canceled checks should periodically be deleted or archived.

Payment Processing Flow



In QAD SE, there are two ways to process payments of confirmed vouchers. The processing flow varies, depending upon whether the payment is an automatic or manual check. Drafts, a common form of payment in many countries, can also be processed within this process flow.

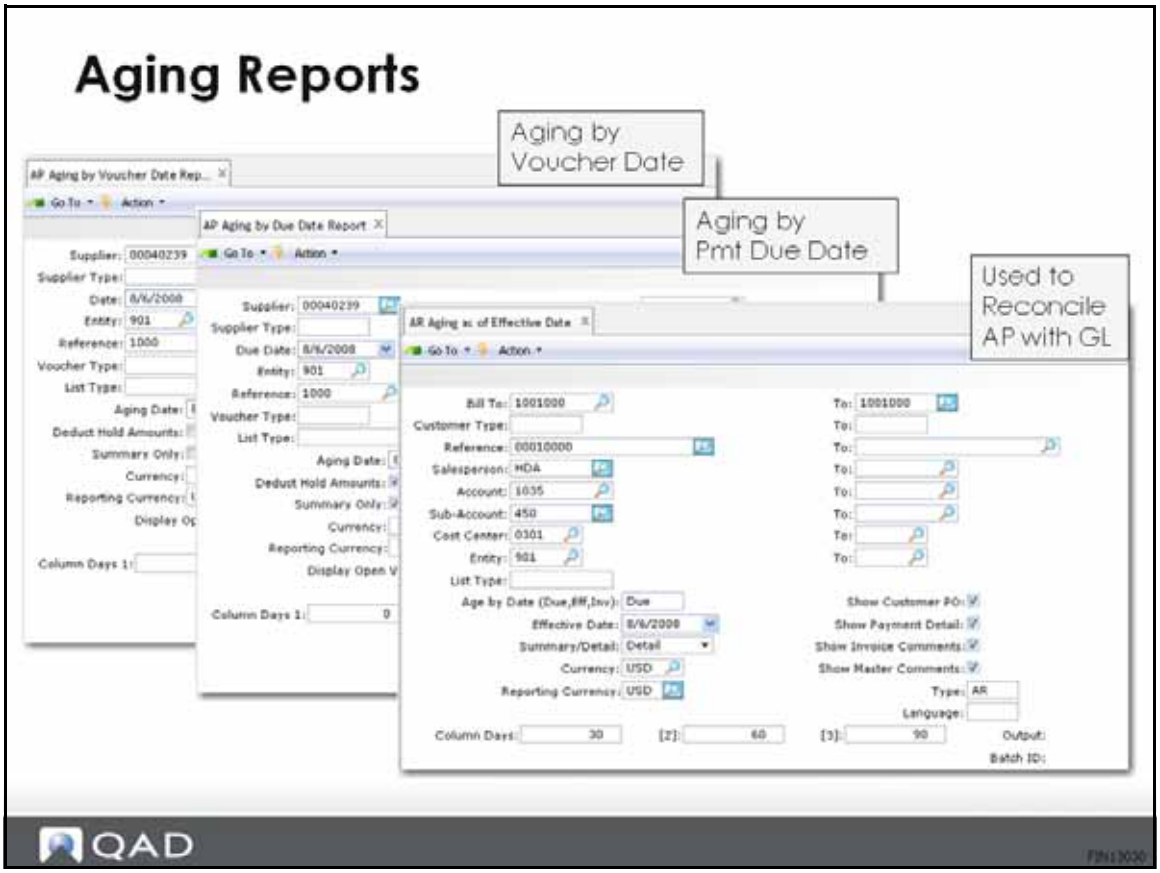
Most payments are applied payments made for specific supplier invoices or credits. The system can select vouchers based on the suppliers or amounts you specify and then print checks. In QAD SE, these are referred to as automatic checks.

For automatic checks, the processing flow uses automatic payment selection to recommend vouchers for payment. You can manually adjust the voucher selection as necessary using Payment Selection - Manual (28.9.5).

Generate the actual payment using Payment - Automatic Checks (28.9.9). Payments are processed either by generating automatic payments (printed checks or electronic funds transfers) or by recording hand-written checks, bank fees and transfers, and finance charges as manual checks using Payment - Manual Checks (28.9.10).

Although the supplier balance is immediately decreased when payments are processed, checks are not immediately marked as closed. Both the check and original vouchers remain on the system until the check is reconciled (cleared by the bank). If there is a problem, you can void the check to reinstate the voucher.

Aging Reports

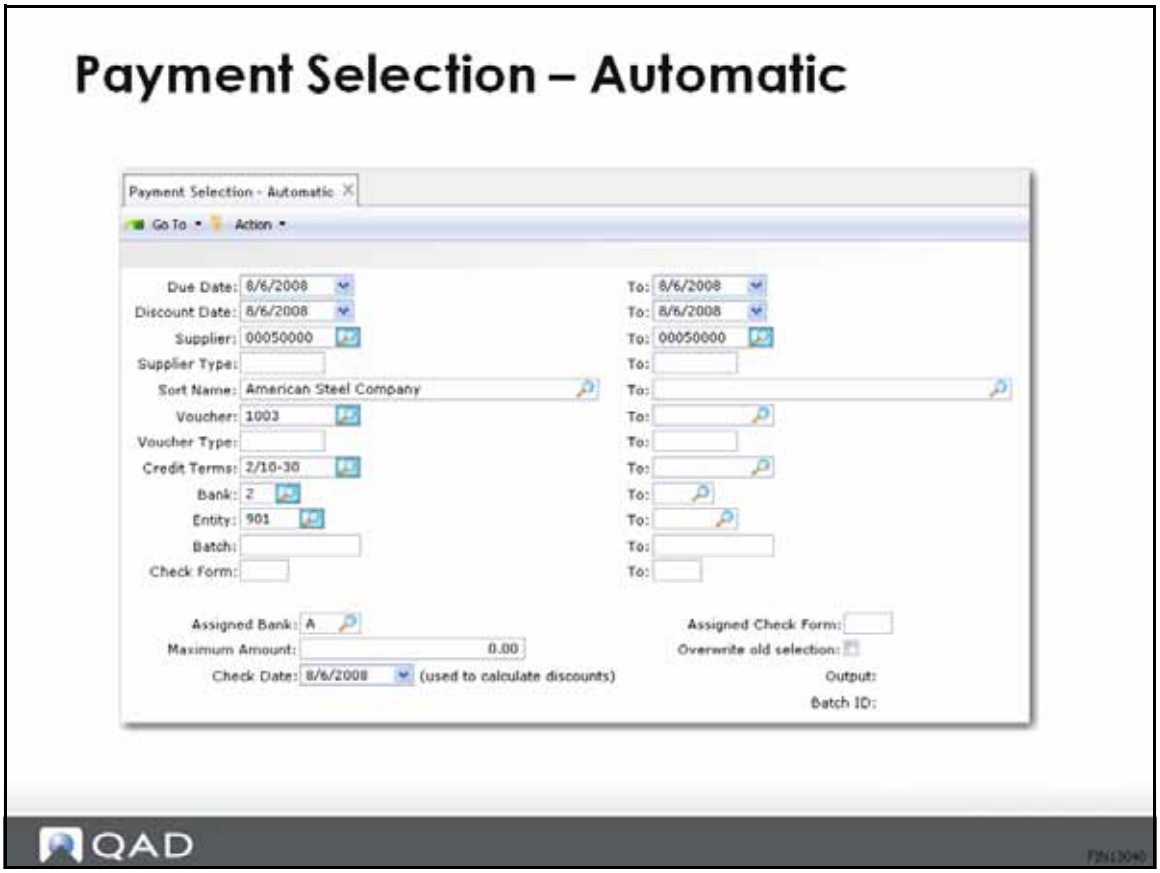


Use agings to review amounts prior to selecting vouchers for payment. Agings are normally run at month-end prior to entering activity for the next month. Detailed agings print all open vouchers. Summarized agings print only the aging period totals and total outstanding balances for each supplier. Hold amounts are always flagged; however, you can exclude them from the supplier totals. Unconfirmed vouchers do not appear on aging reports.

Agings are normally run by either voucher date or payment due date. The AP Aging as of Effective Date report (28.17.6) is used to reconcile AP records with GL account balances; however, if you must run an aging for a previous period and activity has already been entered for the current (or next) period, you can run this to print an aging as of period-end.

Flexible aging periods enable you to project cash requirements as well as review overdue accounts. For example, you could enter the aging periods –90, –60, and –30.

Selecting Vouchers for Payment



Automatic Selection

Payment Selection - Automatic (28.9.4) reviews all confirmed, open vouchers in the specified range. The system recommends which of these vouchers to pay, based on criteria, such as the due date, supplier code, or payment bank. Typically, a company selects all vouchers with discount and due dates falling between the last check run and the current one.

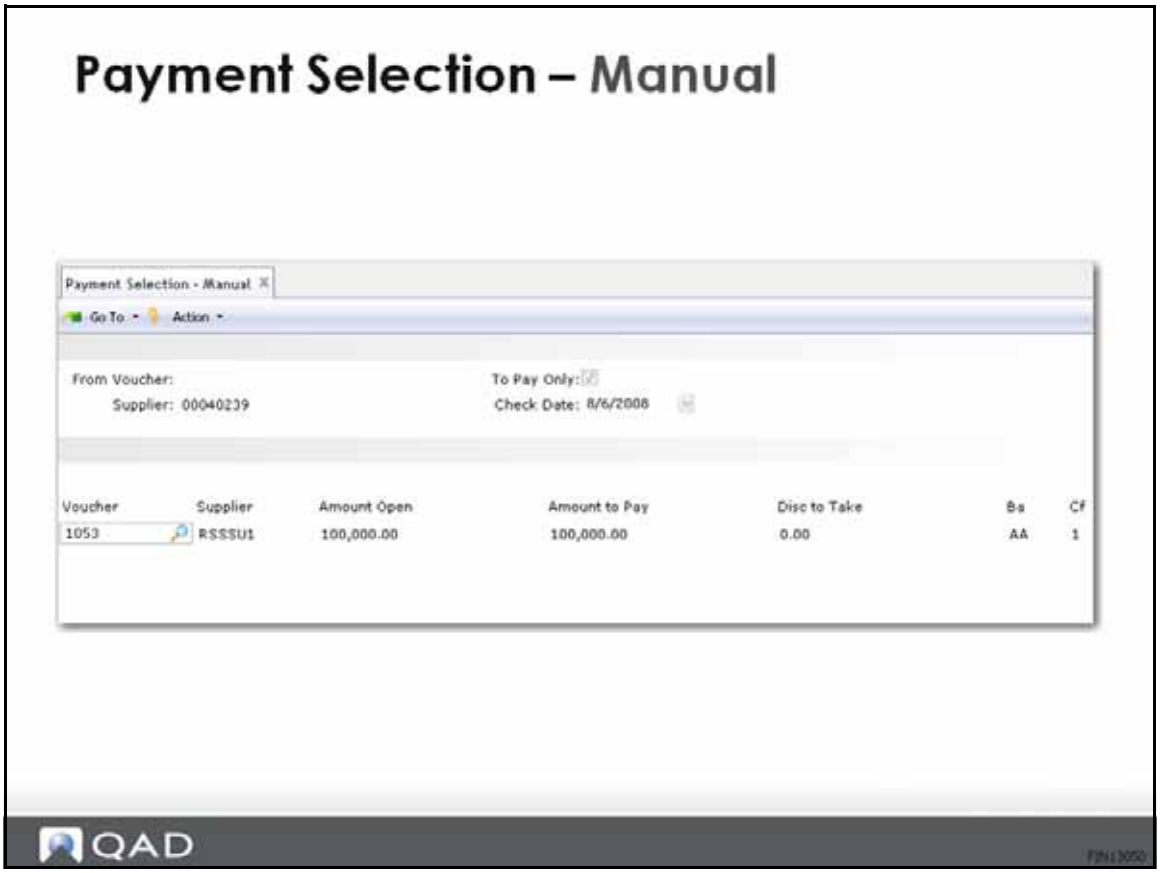
You can use selections to answer questions such as “What vouchers are due?” or “If I print checks today, which vouchers can I take a discount on?” If you enter both a due and discount date range, a voucher is selected if it falls within either range.

The Assigned Bank and Assigned Check Form options enable you to pay all selected vouchers from the same bank or using the same check form. These options override the supplier defaults.

If there is a limit to how much you want to pay in a check run, specify a maximum amount. As each voucher is selected for payment, the payment amount is added to a running total. When this total reaches the maximum amount, no more vouchers are selected. If you leave the field set to 0.00, no maximum is enforced.

Payment Selection - Automatic considers only vouchers within the ranges specified. If other vouchers were previously selected for payment, they remain selected unless the Overwrite Old Selection field is set to Yes.

Manual Selection



You can adjust the automatic selection by running Payment Selection - Manual (28.9.5). You can also use this function to select single vouchers for payment.

Unlike automatic selection, manual selection also lets you override the Amount to Pay. For example, you can make a partial payment or take a discount that the system did not suggest.

You should always review the Payment Selection Register after selecting vouchers or making changes to a payment selection. This report lists all vouchers selected for payment and total payments for each supplier, currency, and bank.

Discounts

When you use automatic or manual payment selection, discounts are calculated automatically, based on the credit terms. Any non-discountable amount is deducted from the voucher total before the discount is calculated.

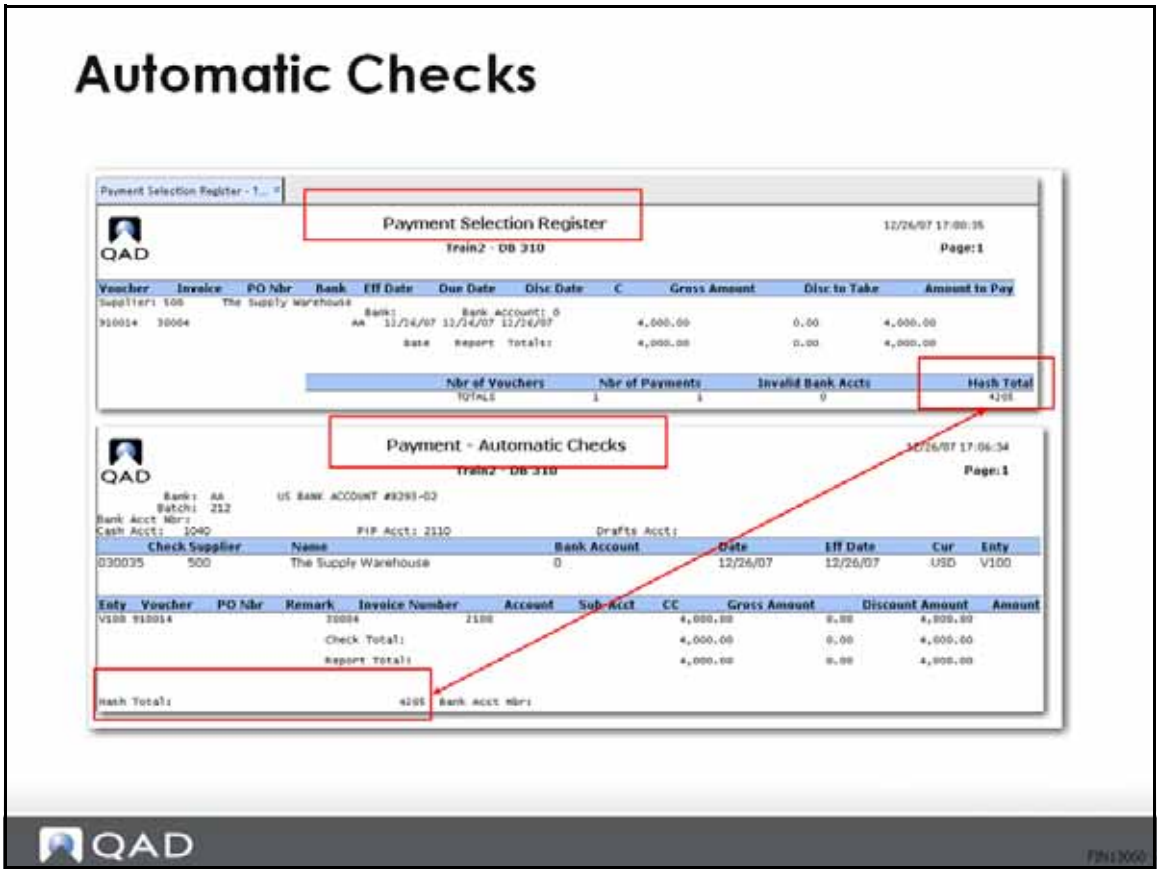
Dated Terms

Dated terms specify that portions of an invoice are due on different dates. Vouchers with dated terms are selected for partial payment as each portion becomes eligible for payment. Discounts are automatically calculated if each amount is paid within the discount period for that term. If there is any non-discountable amount, it is taken starting at the first dated portion.

Voucher Holds

Voucher amounts that have been placed on hold cannot be selected for payment until the hold amount has been reset in Voucher Maintenance (28.1) or Voucher Confirmation - Manual (28.7).

Automatic Checks



Checks are printed using Payment - Automatic Checks (28.9.9).

Checks are selected by bank code, and only checks for vouchers with the specified bank code are printed. The starting check number displays for the bank, and should match the first check number on your printed check forms.

You can enter two dates: the date that prints on the check and the date when the cash transaction updates the general ledger. Usually, both dates are set to the system date, except possibly at period end.

When you print checks, you can select to print a test check. Test checks are used for printer alignment. This step is optional because once you know how to align the paper, there is no need to waste a check on a test print.

Even if you do not print a test check, the system always stops after printing the first check and prompts you with the message:

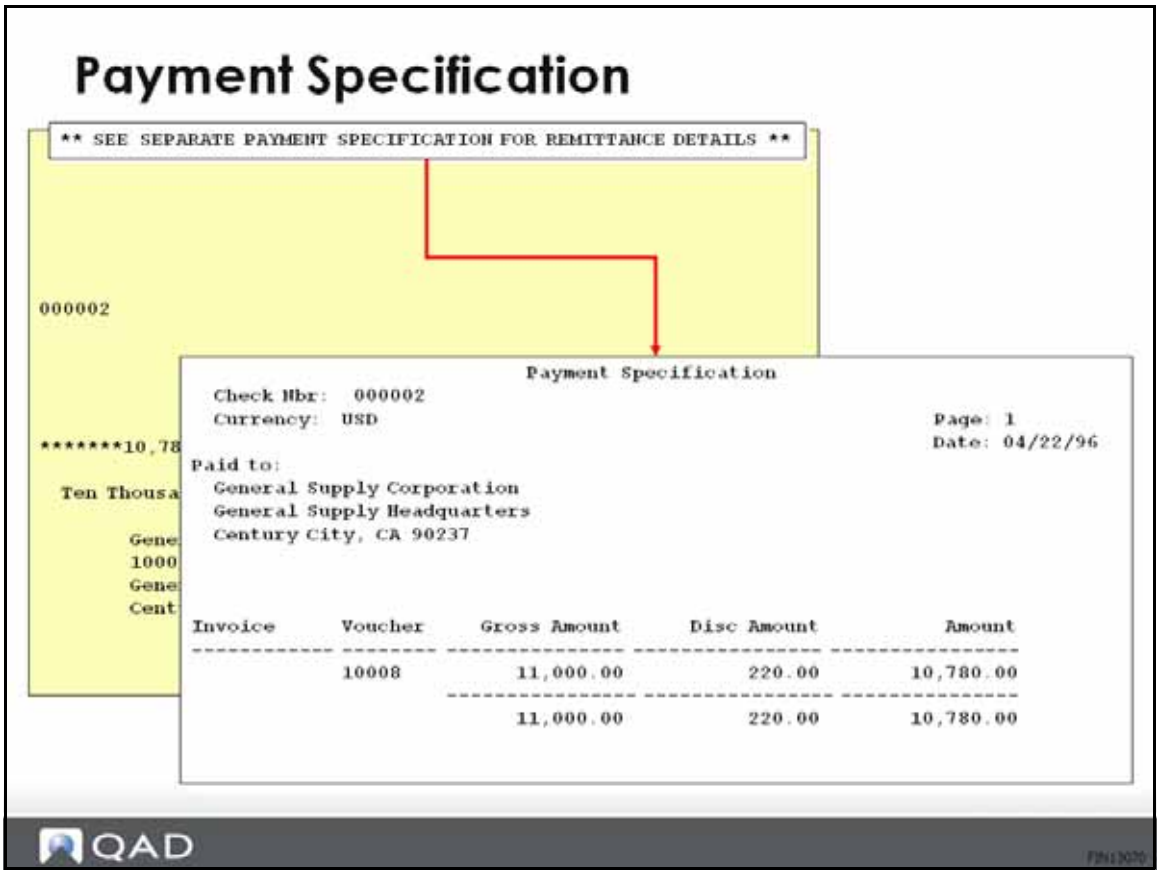
> Has the first check printed correctly?

If the checks are out of alignment or if the printer jams, specify No and you can start again. Do not forget to reset the starting check number. After all checks have printed, the system prompts you with the message:

> Have all checks printed correctly?

If not, specify No and start over, or you can void a range of checks. When you specify Yes, the check information is stored, the paid vouchers are marked as closed, and Next Check is updated for the bank code.

Note Sometimes you should specify Yes, even if all checks did not print correctly. For example, if you printed 100 checks and 2 are wrong, it is faster to void the 2 and reprint them than it would be to reprint all 100.



Normally, one check is printed for each supplier, summarizing all amounts selected for payment (unless a voucher was flagged as Separate Check). The check stub lists all vouchers and amounts paid on that check. The supplier invoice number is also listed, making it easy for your supplier to process the receipt. If more than one stub is needed, the system continues on to the next check stub, marking the first check as void. If the Print Remarks field is set to Yes, the remark entered in Voucher Maintenance prints on the check stub.

Payment Specifications

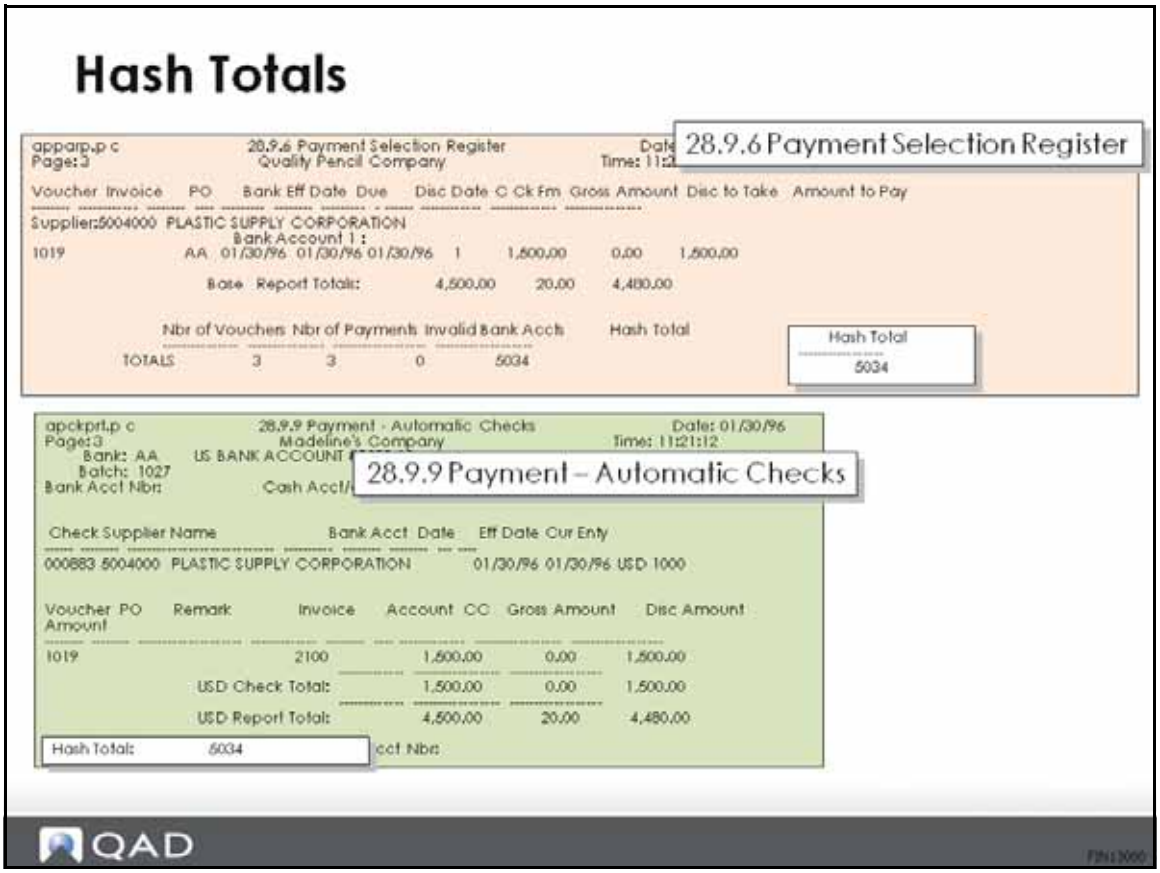
For check forms 1 through 7, a payment specification report is automatically generated if the supplier's Pay Specification field is set to Yes in Supplier Maintenance (2.3.1). The check stub contains a message to refer the supplier to the payment specification for remittance details.

Note For payment specifications, use a separate printer, if possible. Otherwise, you must change paper after you print the checks.

Zero Checks

A zero check is printed if the entire payable is covered by one or more supplier credits (negative vouchers). The zero check simply documents the situation for the supplier and marks each voucher as closed.

Check Number Audit Trail

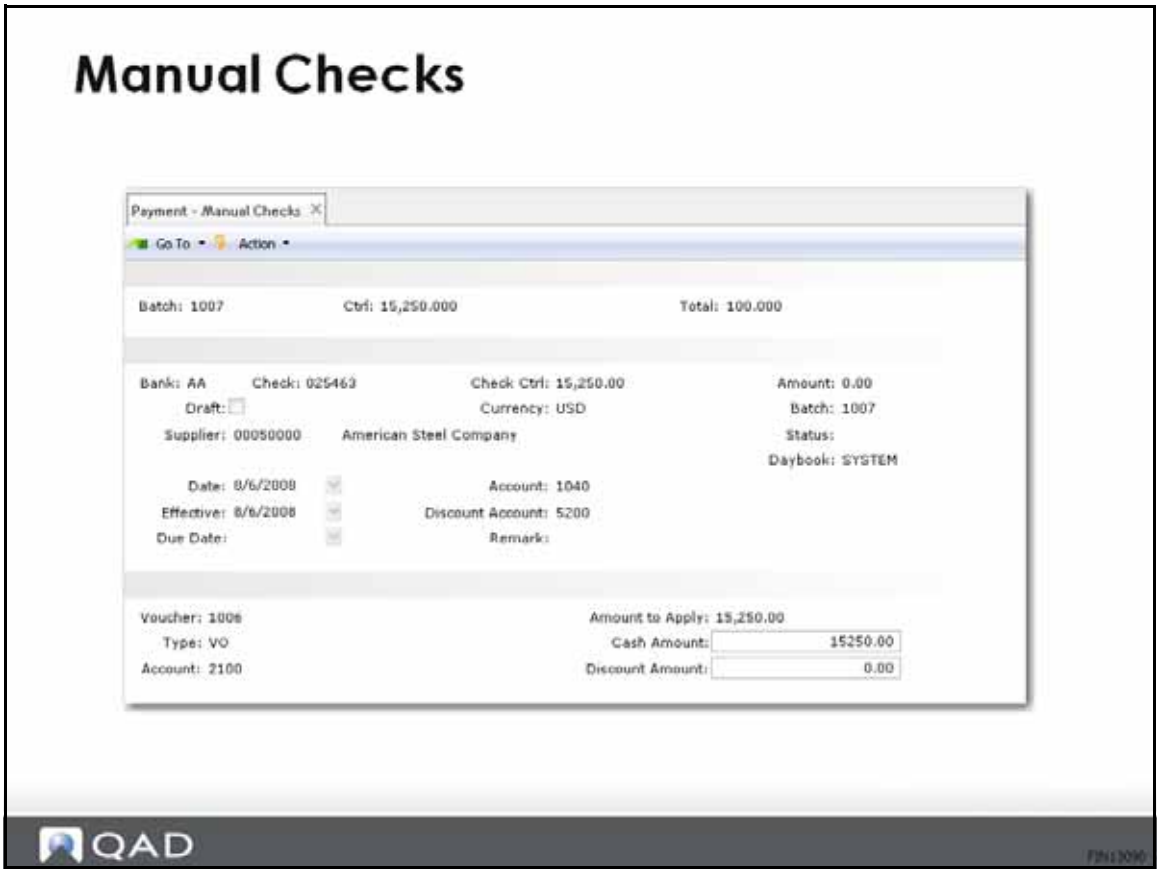


The system only tracks check numbers actually used to pay vouchers (including those later marked as void) and those used to align the checks in the printer at the beginning of a run. The system does not track check numbers for checks spoiled during printing or otherwise skipped; log these in Check Void Maintenance.

Hash Totals

To verify that only approved vouchers were paid, QAD SE calculates and prints a hash total at the bottom of the Payment Selection Register (28.9.6) and the audit trail for Payment - Automatic Checks (28.9.9). If no modifications have been made from the time the payment selection register was generated and the checks were run, the two totals match.

Manual Checks



Some payments cannot be processed as automatic checks. For example, you can pay a voucher by hand-writing a check, transferring cash in person, or asking your bank to transfer cash. In addition, not all payments go through the voucher system. Liabilities, such as petty cash expenditures, bank fees, and finance charges, are not easily tracked using vouchers because you never receive an invoice for them. In QAD SE, such amounts are recorded in Payment - Manual Checks (28.9.10).

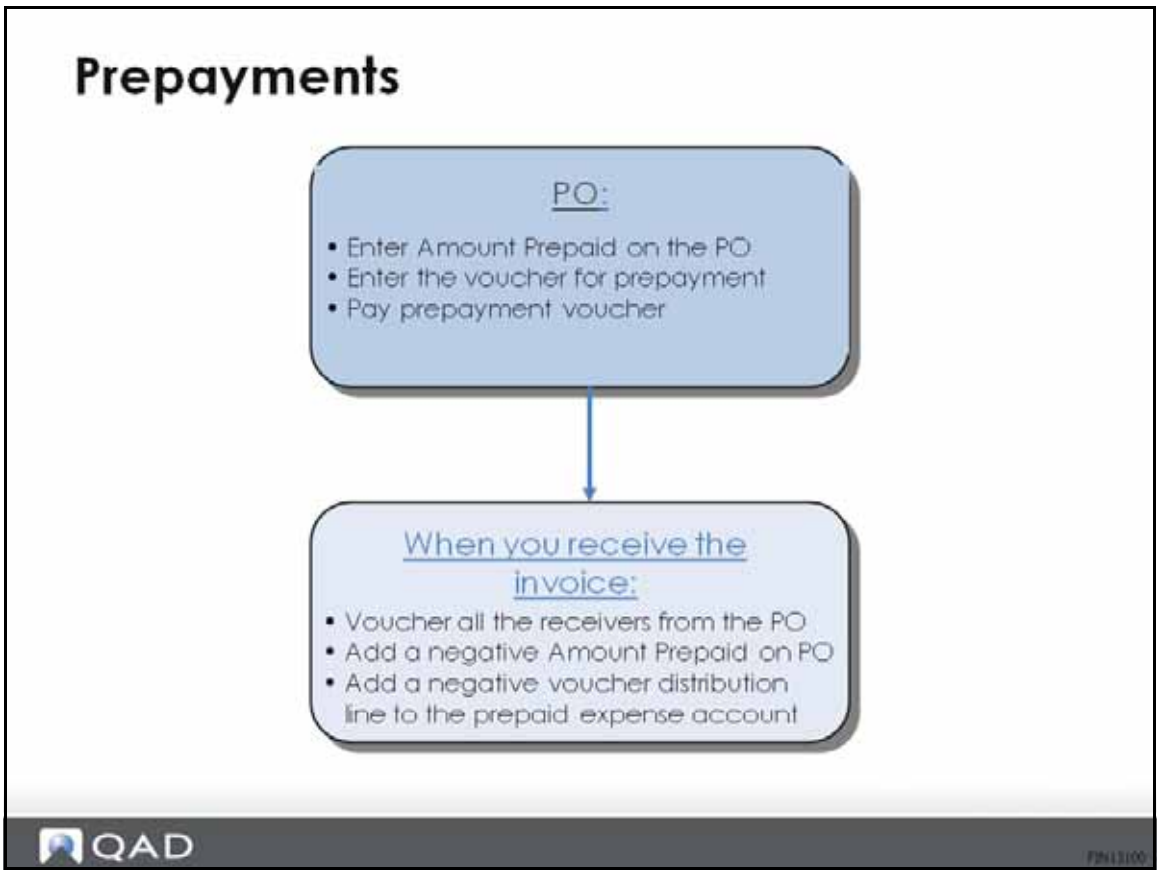
You can apply manual checks to one or more vouchers. These manual checks are marked as type MN. The AP account and Amt to Apply default from the voucher. You can also record discounts. The voucher balance is decreased by the amount of the payment, and vouchers are marked as closed once they are fully paid.

If no voucher is referenced, the system automatically marks the payment as type N (non-AP). For non-AP payments, you must manually specify an expense account to debit for the payment.

A manual check can also be used to record supplier credits. If you want to document that a vouchered amount was covered by one or more supplier credits (negative vouchers), you can record a zero payment. This process updates the supplier balance and closes the voucher.

Note Like automatic checks, manual checks update the Next Check number for the bank code. If you process both automatic checks and manual checks on the same bank account, you can use separate bank codes for automatic and manual check reporting.

Prepayments



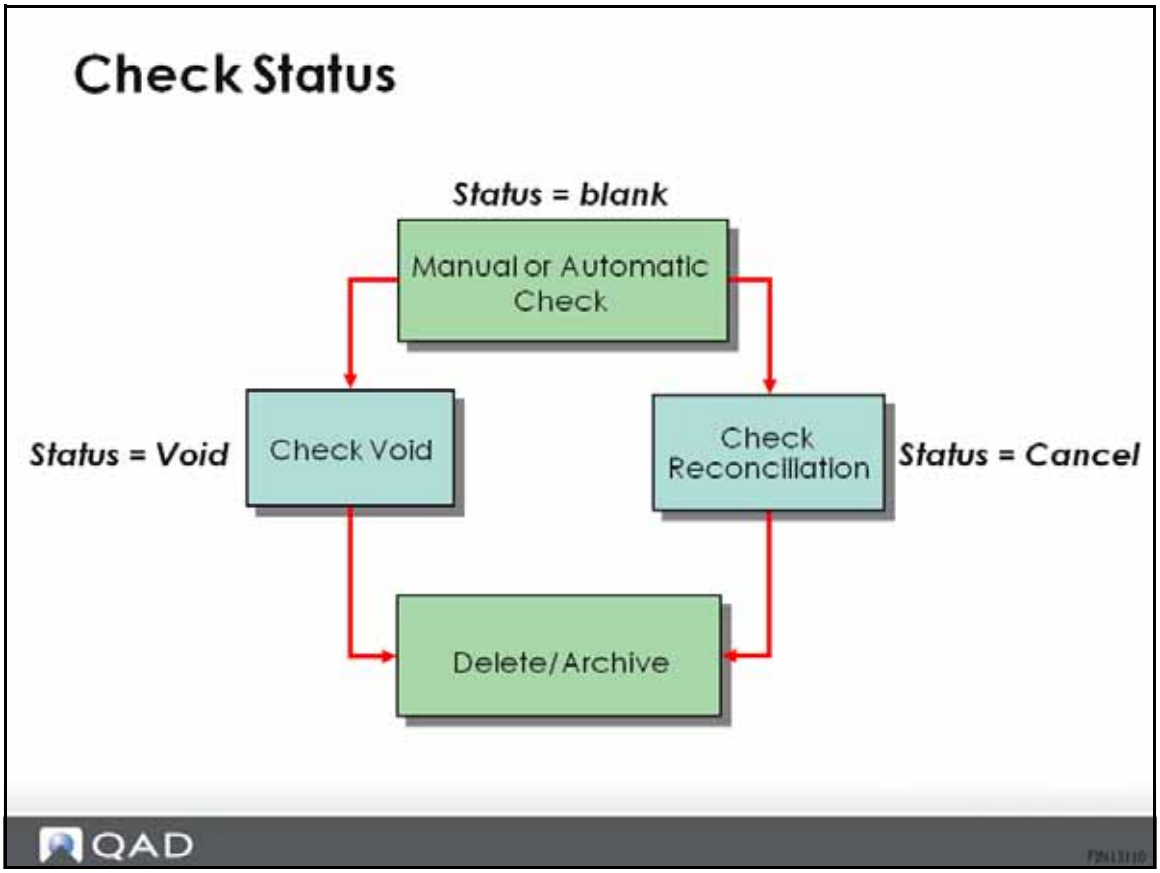
Sometimes, you might have to send a prepayment or deposit to the supplier before you actually receive the goods. You might even have to pay for goods with long shipping lead times while they are still in transit. The prepaid amount entered on a purchase order is for reference only. To actually process the cash payment and record a credit, you must enter a voucher. The easiest way is to create a non-PO voucher linked to a prepaid expense account for the amount of the prepayment.

When you initially voucher a prepayment, enter a positive amount in the Prepayment Amt field. In the distribution screen, this amount is usually debited to a prepaid expense account. The Prepayment Amt field automatically updates the supplier's prepayment balance.

When you voucher the supplier invoice for the remaining amount, a message displays, showing the supplier's prepayment balance. Record the original prepayment amount as a negative amount in the Prepayment Amt field. This reduces the supplier's prepayment balance. In the distribution screen, credit the prepaid expense account for the prepayment amount. This reduces the balance due on the voucher.

You can use the Supplier Prepayment Inquiry (28.15) to review prepayments.

Check Status



All payments are recorded in the system with a check type and check status. The following codes are used during check voids, reconciliations, and on some reports.

The check types are:

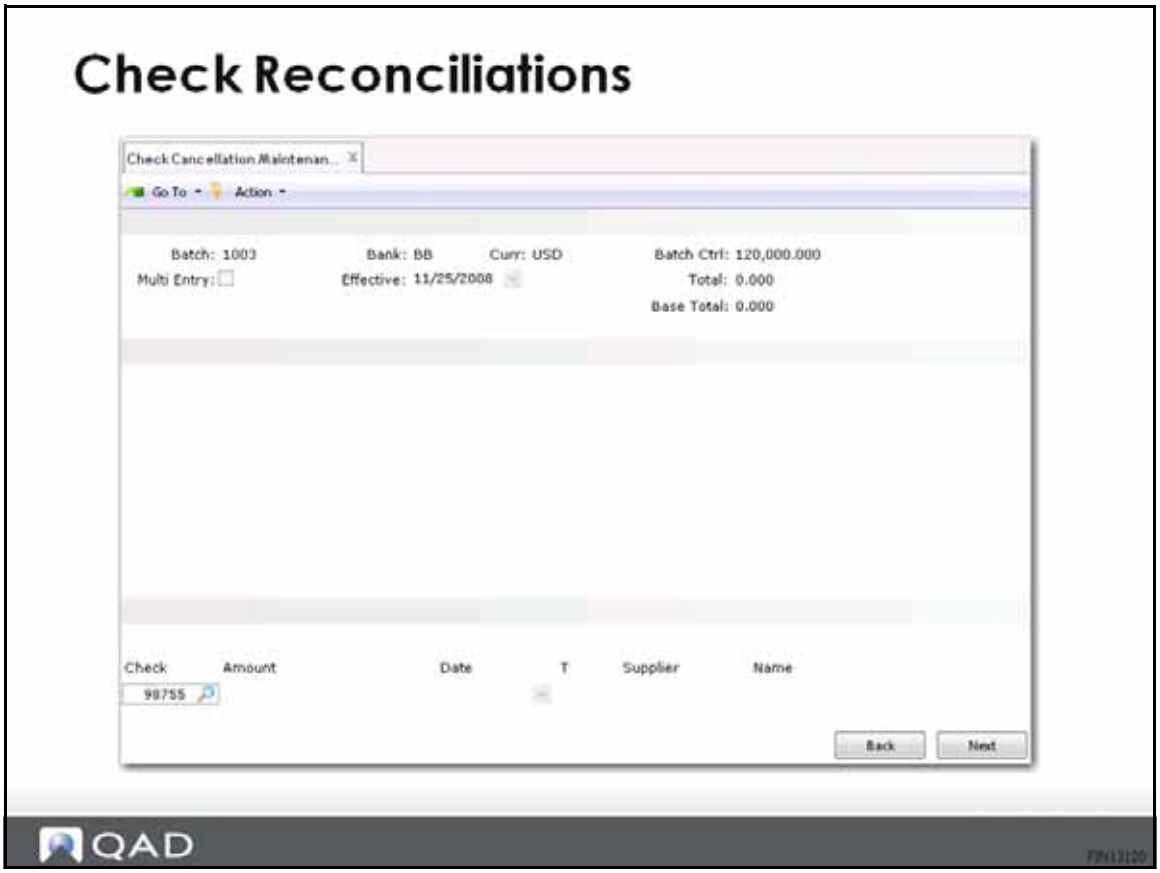
- MN for manual checks
- AU for automatic

The check status codes are:

- Blank for open (printed or in transit, but not reconciled)
- CANCEL for reconciled checks
- VOID for voided checks

You can use the Check Status report (28.9.17) to review check status.

Check Reconciliations



Use Check Cancellation Maintenance (28.9.13) to reconcile checks whenever you receive a bank statement. This process marks the check as closed and sets the check status to CANCEL.

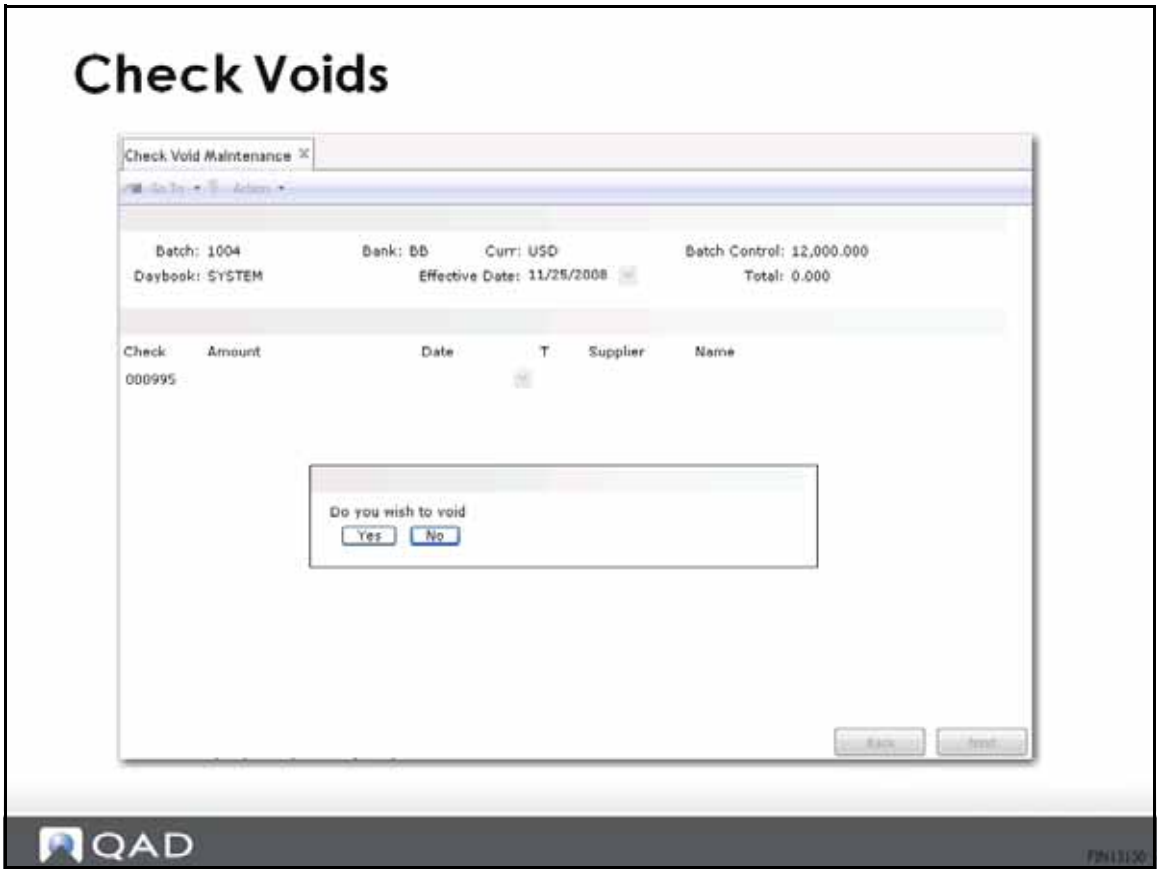
You can reconcile checks quickly using the Multi-Entry option. This enables you to enter a range of check numbers, due dates (for drafts), and the total amount. You must enter a batch control total when you are in multi-entry mode.

In the Check Selection frame, specify the check number of the first and last check appearing on your bank statement. If you are processing cleared drafts, enter the due date range for the cleared drafts appearing on your bank statement. To enter a due date range, the Use Draft Management field must be Yes in Accounts Payment Control (28.24).

When the system has retrieved all checks and drafts, it prompts you with the message, `Display checks being reconciled?` If you specify No, the system automatically cancels the selected checks and drafts if the Total of these payments equals the Batch Ctrl. If you specify Yes, the system displays the retrieved open payments and allows you to adjust the selection. Scroll through this list by moving the cursor or paging up and down. Selected payments are marked with an asterisk (*) in the Selection column. To select/deselect a payment, highlight the payment and press the Spacebar or Enter. Every time you select/deselect a payment, the system automatically updates the Total in the upper right corner of the screen.

Print the Check Status report (28.9.17) to review canceled checks.

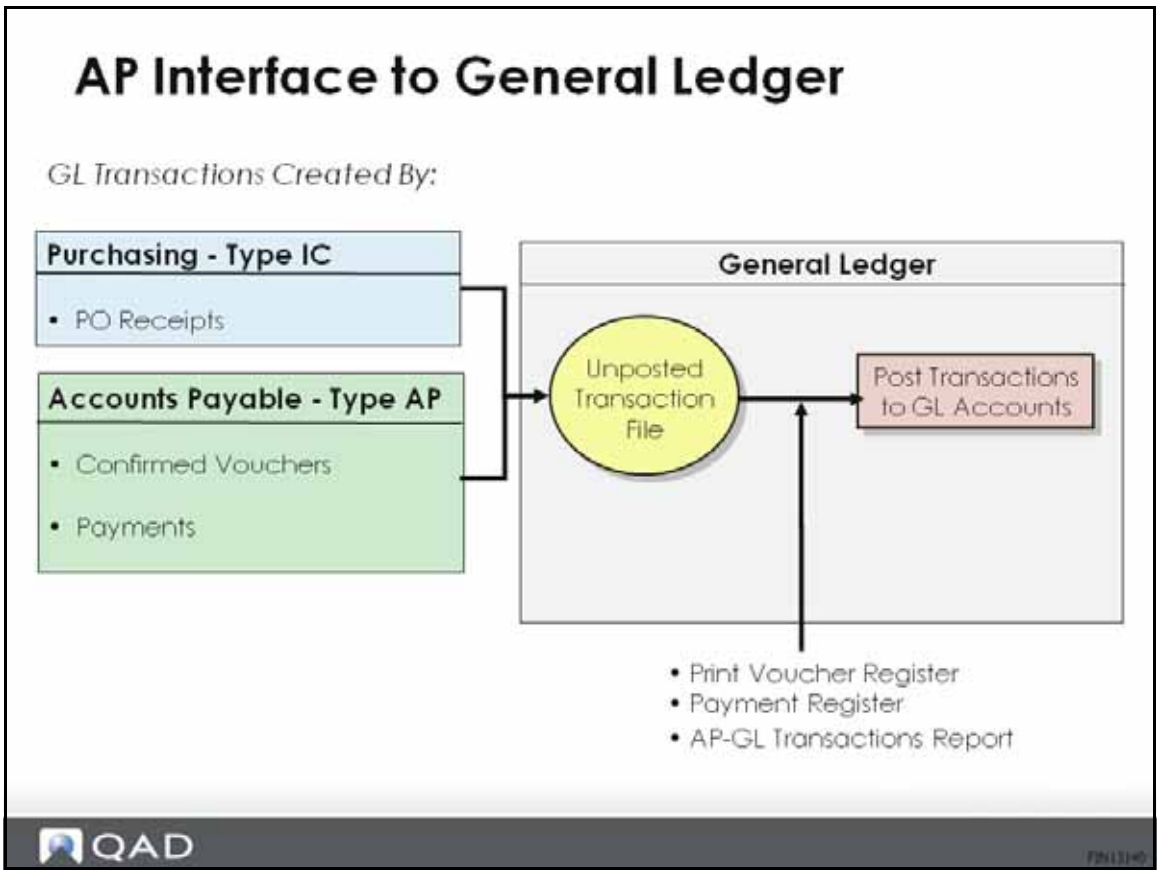
Check Voids



Void checks are logged in Check Void Maintenance (28.9.15). You can void manual or automatic checks if they have not been reconciled.

When a check is voided, an audit trail is kept. The check remains in the system with the amount open set to zero and status VOID. Any vouchers paid by the check are reopened.

AP Interface to General Ledger



The Accounts Payable module generates transactions that are posted to accounts, sub-accounts, cost centers, and projects in the General Ledger module. Because the GL is the source of your company's financial reporting, accuracy in accounts and amounts is vital during purchasing and AP activities.

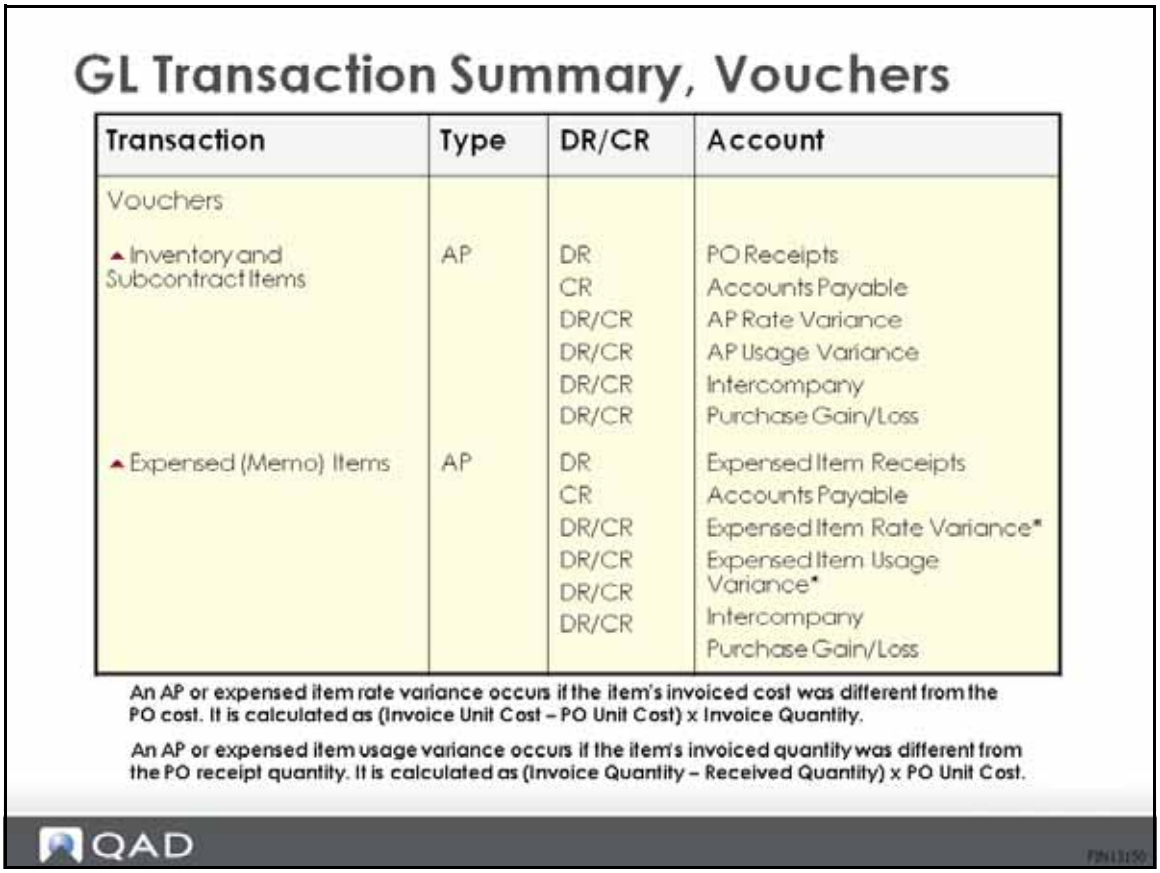
All GL transactions are stored in the unposted transaction file until they are posted in Transaction Post. Before posting, you should carefully review the Unposted AP-GL Transactions report (28.17.10), which lists all unposted GL transactions created by AP activities. You should also print the Voucher Register (28.3.1) and Payment Register (28.9.12) reports with the Print GL Detail field set to yes. These reports are useful for finding transactions that correspond to those printed on GL reports.

In Accounts Payable Control, the system can be set to create AP transactions in detail (one GL transaction for each AP transaction) or summary (summarized by batch) mode.

The GL transactions for any given activity vary depending on the kind of purchase, whether there are variances, and whether the activity involves multiple currencies or entities.

In the General Ledger module, reports are often printed by transaction type. Purchasing transactions that affect inventory are type IC; all accounts payable transactions are type AP.

GL Transaction Summary, Vouchers



Vouchers have no GL effects until they are confirmed, and recurring vouchers have no GL effects until the vouchers released from them are confirmed.

An AP or expensed item rate variance occurs if the item's invoiced cost was different from the PO cost. It is calculated as:

(Invoice Unit Cost – PO Unit Cost) x Invoice Quantity

An AP or expensed item usage variance occurs if the item's invoiced quantity was different from the PO receipt quantity. It is calculated as:

(Invoice Quantity – Received Quantity) x PO Unit Cost

On expensed (memo) items, the system can post variances to either expensed item rate and usage variance accounts or to purchases expensed, depending on the setting for the Use Expensed Item Var Accts field in Accounts Payable Control.

On multi-entity vouchers, entries are created for the AP intercompany account if no PO site was manually specified in the PO header. These entries are also created on multi-entity vouchers that do not reference a PO.

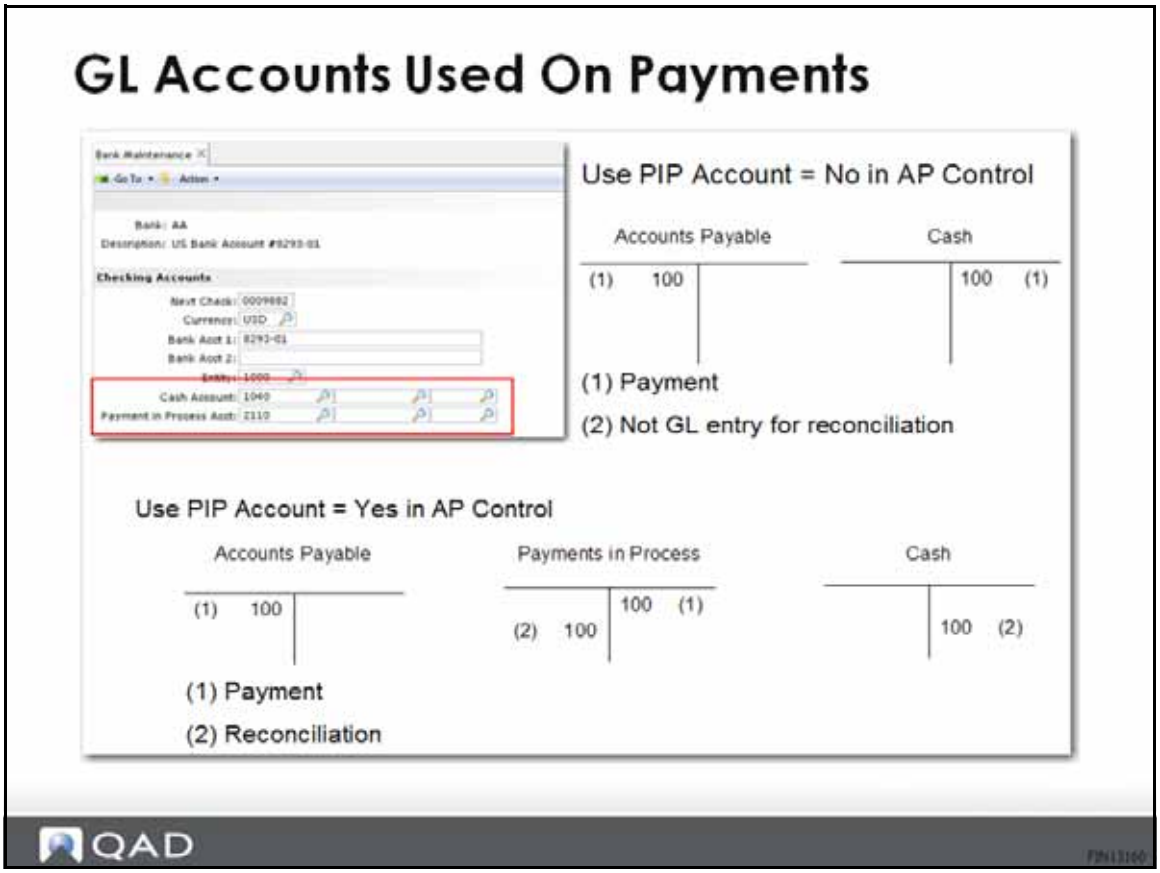
On multi-currency vouchers, purchase gains/losses are posted if currency fluctuations result in a variance between the item's PO cost and the supplier's invoice cost.

Viewing Transaction History Across Domains

If your database has multiple domains, you can use two reports to review transaction numbers in sequence. Since sequence numbers apply to the database as a whole, transactions within a domain may appear to have gaps. This report lets you see transactions created in all domains and verify that numbering is sequential.

- Use Transaction Numbering report (3.21.19) to review inventory transaction history by number or date range.
- Use Operations Numbering report (17.13.22, 18.4.16, and 18.22.4.12) to review operation transaction history by number or date range.

GL Transaction Summary, Payments



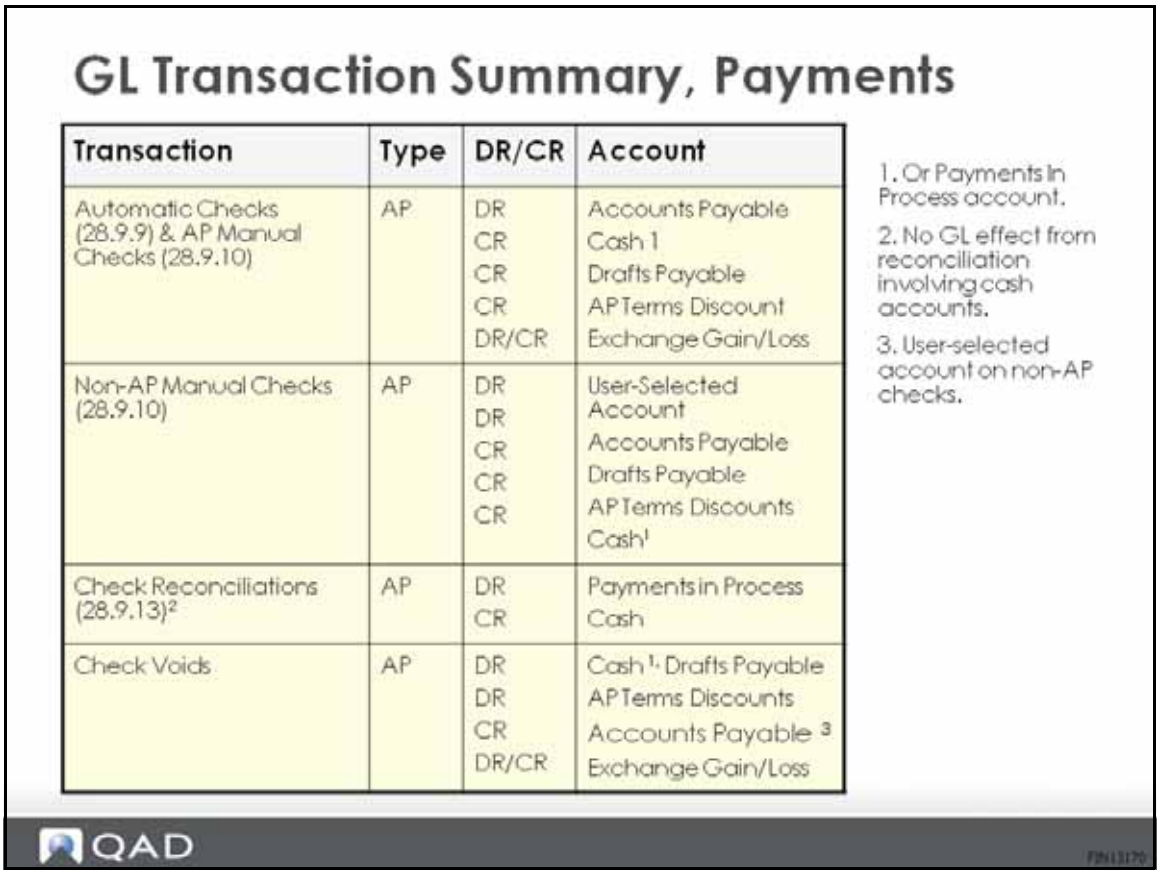
The GL entries created for payments vary, depending on the GL accounts specified in Bank Maintenance.

In QAD SE, you can choose not to update your cash balance until the payment clears the bank by posting payments to a payment in process (PIP) account, also called a cash in transit account. When you reconcile payments against the bank statement, QAD SE automatically credits the AP cash account. This option is specified in Accounts Payable Control.

The first example shows the GL entries created by AP payments when the PIP option is not used. Payments are credited directly to Cash, and no GL entries are created by check reconciliations. The PIP account defaults to the cash account in Bank Maintenance, but the system does not use it when the Use Payment in Process Acct field is set to No in Accounts Payable Control. For payments made by electronic funds transfers (EFTs), the PIP account is never used.

When payments are made by draft, the Drafts Payable account is used in place of the Cash account.

The second example shows the GL entries created by payments and reconciliations when the Use Payment in Process Acct field is set to Yes. Payments credit PIP instead of Cash and, when the check clears the bank, PIP is debited and Cash is credited.



The GL effects of a payment vary depending on whether an automatic or manual check is used.

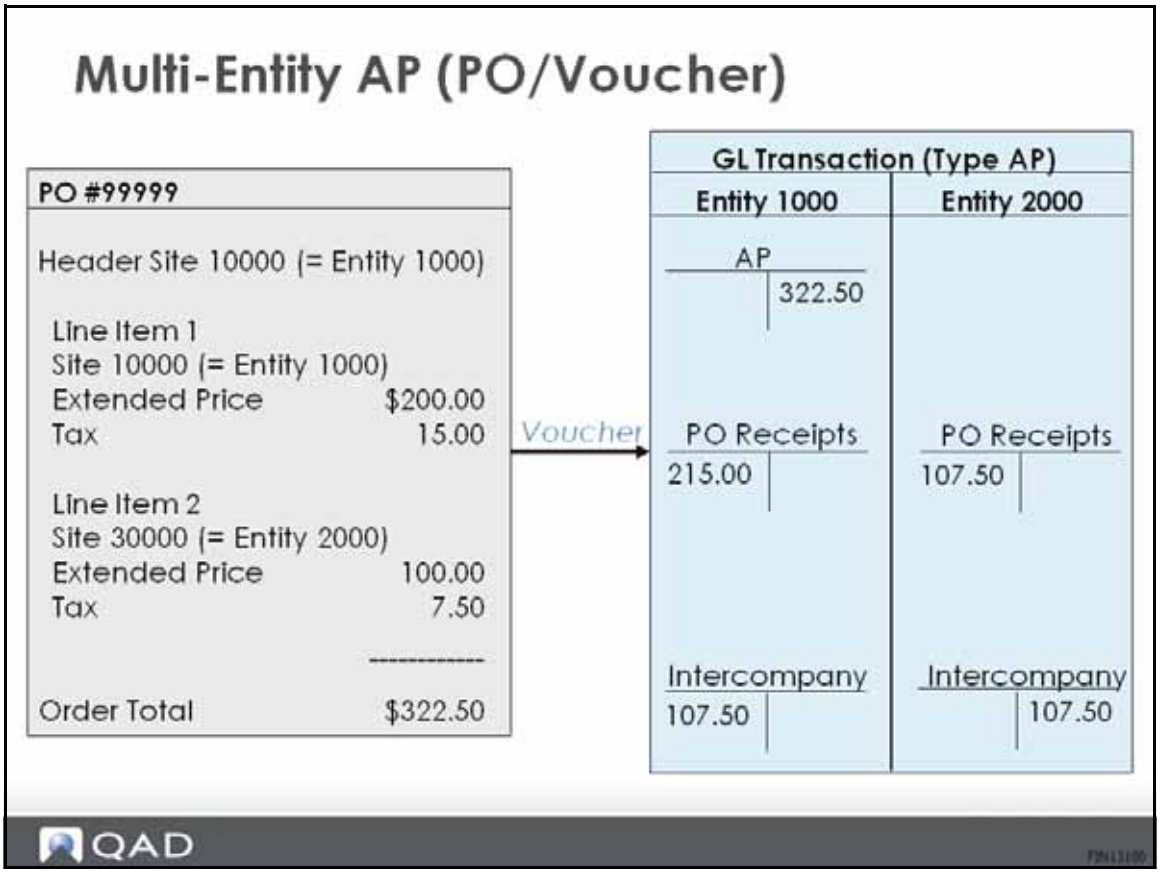
When manual checks are for type N (non-AP) amounts, you usually specify a debit account other than AP.

An additional entry is created by automatic checks in foreign currencies. Exchange gain/loss is realized whenever the exchange rate changes between the voucher and the payment.

Check voids create entries to reverse the GL effects of the voided payment.

As noted earlier, reconciliations create a GL transaction only when the Payment in Process (PIP) option is used.

Multi-Entity AP

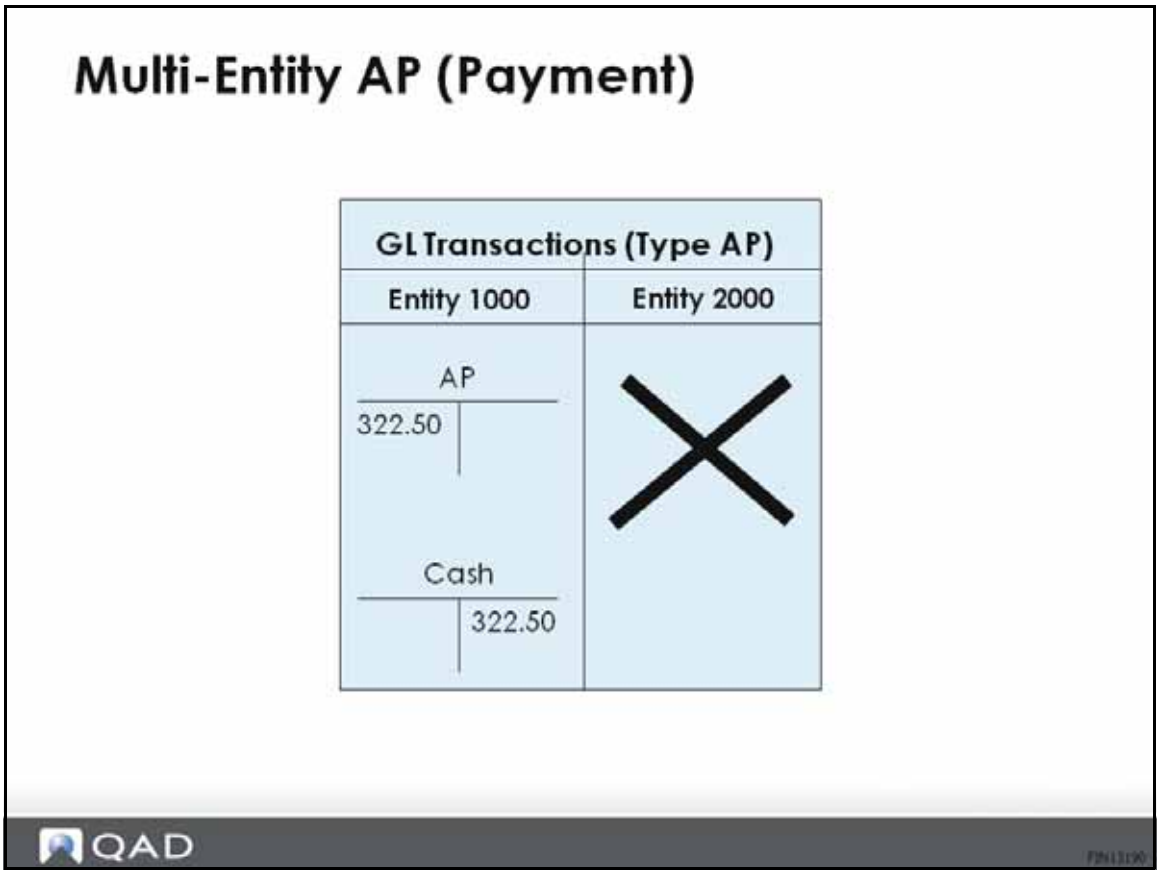


Multiple GL entities can be specified on all AP transactions. The system automatically calculates balancing entries and posts them to the Intercompany Accounts Payable debit and credit accounts specified in Entity Code Maintenance (25.3.1.1).

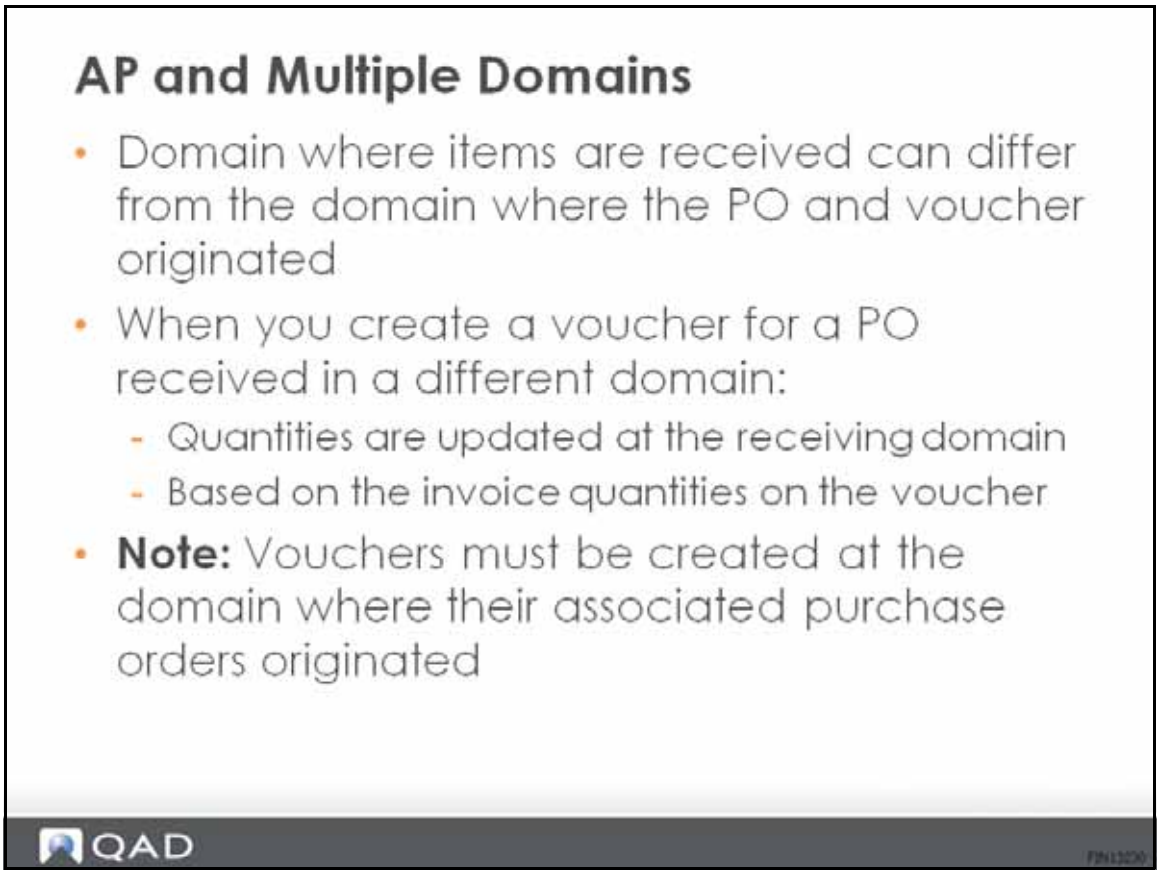
In the above example, a purchase order is created at site 10000. The first line item is shipped to site 10000 (assigned to entity 1000) but the second is shipped to site 30000 (assigned to entity 2000).

AP is posted to entity 1000 because entity 1000 originated the PO. PO Receipts for the first line item are also posted to entity 1000. However, PO Receipts for the second line item are posted to entity 2000.

Since site 30000 is assigned to a different entity (2000), mirror entries post the PO Receipts amount for the second line item to the AP Intercompany account.



Following from the previous example, payment is processed only by entity 1000, not 2000.

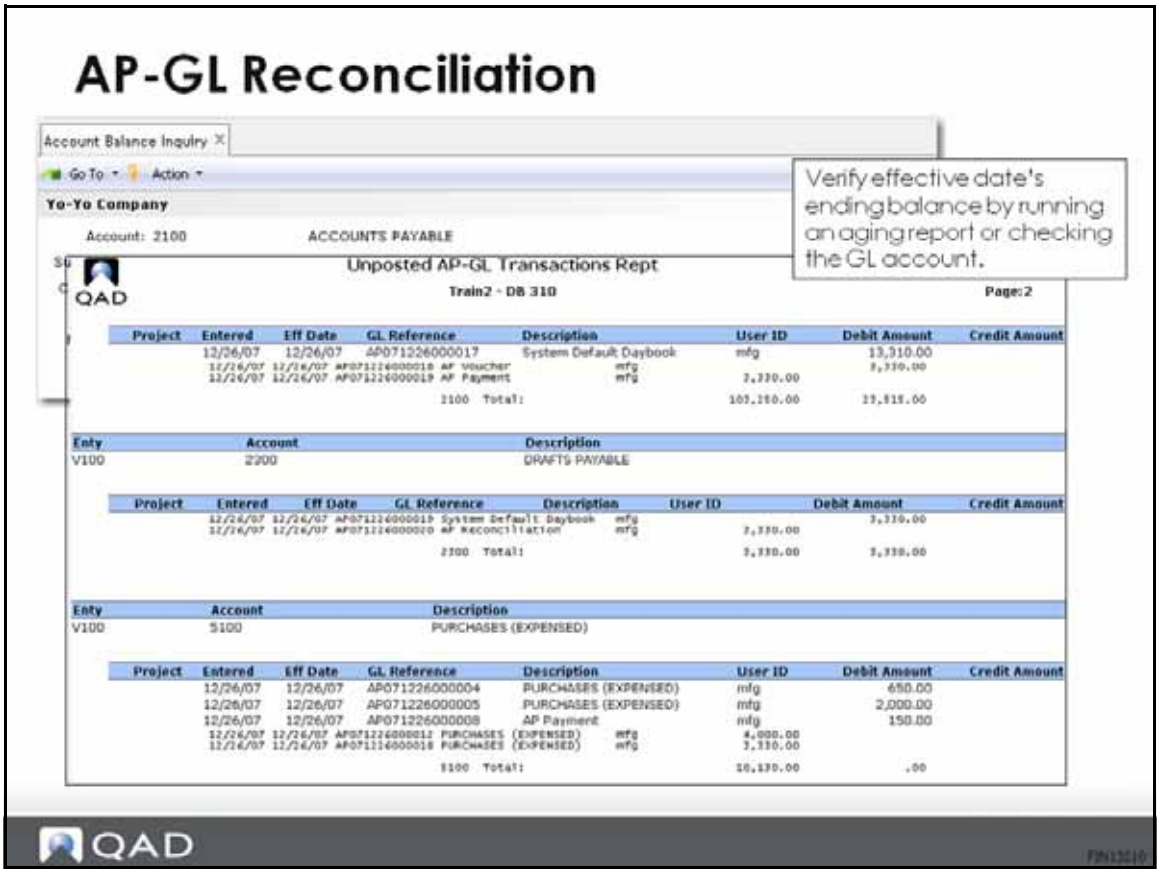


In a consolidated purchasing environment, the domain where purchased items are received can differ from the domain where the purchase order and associated voucher are generated.

When the purchasing and receiving domains are in the same database or when they are in different databases that are connected and running, the system copies applicable inventory, cost, and tax data from the receiving domain to the purchasing domain and considers this data when generating vouchers.

When you create a voucher for a purchase order that was received in a different domain, invoiced and open line quantities are updated at the receiving domain based on the invoice quantities entered on the voucher. In addition, the system compares the PO receiver, which was copied to the central domain during PO receipt, with the supplier invoice data and records any variances in at the receiving domain as appropriate.

AP-GL Reconciliation



When GL is posted daily, you can verify the ending balance for an effective date against the GL account balance or the AP aging report by running an AP Aging as of Effective Date report (28.17.6) or checking the GL account balance for the effective date.

If GL is not posted daily, you check an effective date's ending balance as follows:

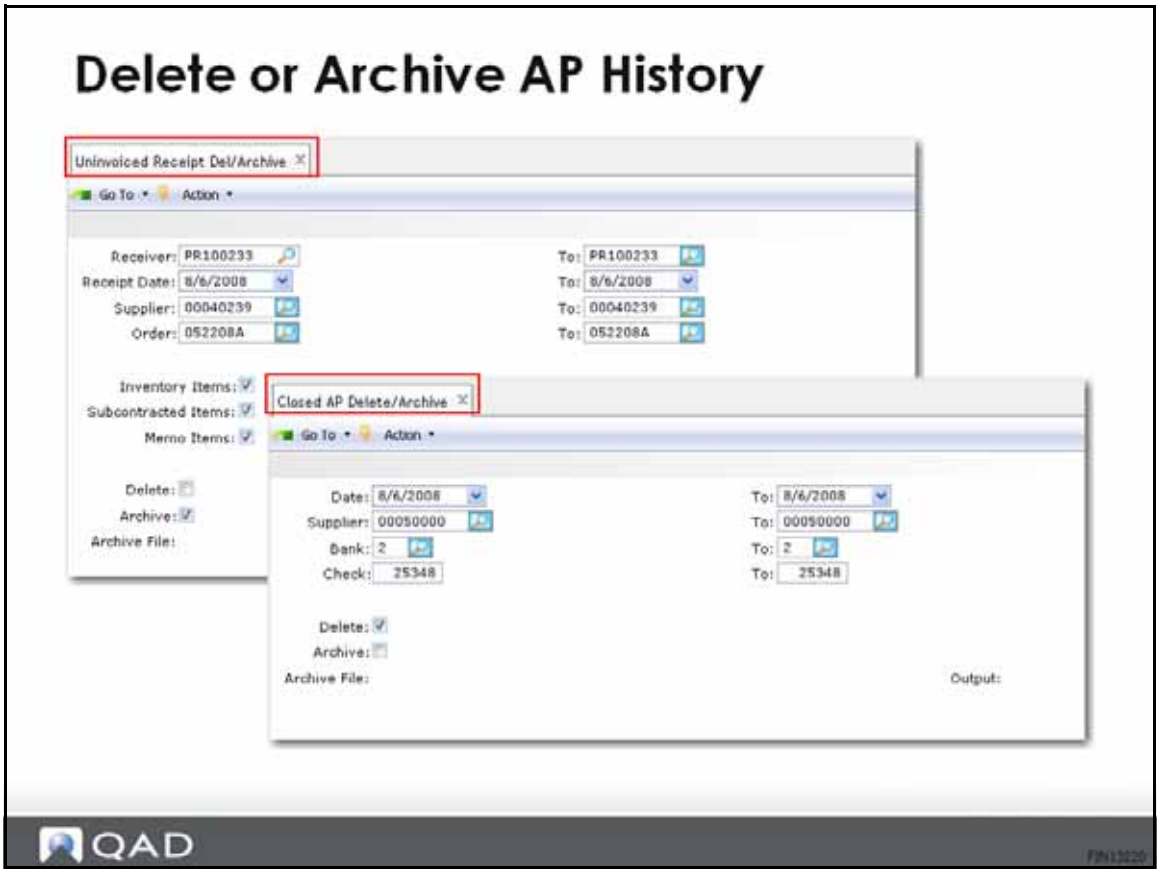
1. Run an AP Aging as of Effective Date report (28.17.6) or check the GL account balance as of the effective date.
2. Add this total to the total confirmed vouchers from the Voucher Register report (28.3.1), as of the current date.
3. Subtract the combined total from the AP account total from the Payment Register for the current date. (Print the Payment Register with the Print GL Detail field set to Yes to show the AP account total.)

This total should match the AP Aging as of Effective Date report (28.17.6) total.

To make reconciling the AP balance easier, it is helpful to only create AP entries in AP. To do this, set the AP account Sub-Module Entries Only field to Yes.

Once GL has been posted, if the period is still open, you can change the distribution on a voucher. This step also changes the GL. You cannot change the distribution if the voucher has been paid. In that case, you must decide whether to adjust the GL or create an adjusting voucher to correct the GL.

Delete or Archive AP History



All historical activity is maintained on the system until you choose to delete it. Periodically, you should delete or archive AP history to preserve database space.

Uninvoiced Receipt Delete/Archive (28.22) removes receivers that were never matched with an invoice (probably because the PO was never referenced on the voucher). These receivers remain in the system unless you delete them. After deleting receivers, you can adjust PO Receipts balances using a standard GL journal entry.

Closed AP Delete/Archive (28.23) removes records with an Amount Open equal to zero—that is, vouchers that are totally paid (closed), payments that are totally applied, reconciled checks, and voided checks.

A good way of ensuring you do not delete items you need is to first run the function with the Delete field set to No. This option simply prints the report. If the report is OK, rerun the delete/archive with the Delete field set to Yes.

Always do a backup before performing a delete/archive. You can optionally dump deleted items to an archive file. These files should be backed up to tape and placed in a safe storage place. Then, if you ever need to reload this information (for example, for auditors), you can load it back into your database from the tape using Archive File Reload (36.16.5).

When deciding how frequently to perform a delete/archive, consider how much data you are likely to have to restore. (For example, if you need to retrieve data for one month but you stored all the previous year’s history in one file, you must reload the entire file.)

Exercise 13: Record Checks, Manual and Automatic

Record Manual Checks

In this exercise, you enter a manual check for a non-AP payment.

Payment - Manual Checks

1 In Payment - Manual Checks (28.9.10), enter a non-AP payment for supplier 500. When you get to Amt to Apply, you see a message telling you that you are creating a non-AP payment.

Batch:	Enter
(Batch) Control:	150.00
Bank:	AA
Check:	30026
Check Control:	150.00
Supplier:	500
Remark:	COD - Supplies
Voucher:	Enter
Account:	5100 (Purchases Expensed
Amount to Apply:	150.00
Cash Amount:	150.00

Supplier Activity Inquiry

2 In Supplier Activity Inquiry (28.13), review the supplier balance for supplier 500.

Notice that this check had no effect on the supplier balance.

3 In Supplier Activity Inquiry (28.13), review supplier 5022000 and note the voucher number for invoice 1001.

Payment - Manual Checks

4 In Payment - Manual Checks (28.9.10), try to enter a manual check for $225.00 to pay supplier 5022000, invoice number 1001. Use the voucher number from the previous step. If you have trouble doing this, stop and wait for the instructor to explain why. Do not correct this now. You will correct this in the next exercise.

Process Automatic Checks

In this exercise, you will select vouchers for payment, manually overriding this selection, and print automatic checks.

Payment Selection - Automatic

1 In Payment Selection - Automatic (28.9.9), run the payment selection with all selection criteria blank except for Assigned Check Form set at 1.

Note Will not print to screen.

2 Review the selection report.

What is the suggested check amount for supplier 500?

Voucher Inquiry

3 In the Voucher Inquiry (28.2), locate Invoice 1001 ($225.00) for supplier 5022000, which was not selected for payment. Why not?

4 Review the Voucher Inquiry, and see why.

Note the voucher numbers for invoices 1001 ($225.00) _____, 1507 ($50,000.00) _____, and 2590 ($650.00) _____.

Voucher Confirmation - Manual

5 In Voucher Confirmation - Manual (28.7), change the hold amount to zero for invoice 1001.

Payment Selection—Manual

6 In Payment Selection - Manual (28.9.6), select the voucher, and pay the entire $225.00. Afterward, select invoice 1507 (refer to the voucher number you filled in earlier), and pay only $10,000.00 of the $50,000.00. Set the discount to zero.

Payment Selection Register

7 Print the Payment Selection Register (28.9.6).

Payment - Automatic Checks

8 In Payment - Automatic Checks (28.9.9), print checks. (You can print them on blank paper.) Set Print Audit Trail to Yes.

Make sure the checks printed correctly. Normally, you would have to change the printer from check forms to paper before you print the audit trail or send the audit trail to another printer.

Will not print to screen.

9 Examine the hash totals on the Payment Selection Register and the audit trail for Payment - Automatic Checks. They should match. This is a security feature that verifies that only approved payments were paid. What is your hash total?

Voucher Inquiry

10 Review the Voucher Inquiry (28.2) for invoice 1001. The amount open should now be zero.

Supplier Activity Inquiry

11 Look at the Supplier Activity Inquiry (28.13) for supplier 5022000.

Notice how the check is tied to the vouchers it paid.

Prepayments (Optional)

In this exercise, you will go through the entire process of recording supplier prepayments.

Purchase Order Maintenance

1 In Purchase Order Maintenance (5.7), enter a purchase order (press Enter for the next PO number). Use supplier 500. Accept the defaults for the rest of the header screen, and press Enter until you reach the line item entry screen.

Line:	1
Site:	Train
Req.	blank
Item Number:	12-4020
Quantity:	1,000
Cost:	3.30
Update Avg/Last:	No

After entering the line item, press Next twice. The trailer screen displays the total $3,300.00.

2 Enter a prepayment of $500.00 in the Amount Prepaid field.

Purchase Order Print

3 Print the purchase order.

Voucher Maintenance

4 In Voucher Maintenance (28.1), enter a voucher to request the prepayment.

Batch:	Enter
Control:	500.00
Voucher	Press Enter
Order:	Enter the PO number, for reference only. Click Back.
Control:	500.00
Supplier:	500
Effective Date:	today
Terms:	0
Remark:	Prepayment
Prepayment Amount:	500.00

Click Next until you reach the distribution screen. (You will need to go through the receiver matching frame first.)

Account:	1700
Tax:	N
Description:	Prepaid Expenses
Amount:	500.00

Supplier Prepayment Inquiry

5 In Supplier Prepayment Inquiry (28.15), review the prepayment for supplier 500.

Payment - Manual Checks

6 In Payment - Manual Checks (28.9.10), write a manual check for this prepayment and enclose it with the purchase order to send to the supplier.

Batch:	Enter
Control:	500.00
Bank:	AA
Check:	987
Check Control:	500
Supplier:	500
Date:	today
Effective Date:	today

Click Next until you reach the Voucher field. In the Voucher field, do a lookup browse to find your voucher for $500.00.

Amount to Apply:	500.00
Cash Amount:	500.00

Supplier Activity Inquiry

7 In Supplier Activity Inquiry (28.13), review your supplier account.

Notice the check is attached to the prepayment voucher.

Purchase Order Receipts

A week later, you receive the goods.

8 In Purchase Order Receipts (5.13.1), enter a receipt to record this transaction.

Purchase Order:	Enter the PO
Effective Date:	1 week from today
Receive All:	Yes

Notice the receipt quantity is automatically updated for this item.

Voucher Maintenance

Another week goes by, and you receive the invoice from the supplier.

9 In Voucher Maintenance (28.1), enter the invoice, and then you will match the prepayment to this invoice.

Batch:	Enter
Control:	2,800.00
Voucher:	Enter
Order:	Lookup Browse to find your PO, Back
Control:	2,800.00
Supplier:	500
Effective Date:	2 weeks from today
Invoice Number:	2567
Date:	2 weeks from today
Terms:	0
Prepayment:	-500.00
Auto Select:	No

Notice how the system displays a message that the supplier has a prepaid balance. Click Next to get to the Receiver Matching screen. In the Receiver field, do a lookup browse to display the receiver lines for the purchase order.

10 Retrieve your receiver and enter the following:

Invoice Quantity:	1,000
Invoice Cost:	3.30

When you are back at the Receiver field, click Back to exit.

11 At the distribution screen, add an additional line to account 1700 (Prepaid Expenses) for –500.00.

This will reduce the amount owed to this supplier, because the supplier already received a check for $500.00 when you sent the purchase order.

Supplier Prepayment Inquiry

12 In Supplier Prepayment Inquiry (28.15), review the prepayment for supplier 500.

13 Try setting the Prepay Only field to Yes, then to No.

Check Void and Reconciliation

In this exercise, you see what happens when a check is flagged as void or canceled.

Supplier Activity Inquiry

1 Review the Supplier Activity Inquiry (28.13) for supplier 5022000. Write down the check number and amount for invoice 1001 ($225.00).

Check # _____ Amount $_____

Check Void Maintenance

2 In Check Void Maintenance (28.9.15), void the check. The bank is AA. Set the batch control equal to the amount from the previous step. (Notice you can enter an effective date for the void.)

Supplier Activity Browse/Inquiry

3 Look at the Supplier Activity Inquiry (28.13) for supplier 5022000 again.

Notice the difference.

Voucher Inquiry

4 Look at the Voucher Inquiry (28.2) for invoice 1001 ($225.00) again. What is the amount open? (It should have been reset.)

Payment Register

5 Print the Payment Register (28.9.12) to get a listing of the checks you printed.

Check Cancellation Maintenance

6 In Check Cancellation Maintenance (28.913), reconcile several of these checks. Try entering a different amount than was on the check. What happens?

Closed AP Delete/Archive

7 Run Closed AP Delete/Archive (28.23).

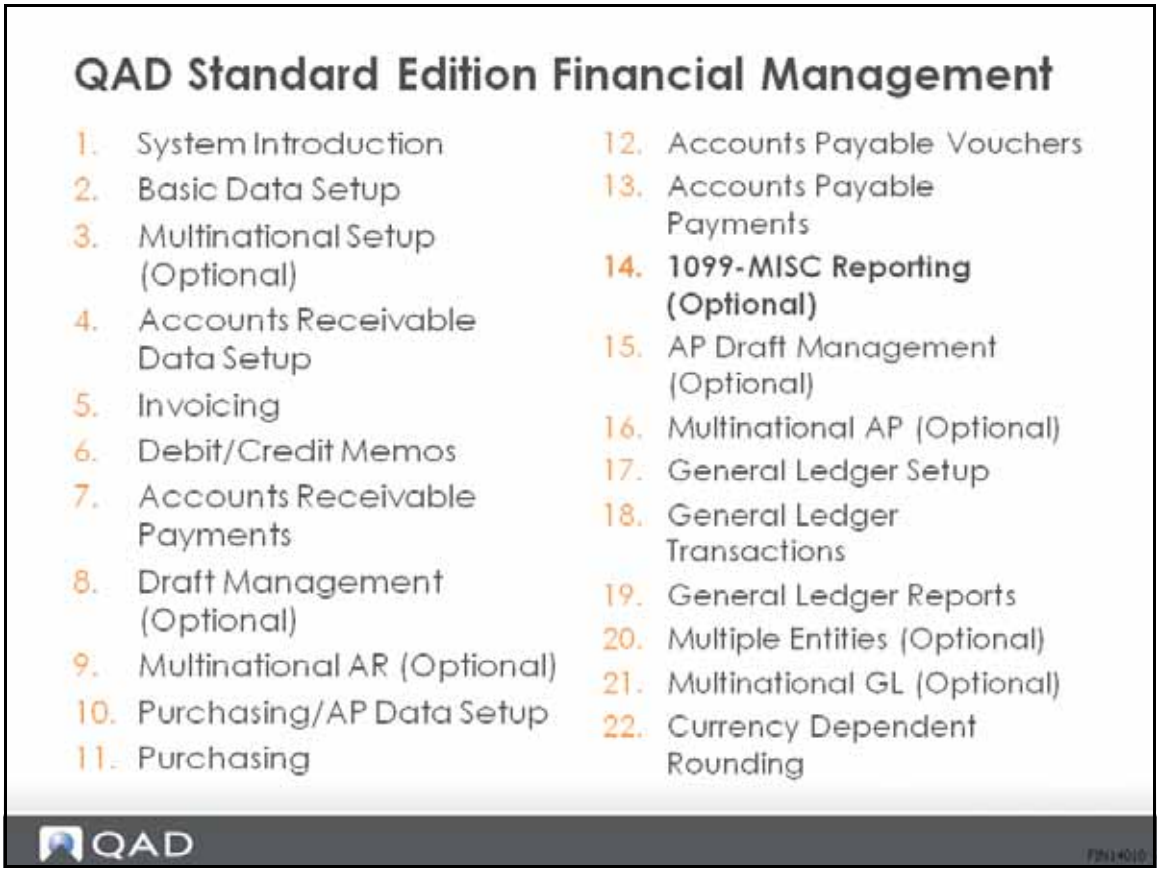
8 Do not delete the history, just print the report.

The report should always be printed and verified before you set Delete to Yes.

Chapter 14

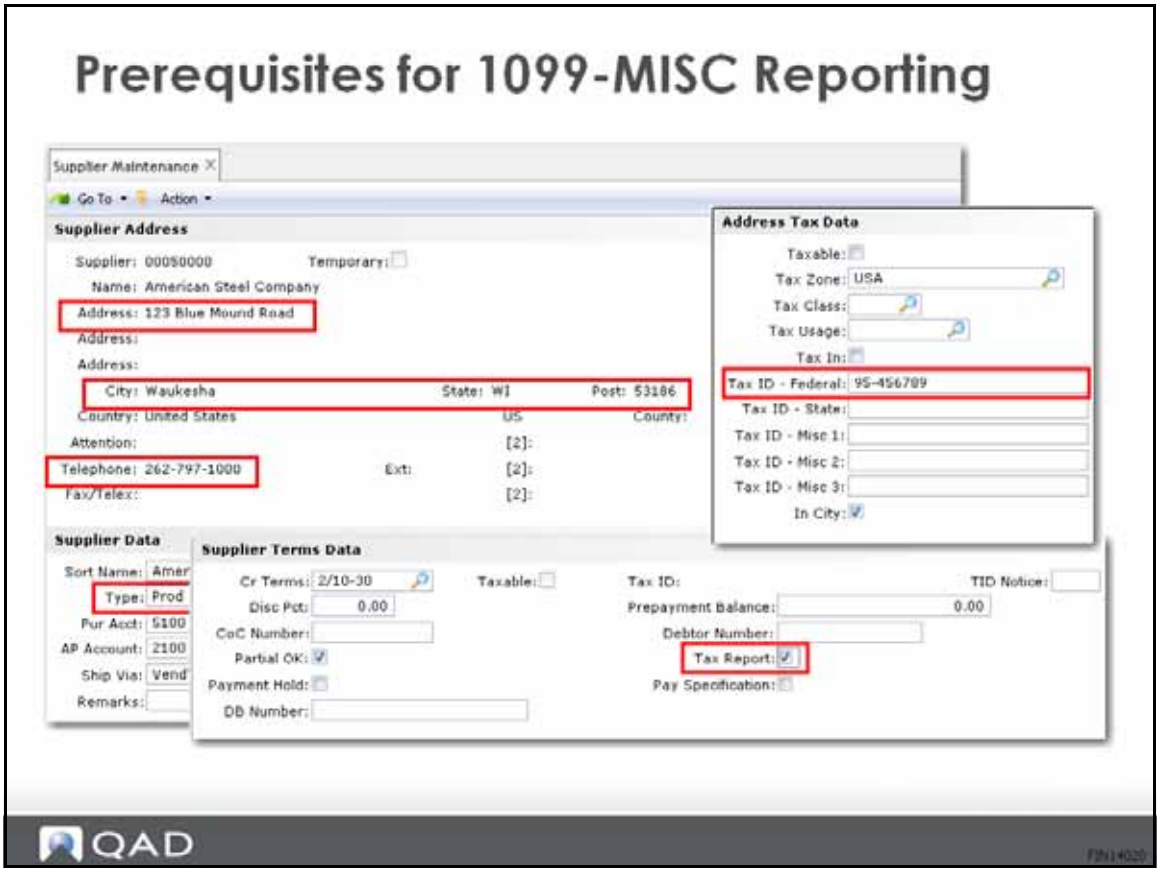
1099-MISC Reporting

Overview



In the United States, the Internal Revenue Service (IRS) requires companies to submit an annual 1099 form on most amounts paid to suppliers. In QAD SE, you can print the form directly, run a report, or generate an ASCII file. The 1099-MISC is the only version of the 1099 that QAD SE handles.

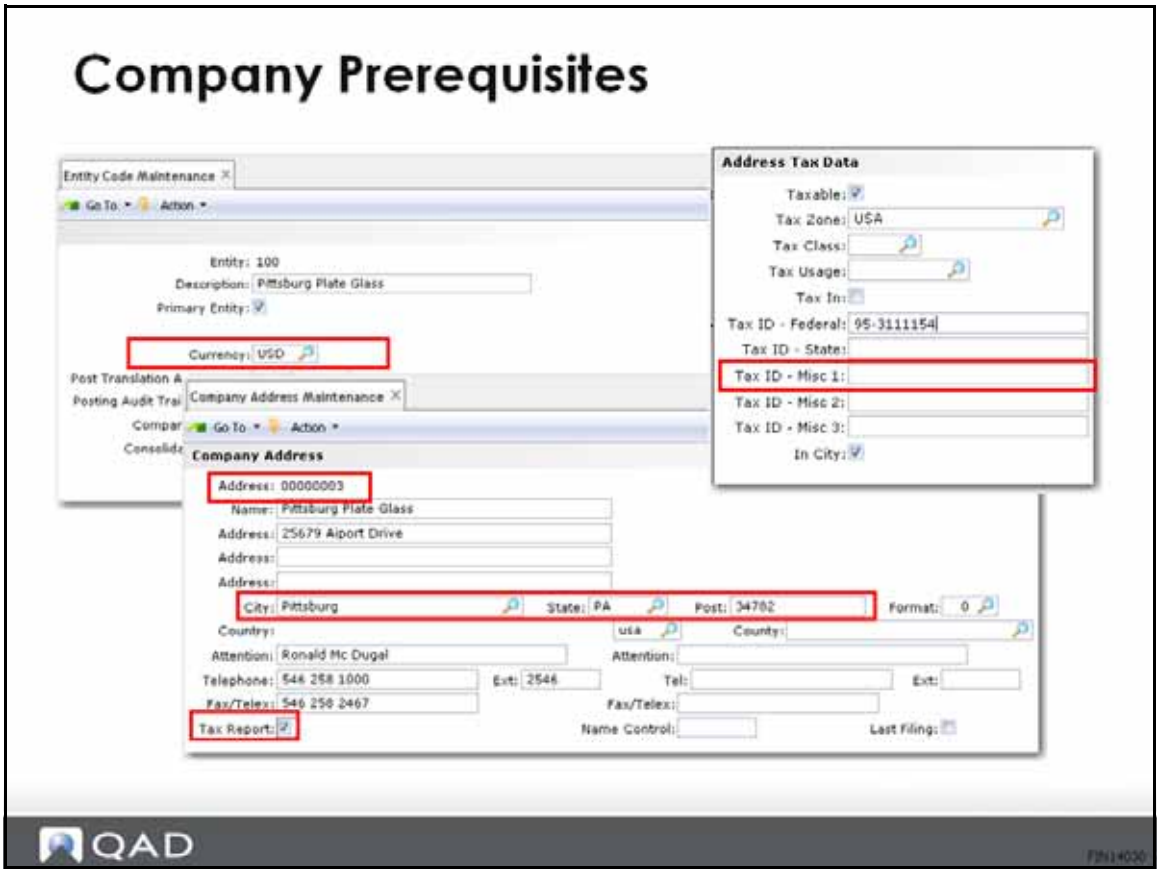
Prerequisites for the 1099-MISC Report



You can prepare the 1099-MISC form using AP functions. You can print the form directly, generate an ASCII file to send to the IRS, or print a report. However, before you can run the 1099-MISC report, ensure that supplier records are set up correctly in Supplier Maintenance (2.3.1).

- Supplier must have a Type value (type code) if you plan on running by supplier type.
- Verify that the first line of the supplier address contains the necessary mailing information. The 1099-MISC form has only one address line.
- The tax ID must be in one of two formats: social security number or federal tax ID.

Company Prerequisites



To create a 1099-MISC report for a supplier, the system checks the company address record attached to the entity.

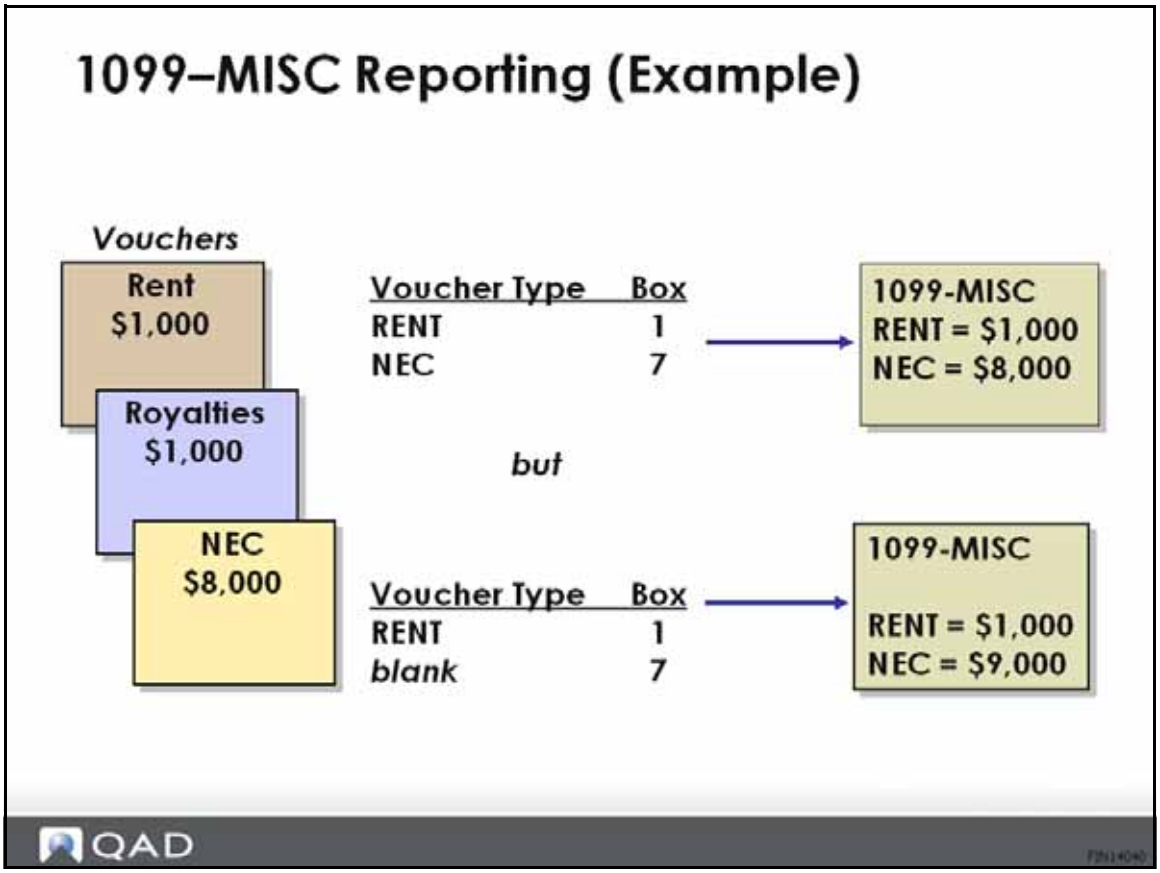
The entity must have the following fields populated:

- Address

  Only the first line prints on the 1099-MISC report.
- City, State, Post
- Tax Report field is set to Yes
- Address Tax Data
- Tax ID-Federal

The system checks that only one address record is selected as the “tax reporting” address for each Tax ID - Federal. This means you cannot use the same Tax ID - Federal number for another company address, where the Tax Report field is set to Yes.

Selecting Vouchers for Reporting



The Voucher Type and Box fields in Voucher Maintenance (28.1) are used to select specific payments to include on the 1099-MISC. Box is the IRS category of supplier payment: (1) rent, (2) royalties, or (7) non-employee compensation (NEC).

When specifying payments to include, be aware of the following:

- Voucher Type is optional, but Box is mandatory.
- If a box number is specified, but the voucher type is left blank, any payment not included in another specified type is reported in that box. This includes manual and non-AP payments.

Example

Supplier payments for the year are $11,000 for rent, $10,000 for royalties, and $8,000 for NEC. On the option screen, you specify voucher type RENT in box 1, and voucher type NEC in box 7. The 1099-MISC would show only the $11,000 for rent and the $8,000 for NEC. It would not show the $10,000 for royalties.

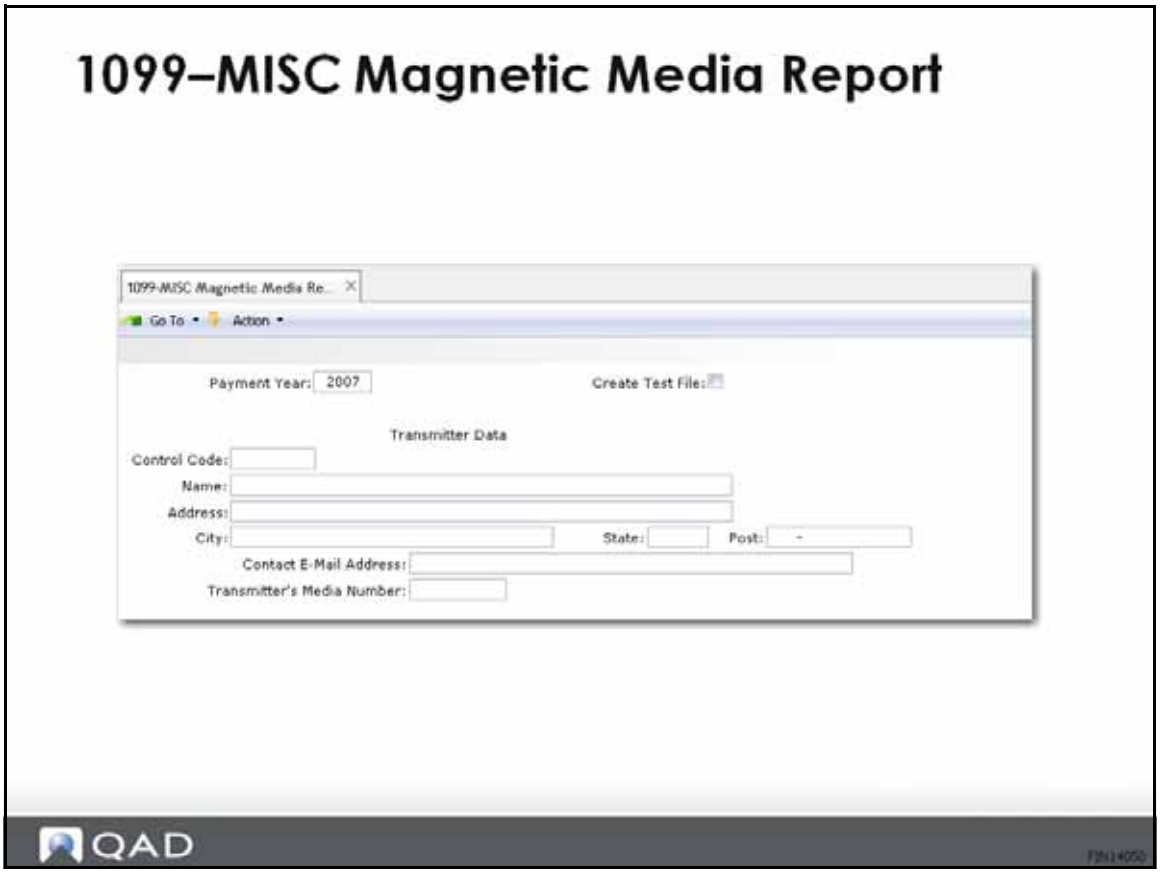
However, if you specify RENT in box 1 and type <blank> in box 7. The 1099-MISC would show $11,000 for rent and $18,000 for NEC. The $10,000 for royalties would appear in box 7 because the blank voucher type would draw in all supplier payments with a voucher type other than RENT.

Note If your company is multinational, be aware that the 1099-MISC functions do not pick up supplier payments if:

- Your company is outside the US, but makes payments to US suppliers.

- Your company is in the US, but makes payments to non-US suppliers (for example, anybody who does not have a US federal tax ID or social security number).

1099-MISC Magnetic Media Report



The IRS sends you information on their procedures for magnetic media transmissions. Review this material prior to using 1099-Magnetic Media report (28.20.3). The IRS also gives you the control code.

We strongly recommend that you set the Create Test File field to Yes and allow the IRS to verify that your system is properly set up to process 1099-MISC forms.

QAD SE automatically sends the output to a magnetic media file (IRSTAX) in your working directory. As soon as the file is created, the cursor returns to the upper left corner of the screen. If you have more than one selection of supplier payments to include in the file, you can change the criteria to include the additional suppliers and rerun the procedure by pressing Enter.

Note Do not press Enter a second time just because it looks like nothing has happened. If you do, supplier payments are overstated because you end up with duplicate records in IRSTAX. Should you inadvertently do this, exit to the menu, return, and rerun it from the beginning to overwrite the old data.

Exercise 14: 1099 - MISC Reporting

Your company pays rent to supplier 5008000. In this exercise, you will set up this supplier for 1099 reporting and enter some 1099 vouchers. Then, you will print the 1099-MISC form. If time permits, you can generate a magnetic media report.

Supplier Maintenance

1 In Supplier Maintenance (2.3.1), look up supplier 5008000. What settings support 1099-MISC reporting? Adjust these settings or add information as necessary.

2 Enter a tax ID and set Tax Report to Yes.

Supplier Type is optional but must be entered whenever 1099 reporting is done by supplier type. If supplier 5008000 was an individual, you would also have to enter the social security number and a sort name in the format last name, first name.

Company Address Maintenance

3 In Company Address Maintenance (2.12), look up Company 10000000.

4 Ensure that the entity is Entity T100, that the Tax Report field is Yes.

5 Check that Name, Address1, City, State, Post and Telephone fields are set up.

6 In the Tax ID-Federal field, enter 95-7891234

Voucher Maintenance

7 In Voucher Maintenance (28.1), enter two vouchers for supplier 5008000. On the first voucher, set Type to RENT. On the second, set Type to NEC. (Be sure to enter amounts.) Voucher Type is optional, but BOX is mandatory.

Payment Selection – Automatic

8 In Payment Selection - Automatic (28.9.4), select the vouchers for payment (use check form 1).

Payment – Automatic Checks

9 In Payment - Automatic Checks (28.9.9), pay the vouchers. (Send all outputs to a file rather than to the printer.)

1099-MISC Form Print

10 Print a 1099-MISC Form (28.20.2) for supplier 5008000. Use the Down arrow to find your company address or enter it directly.

11 Enter a Taxpayer ID and the current year. Set Voucher Type and Box as follows:

Voucher Type = RENT, Box = 1

Voucher Type = NEC, Box = 7

1099-MISC Magnetic Media Report

12 Generate a 1099-MISC Magnetic Media report (28.20.3).

Resist the temptation to press Enter twice from the Voucher Type frame. (This will just put duplicate records into the file.)

13 Click Back to exit.

ASCII Files

14 Now go to your working directory and look for the ASCII file you just created.

15 Locate the file IRSTAX and view it. (The commands for UNIX and DOS operating systems are listed below. For other systems, ask your instructor for assistance.)

UNIX: pg IRSTAX

DOS: type IRSTAX

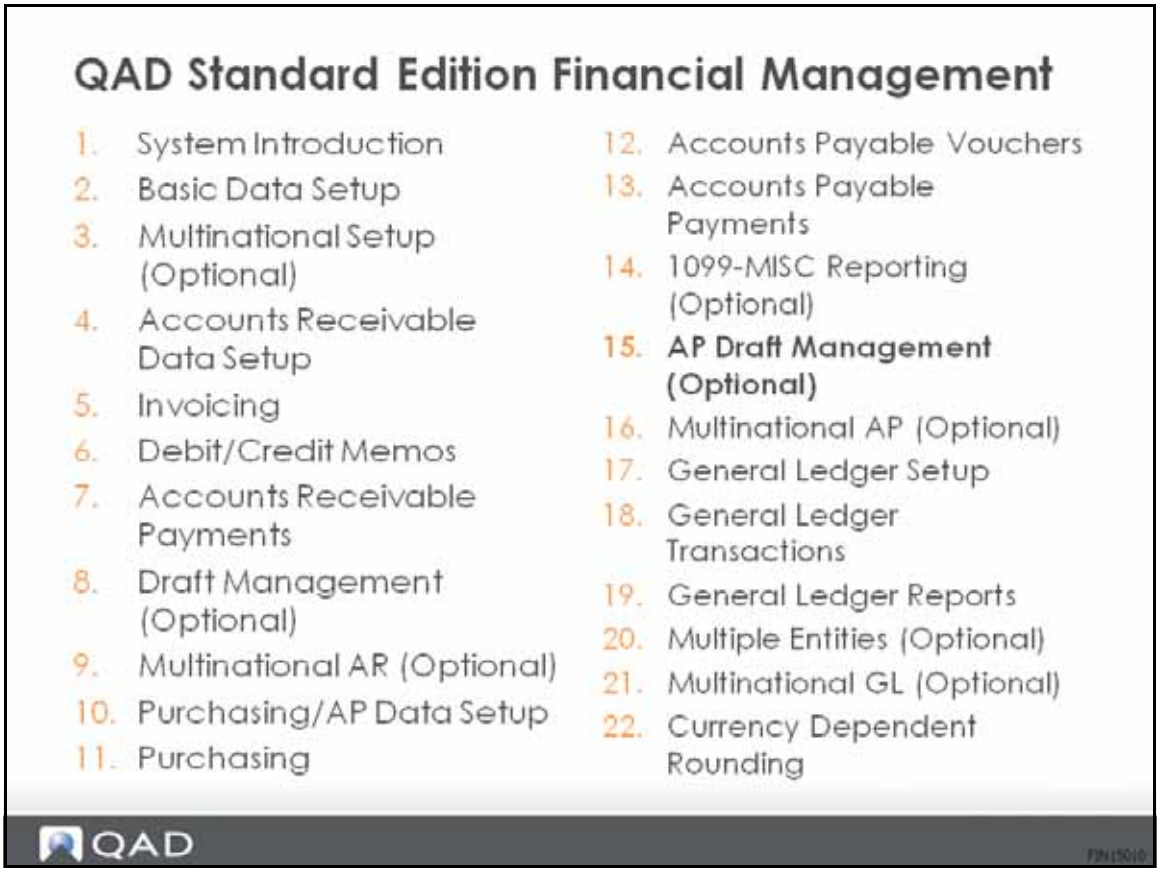
To return to QAD Enterprise Applications, type exit.

Note If you get an error on the mag media report, have your instructor delete the IRSTAX file in your working directory, then rerun the report.

Chapter 15

AP Draft Management

Overview



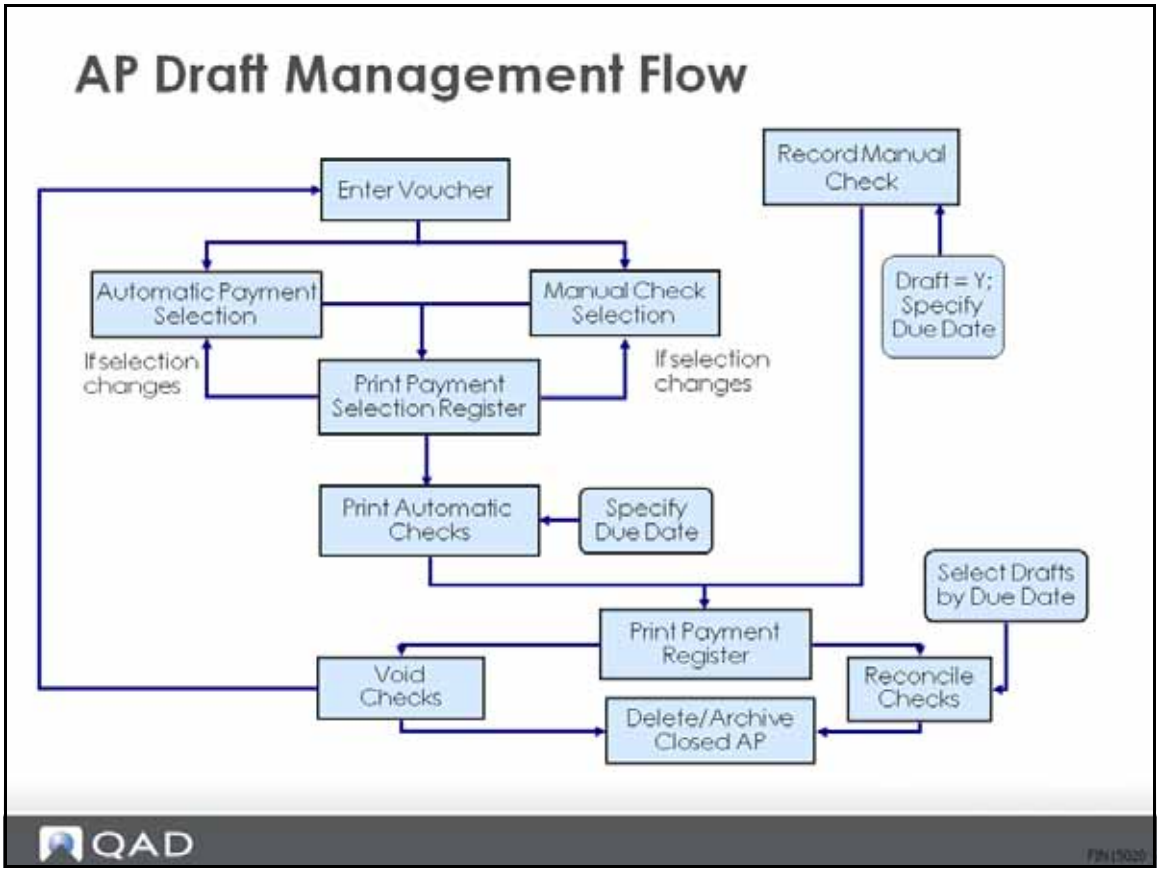
In many countries, companies often pay their invoices using drafts rather than checks. A draft is a form of payment like a check, but it specifies a due date when the draft is collectible. Since checks and drafts are very similar, AP drafts were implemented in QAD SE as regular checks with a due date (and a special check form). This feature enables you to process both checks and drafts using the same set of menu options by specifying a different check form to control whether each payment is a draft or check.

Using AP drafts, you can also customize the printed draft formats, reconcile drafts as you would regular checks, void unreconciled drafts, and track the status of drafts by effective date. The system automatically creates GL journal entries.

After you create a voucher that requires payment by draft, you can select vouchers for payment by draft with the same series of functions used for processing checks. You also process drafts using either Payment - Automatic Checks or Payment - Manual Checks. To print drafts instead of checks, you select check form 5, 6, or 7. These check forms are interchangeable for use with drafts.

For AP reporting, a draft is treated like a regular check; draft amounts appear on all inquiries and reports, including agings. Drafts remain open until reconciled or voided.

AP Draft Management Flow



To implement and process AP drafts, follow the steps outlined in this section. The steps are listed in the suggested setup and processing order, but need not be completed sequentially.

1 Enable draft management.

To display the draft-related fields while you are processing AP payments, set the Use Draft Management field to Yes in AP Control.

2 Create a bank record and draft sequence.

To maintain draft numbers in a separate sequence from check numbers, set up a bank record for each account from which you generate draft payments. If you use a single bank record for both checks and drafts, the check and draft numbers are mingled in the same sequence.

For posting purposes, specify a Drafts Payable account for each bank in Bank Maintenance. In place of a Cash or Payments in Process account, the system uses the Drafts Payable account to create GL journal entries.

3 Use a Draft Check Form in Voucher Maintenance (28.1).

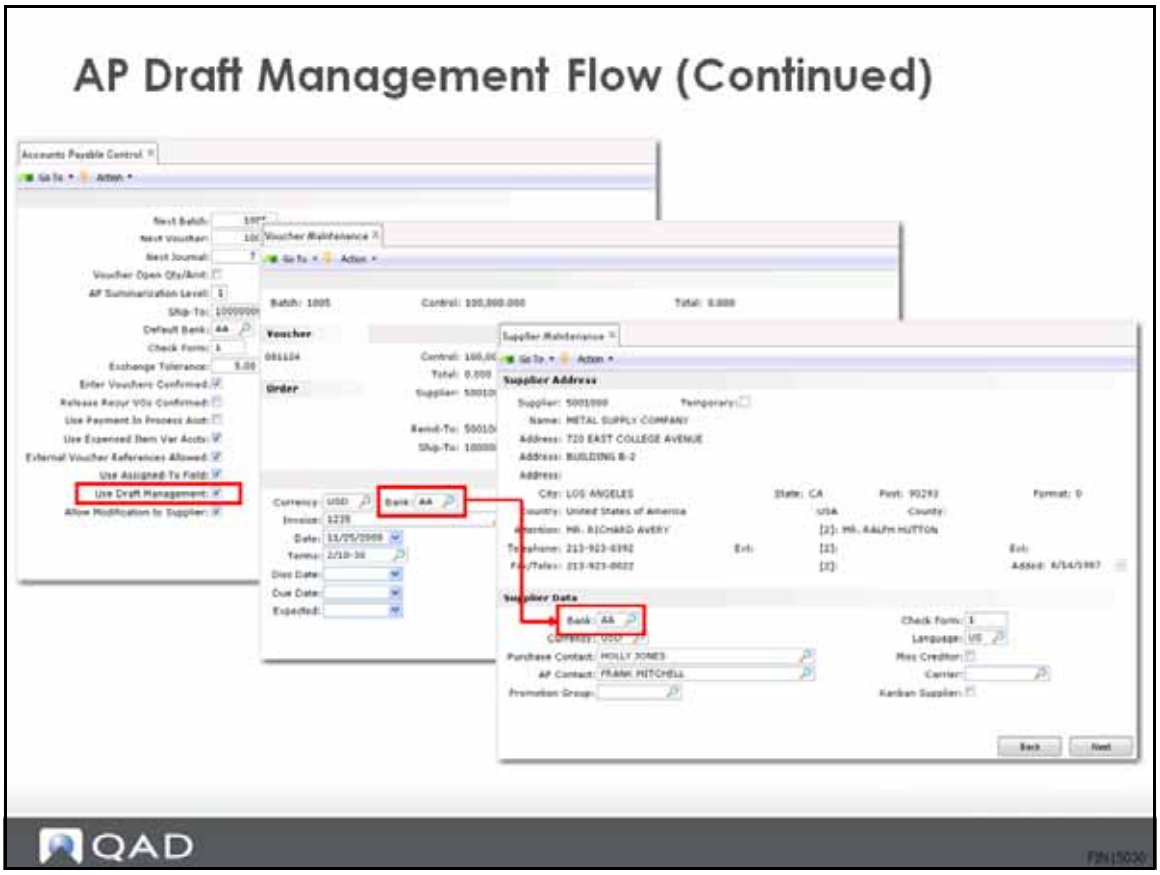
To print a payment using the draft format, specify check form 5, 6, or 7 on the voucher. For each supplier, you can enter a default check form and bank code. The bank code on the voucher also determines the bank at which the draft is payable.

4 Generate Draft Payments.

To select and print draft payments, use the standard payment selection functions and Payment - Automatic Checks (28.9.9) or Payment - Manual Checks (28.9.10). Before you can generate payments for a draft check form, you must enter a due date that prints on each draft and override any due date specified on the voucher. For manual checks, set the Draft field to Yes or No to specify a draft or check form of payment.

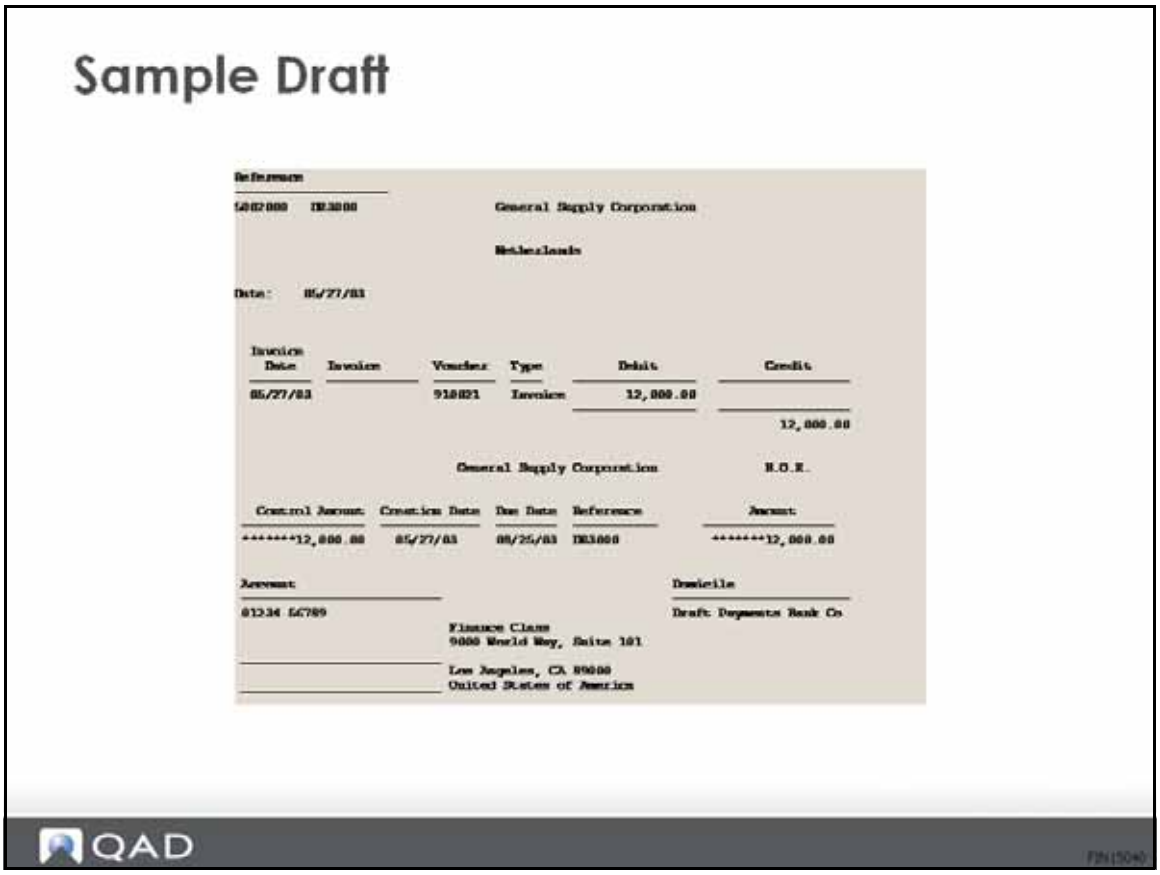
5 Reconcile Paid Drafts.

To reconcile draft payments against your bank statement, use Check Cancellation Maintenance (28.9.13) and enter either a range of due dates or a range of check (draft) numbers. With this feature, note that the field label Check includes both checks and drafts.



6 Review Drafts.

To check on the status of open, reconciled, or voided drafts, use the Draft Status report. You can track drafts by effective date and review the balance in the Drafts Payable Account at period end. You can also enter an As Of Date value to review the status of a draft on any specified date. The Payment Browse (28.9.11) and Payment Register (28.9.12) also provide information on both check and draft payments.


Sample Draft
Reference
5002000 DR3000
General Supply Corporation
Netherlands
Date: 05/27/03
Invoice Date
Invoice
Voucher
Type
Debit
Credit
05/27/03
910021
Invoice
12,000.00
12,000.00
General Supply Corporation
N.O.K.
Control Amount
Creation Date
Due Date
Reference
Amount
*******12,000.00
05/27/03
08/25/03
DR3000
*******12,000.00
Account
Domicile
01234 56789
Draft Payments Bank Co
Finance Class
9000 World Way, Suite 101
Los Angeles, CA 90000
United States of America
QAD

Exercise 15: Accounts Payable Drafts

In this exercise, you will implement and process AP drafts. You will also review the draft status and the GL entries created.

Before you can process a draft, you must set up some data. For the purposes of this exercise, you will also create a new supplier.

Accounts Payable Control

1 Change the Accounts Payable Control setting for draft management as follows:

Use Draft Management: Yes

This setting activates draft-related fields and makes Due Date a required field when you create draft payments.

Bank Maintenance

2 In Bank Maintenance (26.13), set up a separate bank code for draft payments. Be sure to specify the following information:

Bank Code:	DR
Description:	Draft Payments Bank Code
Country Code:	NLD
Next Check:	3000
Bank Account 1:	0123456789
Drafts Payable Account:	2300

The description and bank account prints on drafts for this bank code.

Supplier Maintenance

3 In Supplier Maintenance (2.3.1), create a record for the following supplier. Be sure to enter the correct bank and check form.

Supplier:	5002000
Name:	General Supply Corporation
Bank:	DR
Country:	NLD
Check Form:	5 (Draft)

Voucher Maintenance

4 In Voucher Maintenance (28.1), enter one or more vouchers for this supplier using Voucher Maintenance.

Notice that the bank code and check form default from the supplier record.

Payment Selection - Automatic or Payment Selection - Manual

5 In Payment Selection - Automatic (28.9.4) or Payment Selection - Manual (28.9.5), select the voucher(s) for payment using Payment Selection - Automatic or Payment Selection - Manual. Continue to use supplier 5002000, bank DR and check form 5.

Payment - Automatic Checks

6 Generate payment(s) using Payment - Automatic Checks. Set the bank code to DR and the check form to 5. Also enter a draft due date or accept the default.

Note Will not print to screen.

Check Cancellation Maintenance

7 In Check Cancellation Maintenance (28.9.13), reconcile the draft payments. Set Multi-Entry to No.

Unposted Transaction Inquiry

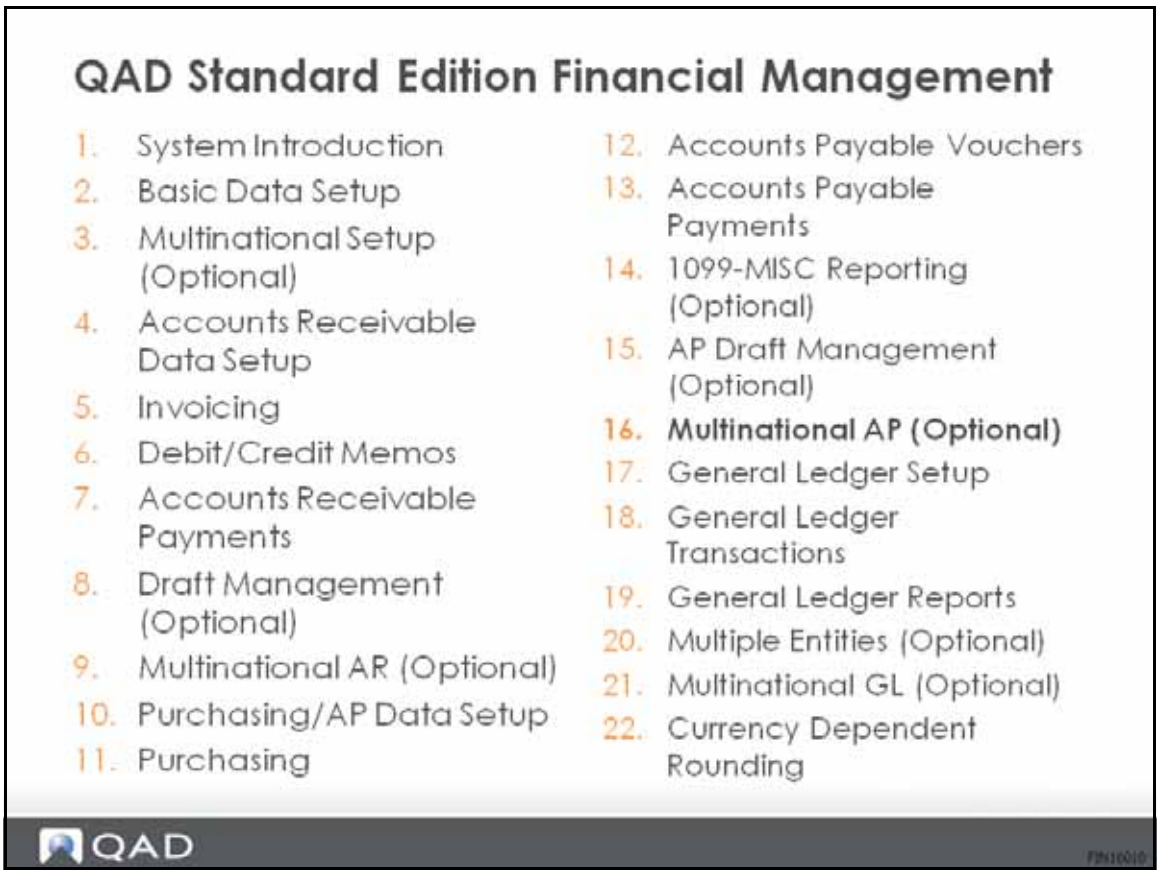
8 Review the GL entries using the Unposted Transaction Inquiry (25.13.13).

Once the drafts are posted, you can review balances in the Drafts Payable account using the Transaction by Account Inquiry (25.13.18).

Chapter 16

Multinational AP

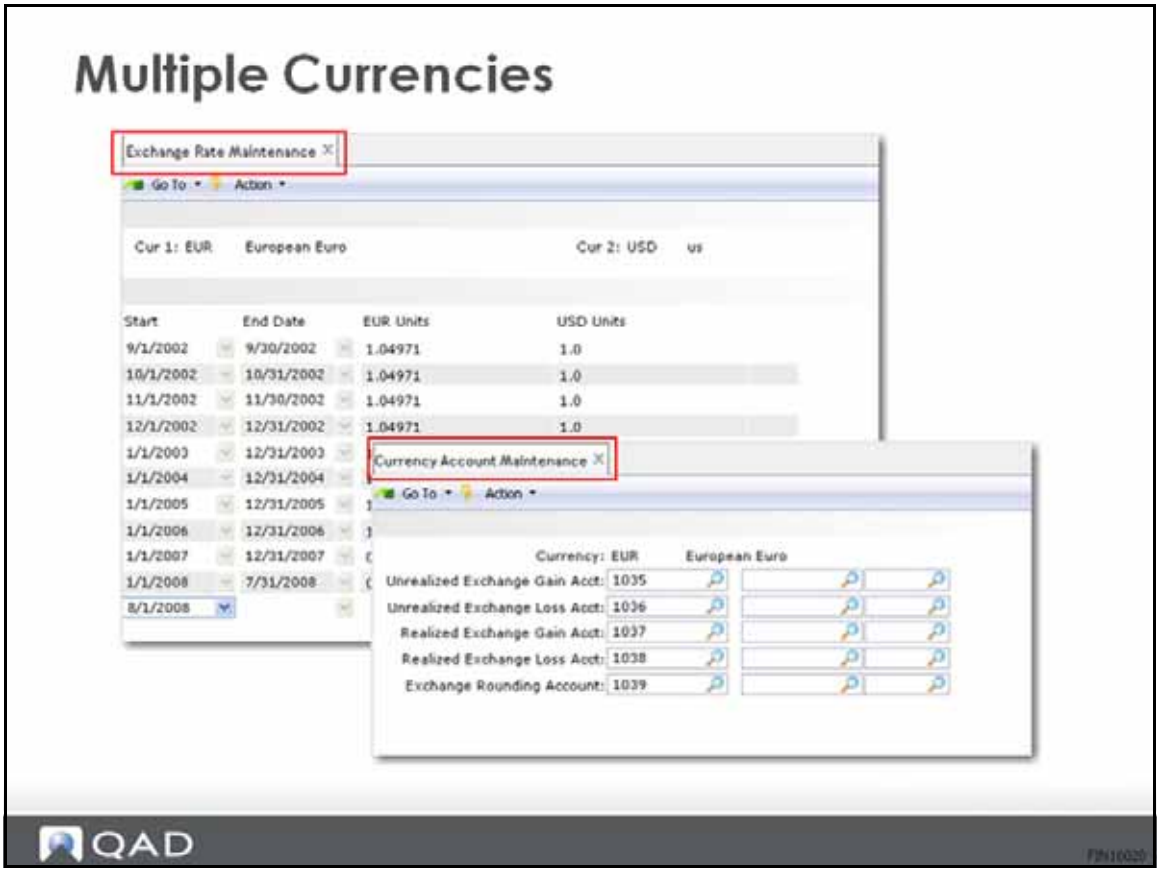
Overview



If you have the Multiple Currency module, you can process purchase orders, vouchers, and payments in any currency set up in Exchange Rate Maintenance (26.4).

Currencies are defined at the system level in your application database. You must have at least one currency defined and specified as the base currency for each domain in Domain/Account Control (36.1). Other setup is required if you use foreign currencies or if you have multiple domains with multiple base currencies.

Multiple Currencies



Currency codes identify specific monetary units. Use Currency Maintenance (26.1) to set up currency codes, select rounding methods, and activate your base currency and any other currencies your company uses. For non-base currencies, you can also specify unrealized and realized exchange gain and loss accounts.

Once defined, a currency code cannot be deleted or deactivated if:

- It is specified as the base currency in Domain/Account Control (36.1).
- It is referenced in a current or future exchange rate relationship in Exchange Rate Maintenance (26.4).

Many companies use international banking standard codes such as USD for US dollars and FRF for French francs. If you need to separate buy rates from sell rates, you must define multiple currency codes and use the appropriate one on accounts payable and accounts receivable transactions.

Unrealized gains occur before the settlement of an open asset or liability item when a potential for further exchange rate fluctuation exists. Unrealized exchange gains affect only non-base currency accounts, primarily AR, AP, and cash.

Unrealized losses occur before the settlement of an open asset or liability item when a potential for further exchange rate fluctuation exists. Unrealized exchange losses affect only non-base currency accounts, primarily AR, AP, and cash.

Realized gains primarily affect cash transactions in AP and AR.

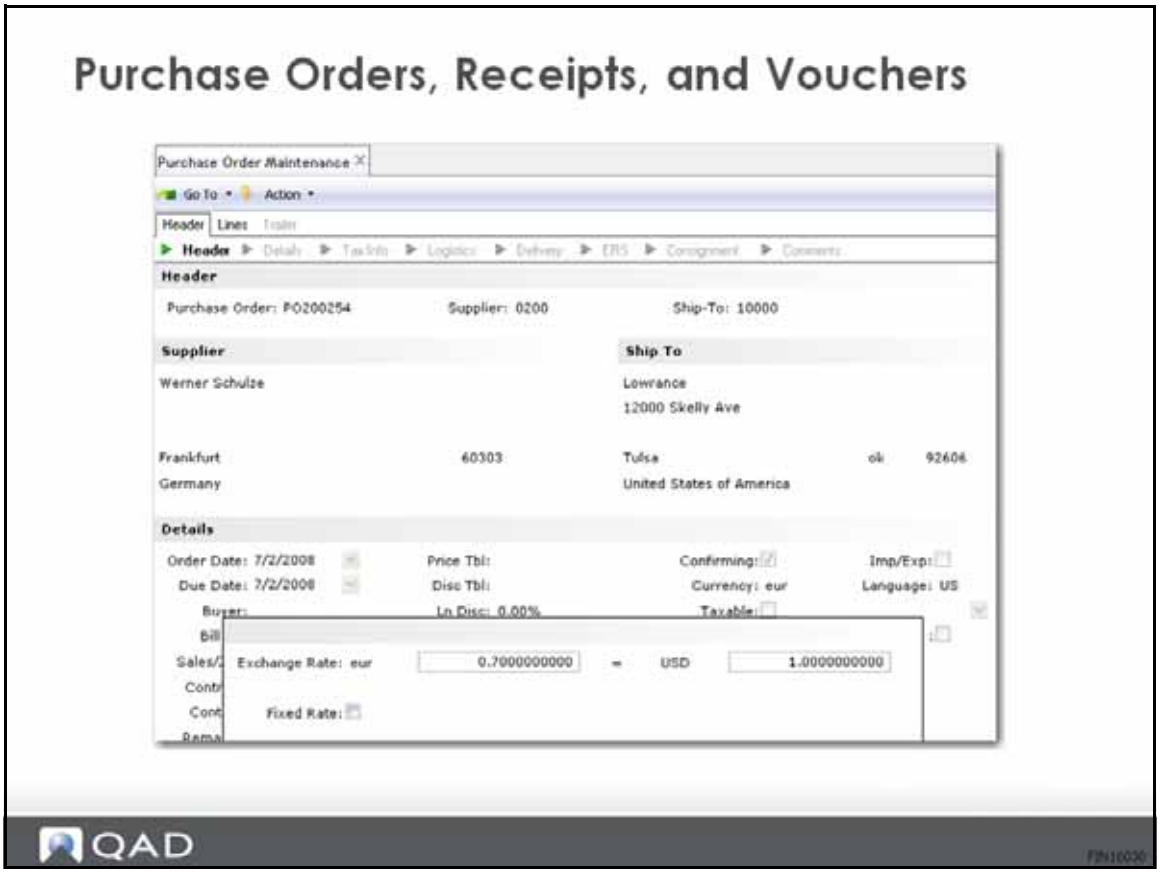
- In AP, a realized gain occurs if the base currency value of the supplier invoice decreases between the voucher date and payment effective date.
- In AR, a realized gain occurs if the base currency value of the customer invoice increases between the invoice date and the payment date.

Enter the GL account code and cost center that records realized exchange losses for this currency. Realized losses primarily affect cash transactions in AP and AR.

- In AP, a realized loss occurs if the base currency value of the supplier invoice increases between the voucher date and payment effective date.
- In AR, a realized loss occurs if the base currency value of the customer invoice decreases between the invoice date and the payment date.

Only active currencies can be specified when defining the base currency in Domain/Account Control, setting up exchange rates in Exchange Rate Maintenance.

Purchase Orders, Receipts, and Vouchers



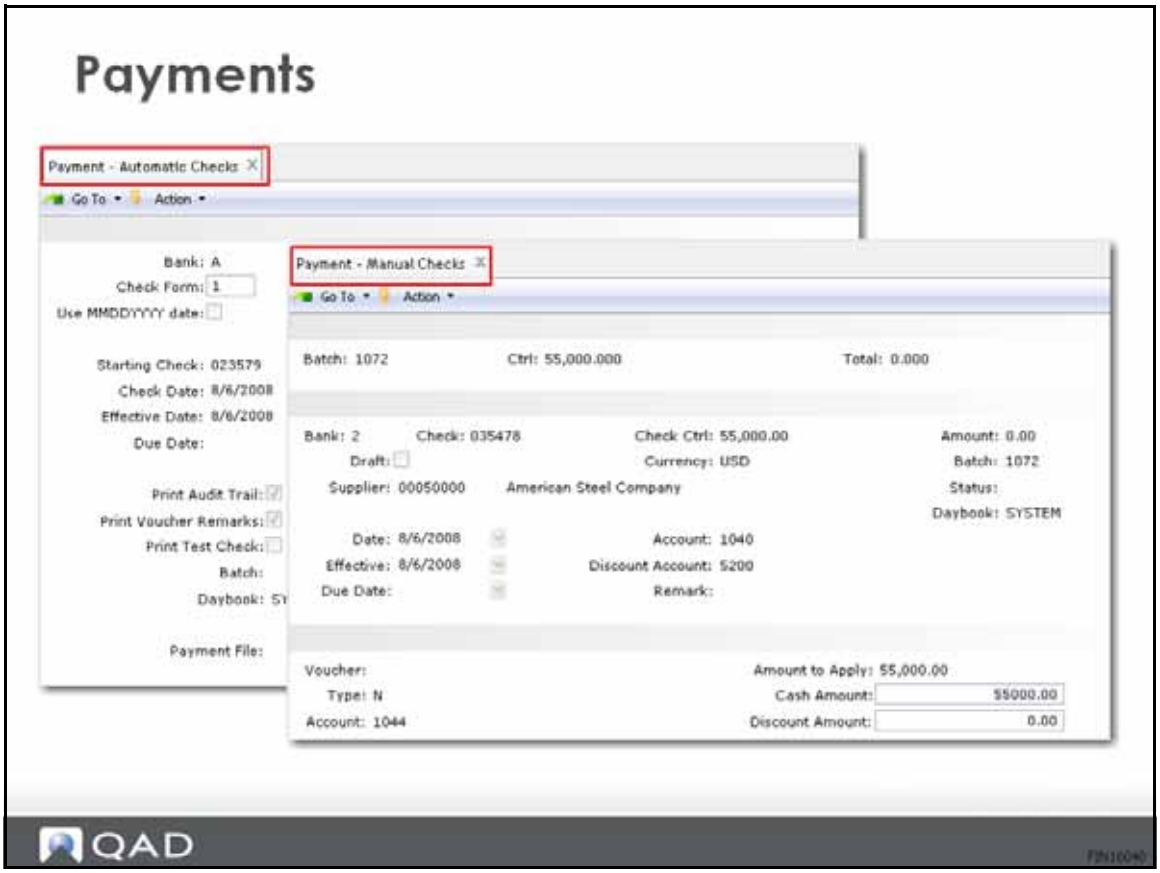
On purchase orders and vouchers, the currency defaults from the supplier remit-to address in Supplier Maintenance (2.3.1). You can use this currency or change it to any other currency that is set up in the system.

On purchase orders, the exchange rate defaults from the rate for the order date. On purchase orders, you can specify a fixed rate that follows the transaction through vouchering and payment.

On receipts and vouchers, the rate comes from the rate for the transaction effective date. However, on all of these transactions, a pop-up window appears, where you can enter a spot rate.

On purchase orders, line item prices are converted to the transaction currency, but the list price and GL cost are also displayed in base currency for reference.

Payments



Both automatic and manual payments are associated with a bank, which is in turn assigned to a specific currency. In both functions, Payment - Automatic Checks (28.9.9) and Payment - Manual Checks (28.9.10), a pop-up window displays the exchange rate for the transaction effective date.

Note If you specified a fixed rate on the purchase order, you can still enter a new rate here; however, this rate only affects the calculation of exchange gain/loss, not the default amount to pay.

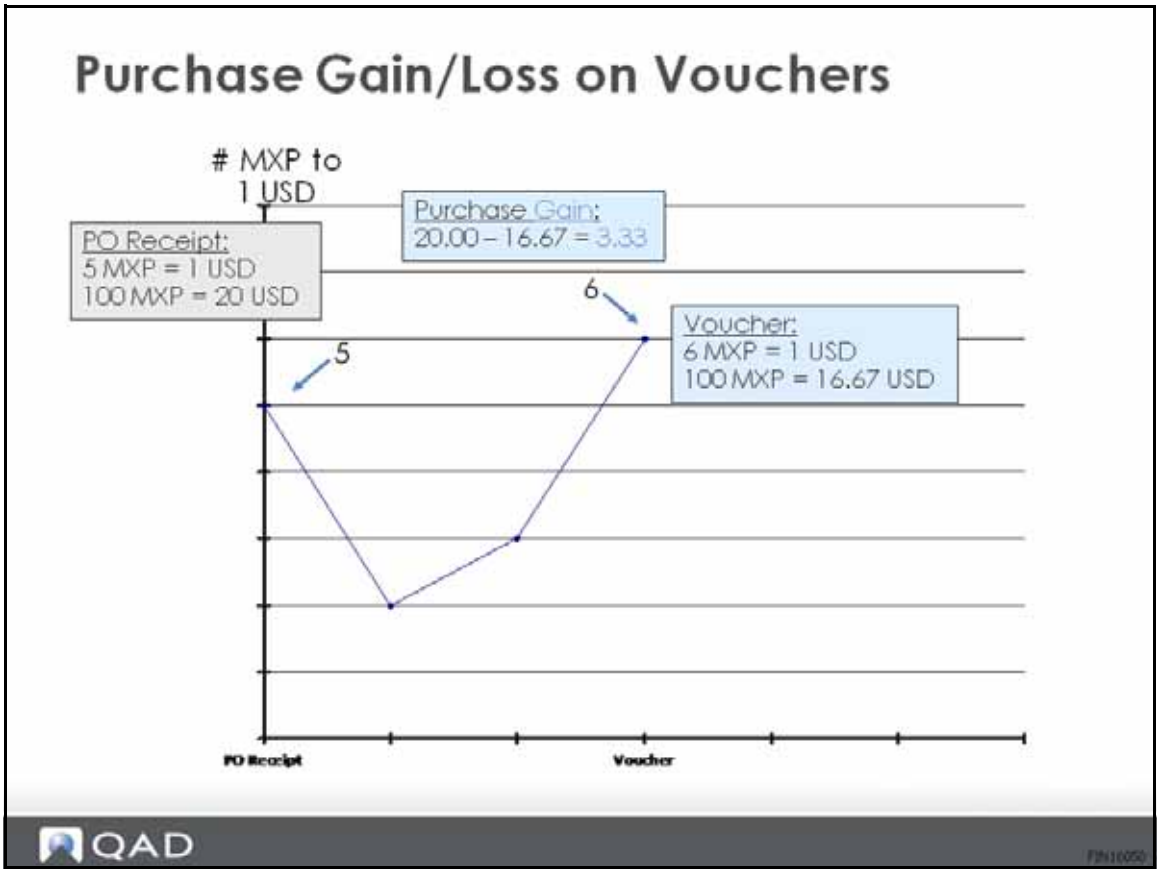
In Payment Selection - Manual (28.9.5) foreign currency payments are identified by an asterisk (*).

Unless you are using a fixed exchange rate, the exchange rate usually fluctuates between the time a PO is created and the time the payment is processed. QAD SE accounts for exchange gains/losses by calculating variances during voucher entry and when payments are processed.

When the currency used to pay a voucher is not the same as the currency assigned to the bank, the check type must be 3 or 4 (that is, electronic fund transfers).

A voucher can be paid with a check using a currency that does not match the voucher. However, the currency used to pay the voucher must be the same as the currency assigned to the bank.

Purchase Gain/Loss on Vouchers



Purchase gain/loss is the difference between the purchase cost at the PO receipt exchange rate and the purchase cost at the voucher exchange rate. It is calculated when the invoice is vouchered.

Example

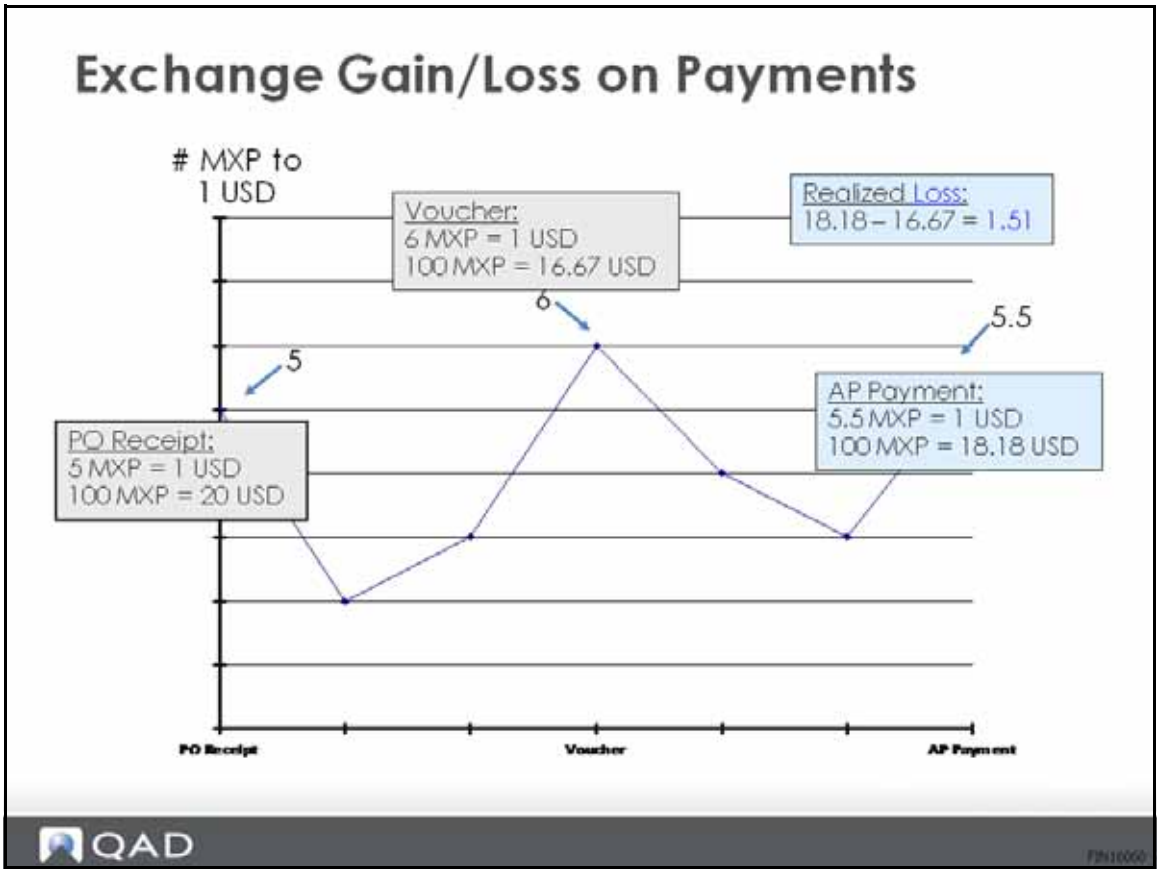
Your company's base currency is USD. You process a PO receipt for 100 MXP at an exchange rate of 5 MXP to 1 USD. At that exchange rate, 100 MXP is worth 20 USD.

However, on the day you voucher the supplier invoice, the exchange rate is 6 MXP to 1 USD. You still pay the supplier 100 MXP, but at today's exchange rate, 100 MXP is worth 16.67 USD (1/6 x 100). So, there is a purchase gain of 3.33 USD.

The converse is also true. If the exchange rate on the voucher date was 4 MXP to 1 USD, 100 MXP would be worth 25 USD, resulting in a loss of 5 USD.

Note Purchase gain/loss is different from purchase price variance (the difference between PO unit cost and item GL/standard cost) because the invoice amount may be identical to that which was negotiated.

Exchange Gain/Loss on Payments

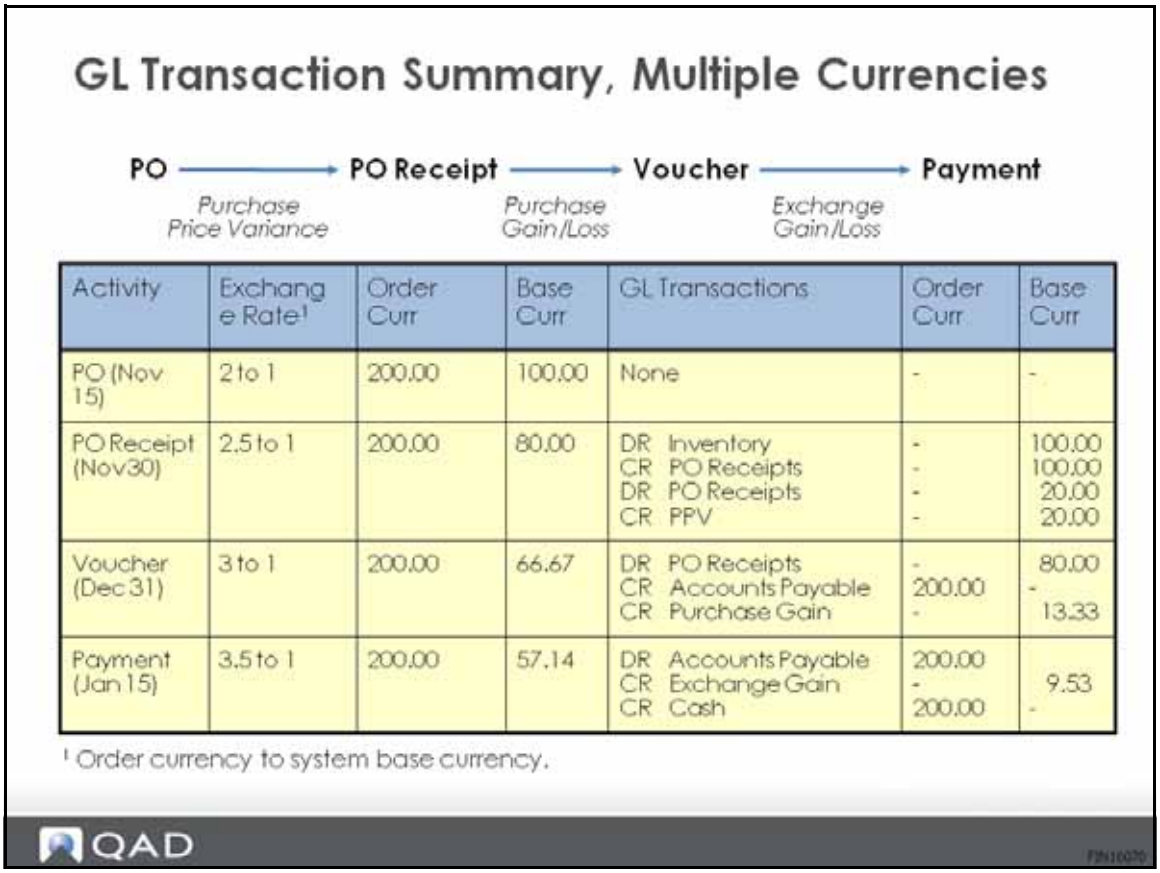


A realized exchange gain or loss occurs when you pay more or less cash to the supplier than you expected relative to your system base currency, since you were invoiced at one exchange rate and you made payment at another.

Example

When you pay the voucher, the exchange rate is 1 USD to 5.5 MXP. You pay the supplier 100 MXP, but in USD, 100 MXP is now worth 18.18 (1/5.5 x 100) instead of 16.67. Relative to the voucher date, there is an exchange loss of 1.51 USD.

GL Transaction Summary, Multiple Currencies



To explain the GL transactions generated for AP foreign currency transactions, this example uses a purchase order in a foreign currency. You receive the items, and voucher and pay the supplier invoice. To simplify matters, assume the PO is for non-taxable inventory items. In the above slide, the first pair of order/base currency columns shows the item costs and the second pair shows the GL transaction amounts.

The purchase order has no GL effects until receipt.

Remove 100 USD from inventory

PO Receipts 100 USD (same as from inventory)

Currency is different from PO Date

200 MXP = 80 USD, instead of 100 USD (20 USD difference)

Reduce PO receipts by 20 USD, leaving 80 USD due. Debit PO receipt 20 USD and credit PPV 20 USD.

Vouchering

At vouchering, GL entries are created in the order currency to update PO Receipts and Accounts Payable. The PO receipts account must be cleared of 80 USD. The exchange rate is 3. It takes 240 MXP (3*80). Accounts Payable is owed 200 MXP.

Convert 240 MXP to USD: (240/3) = 80.00 USD

200 MXP to USD: (200/3) = 66.67 USD

Difference = 13.33 USD

Debit PO Receipts 240 MXP

Credit Accounts Payable 200 MXP

Credit G/L 13.33 USD

Payment

When the voucher is paid, the GL entries for Cash and Accounts Payable are posted in the order currency.

Accept 200 MXP to clear payables. Cash 200 MXP. Difference between voucher and payment:

66.67 USD (voucher)

57.14 USD (payment)

9.53 Exchange gain

Exercise 16: Accounts Payable Multicurrency

Your company has just started purchasing an item from a foreign supplier. Before you can process purchase orders for this supplier, you must set up a few records in the database: the currency code and exchange rates, a bank account (and corresponding GL account) for the currency, and, finally, a supplier record.

After you have completed the setup, you will process a PO and receipt. On the AP side, you will voucher and pay the supplier invoice. Along the way, notice when the variances are calculated and the GL accounts to which they are posted.

Currency Maintenance

1 In Currency Maintenance (26.1), enter currency code, NZD.

Exchange Rate Maintenance

2 In Exchange Rate Maintenance (26.4), enter the following exchange rates for NZD.

Beg/End Date	Exchange Rate
Today:	1.6
Tomorrow:	1.7
Day after tomorrow:	1.75
Two days after tomorrow:	1.65

Account Code Maintenance

3 In Account Code Maintenance (25.3.13), set up a new account code (or modify the existing account code).

Account:	1047
Description:	Cash - New Zealand Dollar
Type:	A
Currency:	NZD
Format Position:	11120 Cash-Foreign
Active	Yes

Bank Maintenance

4 In Bank Maintenance (26.13), enter a new bank account for the foreign currency, using Bank Code NZ.

5 Set the Cash account and Payment in Process account to 1047. The Bank currency must be NZD. GL transactions are created for it whenever the exchange rate fluctuates between the voucher and payment dates.

Supplier Maintenance

6 In Supplier Maintenance (2.3.1), set up a record for the foreign supplier. Which two fields must you fill in for multi-currency processing? How is this data used?

Purchase Order Maintenance

Now that you have completed the setup, you can process transactions.

7 In Purchase Order Maintenance (5.7), enter a purchase order for the supplier. Write down the order number here: _____.

8 Leave the Order Date set to today. Enter the following line item data.

Field	Data
Site:	Train
Item Number:	02-0005
Quantity:	100
Unit Cost:	1.60 (in the foreign currency)

(Ignore the warning message about requisition approvals.)

Purchase Order Receipts

9 In Purchase Order Receipts (5.13.1), set the Effective Date on the receipt to tomorrow's date.

10 Receive all 100 units of the PO.

The pop-up window should now show an exchange rate of 1.7.

Voucher Maintenance

11 In Voucher Maintenance (28.1), enter a voucher for the supplier invoice and receiver, which shows a unit cost of 1.60.

12 Set the effective date to the day after tomorrow.

The pop-up window should now show 1.75. Note that the invoice cost is still 1.60 NZD. Only the exchange rate has changed.

Supplier Activity Inquiry

13 In Supplier Activity Inquiry (28.13), review the supplier balance, first in the foreign currency, then in base.

Payment—Manual Checks

14 In Payment—Manual Checks (28.9.10), record a manual check to pay this voucher. Reference the foreign bank you created earlier.

15 Set the date and check effective date to three days from now.

The pop-up window should show an exchange rate of 1.65.

Unposted Transaction Register

16 Print the GL Unposted Transaction Register (25.13.14) for all transaction types.

17 Review the transactions created in this exercise. Where did the accounts come from? Work through the calculations and verify the amounts. Did you have a gain or loss on the payment?

The following table shows the amounts, accounts, and calculations.

Purchase Order (160.00 NZD)

Exch Rate	USD Amt	GL Account	Amount	Currency
1.6	100.00	No GL entries for POs		

PO Receipt (170.00)

Exch Rate	USD Amt	GL Account	Amount	Currency
1.7	100.00	1500 Inventory	96.00	USD
		2200 (PO Receipts)	-96.00	USD
		5000 (PPV)	-1.88	USD
		2200 (PO Receipts)	1.88	USD

The USD value for the PO receipt is the PO extended cost divided by the exchange rate on the receipt date, or 160.00/1.7 = 94.12.

The Inventory and PO Receipts entries booked the GL extended cost of the receipt of item 02-0005, or 100 x .96 = 96.00.

A negative PPV (purchase price variance) resulted because the total USD PO receipt cost was less than the item GL extended cost. PPV was calculated as:

94.12 – 96.00 = –1.88

Voucher (160.00)

Exch Rate	USD Amt	GL Account	Amount	Currency
1.7	91.43	2100 (Accounts Payable)	-160.00	foreign
		2200 (PO Receipts)	164.71	foreign
		1035 (Purchase Gain)	-4.71	foreign

The USD value for the voucher is the voucher amount divided by the exchange rate on the voucher date, or 160.00/1.75 = 91.43

The PO Receipts amount is the USD value for the PO receipt multiplied by the exchange rate on the voucher date, or 94.12 x 1.75 = 164.71.

The purchase gain is the voucher cost minus the PO receipt cost, or 160.00 – 164.71 = – 4.71. The gain is credited to the Purchase Gain/Loss account (1035) specified for the currency in Exchange Rate Maintenance (26.4).

Payment (160.00)

Exch Rate	USD Amt	GL Account	Amount	Currency
1.65	96.97	1047 (Cash - Foreign)	-160.00	foreign
		1038 (Exchange Loss)	5.54	USD
		2100 (Accounts Payable)	160.00	foreign

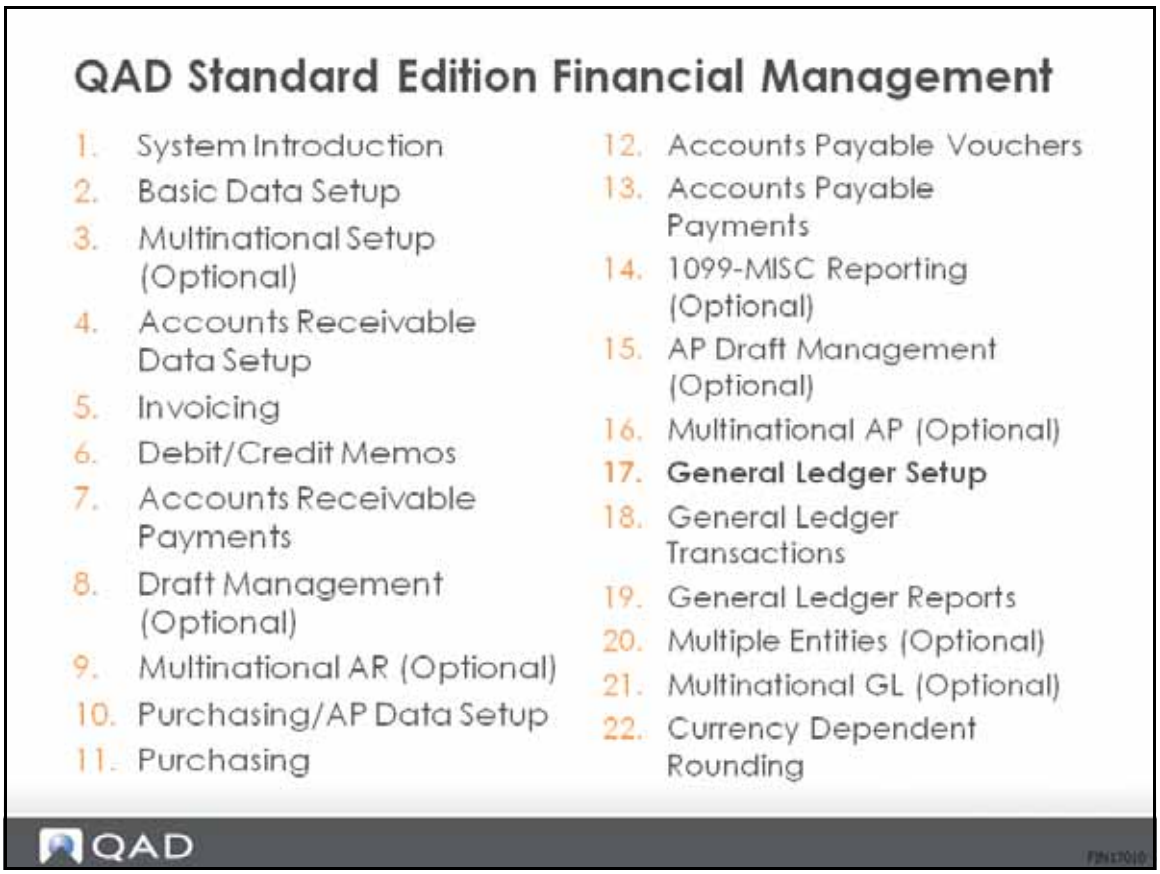
The USD amount of the payment is the foreign payment amount divided by the exchange rate on the payment date, or 160.00/1.65 = 96.97.

An exchange loss resulted because the USD amount of the payment exceeded the USD amount of the voucher. It was calculated as the USD payment amount minus the USD voucher amount, or 96.97 – 91.43 = 5.54. The loss was debited to the Exchange Gain/Loss account for the payment bank, specified in Bank Maintenance (26.13).

Chapter 17

GL Setup

Overview



This section describes how the General Ledger module collects and organizes amounts for corporate financial reporting.

Generally accepted accounting practice requires that an organization's financial information be periodically compiled in two financial statements: a balance sheet and an income statement. The balance sheet provides a summary of an organization's assets, liabilities, and equity at a given point in time. The income statement shows profit or loss for a given time period. In order to satisfy these reporting requirements, a general ledger (GL) is used

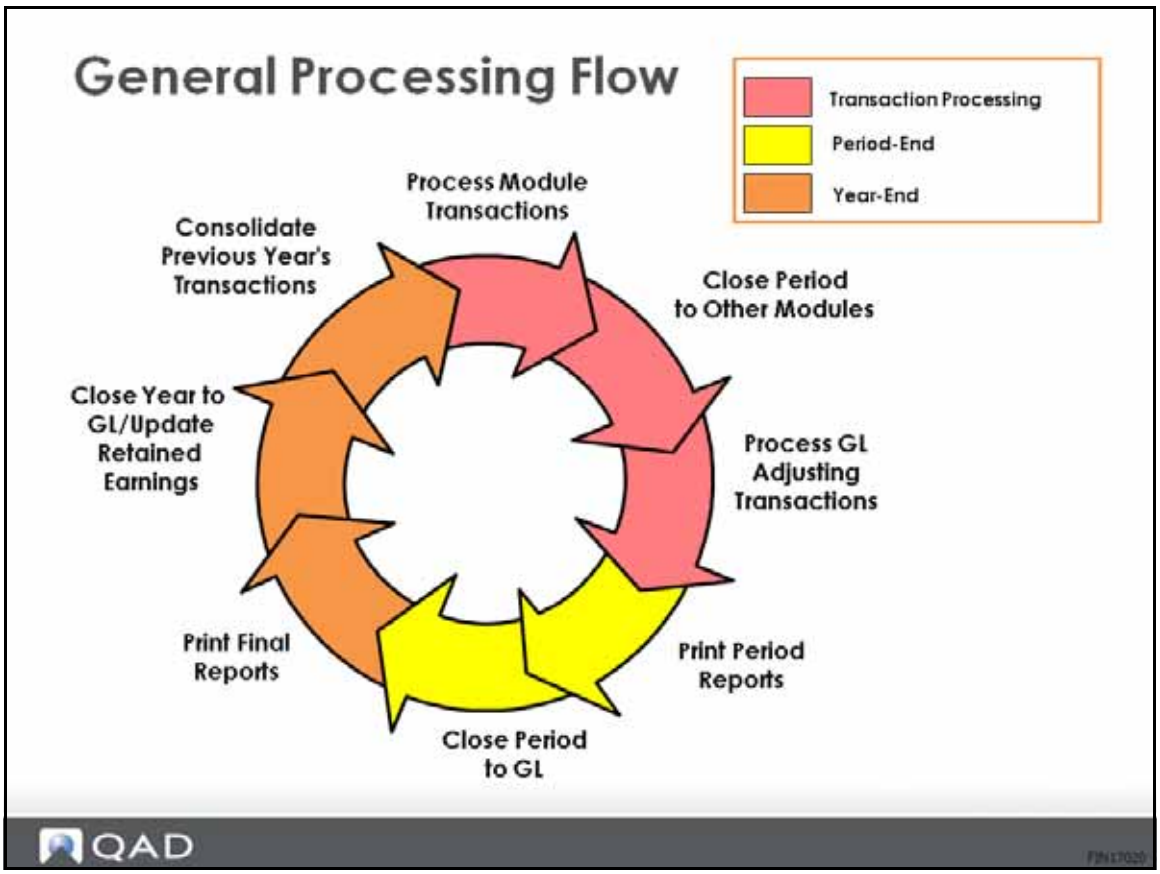
In QAD SE, the General Ledger module is the end of the line for financial transactions that originate from sales, AR, purchasing, AP, inventory, and manufacturing. Within the General Ledger, you also record transactions, such as corrections and period-end adjustments.

The general ledger is used to generate reports, such as balance sheets, income statements, and budgets. The financial statements always print amounts in the domain base currency.

Each domain has its own base currency, chart of accounts, and control settings, and consequently, its own set of financial statements.

Information on financial impacts is conveyed via transactions. A transaction is a set of debits and credits that indicates what kind of activity took place and when, the monetary value of the activity, and how the activity affected inventory, shipments, cash, or other aspects of the company's operations.

GL Processing Flow



At period-end, you review and post the transactions generated by all the other QAD SE modules first. Posting transfers the transaction information to the GL files used to generate reports.

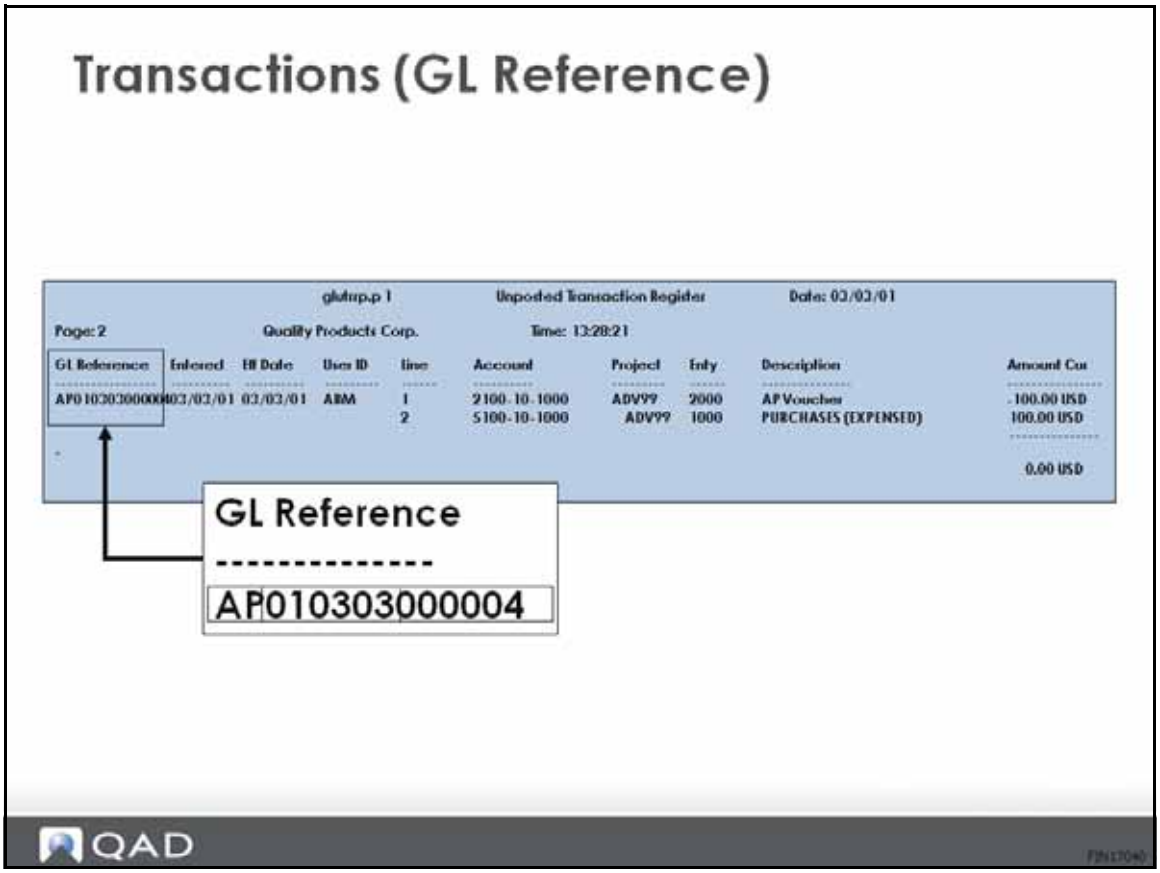
As posting is completed, you can close the GL period to specific transaction types while you continue the posting process for others. For example, if you have posted all of your Accounts Receivable activity, you might close the period to SO (sales order) and AR transaction types while posting open transactions in AP and PO. You can then review period activity and close the fiscal period in GL. Closing the period to GL closes the period to all transaction types.

If transactions did not post correctly, you need to record adjusting transactions. At this time, you also record depreciation, reversing transactions for accruals, and similar period-end adjustments.

Afterward, the processing varies. In companies that use multiple currencies, you execute several functions that create transactions to account for gains and losses on currency exchange. In companies with multiple databases, you transfer transactions to a consolidation database for corporate-level reporting. We cover these functions in more detail later on.

Once all transactions are printed and posted, print your financial statements for the period—the income statement, balance sheet, and other reports. After reviewing and correcting these, you close the fiscal period to the General Ledger module to prevent additional activity.

Key Elements of a Transaction



GL transactions are created by all financial activities. Use the Unposted Transaction Register to review transactions prior to posting.

Every transaction is identified by a GL reference code consisting of the GL transaction type, the date that the transaction should update the GL, and the transaction number.

- Transaction Type

  The transaction type indicates the module or activity (for example, work order, AP payment, PO receipt) that originated the transaction. The type is a useful criterion for selecting transactions to appear on GL reports, and also lets you post transactions in groups (for example, type IC for all inventory transactions).

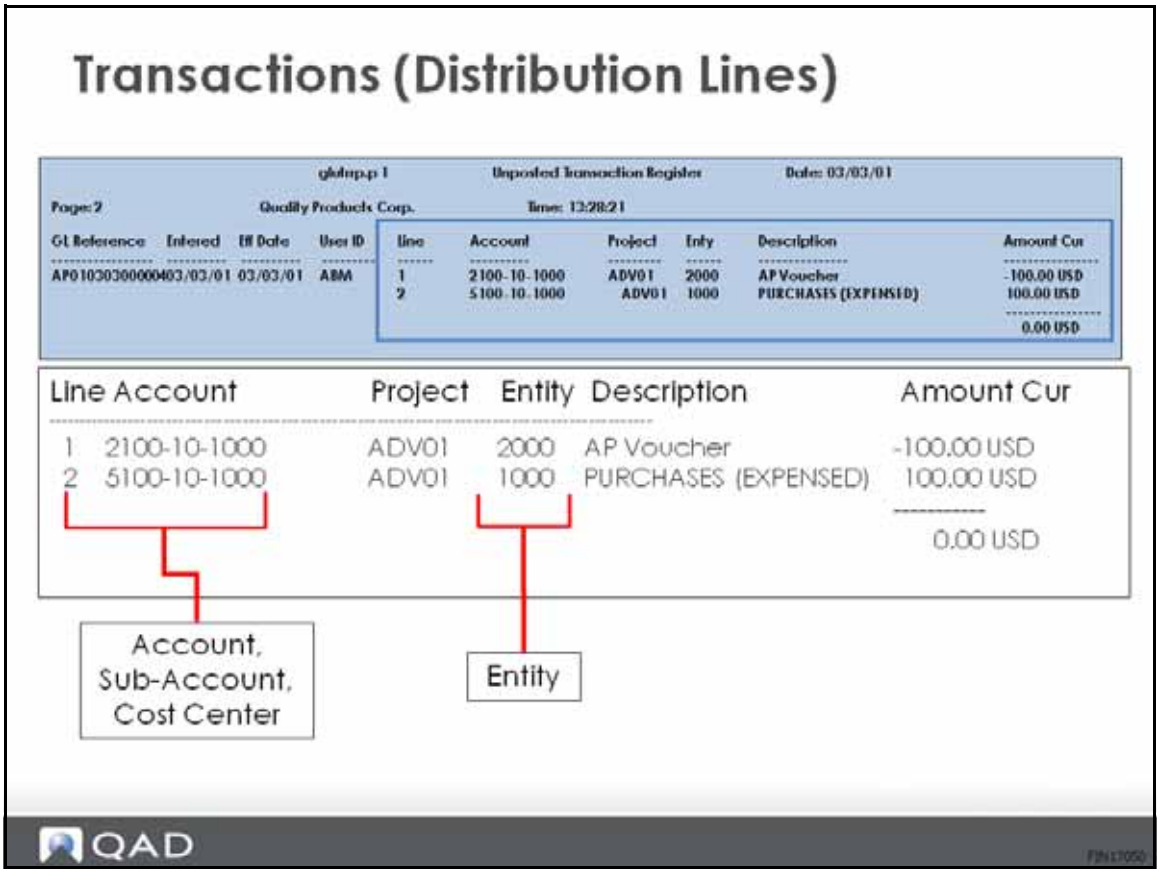
- Effective Date

  The date the transaction should update the GL. This date only pertains to transactions generated from the sub-modules (in the GL, the reference number can be manually entered by the user). The effective date may differ from the transaction creation date, especially if the department that created the transaction was slow on its period-end processing and had to back-date transactions. The transaction record always contains the effective and actual entry dates. You can select transactions on the Unposted Transaction Report using either date.

- Transaction Number

  You can set up your database to restart numbering every day with transaction 000001 or to number transactions continuously. This option is specified using the Daily/Continuous Reference Sequence setting in General Ledger Control.

Distribution Lines



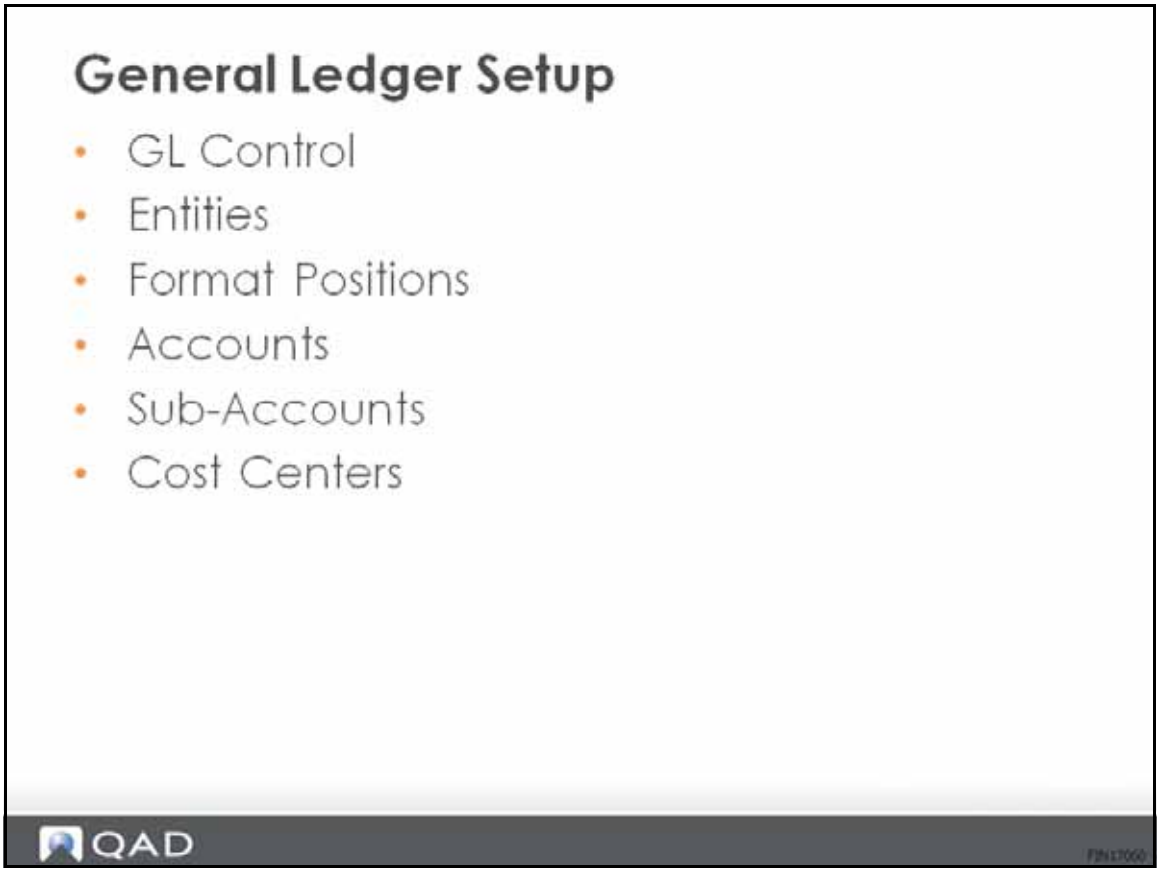
In addition to the information used to identify a transaction, the transaction record consists of one or more distribution lines—debit and credit amounts that you post to GL accounts at period-end.

In QAD SE, all GL distribution lines are created for a specific entity and account combination. The entity indicates which business the transaction affected, and the account indicates which assets, liabilities, and equities were changed.

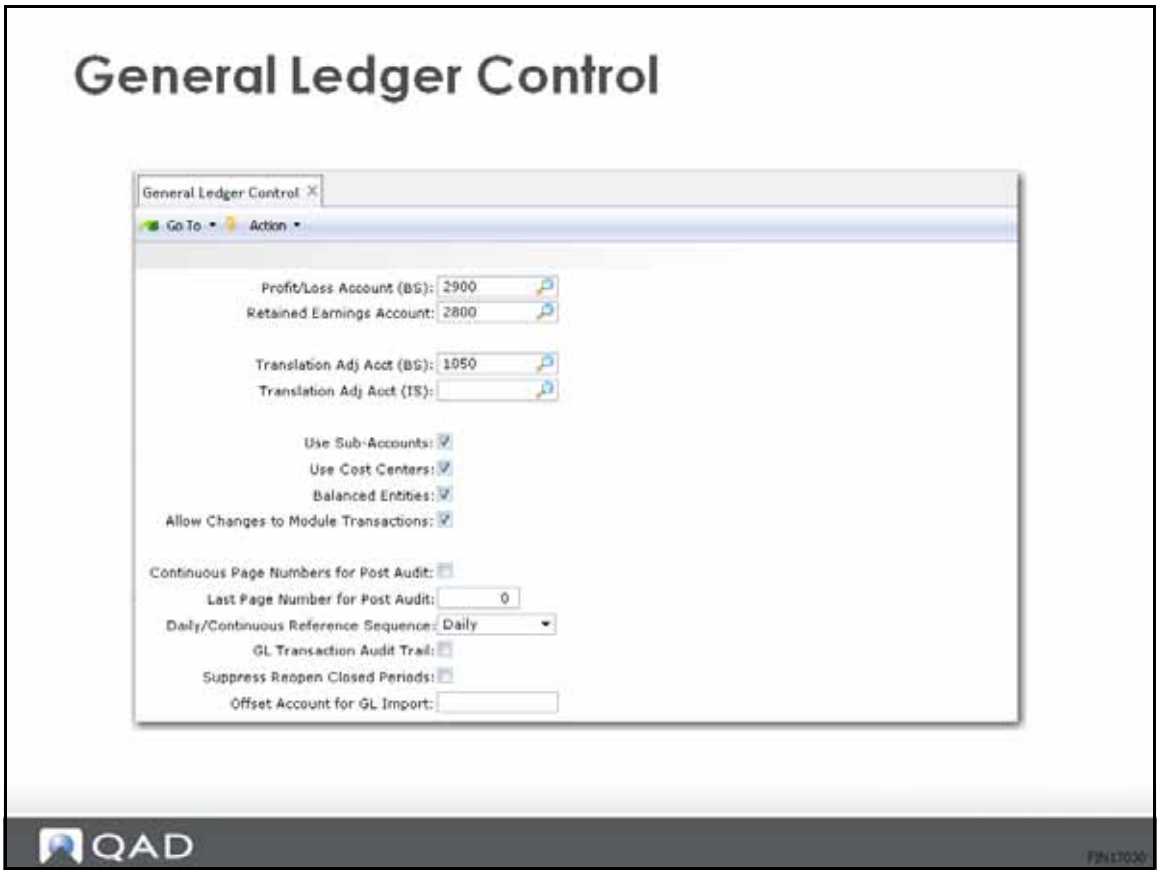
In QAD SE, you can also assign transactions to specific sub-accounts, cost centers, or projects. Companies typically use sub-accounts when they need financial reporting by division. Cost centers can be used for departmental reporting and project codes can be used to track revenues and expenses generated by individual activities, such as advertising campaigns.

On inquiries and reports, the system often separates accounts, sub-accounts, and cost centers by dashes. For example, account 2100, sub-account 10, and cost center 1000 appears as 2100–10–1000. If there was no sub-account, you would see only 2100–1000.

General Ledger Setup



Before you can begin to use the GL functions to maintain your account balances and produce financial statements, you must set up some base GL data.



Before you can maintain account balances and produce financial statements, you must configure General Ledger Control (25.24). The GL Control function lets you:

- Specify accounts for recording profit and loss, and retained earnings.
- Activate sub-account and cost center analysis.
- Specify whether to permit changes to module transactions in the GL module.
- Specify how to print posting audit trails.

The following is a summary of the key fields in GL Control:

Profit/Loss Account (BS). Define the GL account code for the balance sheet year-to-date earnings (profit and loss). The account is used for financial reporting only.

You cannot post transactions to the account.

The system recalculates the account balance whenever a balance sheet is printed. At the year-end close, the balance in this account is posted to the retained earnings account.

Retained Earnings Account. Specify the account used by Transaction Year-End Close (25.13.12) and Retroactive Transaction Maintenance (25.13.2) to create one-sided transactions.

Transactions are only posted to retained earnings during initial implementation. Only post to retained earnings using Standard Transaction Maintenance (25.13.1)

Translation Adj Acct (BS). Specify the balance sheet account that is affected by currency translation adjustments.

The account is only used when importing transactions from other entities operating in different base currencies. If the Post Translation Adjustment to field on the entity specifies Balance Sheet, then translation adjustments post to this account.

Translation Adj Acct (IS). Specify the income statement account affected by currency translation adjustments.

The account is only used when importing transactions from other entities operating in different base currencies. If the Post Translation Adjustment to field on the entity specifies Income Statement, then translation adjustments post to this account.

Use Sub-Accounts. When the field is set to Yes, the system prompts you to enter a sub-account whenever you enter an account.

The Sub-Module Sub-Account Length field in Domain/Account Control (36.1) determines how many digits are used for the sub-account. When the field is set to No, the system prompts for an account number during data entry.

Use Cost Center. When the field is set to Yes, the system prompts you to enter a cost center whenever you enter an account.

When the field is set to No, the system prompts for an account number only during data entry.

Balanced Entities. When the field is set to Yes, the system verifies that GL transactions are balanced for all entities when posting.

To be balanced, the total for all transactions within a single entity must equal zero.

This setting is the normal default for most entities.

When the field is set to No, transactions do not need to be balanced for each entity Sub-modules always create balanced entries. The potential for unbalanced entries arises only in the General Ledger module.

Allow Changes to Module Transactions. When the field is set to Yes, you can modify any GL transactions from sales, purchasing, and other modules in Standard Transaction Maintenance (25.13.1).

When the field is set to No, you can only use Standard Transaction Maintenance to modify transactions that are unbalanced or otherwise unpostable.

Continuous Page Numbers for Post Audit. When the field is set to Yes, the system prints the posting audit trails using continuous numbering.

For example, if the audit trail for January is printed on page numbers 1 through 10, the audit trail for February must begin on page 11. This setting is a requirement in certain countries.

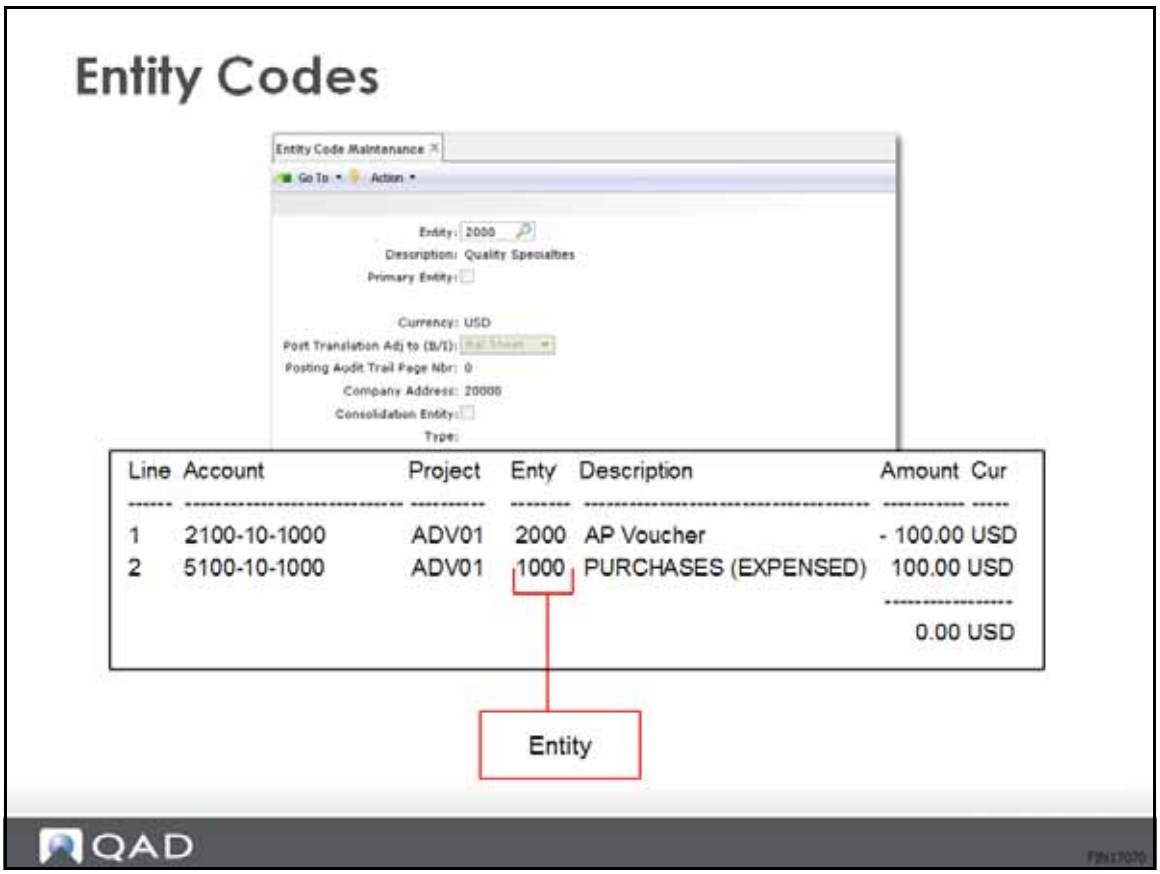
Last Page Number for Post Audit. If the Continuous Page Numbers for Post Audit field is set to Yes, the system updates this field with the last page number of the audit trail as each audit trail is printed.

Daily/Continuous Reference Sequence. Specify whether the numbering on GL transactions should be reset daily or whether the numbering should be continuous. This field determines the numbering system and level of user flexibility when entering reference numbers for certain GL transactions (JL, RV, RA, FX).

Continuous: If the numbering is continuous, transaction numbers are system-generated, and you cannot enter reference numbers manually. When the field is set to Continuous, the transaction number does not restart.

Daily: If the numbering is reset daily, the first transaction of each day is assigned 0000001. However, you can still enter reference numbers manually.

Entity Codes



As we noted earlier, transactions always reference a particular financial entity. In multi-entity businesses, this feature ensures that transactions are included in the right company's financial reports. In the General Ledger module, transactions are posted by entity, and financial statements and other GL reports are printed by entity.

New entity codes are set up in Entity Code Maintenance. Even if your company has only one financial reporting entity, an entity code must still be defined. One entity must be defined as the primary entity—the default for the current GL entity when you first log onto the system. Only one entity can be defined as the primary entity; however, in Current Entity Change, you can change the default entity for GL activity for the duration of a user session.

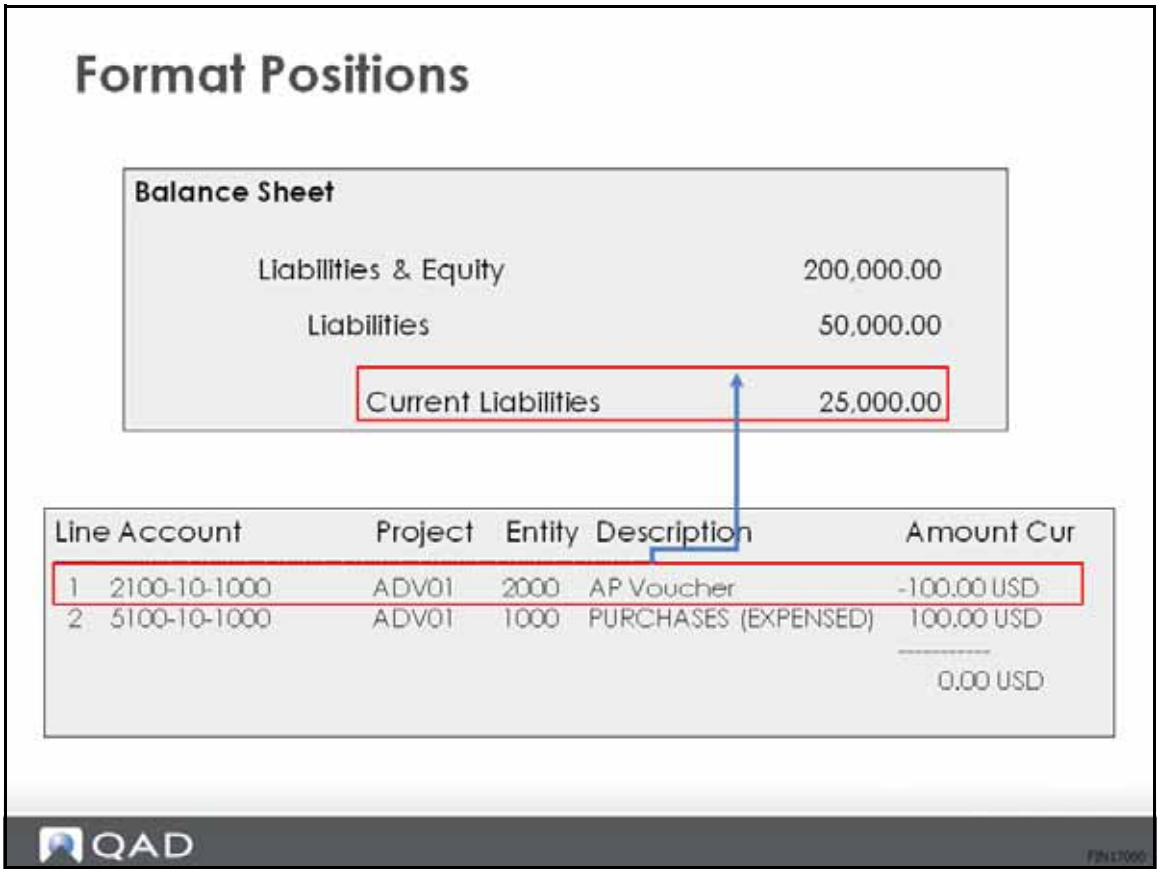
Each entity is assigned a three-character code that defines the entity base currency. In multiple currency environments, this code determines if a currency translation must be performed on transactions imported from another database for this entity. The translation adjustment can appear on either the balance sheet or the income statement. If multiple currencies are not used, the translation adjustment can be set to either B or I.

If continuous page numbering is selected in General Ledger Control, the Page Numbers for Post Audit field displays the last page number of the last audit trail printed for the entity.

A valid company address must be entered in the entity record. This field is validated against addresses defined in Company Address Maintenance (2.12).

The company name and address details associated with this code are printed on draft payments from this entity. In the United States, the company address details associated with this code are also used by 1099-MISC Form Print (28.20.2), 1099-MISC Magnetic Media report (28.20.3), and 1099-MISC report (28.20.1).

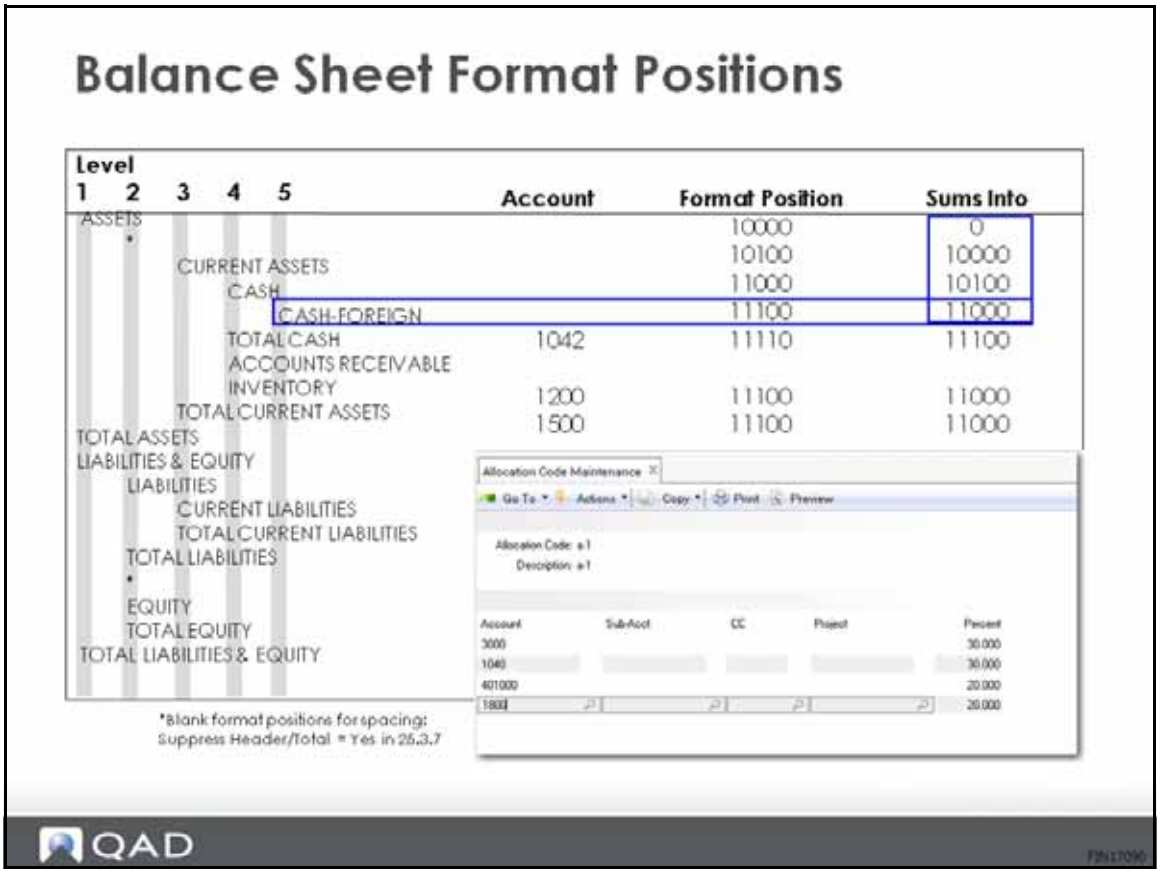
Format Position



To set up a general ledger, you first determine what kinds of information must appear on the financial statements. Financial statement elements, such as product line, can either have their own headings, or be grouped with similar elements under larger headings, such as sales. These report headings are called format positions. Format positions let you specify different levels of detail for different reports and audiences.

Format positions also determine the order in which GL accounts appear. A format position is associated with either the income statement or the balance sheet, but not both.

Balance Sheet Format Positions

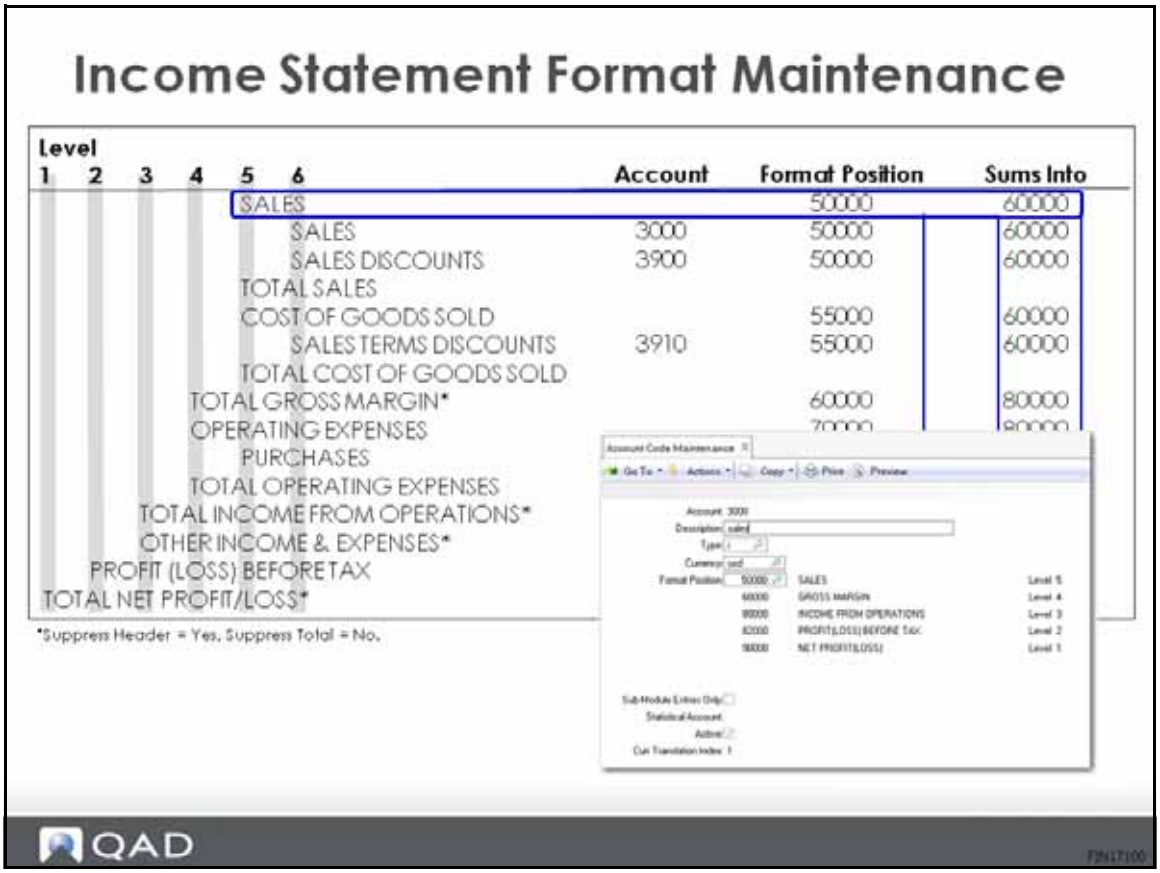


The slide shows some typical balance sheet format positions. Cash-Foreign (account 1042) is assigned to format position 11120. It is one of several cash accounts (not shown) totaled under another format position for Cash, 11100. Cash sums into Current Assets (format position 11000), which in turn sums into Assets (10000). Because Assets is the top level for financial reporting, it sums into 0, as does format position 15000 for Liabilities & Equity.

When you assign an account to a format position in Account Code Maintenance (25.3.13), you also see the higher-level format positions into which the account is summed. To prevent an account such as a memo account from being associated with a format position, you would assign the account to format position zero (0).

Format positions enable you to print statements that contain varying levels of detail. In the income statement and balance sheet reports, you can specify up to 99 levels of detail.

Income Statement Format Positions

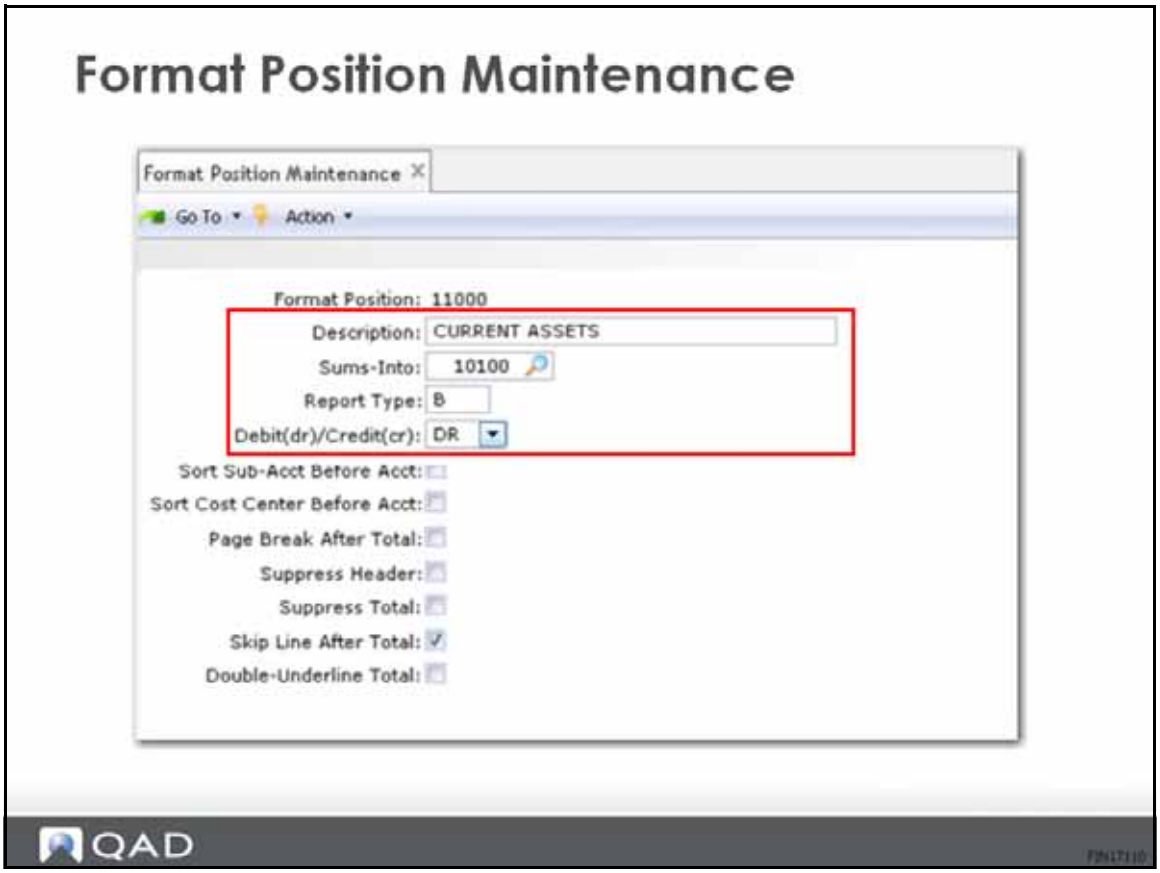


The slide shows sample income statement format positions.

In comparison to the balance sheet on the previous, the data on the income statement is inverted: Total Net Profit/Loss is the highest-level format position, but it is at the bottom of the report. Also, the report data is indented less towards the end of the report.

On income statement format positions, lower format position numbers sum into higher ones; on balance sheets, higher format position numbers sum into lower ones. However, account numbers do not have to be assigned sequentially to format positions.

Format Position Maintenance



To set up new format positions or adjust existing ones, use Format Position Maintenance (25.3.7). The following fields determine how format positions appear on GL reports.

Description. We recommend that you put format position descriptions in uppercase rather than lowercase because they look better on reports (on total lines, the system prints TOTAL in uppercase).

Sums Into. Used to consolidate totals on financial statements. On balance sheet format positions, the next lowest format position; on income statement format positions, the next highest. On the sample income statement, Sales (format position 50000) sums into Gross Margin (60000).

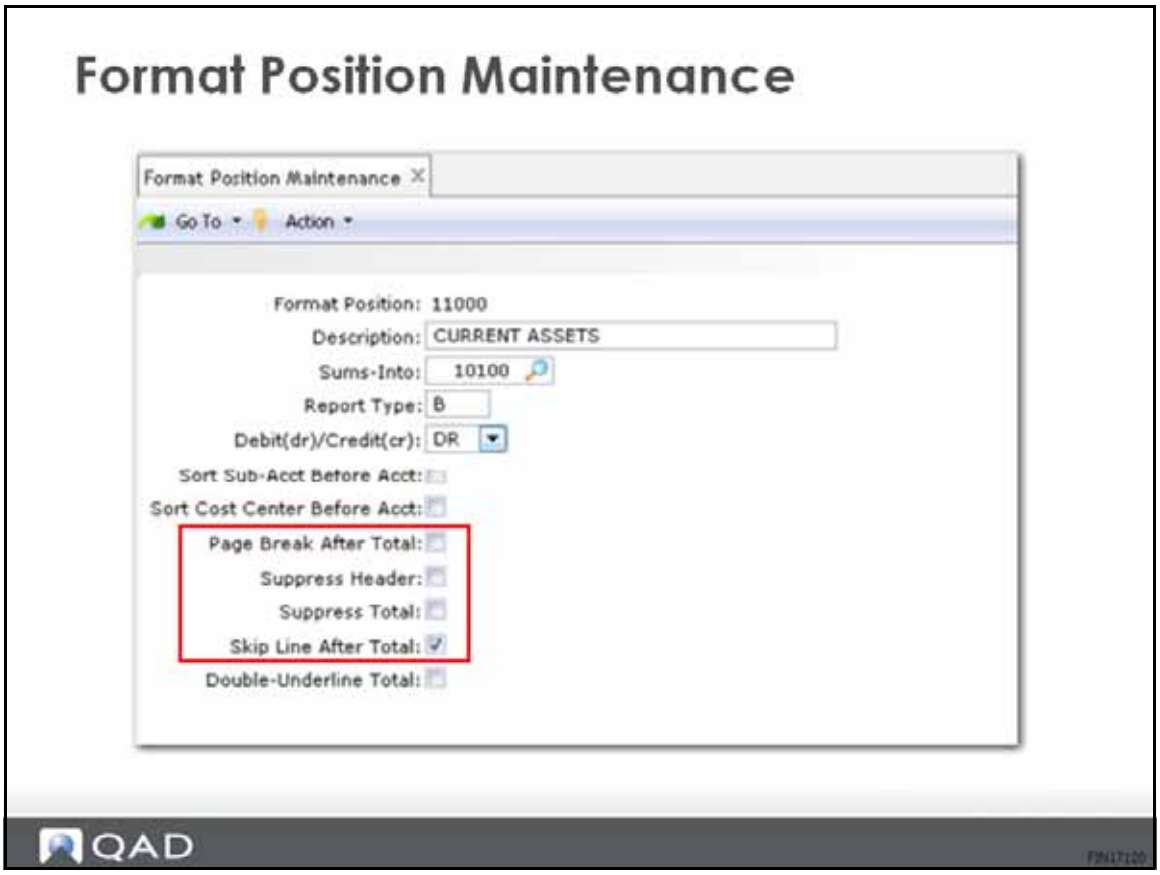
If a format position is to appear before another format position of the same level, the first format position must be assigned to the lower number. For example, in the case of assets and liabilities, assets should have a lower number so they appear at the top of the balance sheet.

Report Type. B (balance sheet) or I (income statement) format position.

Debit/Credit. Identifies the normal balance of accounts summed into the format position. Assets and expenses normally have debit balances and liabilities and income normally have credit balances. On reports, credit amounts in debit format positions (for example, Cash) are identified by a minus sign or brackets, as are debit amounts in credit format positions (for example, Sales).

Sort Sub-Acct Before Acct. This field determines the sort priority for sub-accounts within a format position. It is used on financial statements in conjunction with the Summarize Cost Center option.

Sort Cost Center Before Acct. This field determines the sort priority for cost centers within a format position. It is used in financial statements in conjunction with the Summarize Sub-Acct option.



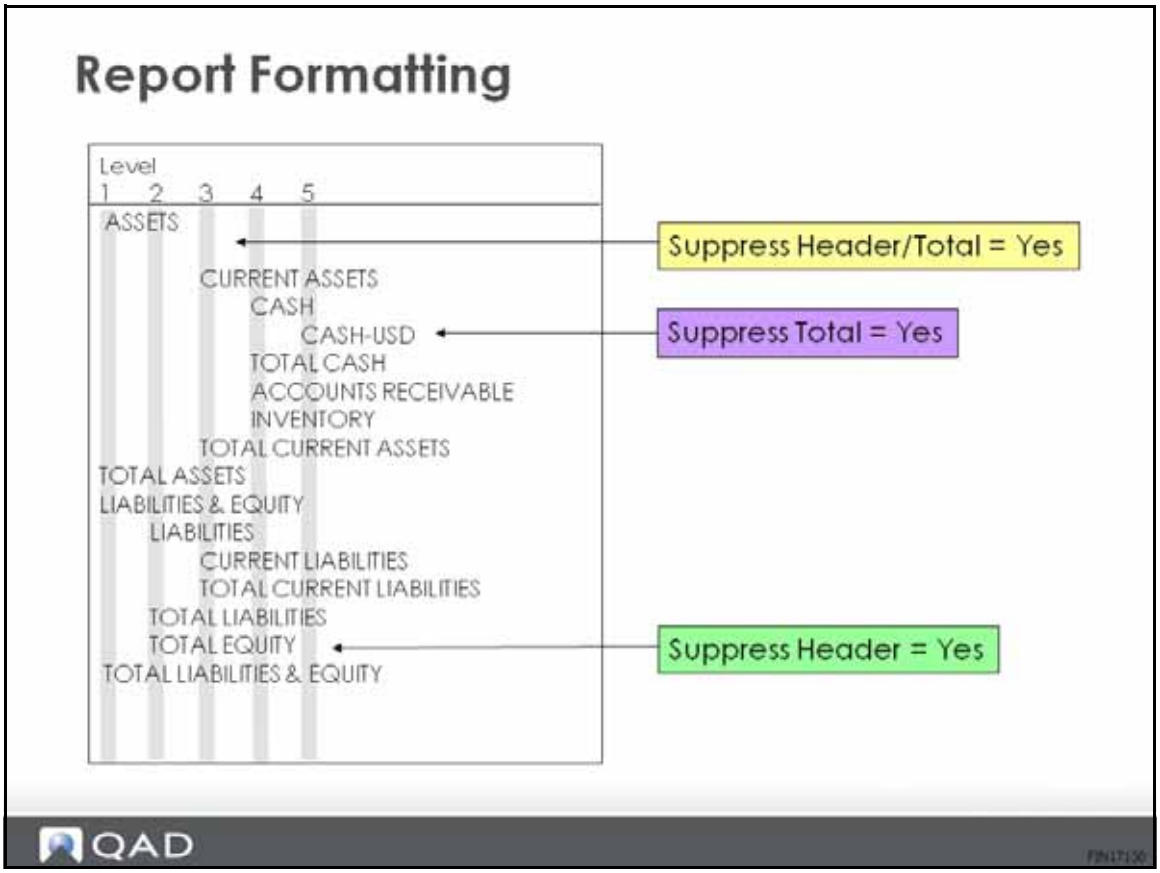
Page Break After Total. Indicates whether the printer should skip to a new page after printing the total for the format position. Usually, you want to insert a page break only after major categories such as Assets and Liabilities.

Suppress Header/Suppress Total. In reports, the format position description prints in two places—at the top, before any accounts or embedded format positions that sum into it, and at the bottom, preceded by the word TOTAL. On the sample income statement, SALES is the header for format position Sales and TOTAL SALES is the total.

Sometimes, you may want to suppress the header and just print the total line (for example, 60000, 80000, 81000, 90000 on the sample income statement). You can also insert a blank line on a report (for example, 10100 on the sample balance sheet) by creating a format position in which both the header and total are suppressed.

Skip Line After Total/Double-Underline Total. These settings can be used to further highlight totals. Normally, you want a blank line after a total so that reports are easier to read. But you may not want them on some embedded format positions if you want to group items close together or print them all on one page.

Report Formatting



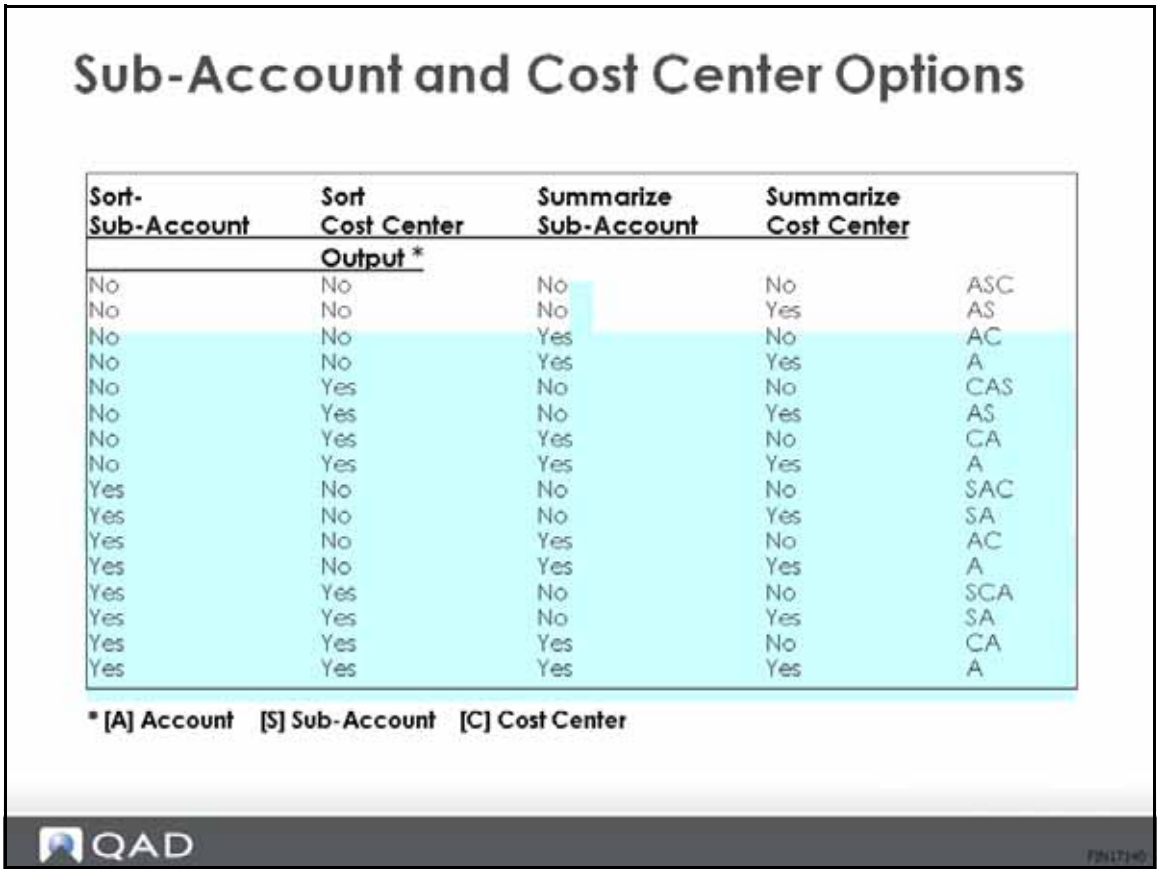
An easy way to create new reports is to go through printed copies of your existing balance sheet or income statement with three highlighter pens.

1. Highlight the headers and totals for each section of the report that has both a header and a total line. For example, highlight Current Assets and Total Current Assets.
2. Using another color, highlight the headers with no corresponding total. These headings are subtitles used to group accounts and to promote clarity, but that do not require subtotals. In these format positions, set Suppress Total to Yes in Format Position Maintenance.
3. Using a third color, highlight the totals with no corresponding header. These sub-totals are used to print intermediate totals, and do not need a heading. In these format positions, set Suppress Header to Yes.

After you have identified which format positions you need, you can assign them numbers. As you saw earlier, numbering on balance sheets starts from Assets and works down (for example, 0, 10000, 20000). On income statements, numbering starts from Net Profit/Loss and works up (for example, 0, 90000, 80000).

Once you have your format positions set up, print and review the Financial Statement Proforma and verify that format positions were set up correctly. Once you assign accounts to format positions, you can also use this report to verify that accounts are assigned to the right format positions.

Sub-Account and Cost Center Options



Another thing to consider when you are setting up format positions is how sub-account and cost center amounts are represented on the GL reports.

Two settings in Format Position Maintenance determine the sort priority of sub-accounts and cost centers.

- Sort Sub-Acct Before Acct

  Determines whether sub-accounts should take precedence over accounts when you print and sort the format position.

- Sort Cost Center Before Acct

  Determines whether cost centers should take precedence over accounts when you print and sort the format position.

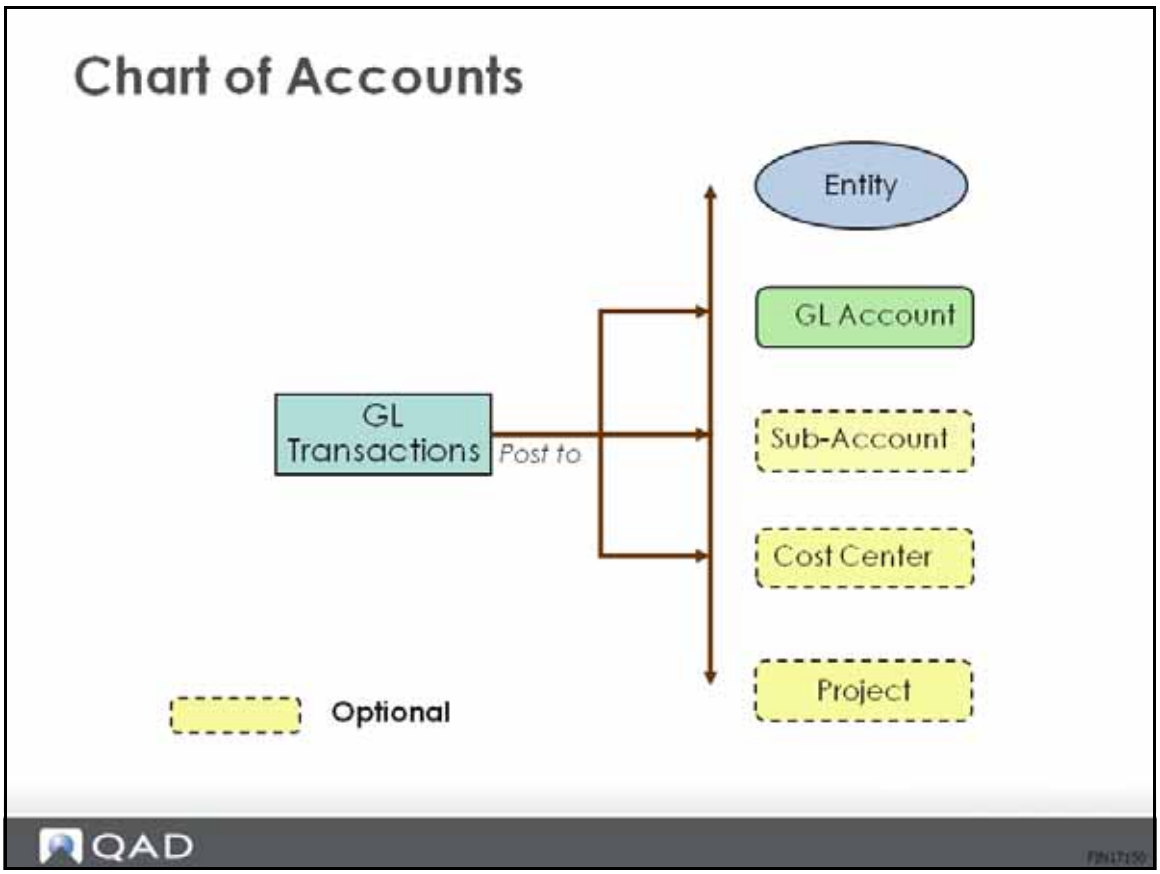
These two settings work in conjunction with two selection criteria on the GL reports that determine whether sub-account and cost center amounts should be summed into account balances or presented separately:

- Summarize Sub-Accounts
- Summarize Cost Centers

The chart shows all the possible interactions between the sort and summary flags and the information and sort order that appear on the report output.

Whenever you set both the Sort and Summarize options to Yes, the summary overrides the sort. For example, a format position has both sort flags set to Yes. You print a balance sheet with Summarize Sub-Accounts set to Yes and Summarize Cost Centers set to Yes. The format position on the balance sheet is sorted by cost center, then account; the sub-accounts are summarized.

Chart of Accounts



In QAD SE, all transactions reference and post to a combination of entity and account (mandatory) and sub-account, cost center, and project (optional). We have already discussed how transactions are associated with entities.

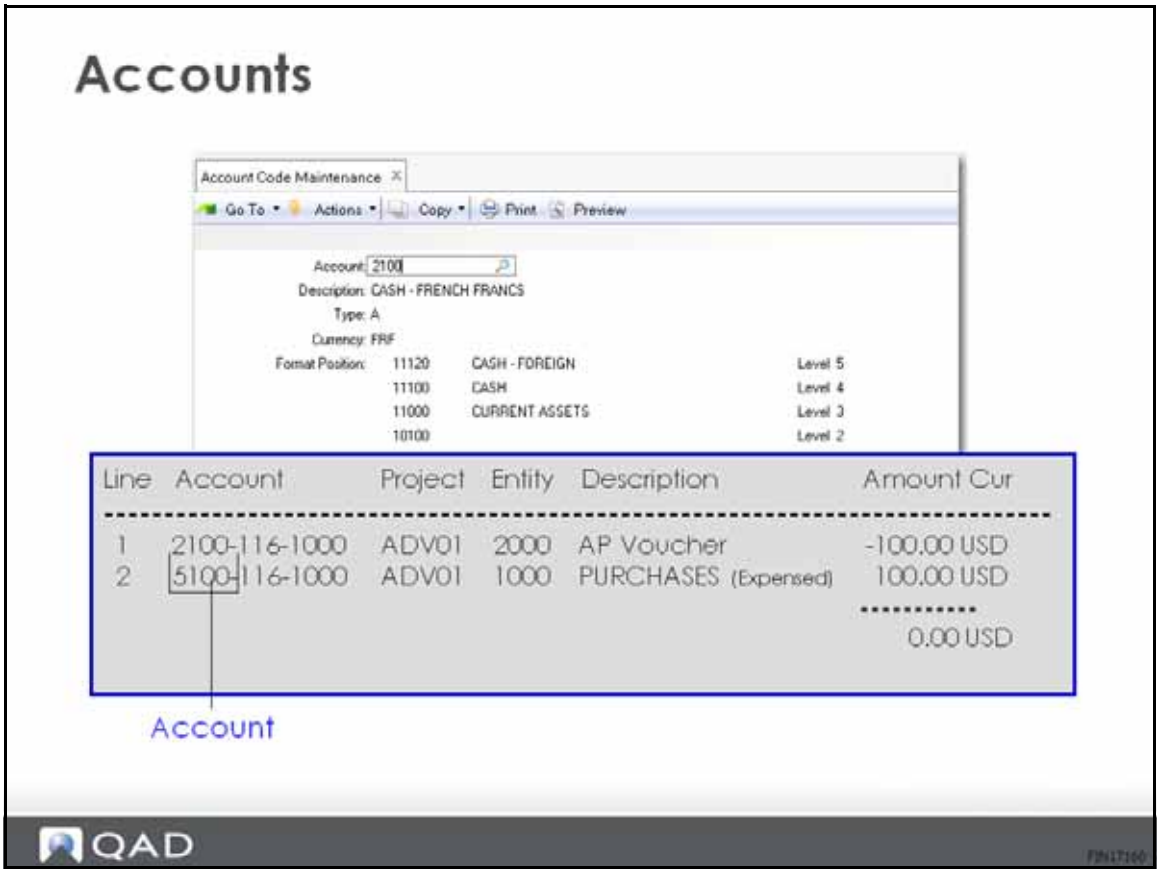
General ledger accounts (maximum eight characters) are used in all companies to assess how transactions affect their assets, expenses, liabilities, and equities.

Sub-accounts are typically used by larger companies when they need another level of detail. Sub-accounts can be used to organize financial reporting by division. Cost centers (maximum four characters) are typically used for departmental reporting. The use of sub-accounts and cost centers is specified in General Ledger Control. Both sub-accounts and cost centers are assigned to account codes. On inquiries and reports, the system often separates accounts, sub-accounts, and cost centers by dashes. For example, account 7100, sub-account 10, and cost center 1000 would appear as 7100–10–1000. If there were no sub-account, you would see only 7100–1000.

Project codes are used to track individual activities such as advertising campaigns. We discuss project codes later on in conjunction with project accounting; for now, be aware that transactions also post by project code if used.

Note When you assign codes, consider the order in which they are sorted on reports. Be consistent with the number of characters used, and remember that all codes sort alphanumerically (for example, cost center 1000 before 123). To sort accounts numerically, zero-fill the codes (for example, cost center 123 as 0123).

General Ledger Accounts



Accounts are used to group amounts, such as sales and inventory, for financial reporting at the corporate level. New account codes are set up in Account Code Maintenance (25.3.13). You define the following attributes for each account code as part of setting up your chart of accounts.

Type. In QAD SE, you can define both posting accounts and memo/statistical accounts. Posting accounts are used on sub-ledger transactions, while memo/statistical accounts are not. Posting accounts are designated by one of the following types:

A (Asset)

L (Liability/Capital)

I (Income): Use to designate income statement accounts that are categorized as sales accounts. This can include expense accounts such as sales discounts.

E (Expense): Use to identify all other income statement accounts, such as those categorized as other income.

The memo/statistical accounts are:

M (Memo): Use to report reference information such as the number of employees or the size of a building. This account appears on financial statements if formatted into the report, but it is *not* totaled.

S (Statistical): Use to provide account totals on custom reports and, in VAT reporting, to record base taxable amounts on AR and AP transactions. Statistical accounts appear on financial statements if formatted into the report, but are *not* calculated in the total. On custom reports, however, you can include statistical accounts in the total.

Memo and statistical amounts are usually recorded in Standard Transaction Maintenance (25.13.1), although you can use the other transaction functions in menu 25.13. These transactions do not have to be balanced. If your database uses sub-account or cost center reporting, you must assign the memo/statistical account to a sub-account/cost center and reference the sub-account/cost center in Standard Transaction Maintenance. To appear on reports, memo/statistical transactions must also be posted.

Currency. Currency for this account. A foreign currency can be entered only on balance sheet accounts (Type A or L). The default is the system base currency.

Active. You cannot delete an account that has transactions attached to it. However, you can set the Active field to No to prevent new transactions from referencing it. For example, if you close a bank checking account, you would deactivate the corresponding GL cash account.

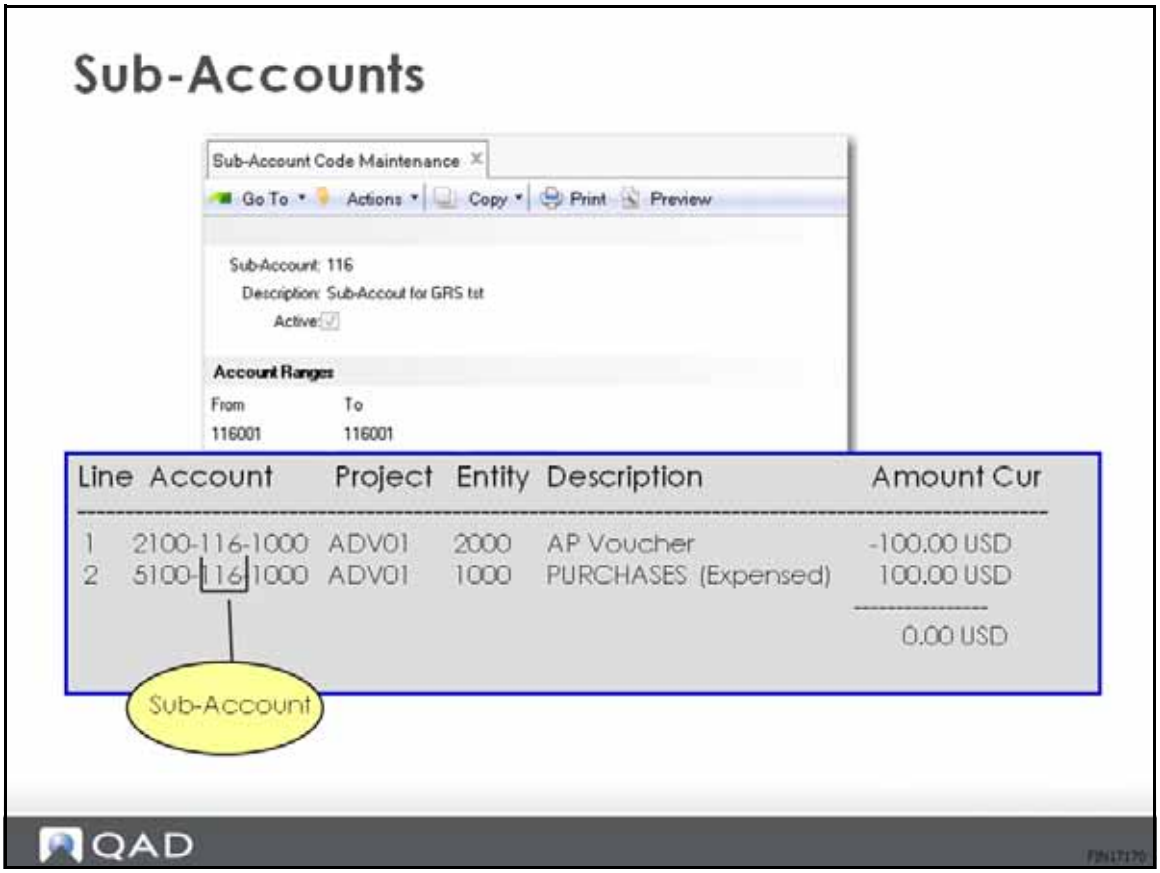
Note You should not change your chart of accounts (except to add new accounts) once QAD SE has been implemented. It is a good idea to set up the accounts very early in the implementation process.

Format Position. Format position code used to summarize this account. If a zero is entered, this account is not included in the balance sheet or the income statement.

Sub-Modules Entries Only. Used to prevent transactions from being created for this account directly from the General Ledger module.

We do not recommend changing your chart of accounts once QAD SE has been implemented (except for adding accounts). Therefore, it is a good idea to set up the accounts very early in the implementation process.

Sub-Accounts



For divisional reporting, you can use sub-accounts to further classify account amounts on GL reports. For example, for your sales accounts, you might need to do separate reporting for different divisions. The ability to use sub-account reporting is determined by the Use Sub-Accounts field in General Ledger Control.

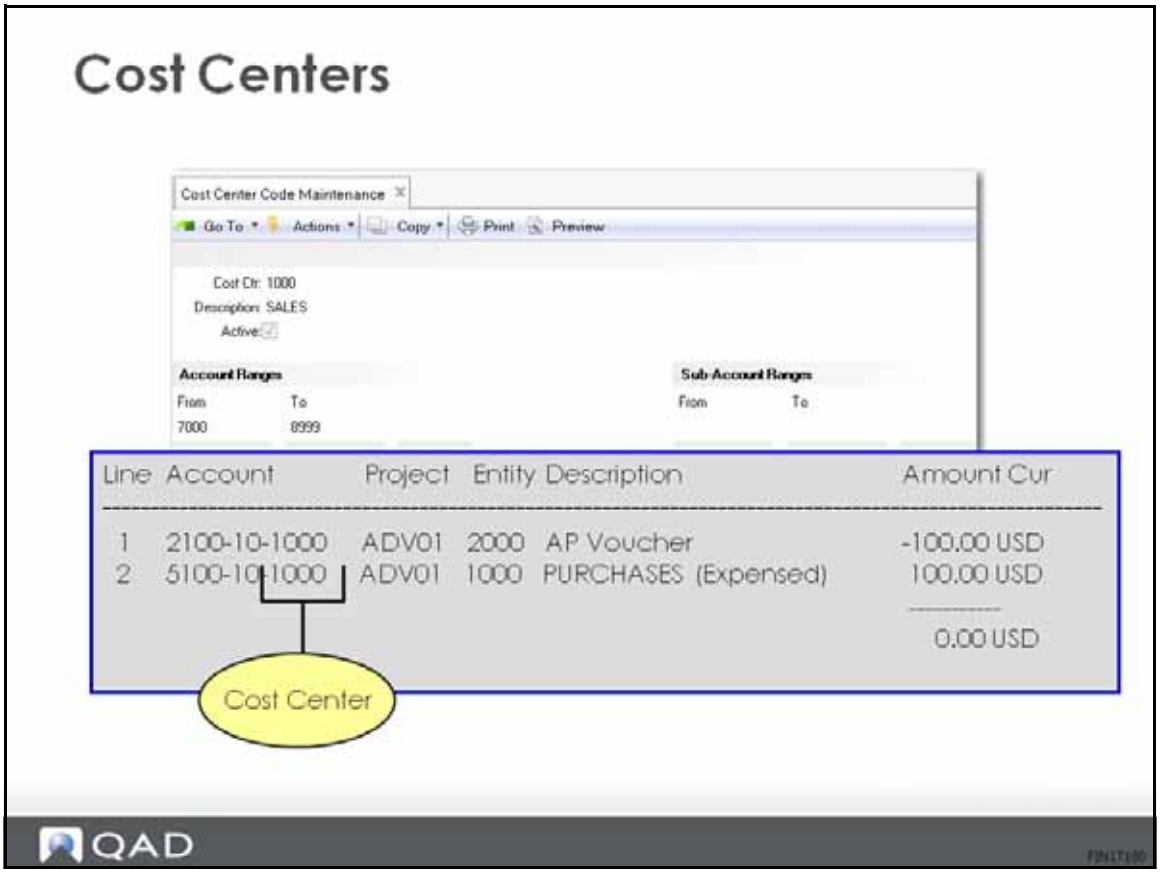
Most reports can summarize sub-accounts or print in full detail. You can also prepare budgets by sub-account.

New sub-accounts are set up in Sub-Account Code Maintenance (25.13.17).

Note Never delete the blank sub-account code in your database, even if you do not use it on transactions. QAD SE uses it for retroactive and year-end close transactions.

For clarity, you might want to append some blank spaces to the end of the account code or the beginning of the sub-account code. In some functions, the account and sub-account are entered in account fields as a combined code; in others, a pop-up window in the account field allows you to enter the account, sub-account, and cost center separately.

Cost Centers



For departmental or other group reporting, you can also use cost centers to further classify account and sub-account amounts on GL reports. For example, for your expense accounts, you might need to do separate reporting for different cost centers.

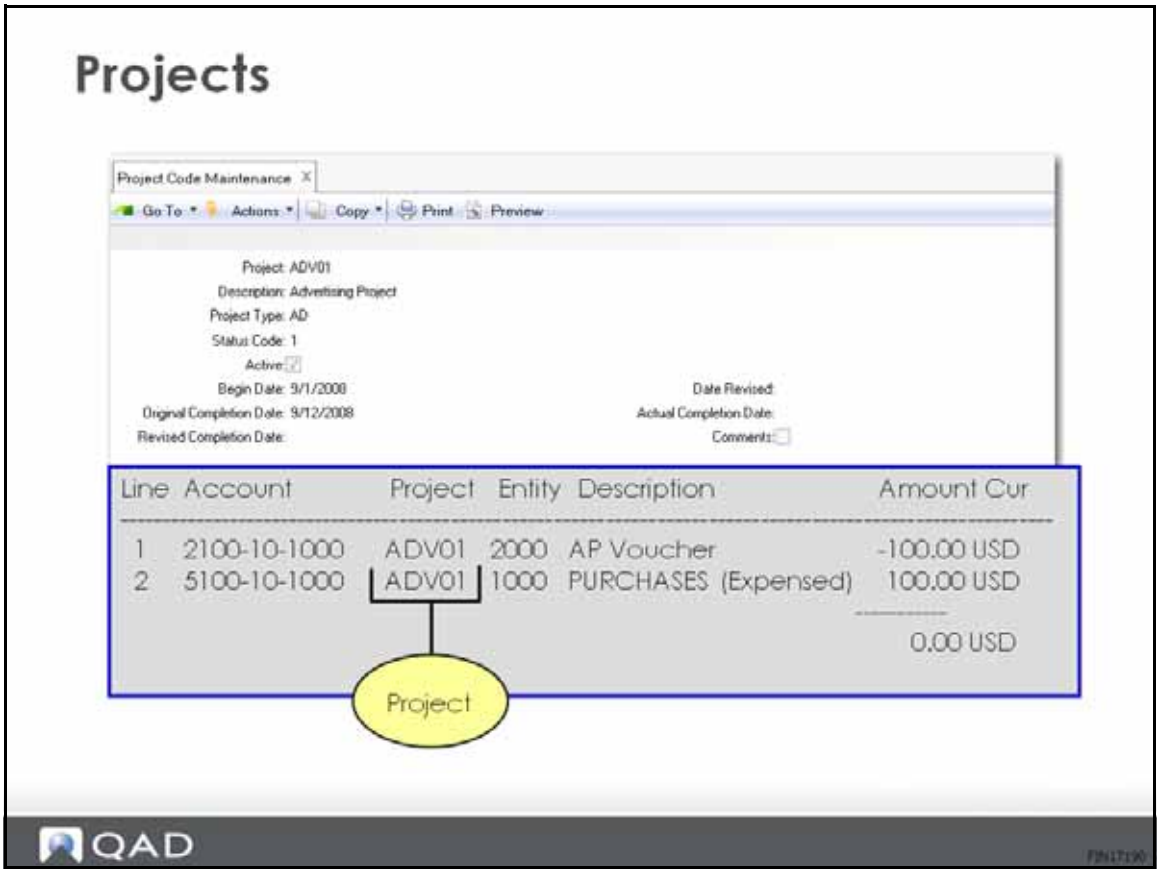
Each cost center is assigned to one or more accounts or account and sub-account combinations. On transactions, you can only enter a cost center that is valid for the account or account and sub-account combination.

Generate comparative reports to compare a cost center to budget or to another period. Most reports have the ability to summarize cost centers or print in full detail. You can also prepare budgets by cost center.

New cost centers are set up in Cost Center Code Maintenance (25.3.20).

Never delete the blank cost center code in your database, even if you do not use it on transactions! QAD SE uses it for retroactive and year-end close transactions.

Projects



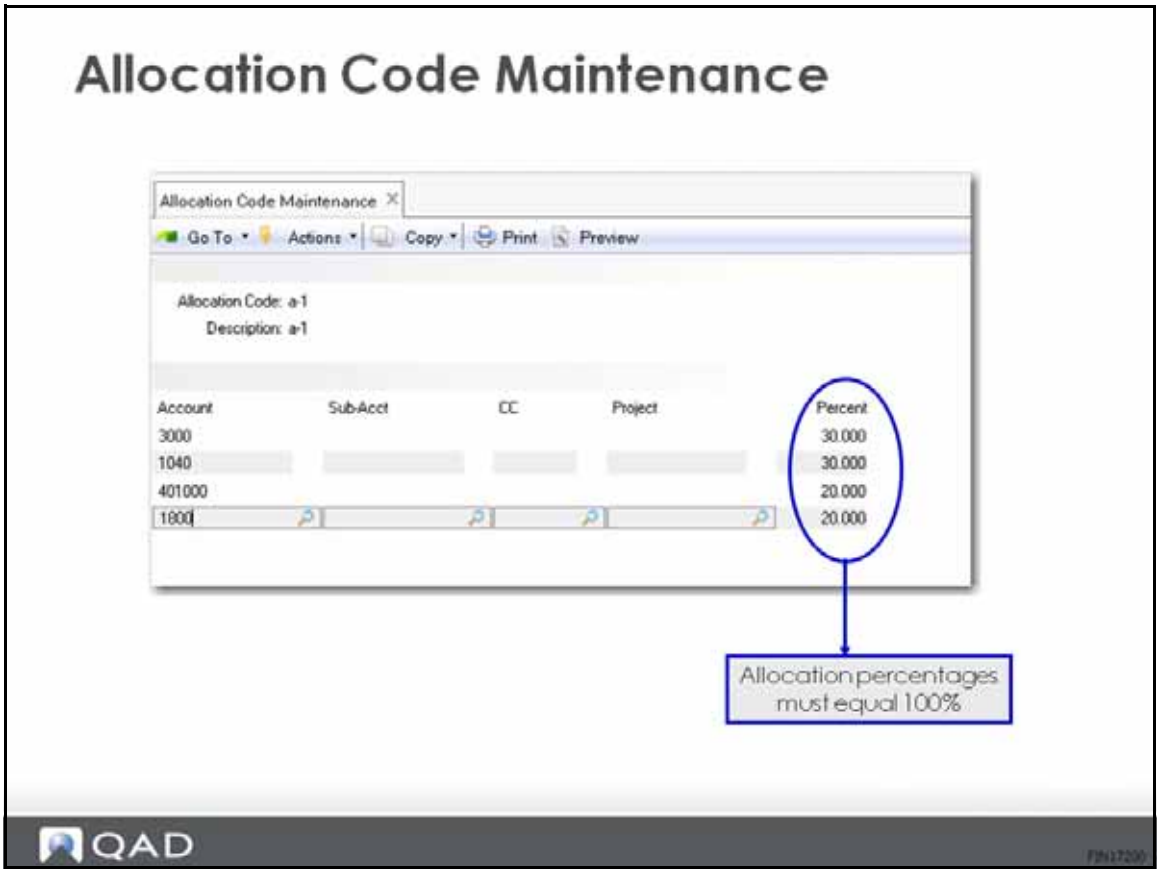
Projects are unique activities that incur expenses and may generate revenue. On transactions, you can reference project codes to track costs for specific activities such as advertising campaigns. If you reference a project code on a sales order, purchase order, or work order, the GL transactions also include the project code.

Comparative reports can be generated to compare a project's activity for one period to another, or to compare a project's actual activity to its budget. On the project activity reports, you can optionally print project comments. Most reports have the ability to summarize cost centers or print in full detail. You can also prepare budgets by cost center.

New project codes are set up in Project Code Maintenance (25.3.11). This function enables you to record reference information on the project. Project Type and Status Code can be used to select projects on the Project Code Browse.

The Active field controls the posting of GL transactions to projects. You can post transactions only to active projects. If you deactivate a project code, QAD SE does not allow you to reference that code on new purchasing, sales, and work order transactions. However, for existing transactions that reference the inactive code, you can still process work order component issues, miscellaneous inventory transactions, such as unplanned issues and receipts, PO receipts, blanket order releases, and sales order shipments.

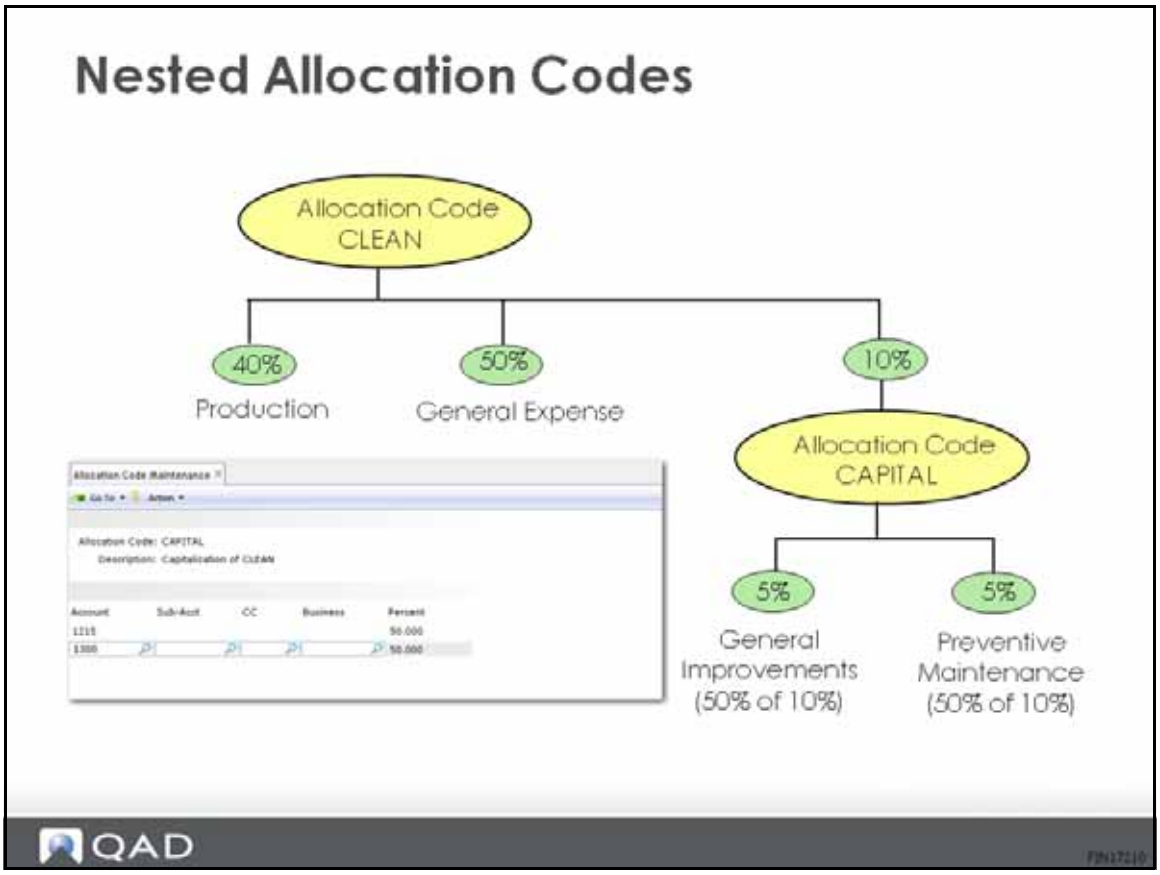
Allocation Codes



Often, it is convenient to divide a single transaction amount among several accounts—for example, if several departments share cleaning expense. In QAD SE, you can set up allocation codes that define the percentage of the total transaction amount to post to a specific account, sub-account, cost center, or project combination. Allocation codes are set up in Allocation Code Maintenance (25.3.23).

Allocation codes simplify data entry and minimize errors. During module activities, you simply enter the allocation code as the GL account. You can also set up customers, suppliers, and other records so that module activities use the allocation code as the default GL account.

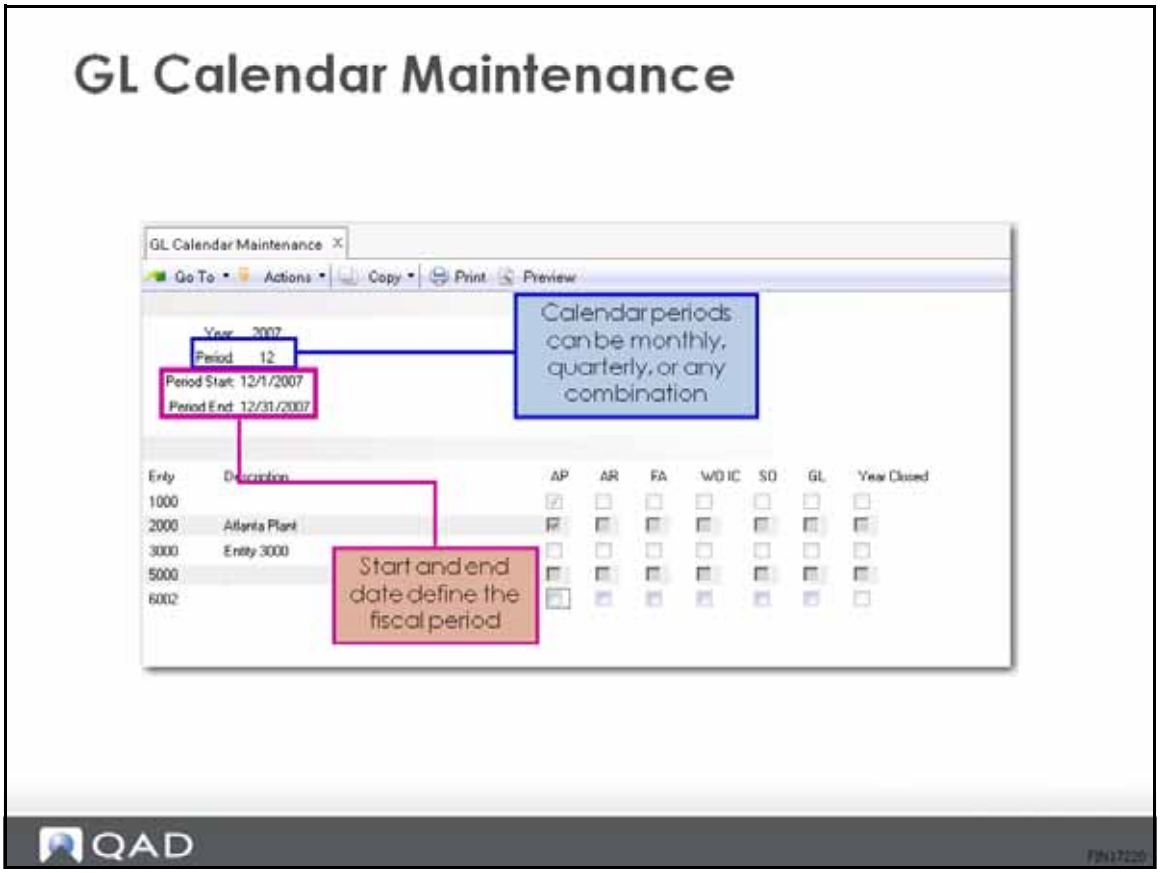
When you later post the GL transactions created by module activity, QAD SE prorates the transaction amount among the accounts, and other COA elements identified by the allocation code. The above AP voucher for cleaning expense shows an allocation code for cleaning expense shared by several departments. Instead of an account code, enter the allocation code CLEAN, which specifies that 40% of the cleaning expense is posted to the production account and 50% to the general expense account. Posting automatically redirects the correct percentages of the payment amount to the accounts, sub-accounts, cost centers, or projects defined for the allocation code.



Allocation codes can also be nested. As shown above, the remaining 10% of the total cleaning expense is capitalized as an improvement. Allocation code CLEAN posts this cleaning expense to general improvements and preventive maintenance accounts associated with a second allocation code, CAPITAL. At posting, 50% of the capitalization amount (or 5% of the total cleaning expense) is posted to each account.

The actual allocation of amounts to each of the individual accounts and cost centers is not performed until you post.

GL Calendar



When transactions are created, they always have an effective date that determines the fiscal period to which the transaction applies. In contrast to other systems, in QAD SE, you do not specify a fiscal period on each transaction—the fiscal period is determined by the transaction effective date.

Most of the time, transaction amounts updates GL account as of the date the transaction was recorded in QAD SE. But at period-end, you may want a transaction to be associated with another period. For example, if the end of the month was last Friday, but the Sales department did not finish processing last month's invoices, Sales should back-date the effective date on the remaining invoices to Friday's date so that GL balances are correct.

To be posted to the general ledger, the transaction effective date must fall in a valid, open GL calendar period. Before you can process GL transactions, you must define your fiscal reporting periods in GL Calendar Maintenance (25.3.4). Up to 999 calendar periods can be entered for each year. Each calendar period is defined with a start date and end date. A calendar day cannot be shared by two periods. Be careful not to skip days. In multi-entity environments, the GL calendar must be the same for all entities. However, you can close and open calendar periods individually within each entity. In GL Calendar Maintenance, you can also open and close periods for specific transaction types.

Note To prevent transactions being inadvertently created for future periods, set up the GL calendar for the entire year with all periods closed to activity except the current one.

Exercise 17: Review Entity Information

In this exercise, you will review all entities defined in the sample database.

Entity Code Browse

1 In Entity Code Browse (25.3.1.2), view the entities defined in the training database. Which entity is the primary entity?

Entity Code Maintenance

2 In Entity Code Maintenance (25.3.1.1), change Entity T100's name to your company name.

Review Format Positions

In this exercise, you will review the format positions in the sample database by examining how they are used on an income statement.

Income Statement

1 In Income Statement (25.15.13), print an income statement. (Ignore any warning message; it appears because the database contains unposted transactions.)

Format Position Browse/Inquiry

2 Use Format Position Browse (25.3.8) answer the following questions:

a What is the format position for Net Profit (Loss)?

b In which higher-level format position are Sales and Cost of Goods Sold totaled?

90000, 60000, (Gross Margin)

Set Up GL Accounts

In this exercise, you will create a new account.

Account Code Maintenance

1 In Account Code Maintenance (25.3.13), add an account for janitorial expense.

Account:	8250
Description:	Janitorial Expense
Type:	E
Currency:	USD
Format Position:	70000
Curr Translation Index:	2
Active	Yes

Note Check Active Box Yes.

Notice how all the format positions from 70000 to the highest level, 90000 (Net Profit/Loss) are displayed.

Account Code Browse

2 Use Account Code Browse (25.3.14) to locate account 8250.

3 Make sure your entries for account 8250 are correct.

Enter Cost Center Information

Quality Products Company is introducing a new cost center for Research and Development. In this exercise, you set up cost center 4000 and assign it to several accounts.

Cost Center Code Maintenance

1 In Cost Center Code Maintenance (25.3.20), add cost center 4000. Use the description RESEARCH.

2 Assign this cost center to accounts 8200 through 8400, and all sub-accounts.

Note Click Next in blank account fields to select all accounts.

Cost Center Code Browse

3 In Cost Center Code Browse (25.3.21), review the cost centers within the database.

Notice your new cost center 4000.

Using Allocation Codes

Quality Products Company has discovered the need to expense its utility bill by percentage to multiple cost centers. In this exercise, you will create an allocation code and then post to it.

Allocation Code Maintenance

1 In Allocation Code Maintenance (25.3.23), add an allocation code called UTIL.

2 Enter the description of UTILITY EXPENSE.

3 Enter the following accounts, cost centers, and percentages.

Account	Cost Center	Percentage
8400	0100	10.00
8400	0200	30.00
8400	0300	25.00
8400	0500	35.00

Allocation Code Report

4 Print the Allocation Code report (25.3.24) for UTIL.

Voucher Maintenance

Quality Products Company just received its monthly utility bill. This bill is posted to many different GL accounts by a specific percentage.

5 In Voucher Maintenance (28.1), enter the following voucher:

(Batch) Control:	10,000.00
Voucher:	Enter
Control:	10,000.00
Supplier:	5009000
Effective Date:	today
Bank:	AA
(Invoice) Date:	today
(Credit) Terms:	0
Distribution:	Change Acct 8400 to UTIL and clear out the cost center field
Amount:	10,000.00

Notice that the default GL account displays from the supplier file. (You may want to enter the allocation code within the supplier file (Pur acct. field) so that it automatically displays each time.)

Closing the Period by Transaction Type (Optional)

To manage the flow of journal entries created in GL at period ending, you can close the period for specific transaction types while continuing to process in other modules. To see the effect on posting, complete this exercise before you proceed to the next chapter.

GL Calendar Maintenance

1 In GL Calendar Maintenance (25.3.4), select the current period for your primary entity.

2 Enter Yes in the AR field.

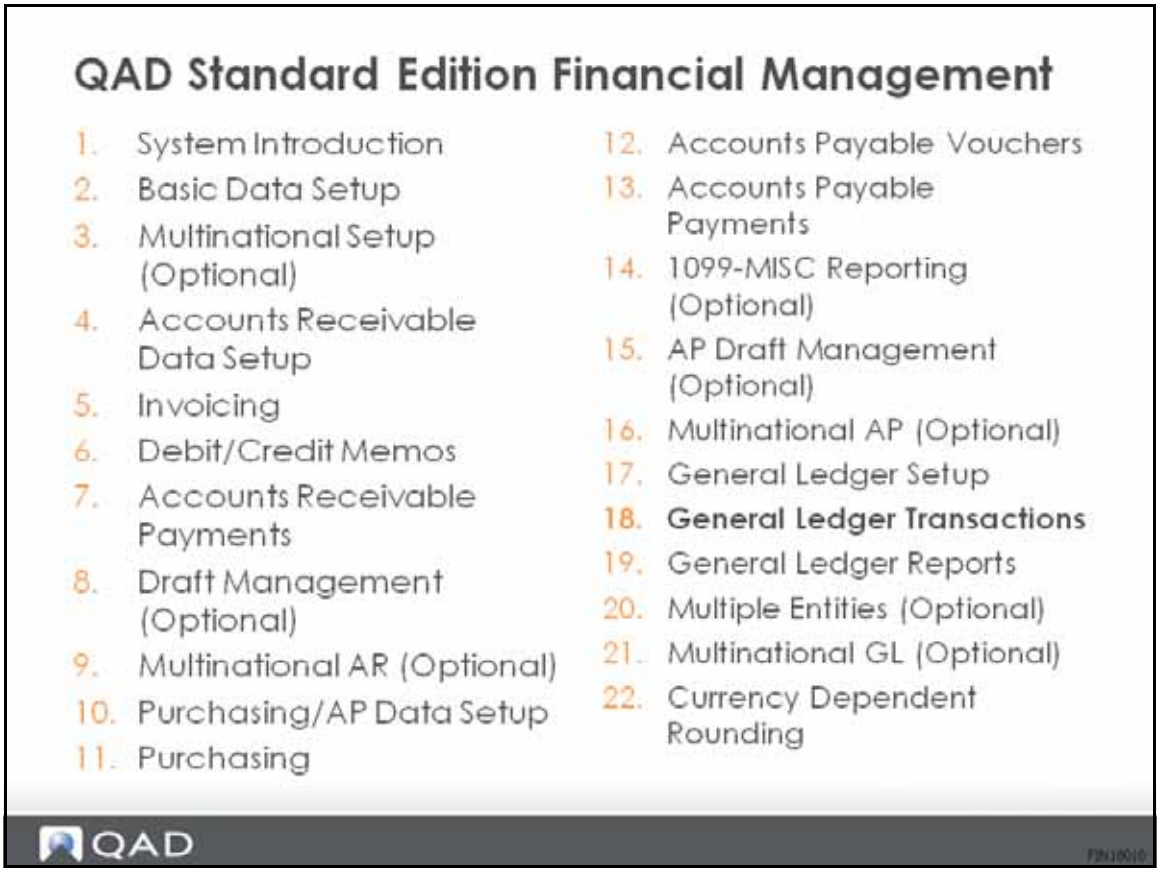
3 Press Next. Can you close the period to AR transactions?

You cannot close the period for any transaction type with unposted activity in the system. At transaction entry time, the system validates the transaction's effective date against any closed periods for the transaction type.

Chapter 18

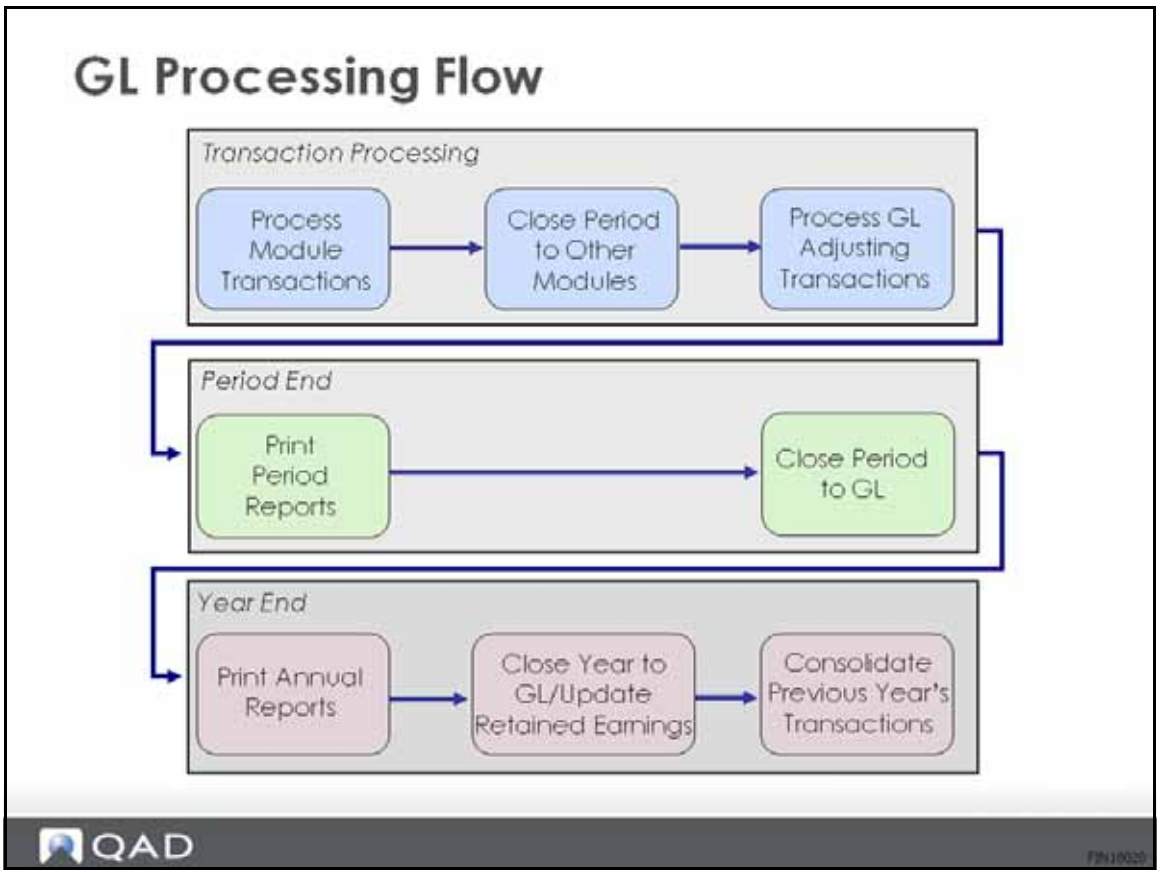
GL Transactions

Overview



This lesson describes how you review, add, correct, copy, and post transactions from other modules and those created within the General Ledger module.

GL Processing Flow



As stated earlier, GL transactions are created automatically by activity in other QAD SE modules. Initially, these transactions are sent to an unposted transaction file, where they remain until you post them in the General Ledger module.

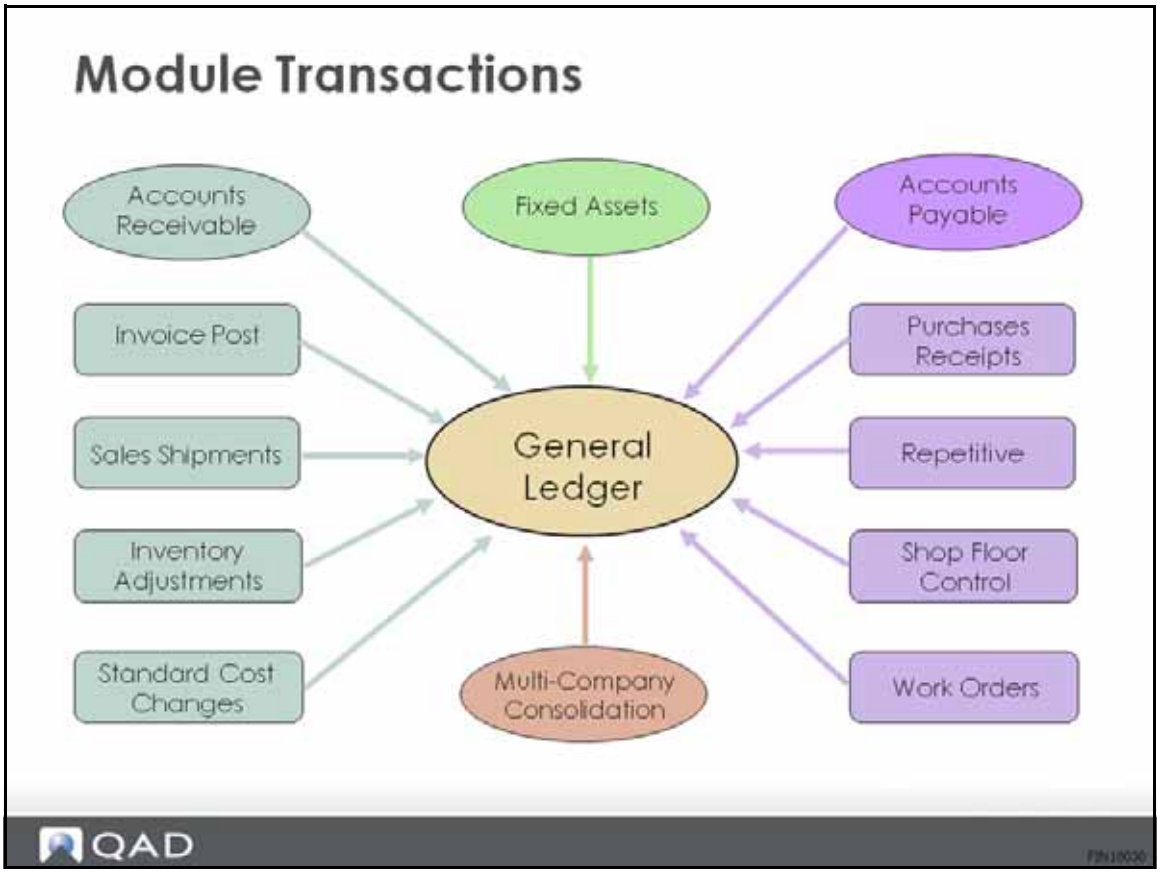
Before posting, you should review these unposted transactions and, if necessary, correct or delete them.

Note Most corrections should be processed in the source module. Otherwise, the subsidiary ledger for the module may no longer balance to the general ledger.

When posted, transactions cannot be changed. When all unposted transactions are either posted or deleted, close the GL calendar to each source module to prevent additional transactions from being created for the period.

This chapter also describes period-end adjusting transactions for amounts, such as equipment depreciation, insurance expense, or payroll accruals, that you record directly in the General Ledger module.

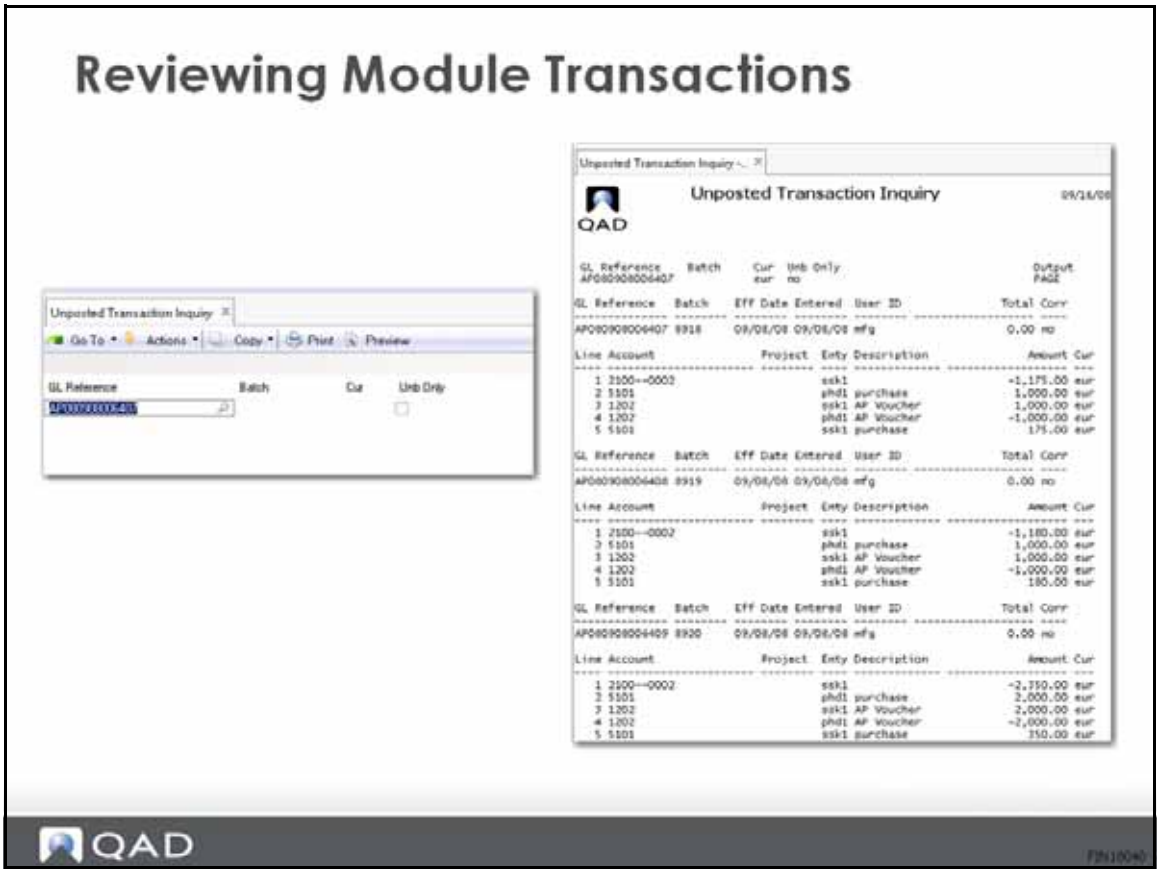
Module Transactions



The system uses GL transactions to record activities in the system that have a financial effect. A few examples of these are material receipts, sales order shipments and customer payments. GL transactions are created throughout QAD 2008.

- You can enter GL transactions directly into the general ledger, as journal entries.
- Manual journal entries are used to record other activities unrelated to manufacturing or distribution, such as payroll accruals.
- Transactions are created as unposted transactions; they do not have an immediate effect on GL accounts.
- When posted, GL transactions can be exported to another database for consolidation with transactions from other corporate entities.
- You cannot delete posted transactions.

Reviewing Module Transactions



Most GL transactions originate from purchasing, sales, and other activities outside the GL. Before making changes to the general ledger, the system collects all transactions created during sales and manufacturing activities in an unposted transaction table. You can review transactions to ensure that amounts, accounts, and dates are correct. Once transactions are verified, post them to update GL account balances.

Note You cannot close a GL calendar period if unposted transactions exist.

Review unposted transactions before posting them to the general ledger to correct any unbalanced transactions or incorrect amounts.

To review unposted transactions, use:

- Unposted Transaction Inquiry (25.13.13), which displays a list of transactions on the screen.
- Unposted Transaction Register (25.13.14), which prints a report listing unposted transactions.

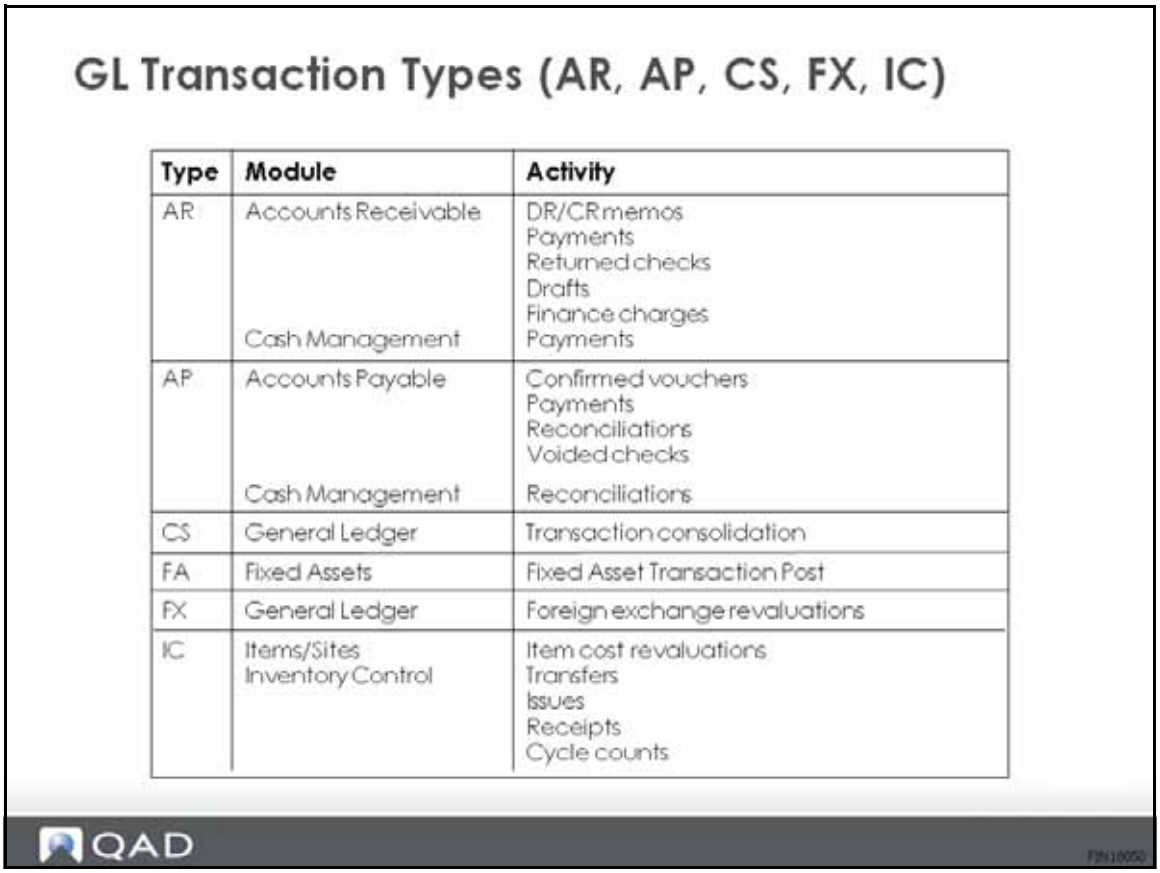
You can select transactions by:

- GL reference number
- Batch number
- GL Transaction Type

The Unposted Transaction Register has additional selection criteria, such as the date entered and the effective date.

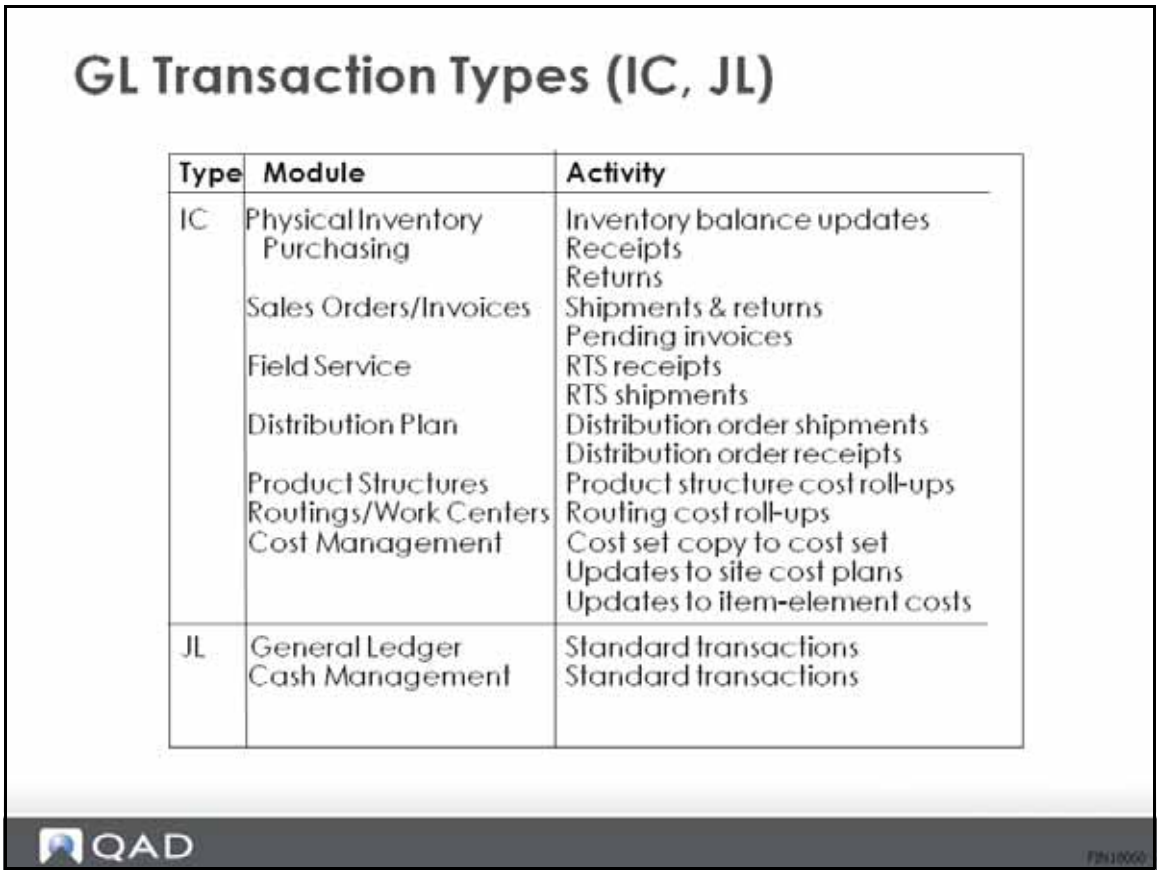
One good way to determine potential problems is to select unbalanced transactions only. Unbalanced or invalid transactions do not post.

GL Transaction Types

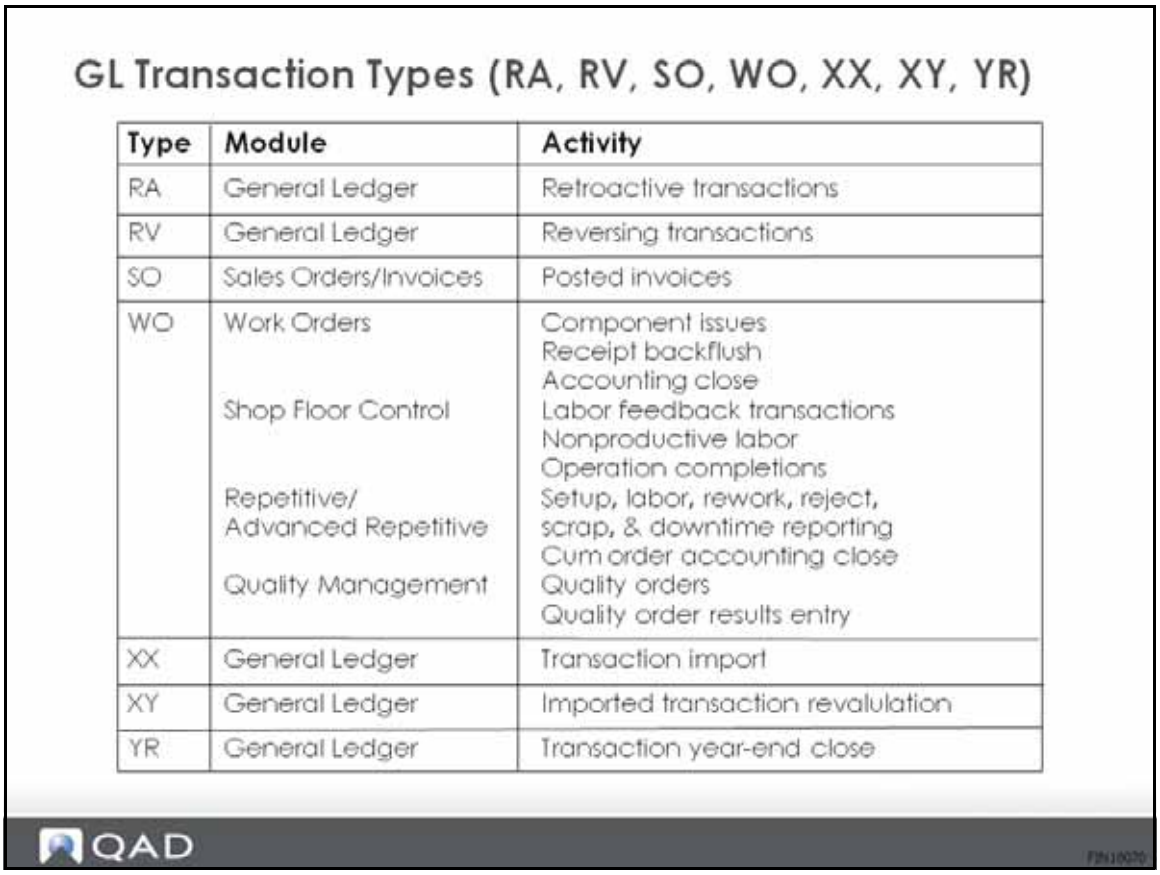


The next three slides show the GL transaction types created in QAD 2008, and the activities and menu functions that create the transactions.

- CS transactions are used when posting from closed periods condensed to save disk space.
- FX transactions are used to revalue amounts in non-base currency accounts based on the exchange rate in effect at the end of a GL period. Foreign Exchange Revaluation (25.13.9 or 25.19.13) creates transactions for unrealized gains or losses that are posted to the unrealized exchange rate gain and loss accounts associated with the currency in Currency Account Maintenance (26.7).

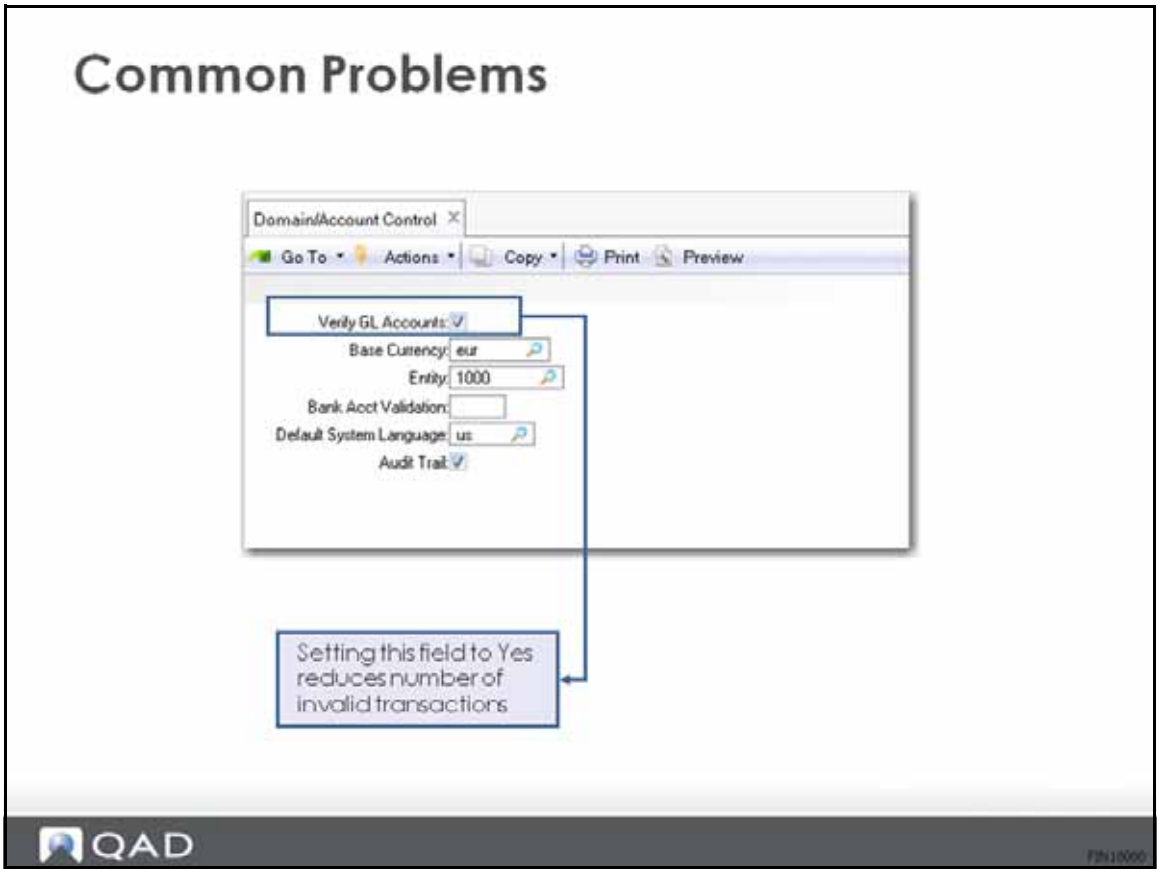


- IC transactions update inventory balances, such as inventory issues and receipts, sales order shipments, purchase order receipts, work orders, and repetitive labor reporting.
- JL (standard) transactions are used to:
  - Correct unposted transactions from other modules.
  - Enter beginning balances during implementation.
  - Enter values for memo and statistical accounts.



- RA (Retroactive) transactions are used to make adjustments to closed GL calendar years. These transaction types are rarely used.
- RV (Reversing) transactions are used to record accrual entries. The system automatically creates the reversing entries for the first day of the next period.
- SO (Sales Orders/Invoices) transactions are created by Invoice Post (7.13.4).
- WO (Work Orders) transactions are created by Work Order Accounting Close (16.21).
- XX transactions are imported transactions in the consolidation domain created by Transaction Import (25.19.15).
- XY transactions are revalued imported transactions created by Imported Transaction Revaluation (25.19.17).
- YR transactions are one-sided entries that update retained earnings from the year’s net profit and loss.

Common Problems



The following are the main causes of unbalanced or invalid transactions. Two settings in Domain/Account Control can prevent transactions with these problems.

Invalid COA Combination

To be posted, transactions must:

- Reference active accounts, sub-accounts, cost centers, and projects that are valid in combination with each other.
- Be balanced, with debits equaling credits.
- Be balanced within entities when Balanced Entities is Yes in General Ledger Control.
- Occur in an open GL period.

Transactions that do not meet these criteria are considered unbalanced and remain in the unposted transaction table. To identify unbalanced transactions for correction, use Unposted Transaction Inquiry (25.13.13) or Register (25.13.14).

The main causes of unbalanced or invalid transactions are:

- An invalid or inactive account, sub-account, cost center, or project code.
- A transaction effective date that is in a closed GL period or year.
- Debits that do not equal credits.

Even if a transaction is balanced, you might still need to correct it if the wrong account, sub-account, cost center, or project code was used.

Set Verify GL Accounts field to Yes when you begin to process GL transactions. This step ensures that only valid account, sub-account, cost center, or project combinations are entered on transactions.

Effective Date

A transaction fails to post if the transaction effective date was in a closed calendar period or year. To prevent this problem, set Verify GL Accounts to Yes in Domain/Account Control.

Debits Do Not Equal Credits

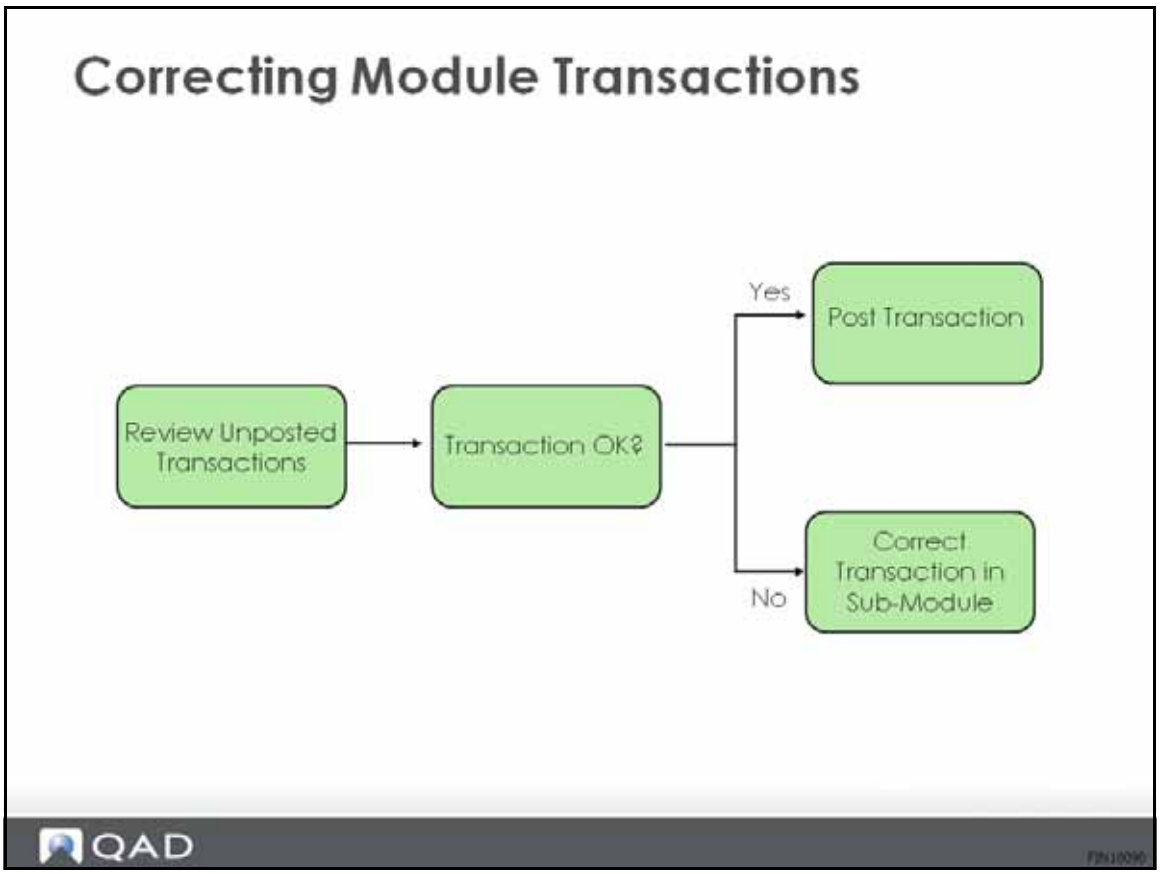
If someone else on the system creates a transaction at the same time you are running Transaction Post, the transaction may be incomplete. Posting only when no one else is on the system or posting transactions only through the previous day's date reduces the likelihood of posting an incomplete batch. (Posting can be executed as an automatic process in batch mode.)

Invisible Problems

Even if a transaction is balanced, it may still need to be corrected if the wrong account, sub-account, cost center, or project was used; perhaps because the wrong site code was entered on the sales order, or PO. The system still posts this transaction, so it is much better if you catch this problem before posting. To see which site code was used, review the transaction history reports in the source module.

Note Attempt to post corrections in the sub-module whenever possible.

Correcting Module Transactions



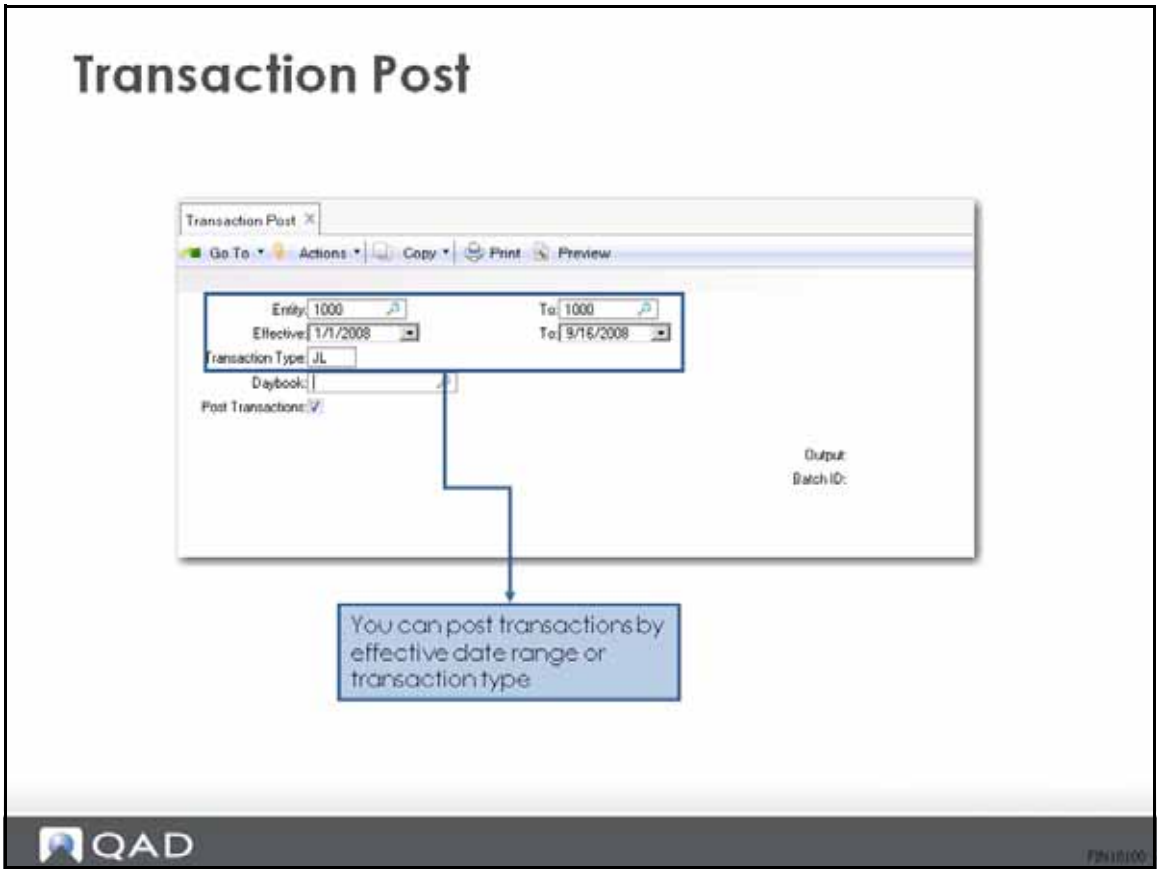
Whenever possible, correct transactions prior to posting. Make the correction in the source module rather than in the General Ledger module because often the change also affects sales analysis, commission records, inventory balances, or other records. For example, to correct the GL accounts on a sales order, enter a negative shipment or invoice in Sales Orders/Invoices rather than an adjusting transaction in the General Ledger module.

We recommend that you prevent people from making these corrections in general ledger, because if they do, reporting may drift out of sync. For example, if people make AR corrections in the General Ledger module, the GL account balance reports show the changes but the AR-GL Transactions Report do not, and the customer detail does not balance to the AR account in General Ledger.

To globally prevent people from correcting transactions from other modules in the General Ledger module, set the Allow Changes to Module Transactions field in General Ledger Control to No. You can also restrict corrections to specific GL accounts by setting Sub-Module Entries Only to Yes in Account Code Maintenance. Use this feature to restrict transactions to GL “control” accounts for sub-module detail, such as AR, AP, and Inventory.

There is one instance in which you should delete transactions prior to posting. If your company implements other modules before General Ledger, the transactions created by the other modules are already included in GL balances initialized during the GL implementation. To prevent these transactions from updating GL balances twice, delete them prior to posting using GL Transaction Delete/Archive in the Manager Functions module.

Transaction Post

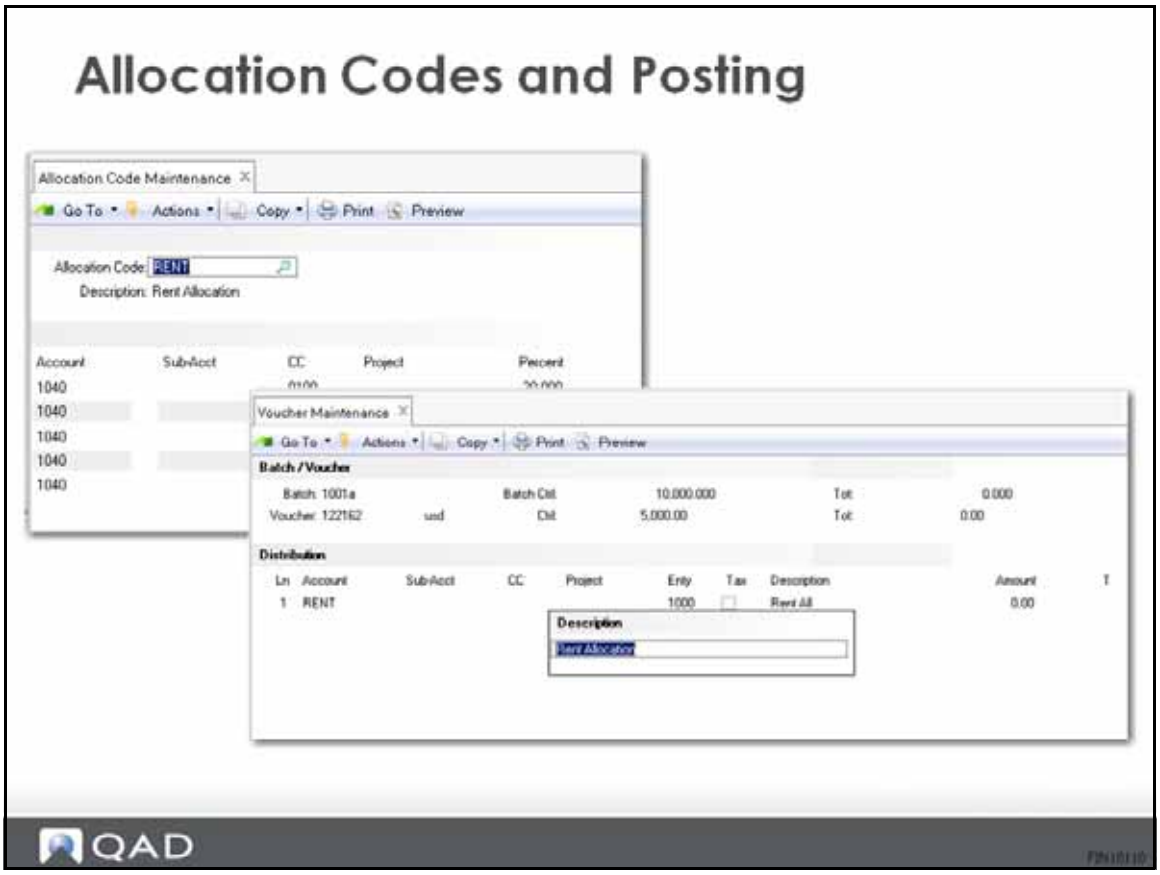


Transaction Post (25.13.7) posts balanced GL transactions from the unposted transaction file to the GL history file. The history file is used to print financial statements, so GL transactions are not included on statements until they have been posted.

You can post transactions by effective date range and/or transaction type. To print a posting report prior to posting the transactions, set Post Transactions to No. To post all types of transactions, leave Type blank. The transaction type enables you to divide posting responsibility by department (for example, the AP manager verifies and posts AP). The audit trail is generated only at posting; you cannot reprint it afterward. The audit trail lists all transactions that posted. Unbalanced transactions that did not post are marked Unposted.

In some countries, audit trails must be continuously numbered. If your last audit trail for entity 1000 ends on page 30, your next one for entity 1000 must begin on page 31. A setting in General Ledger Control, Continuous Page Numbers for Post Audit, determines whether your database uses continuous audit trail page numbering. Entity Code Maintenance displays the last page number used in transactions.

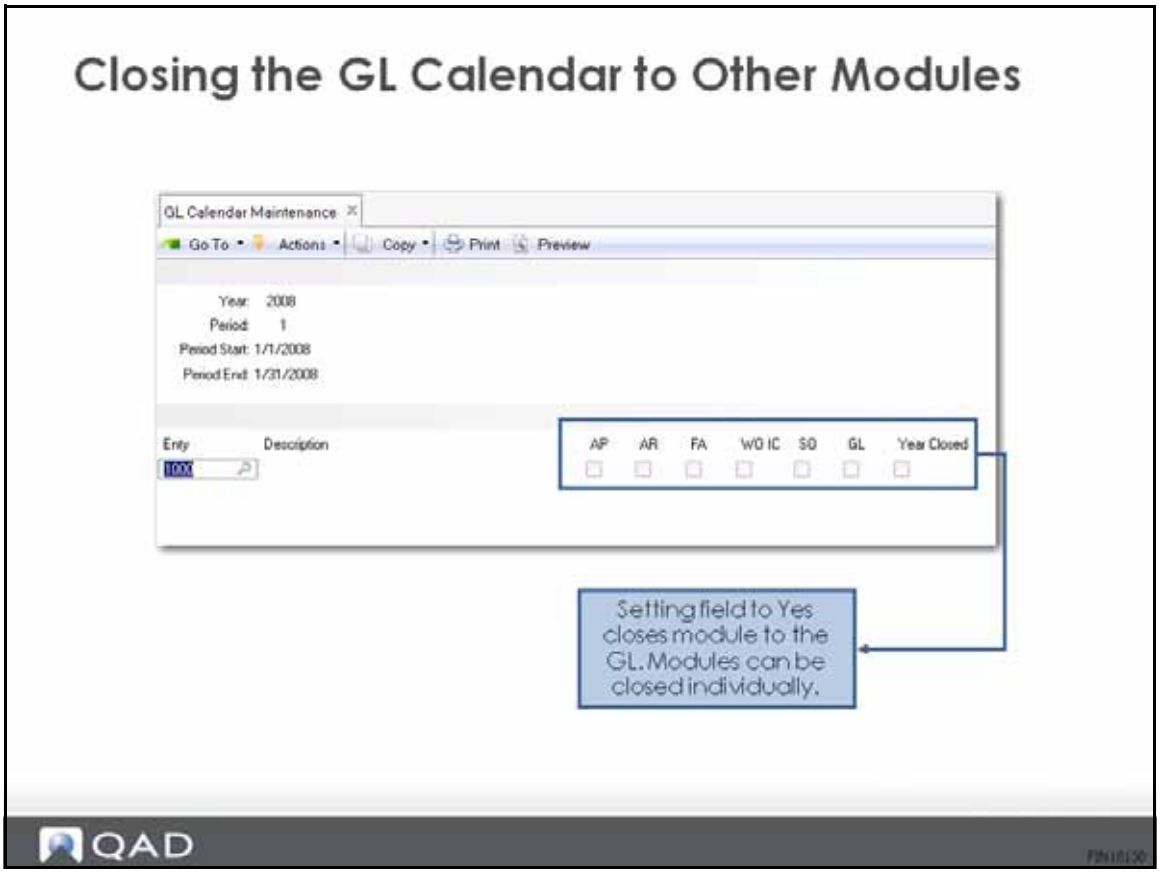
You should only post up to the prior day’s transactions to prevent posting an incomplete batch. Once posted in general ledger, transactions cannot be changed. Any changes to account balances must be made through adjusting entries, which is discussed later in this lesson.



During posting, any transactions that reference allocation codes are exploded to the appropriate accounts, as described in the last lesson. For example, if you posted $100 to allocation code Utilities, and it was split out with 30% to the utilities account in department 100 and 70% to department 200, two account postings would be made.

Prior to posting, it is helpful to print the posting report with Post Transactions set to No so that you can preview how the allocation codes explode amounts to individual accounts.

Closing the GL Calendar to Other Modules



After all module transactions have been reviewed, corrected, and posted, the next step in GL processing is to close the GL calendar to further period activity. Using GL Calendar Maintenance, you can do this either for individual transaction types or for all transaction types at once.

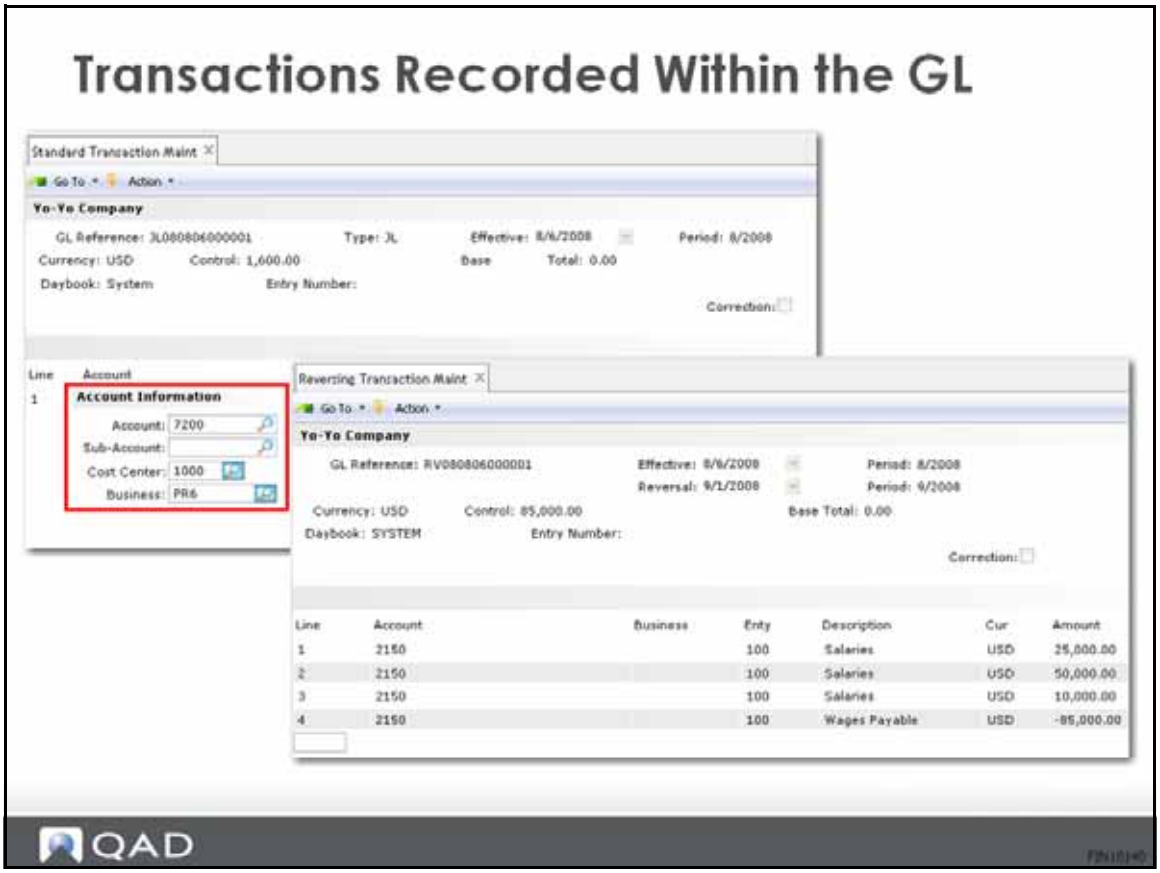
If you want to close a GL accounting period for one or more specific GL transaction types, select a reporting period and entity, and then set the corresponding fields to Yes. Once you set the GL field to Yes, the system automatically sets all transaction type fields to Yes. However, the system prevents you from closing the period until all open transactions are posted.

Note Some modules create more than one type of GL transaction. For example, sales order shipments create type IC transactions, while invoice posting creates SO transactions. At the same time, a single transaction type can be used by more than one module. For example, SO shipments, WO receipts, and PO receipts all create the transaction type, IC.

If necessary, you can reopen the period by setting the field back to No at any time before the end of the fiscal year. Once you perform the year-end close transaction, you cannot reopen periods for that year.

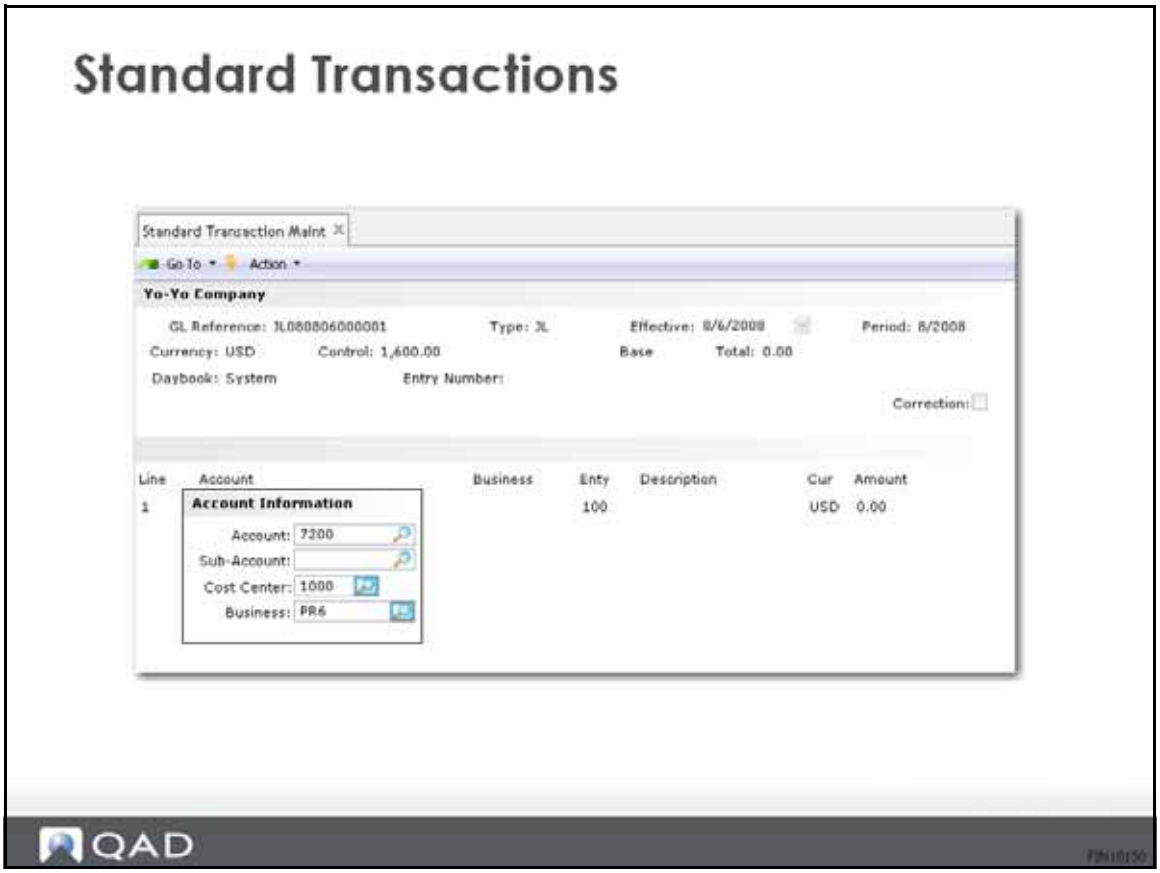
To prevent transactions from being inadvertently created for future periods, you can set up the GL calendar for the entire year with all periods closed to activity, except the current one. If you use reversing transactions, you need to have both the current and following periods open in order to post.

General Ledger Transactions



As discussed earlier, in addition to processing module transactions, you also record some period-end adjusting entries for equipment depreciation and accrued expenses, such as payroll, directly in General Ledger using standard transactions and reversing transactions.

Standard Transactions



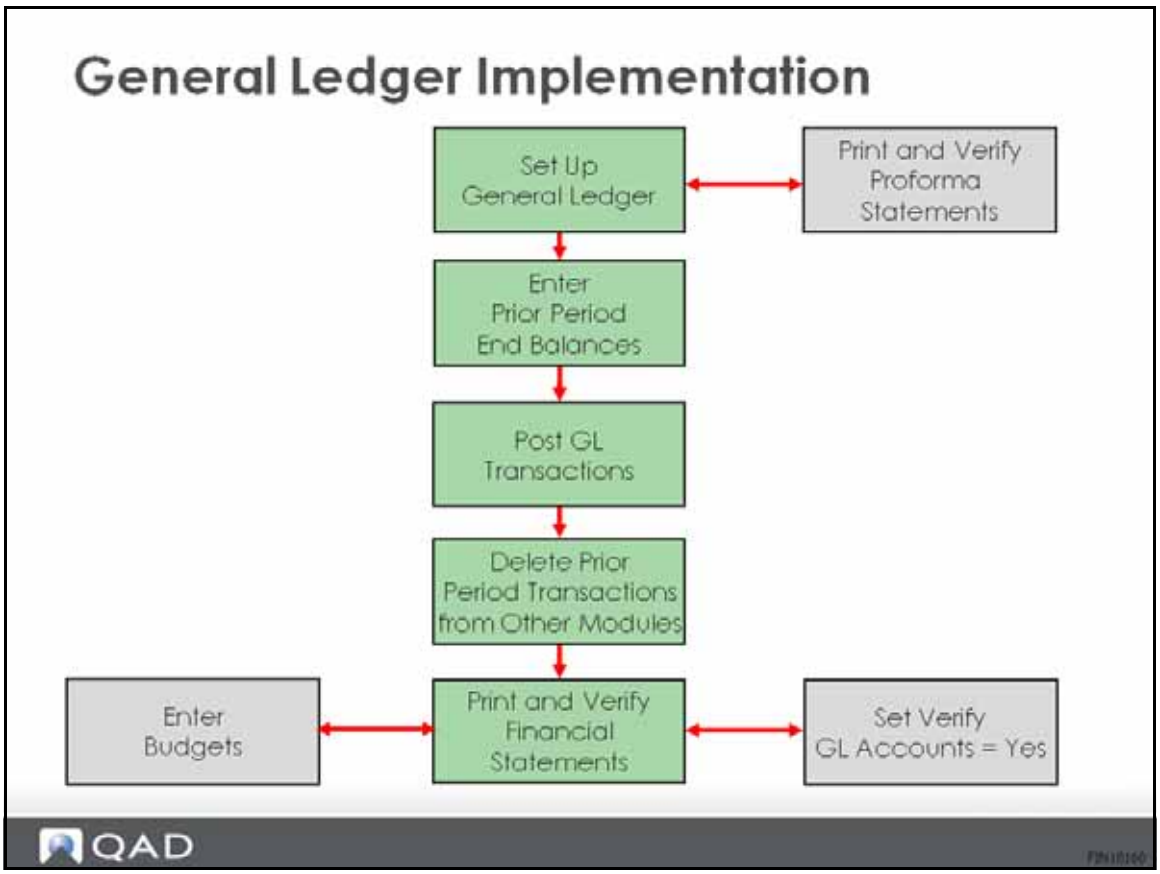
Standard transactions are used to:

- Enter GL account balances from your previous system during implementation
  - Balances can be transferred electronically, or entered manually.
  - When starting from the current GL period, enter ending balances from the prior GL period.
  - If starting mid-year when details for the current year are needed, enter the period year closing balances, close the year, and then enter detailed transactions for the current year or enter transaction totals for each month.
- Enter miscellaneous GL transactions.
- Correct unposted transactions.
- Create adjusting entries for posted transactions.
- Update values in memo and statistical accounts.

Standard Transaction Maintenance (25.13.1) allows you to change amounts and accounts (in addition to sub-accounts, cost centers, and projects, if used) for unposted transactions. However, you cannot change posted transactions. If you find a mistake in a posted transaction, you can correct account balances using a standard transaction if the posted transaction is in the same fiscal year, and the year is open.

Note An unbalanced transaction is a transaction outside the posting parameters. For example, debits and credits that do not balance; one-sided transactions; transactions containing an invalid or inactive account, sub-account, or cost center; or an invalid combination of account, sub-account, or cost center.

GL Implementation



After you have set up the chart of accounts, you are ready to enter your beginning account balances. Some people transfer this information electronically from their old systems; others enter it manually. You can record starting balances in a number of ways:

1. If you are just starting to use QAD SE from the current period on, simply enter the prior period ending balances in Standard Transaction Maintenance (25.13.1).
2. If you are starting mid-year, but want details for the year, enter the prior year closing balances, close the year, and enter detailed transactions for the current year or enter transaction totals for each month.
3. If you are starting at the beginning of a year, enter the prior year closing balances and close the year.

Take care when posting account balances. The system may already contain unposted transactions if you have implemented sales, inventory control, or other functions.

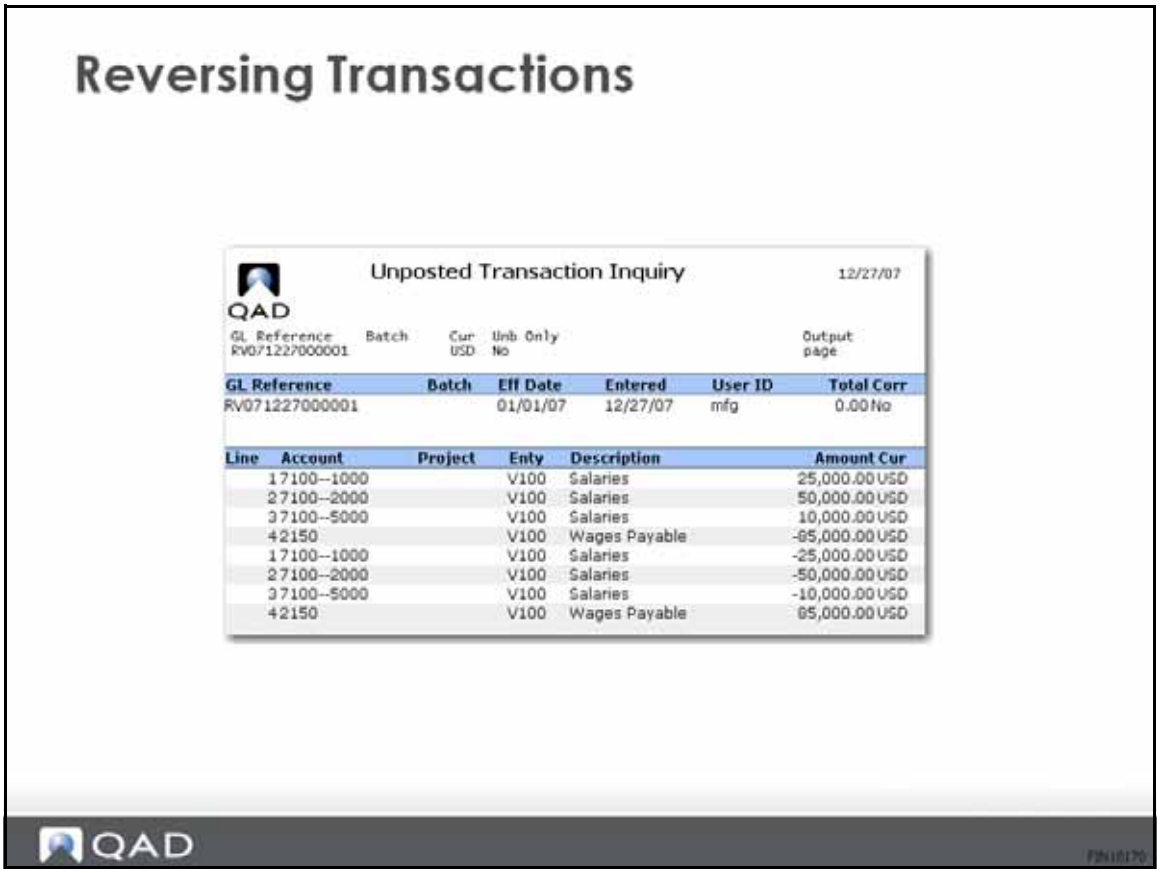
Note Delete unposted transactions before you start GL processing so that the transactions do not post and overstate GL balances. Enter and post prior period ending balances first, then delete the remaining unposted transactions.

Use GL Transaction Delete/Archive to delete these unposted transactions. This menu selection should be password-secured.

Note As you implement any module that generates GL transactions, it is useful to run 36.23 for the report alone (Delete = No) to verify that users in sales, purchasing, and other modules are entering the right accounts. This helps you catch and correct problems early.

In addition to entering GL balances, you can also enter budgets at this time. Before going to live processing, remember to reset the Verify GL field in Domain/Account Control (36.1) to Yes.

Reversing Transactions



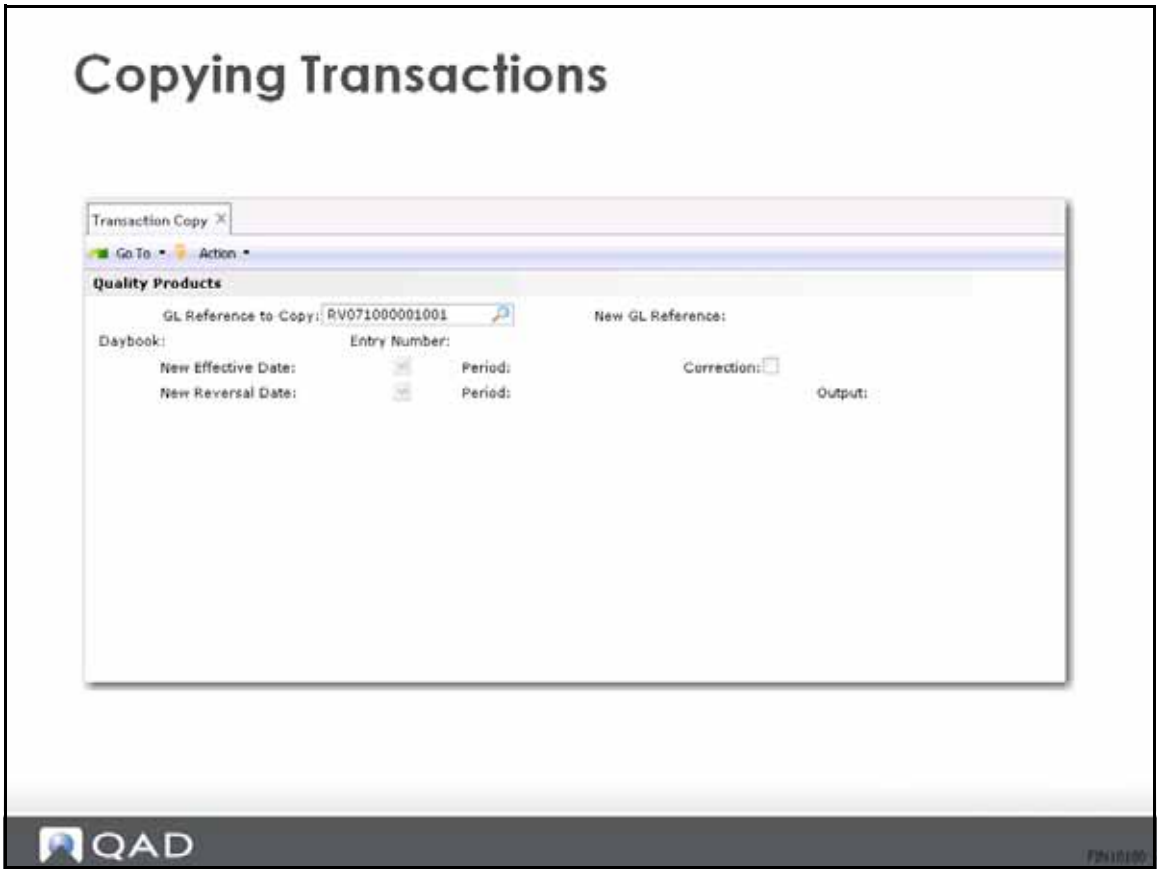
In accrual accounting, revenue is recognized when earned rather than when received. Expense is recognized when benefits associated with the payable are received rather than when payment is due. The portion of a revenue or expense that is incurred, but not yet realized, is considered an accrual.

Reversing Transaction Maintenance (25.13.3) is used to enter accruals, such as end-of-period payroll. When reversing transactions are entered, the system calculates a corresponding reversing transaction that is effective the first day of the next GL period. Transaction type RV is assigned to reversing transactions.

Note You can also create reversing transactions in the Standard Transaction Maintenance (25.13.1), but the system does not automatically create the reversing entry.

Both the current period and the subsequent GL period must be open to post reversing transactions.

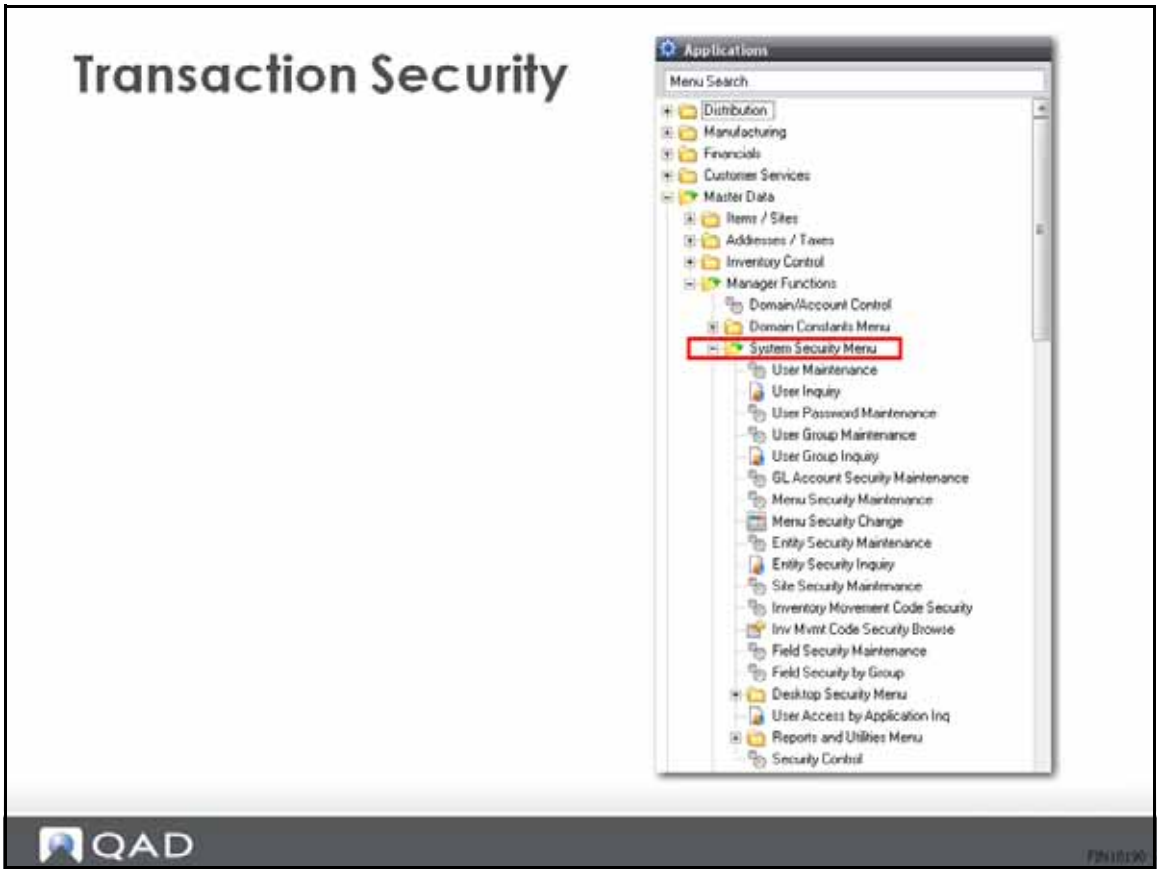
Copying Transactions



Use Transaction Copy (25.13.4) to copy a posted transaction and to create a transaction with a new GL reference code and effective date. This function is especially useful for setting up templates for recurring entries, such as depreciation. You can enter a transaction with zero amounts as the template, then copy and modify the transaction as needed.

The new transaction has a GL reference number and effective date for the first day of the current period. Only posted transactions with a type JL or RV can be copied.

Transaction Security



You can also restrict access to specific menus, functions, and fields through user ID and user group security.

To enhance security in GL transaction processing, we recommend that you password-protect Transaction Post (25.13.7), Domain/Account Control (36.1), and GL Transaction Delete/Archive (36.23.2).

The System Security Menu in the Manager Functions menu contains all the functions for setting up security throughout QAD SE. Two functions there provide additional security for GL transaction processing; you should also password-protect these two functions.

- GL Account Security Maintenance (36.3.9) restricts access to specific GL accounts based on the user ID or user group. *Account security works in all modules of QAD SE.*
- Entity Security Maintenance (36.3.13) restricts access to specific entities based on the user ID. When multiple companies operate within the same database, you might want to limit some uses to processing transactions only for their own entity. *Entity security works only in the General Ledger module.*

If you do not have access to an account or entity, you cannot create a transaction for it. However, you can still print reports that reference the account or entity, unless you are restricted from using these functions.

Exercise 18: Review and Post Transactions

In this exercise, you will review and post the transactions you created in the previous activities.

Unposted Transaction Inquiry

1 In Unposted Transaction Inquiry (25.13.13), review the unposted transactions.

2 In the GL Reference field, use the arrow keys to scroll through transactions.

3 Click Next until the detail display appears. Look at the descriptions and accounts. See if you can identify where and when these were created. Press the Spacebar to display each transaction individually.

Unposted Transaction Register

4 In Unposted Transaction Register (25.13.14), print the register to verify accounting. Leave the transaction type blank.

Transaction Post

5 In Transaction Post (25.13.7), post the transactions. Let the effective dates default.

6 Examine the audit trail. Did all of the transactions post correctly?

Project Accounting

In this exercise, you will create a project code and record expenses for a project using a standard transaction.

Project Code Maintenance

1 In Project Code Maintenance (25.3.11), enter the following data to create a project code for advertising:.

Project:	1001ADV
Description:	Prod Line 1001 Ads
Active:	Yes
Begin Date:	01/01/YY
Comments:	Yes
Acct/SubAcct/ Ranges:	<blank> to 9999
Comments:	New Product Line 1001 advertising expense

Standard Transaction Maintenance

2 In Standard Transaction Maintenance (25.13.1), enter the following data using an effective date of 01/01/YY and a control total of $1,600.00. Charge only the expenses to project 1001ADV.

Account	CC	Project	Description	Amt (USD)
7200	1000	1001ADV	Promotion	1,100.00
7200	2000	1001ADV	Promotion	500.00
1040			Promotion	-1,600.00

Transaction Post

3 In Transaction Post (25.13.7), post all transactions. Leave the Transaction Type field blank for all.

Before continuing, make sure all transactions in the system are posted. If there are any errors, fix them and repost them now, or you may experience problems in later activities.

Enter Beginning Balances

In this exercise, you learn to enter GL beginning balances in Standard Transaction Maintenance. Normally, you enter beginning balances only when setting up an entity in the GL.

Entity Code Maintenance

1 Use Entity Code Maintenance (25.3.1.1) to define a new entity. Enter your initials as the entity code. Indicate non-primary entity.

2 At Company Address enter 10000000.

Current Entity Change

3 Use Current Entity Change (25.1) to change the current entity to the entity you just defined. You will create the following transactions in this entity.

Standard Transaction Maintenance

4 In Standard Transaction Maintenance (25.13.1), enter the following data using an effective date of 01/01/YY (YY = the current year). Set the control amount to $470,500.00.

Account	CC	Description	Amt (USD)
1040		YTD Balance	100,000.00
1050		YTD Balance	30,000.00
1060		YTD Balance	45,000.00
1200		YTD Balance	60,000.00
1500		YTD Balance	90,000.00
2100		YTD Balance	-48,500.00
2400		YTD Balance	-5,500.00
2700		YTD Balance	-50,000.00
2800		YTD Balance	-90,000.00
3000	0100	YTD Balance	-250,000.00
3000	0200	YTD Balance	-26,500.00
3900	0100	YTD Balance	4,500.00

Account	CC	Description	Amt (USD)
3900	0200	YTD Balance	2,000.00
4100		YTD Balance	3,000.00
6300		YTD Balance	1,500.00
7100		YTD Balance	60,000.00
7200	2000	YTD Balance	12,000.00
8200		YTD Balance	10,000.00
8300		YTD Balance	20,000.00
8400		YTD Balance	32,500.00

Transaction Post

5 In Transaction Post (25.13.7), enter an effective date range of 01/01/YY to 01/01/YY.

6 Post all transactions.

Enter Reversing Transactions

In this exercise, you will enter reversing transactions.

Reversing Transaction Maintenance

1 In Reversing Transaction Maintenance (25.13.3), enter the following data using an effective date of 01/01/YY (YY = current year) and control total of $85,000.00.

Account	CC	Description	Amt (USD)
7100	1000	Salaries	25,000.00
7100	2000	Salaries	50.000.00
7100	5000	Salaries	10,000.00
2150		Wages Payable	-85,000.00

Unposted Transaction Inquiry

2 In Unposted Transaction Inquiry (25.13.13), display the transaction just entered (enter the prefix RV and use the down arrow).

Notice the reversing entries automatically created by QAD Enterprise Applications.

Transaction Post

3 In Transaction Post, post all transactions.

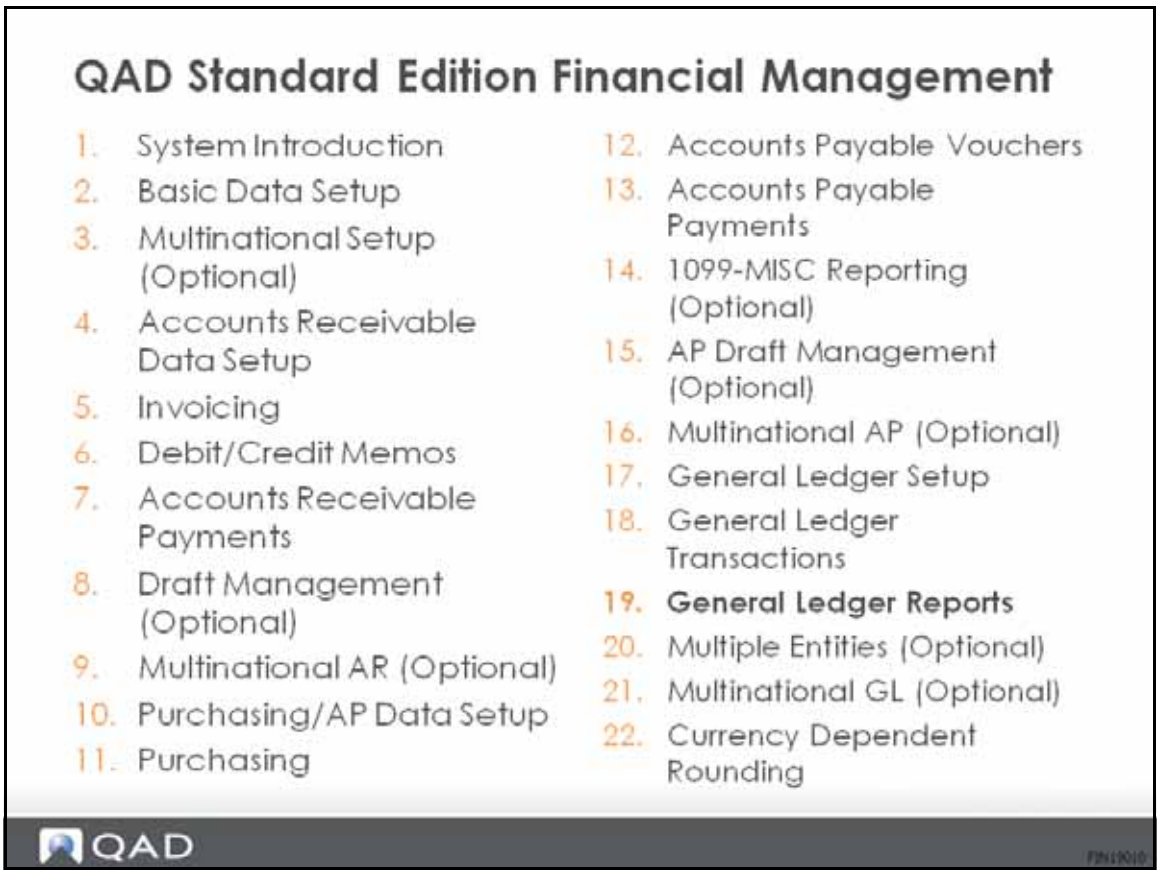
Select Current Entity Change

4 Change current entity back to T100.

Chapter 19

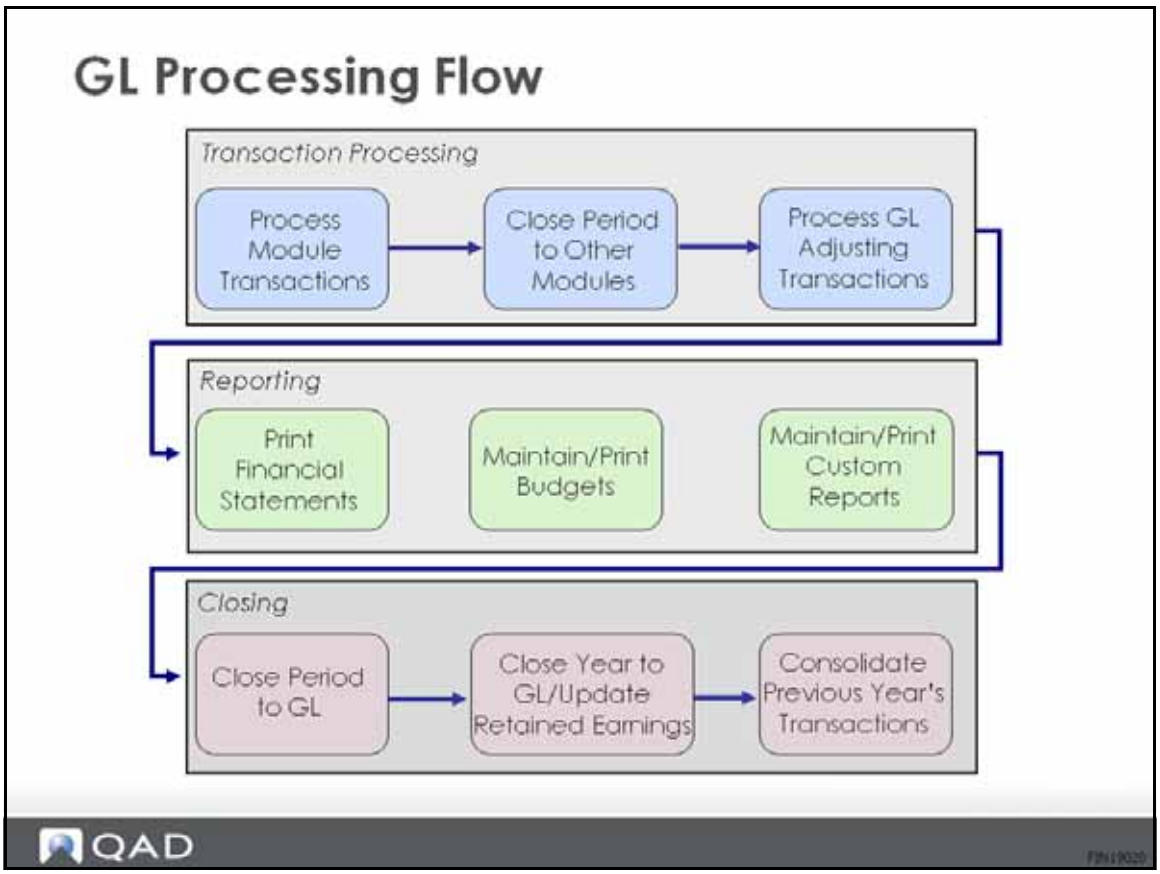
GL Reports

Overview



This chapter describes QAD SE’s reporting capabilities.

GL Processing Flow



QAD SE has many functions for printing balance sheets, income statements, budgets, and other reports. You can also create your own reports in Custom Report Maintenance.

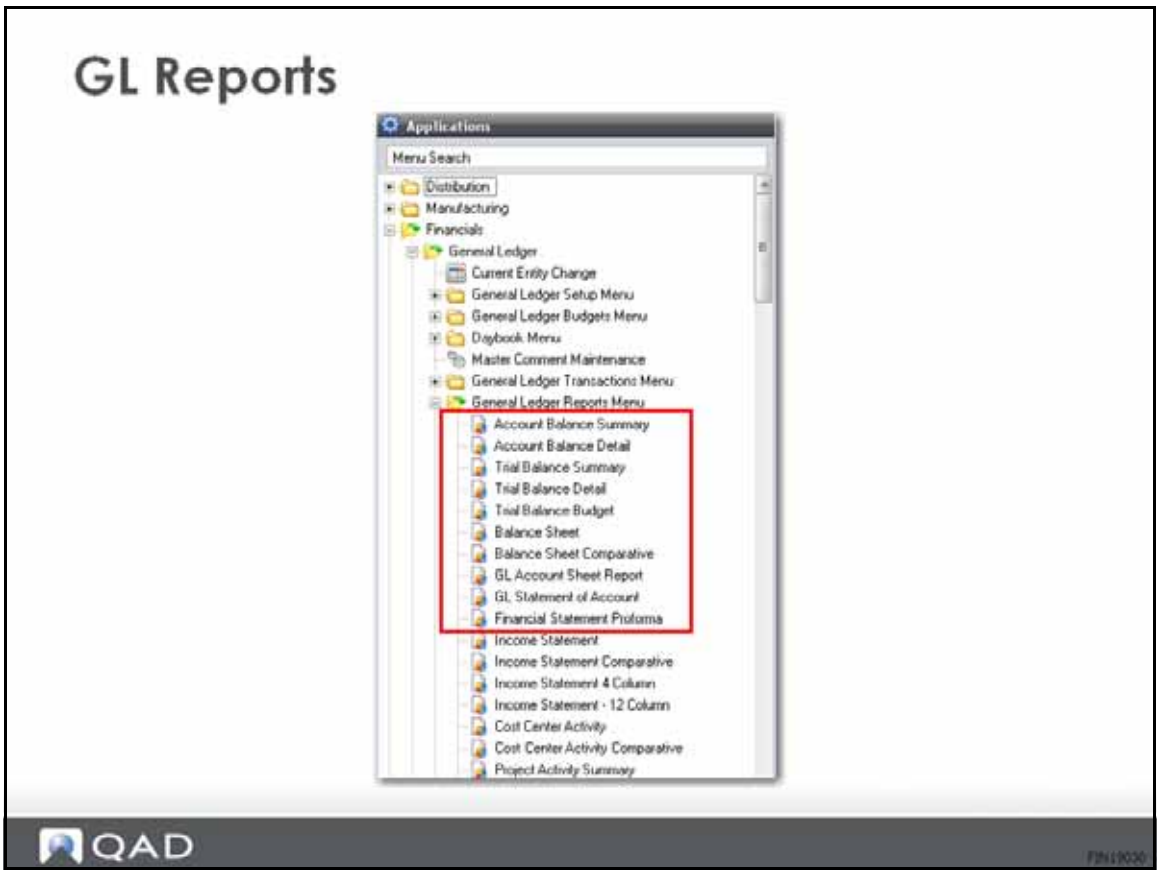
You can print most reports in summary or detail (including all transaction activity). You can also generate comparative reports that compare actual to budget, budget to budget, or actual to actual, over similar or different periods. Some reports show variances.

General ledger reports show only posted transactions. However, if unposted transactions exist for the selection range included in the report, the system generates a warning message.

After you review and print your reports (and enter and post any necessary corrections), close the GL calendar to the General Ledger module. At year-end, run Transaction Year-End Close to update retained earnings and close the year to further activity.

To preserve database space, we recommend you also consolidate transactions at year-end. Transaction consolidation combines groups of transactions into one consolidated transaction and can be used to archive and delete the original transactions.

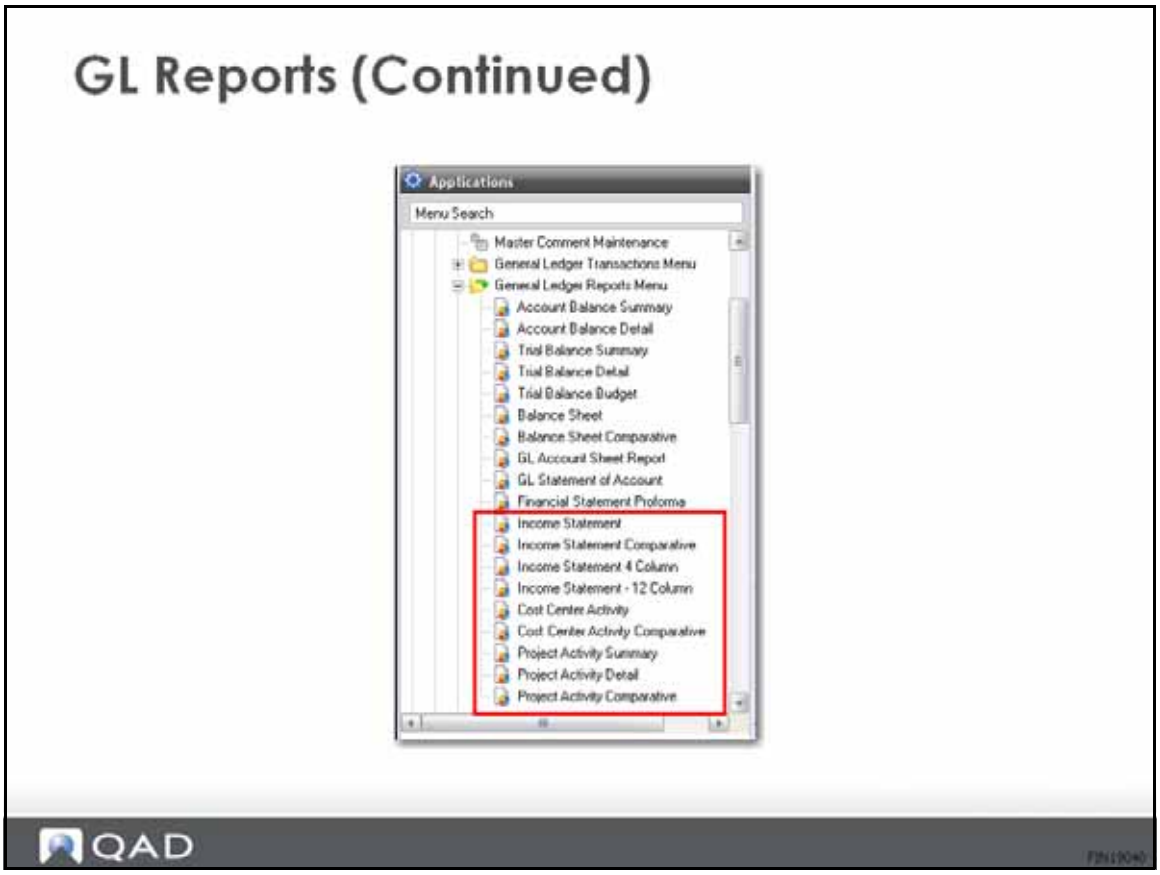
GL Reports



The standard GL reports are located in General Ledger Reports menu.

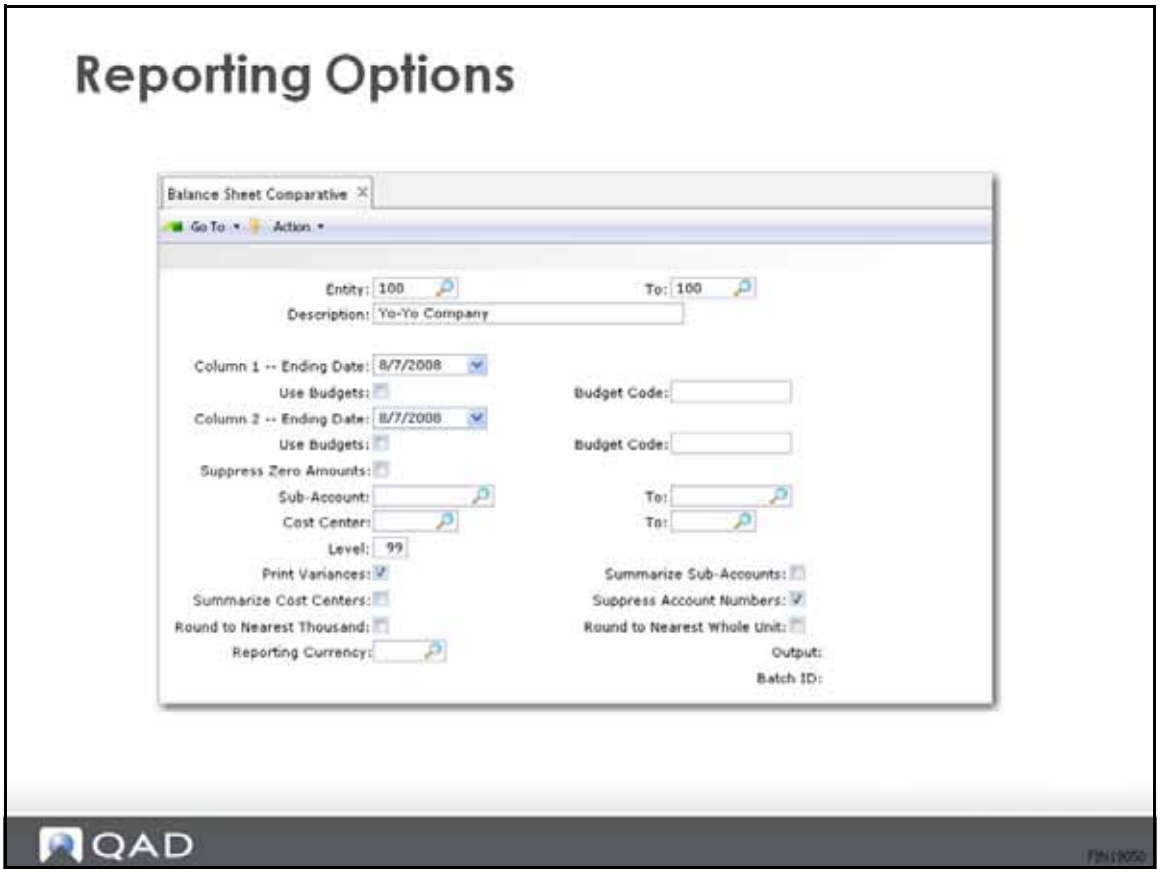
- Account Balances
  - The Account Balance Summary report shows beginning balances, period activity, and ending balances for the entity and effective date range you specify.
  - The Account Detail Summary report has an additional column for Activity to Date and an option to break down amounts by transaction.
- Trial Balance
  - The Trial Balance Summary report shows the beginning balance, period activity, and ending balance. It has a column for recording manual adjustments.
  - The Trial Balance Detail Summary report shows beginning balances, period activity, and ending balances and lists individual transactions.
  - The Trial Balance Budget report shows ending balances, budgeted amounts, and variance amounts and percentages.
- Balance Sheets
  - The Balance Sheet report lists asset and liability amounts as of a specific date.
  - The Balance Sheet Comparative report compares amounts for two different periods or actual figures to budget and has an option to show the amount and percentage of variance between the two amounts.
- Financial Statement Proforma

The Financial Statement Proforma report is only used to preview formatting of balance sheets and income statements. No account balances appear on this report.



- Income Statements
  - The Income Statement report (25.15.13) lists revenues and expenses for a specific period.
  - The Income Statement comparative report (25.15.14) compares 2, 4, or 12 periods or actual figures to budget. The two-column report also has an option to show variances between the two periods.
  - All the reports show the percentage of total income each amount represents.
- Cost Centers
  - The Cost Center Activity report (25.15.18) lists cost center balances.
  - The Cost Center Comparative report (25.15.19) compares the cost center balances for two different periods or actual figures to budget.
- Project Activity
  - The Project Activity Summary report (25.15.21) lists transaction activity for projects over a period.
  - The Project Activity Detail report (25.15.22)also lists the transactions for each project.
  - The Project Activity Comparative report (25.15.23) compares the project balances for two different periods or actual figures to budget.

Reporting Options



You can print GL reports for:

- One or a range of entities, accounts, sub-accounts, or cost centers.
- Budgeted or actual amounts.
- A specific ending date (trial balances and balance sheets) or a range of dates (income statements and activity reports).

Other useful report options are:

Level. Specify the level of detail to appear on a report; corresponds with format position levels.

Suppress Zero Amounts. Set this field to Yes to only include accounts with non-zero balances on the report.

Suppress Account Numbers. Set this field to Yes to if you want a report with amounts broken down by account, sub-account, and cost center combination.

Round to Nearest Thousand. Specify the degree of accuracy required for the report. If you set this field to Yes, an amount, such as 2,500.00, would be rounded up to 3,000.00.

Conversely, an amount of 2,350.00, would be rounded down to 2,000.

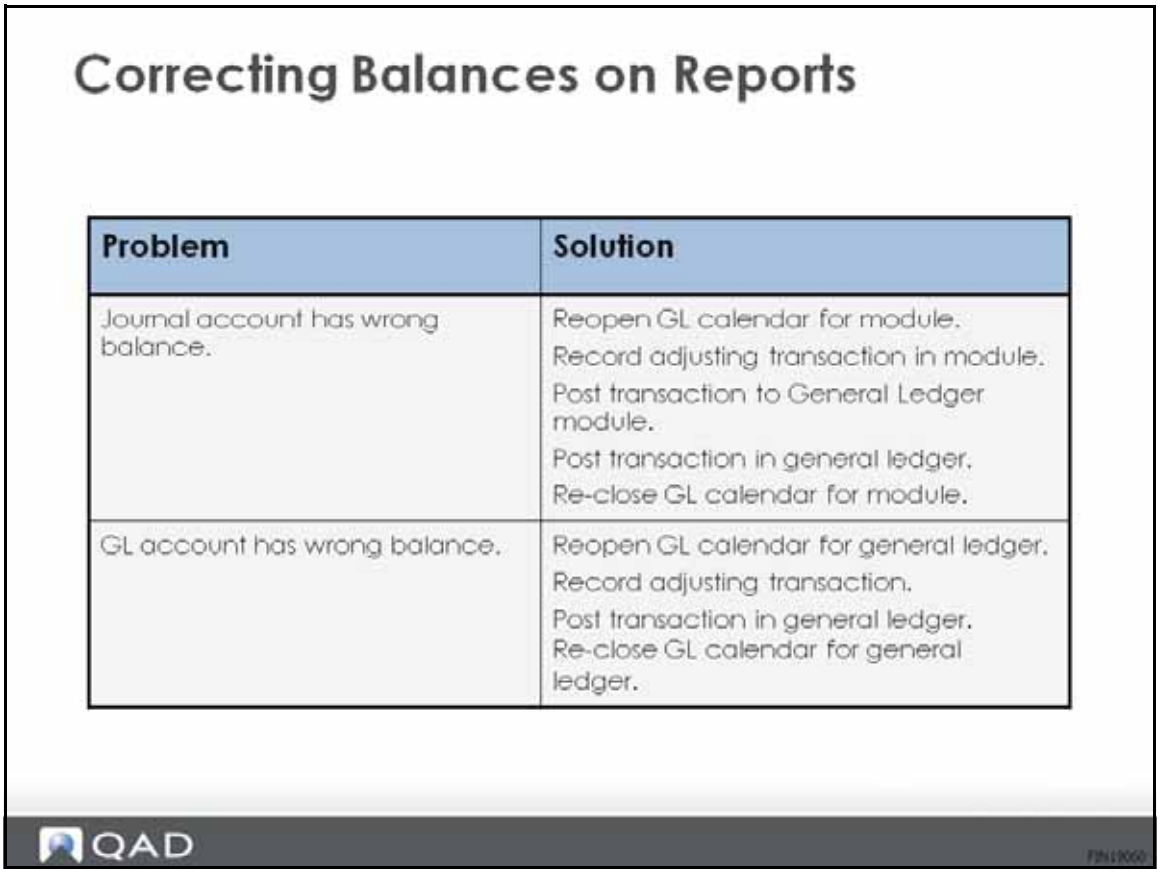
If rounding causes a balance sheet to be out of balance, a rounding error entry prints with the balancing amount.

Round to Nearest Whole Unit. Specify whether decimals are printed. Amounts that are greater than or equal to 0.5 are rounded up to the next highest whole number; smaller amounts are rounded down. Again, the system prints a rounding adjustment on balance sheets.

Print Comments. On income statements and project activity reports, you have an option to print comments. Comments are useful for storing information, such as the names of auditors or accounting firms that review financial statements. Comments are set up using Master Comment Maintenance.

Reporting Currency. Specify a currency that the report output should use. You can generate reports in any currency, regardless of the currency of the source document.

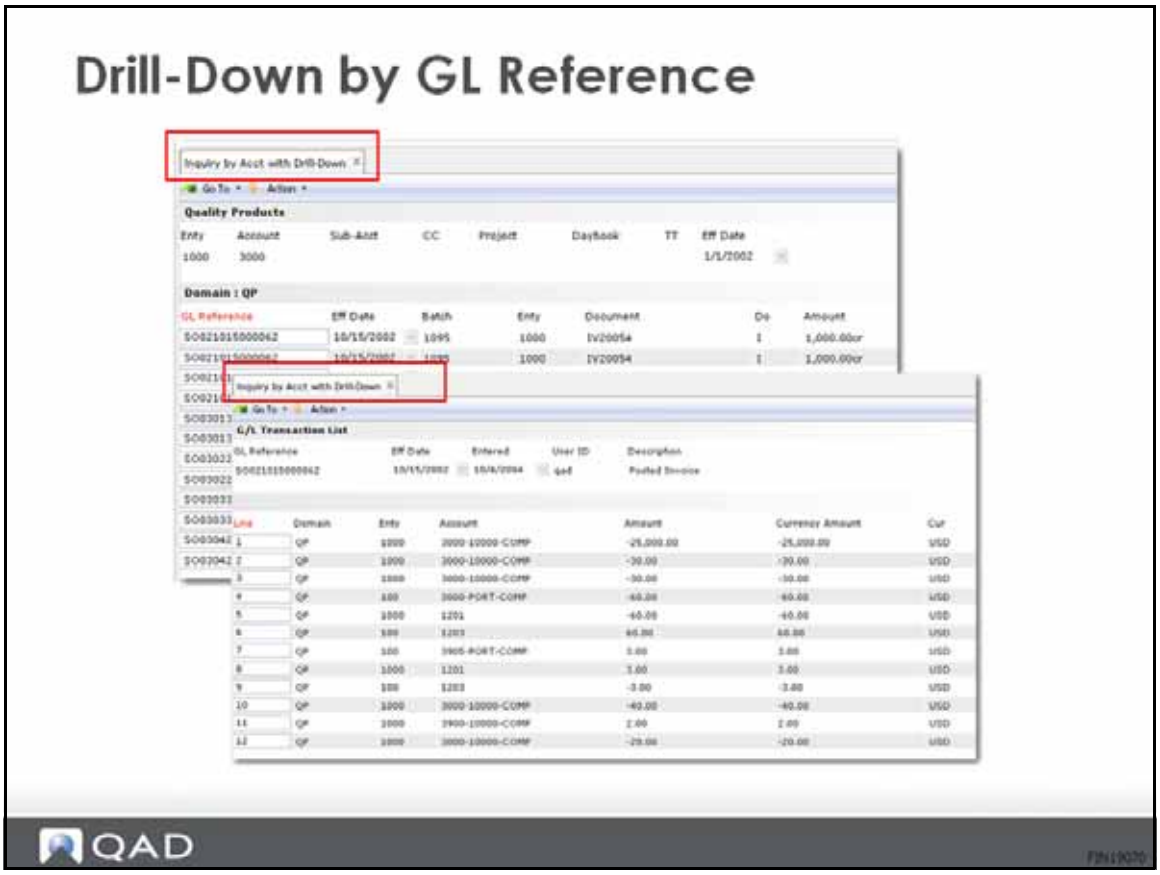
Correcting Balances on Reports



You can reprint your financial reports as often as necessary until you are satisfied with the amounts. But what happens if you need to correct the amounts?

As discussed earlier, you cannot correct posted transactions directly. If you need to correct amounts that originated outside of general ledger, reopen the GL calendar for that module, enter the necessary adjusting transactions, and then post the transaction in the General Ledger module using Transaction Post.

For transactions entered directly in the General Ledger module, enter adjusting transactions using Standard Transaction Maintenance and re-post the transactions using Transaction Post.



To identify transactions to correct, you can use one of several inquiry and report functions in the General Ledger Transaction menu:

- Account Balance Inquiry (25.13.17)

  Generates a list of balances and period activity by account, sub-account, and cost center.

- Transaction by Reference Inquiry (25.13.19)

  Generates a list of posted transactions by GL reference number.

- Inquiry by Acct with Drill-Down (25.13.20)

  Generates a list of posted transactions by account, sub-account, and cost center. When you enter the account code, you see the GL transactions that referenced the account. By pressing Enter from the GL reference, you can drill down and see the entire transaction.

  You can also access the batch or document for the GL reference by pressing Tab and then Enter. On journal entries originating outside of GL, less detail is available if the entries were posted from the source module in summary form.

  For AR batches, the bank code does not display because multiple banks can be associated with an AR batch.

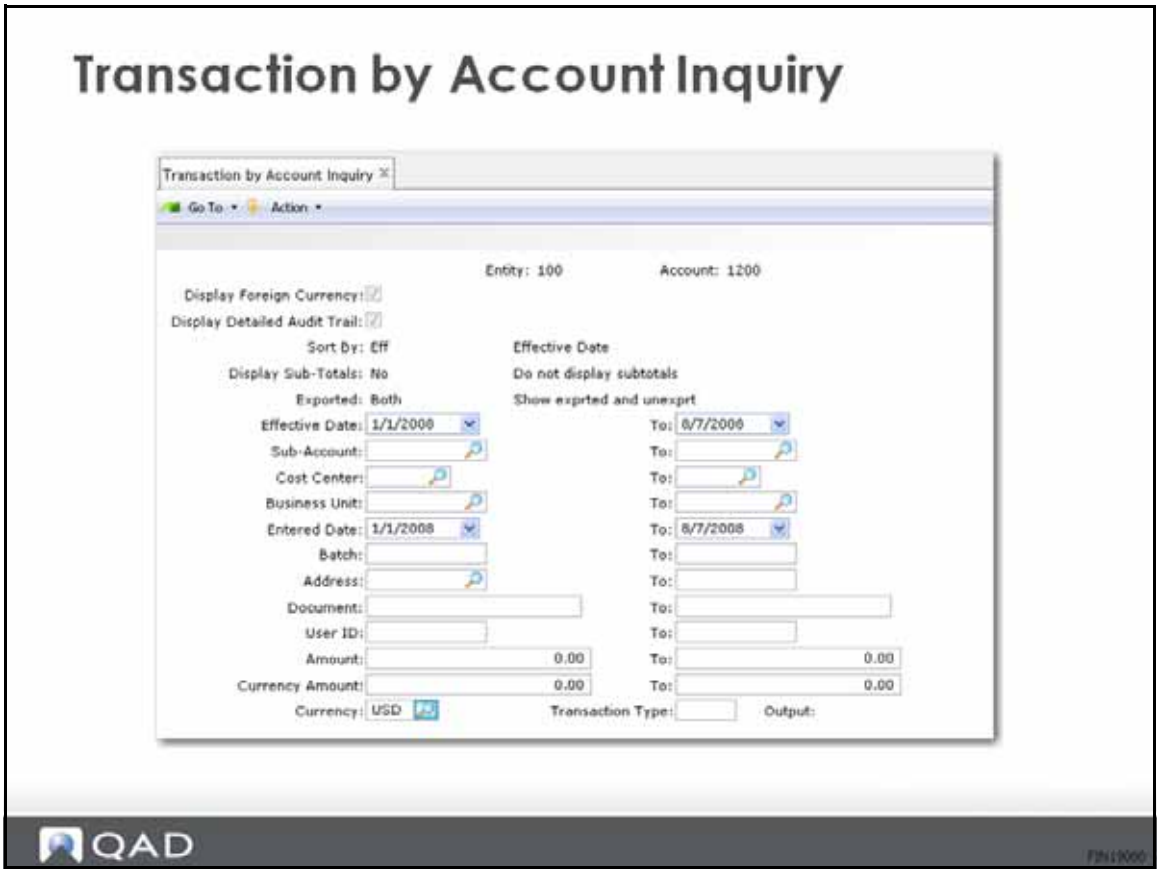
- Transaction Register (25.13.21)

  Produces a report showing all posted transactions. This report is useful as a permanent record of activity for the period.

- Transaction by Account Inquiry (25.13.18)

  Creates a list of posted transactions based on various selection criteria.

Transaction by Account Inquiry



This inquiry is a powerful reporting tool for identifying unbalanced or invalid transactions. It generates a list of posted transactions by account, sub-account, and cost center.

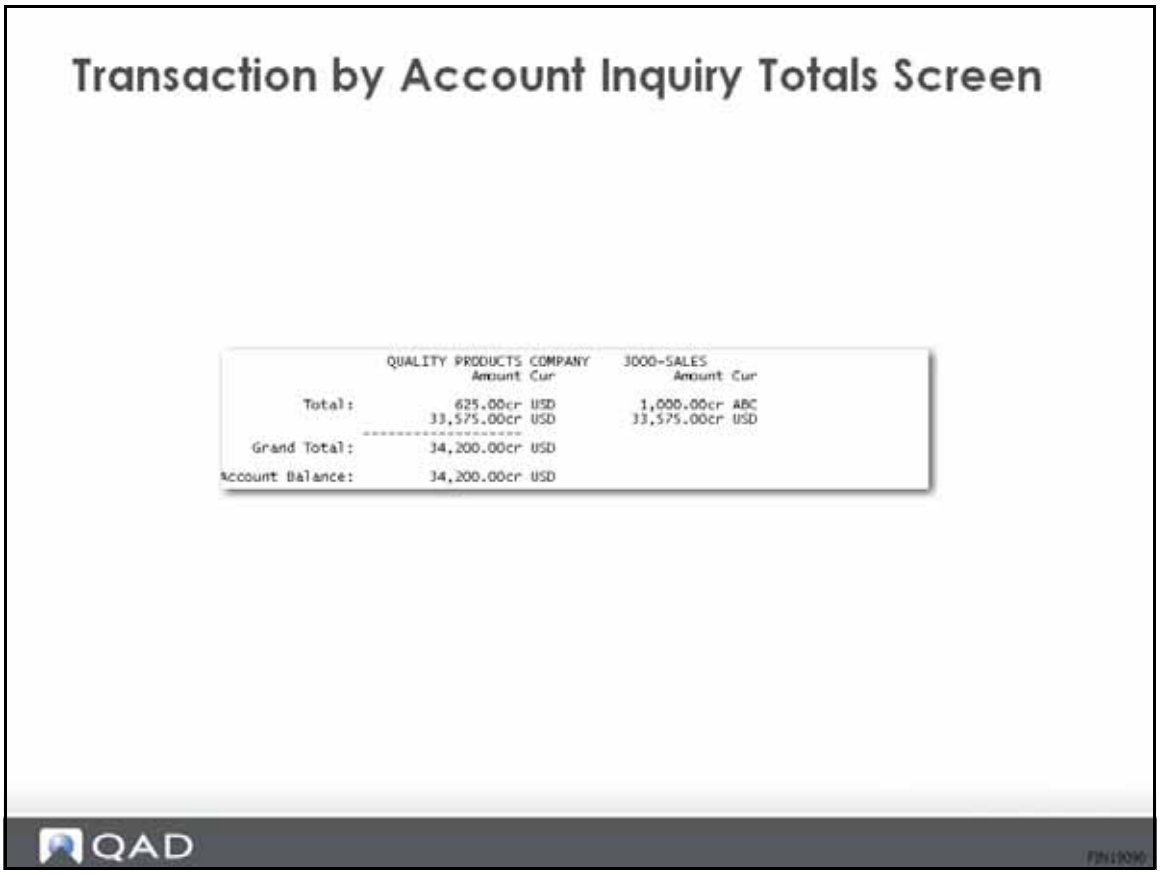
You can use the Transaction by Account Inquiry (25.13.18) to:

- Select the transactions to review by entering a range of criteria, including sub-account, cost center, project, batch, document number, user ID, and amount.
- Display more information, such as foreign currency and audit trail information, for each transaction.
- Define how you want to sort the selected transactions.
- Determine whether to display subtotals.
- Display various grand totals for the inquiry.

The default detailed transactions screen displays one line for each transaction. To display this screen, accept all default values for the options on the inquiry's initial screen.

You can view a Detailed Transaction screen when you set the option Display Detailed Audit Trail to Yes. The system displays an additional line for each transaction showing the Description, Project Code, Address Code, Document Number, and Document Type fields.

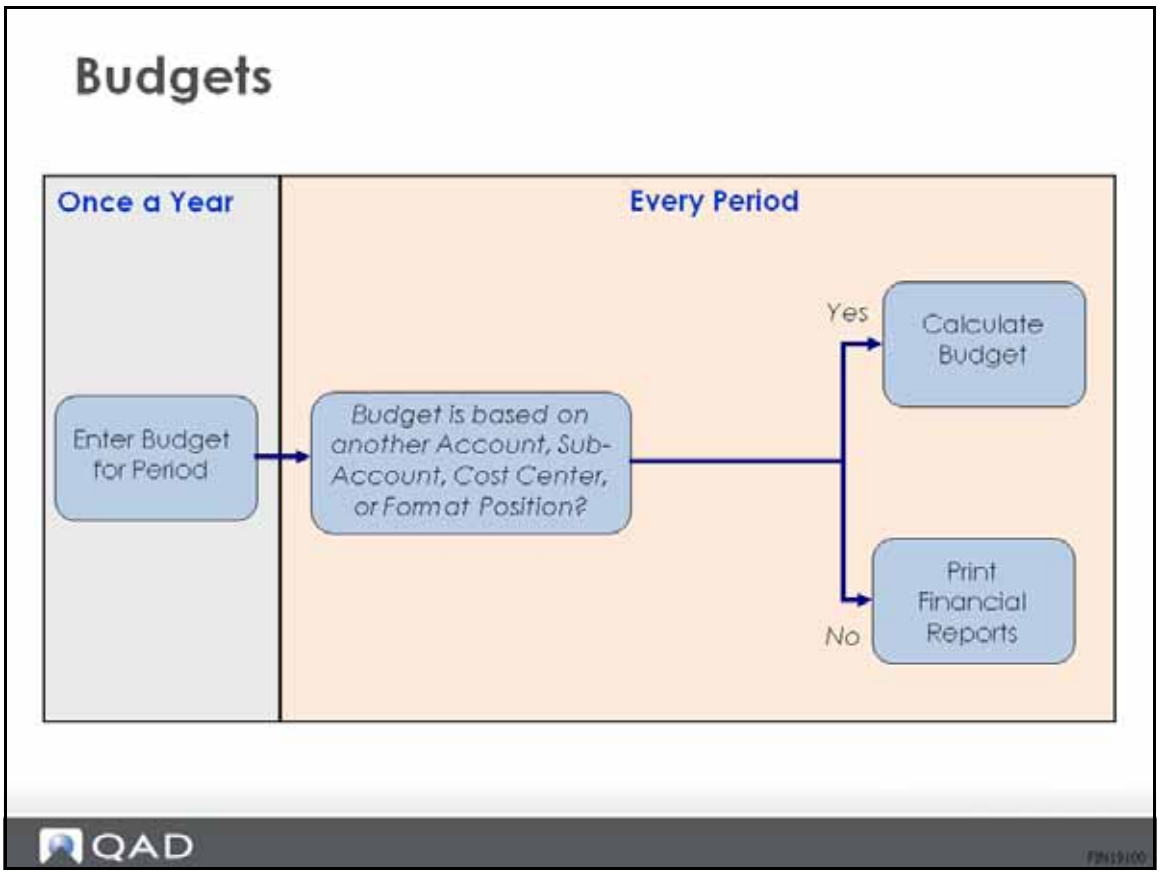
Note When you set Display Foreign Currency to Yes, you can also view the exchange rate, foreign currency amount, and currency code for each transaction.



The slide shows the screen displayed when you set Display Sub-Totals to Only. In this example, the Sort By field is set to CC, so the system displays subtotals for each cost center.

The last screen in the Transaction by Account Inquiry always displays a grand total for the selected transactions in base currency. The totals are broken down by currency.

Budgets



Each year, you set up budgets to plan for expenses and revenues, and to compare actual revenues and expenses to budgeted amounts.

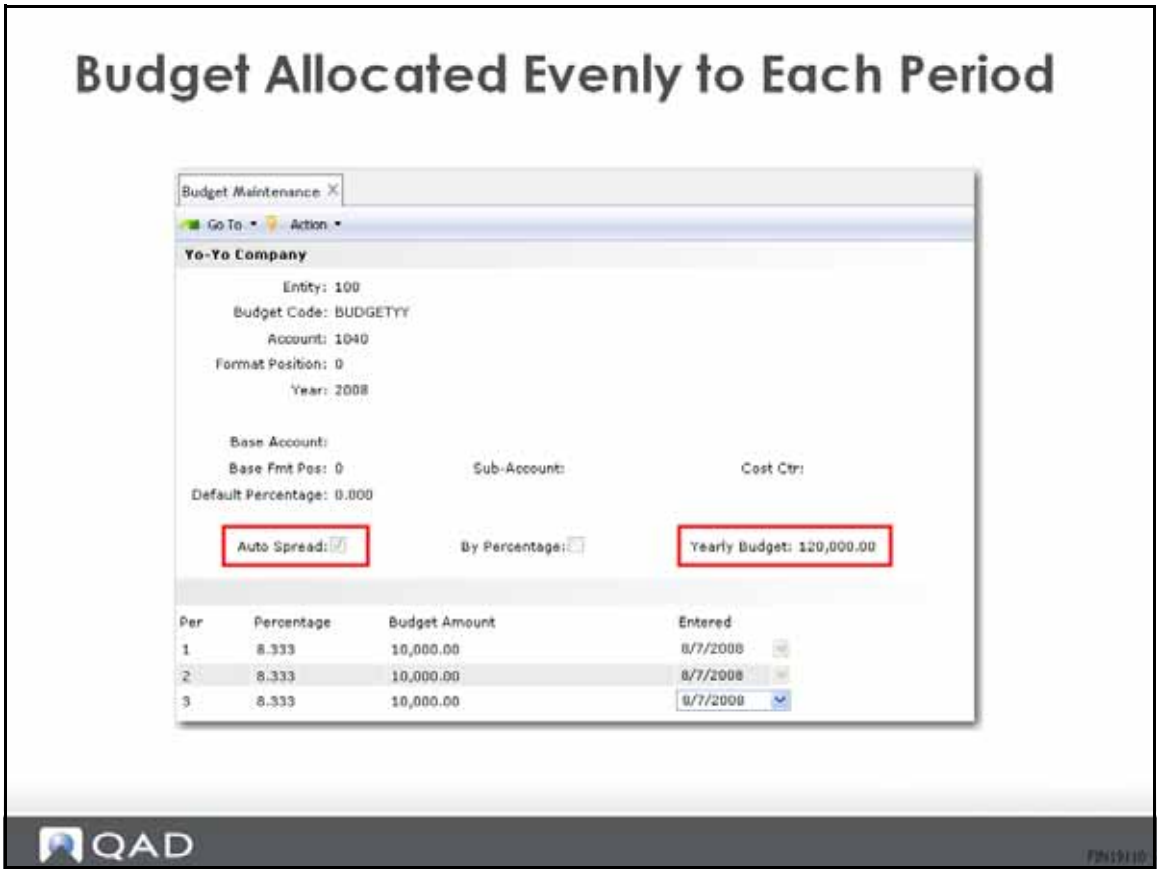
On financial statements, you can print reports that compare actual activity for the period to the budgeted amounts by setting Use Budgets to Yes and specifying the budget code.

Budgets are used to allocate company resources and to establish spending limits for departments, projects, divisions, and for the entire company. In Budget Maintenance (25.5.1), you can create multiple budgets for any GL period in the GL calendar year.

Using Budget Maintenance, you can:

- Enter budgets with fixed amounts for each GL period.
- Calculate the budget amount in each period based on the percentage of the balance of a specific format position, account, sub-account, or cost center.
- Distribute the yearly budget evenly over the several GL periods.
- Assign a different percentage of the yearly budget to each GL period.

Budget Allocated Evenly to Each Period



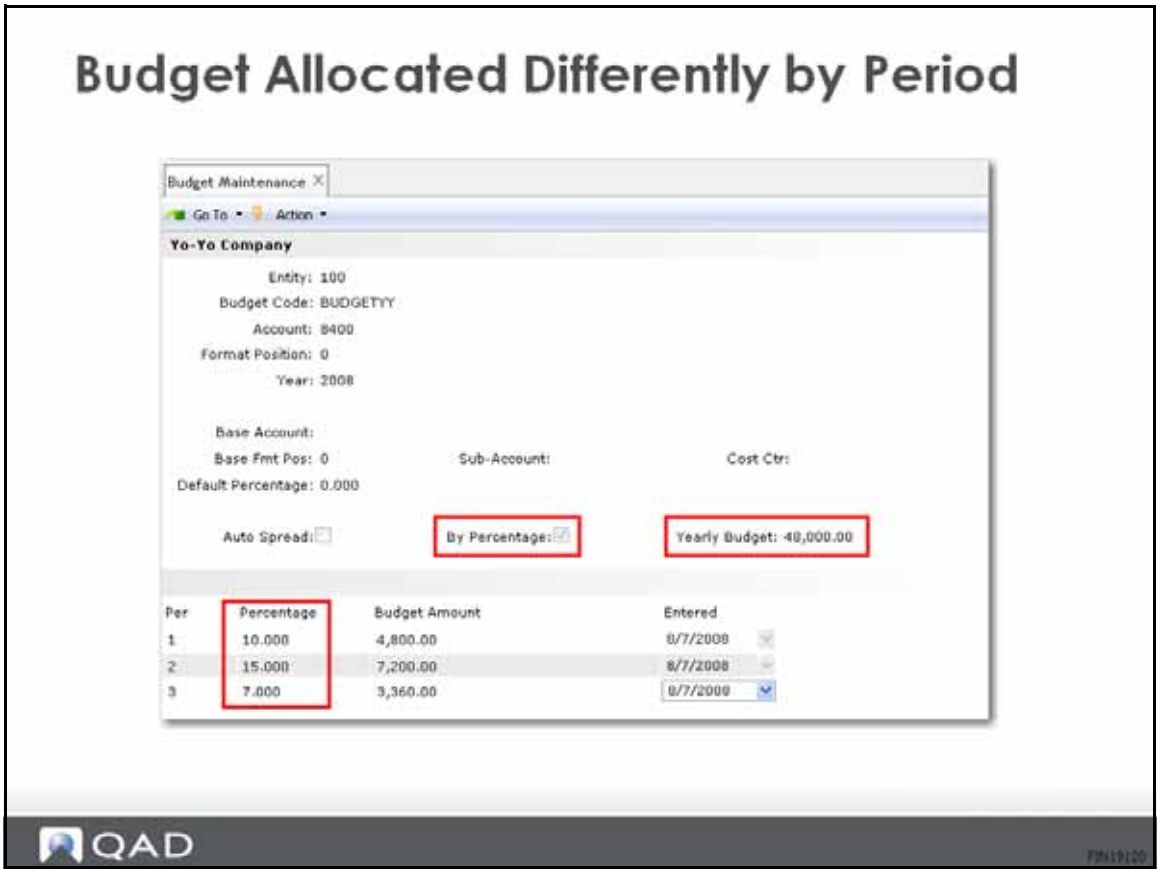
In Budget Maintenance, the system prorates the yearly budget for each period if you set the Auto Spread field to Yes, the By Percentage field to No, and if you enter a Yearly Budget amount.

In the slide, the Yearly Budget is $500,000. The system calculates the Budget Amount as 41,666.67. (In all of these examples, there are 12 periods in the GL calendar.)

Note QAD SE resets the Auto Spread and By Percentage fields whenever you access an existing budget code in Budget Maintenance.

Important Take care when changing a budget period percentage or budget amount. For example, if your original yearly budget was $12,000 and the period budget amount was $1,000, but you change the budget on one of the periods to $1,500, your new yearly budget is $12,500, and the new period budget amount is $1,041.67.

Budget Allocated Differently by Period



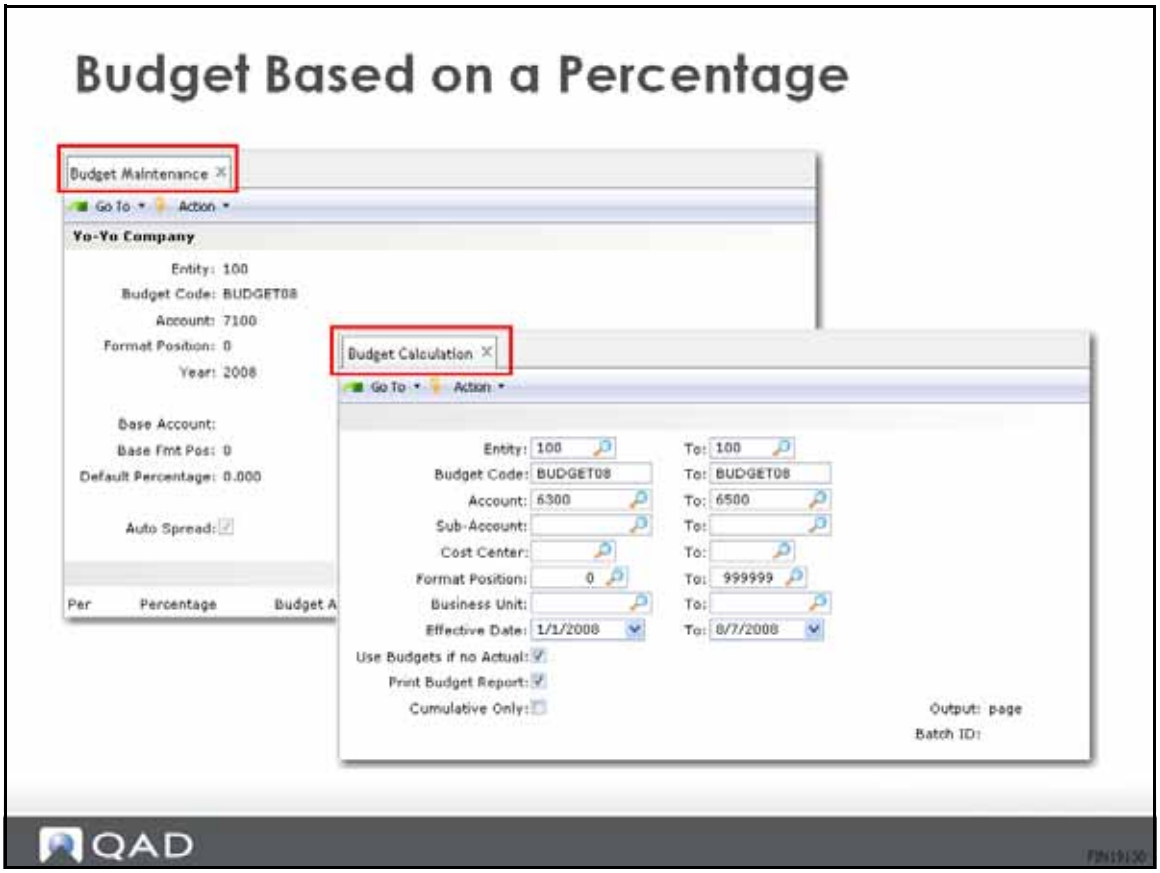
There are two ways in which you can allocate budgets differently by period in Budget Maintenance.

1. You can manually specify the budget amount for each period by setting the Auto Spread field to No. For each period, leave the Percentage set to 0.00, then enter the budget amount.
2. You can specify a Yearly Budget for the entire year, enter percentages for each period, and let the system calculate the amount. To do this, set both Auto Spread and By Percentage to Yes.

For each period's budget, you then specify the percentage to allocate to that period, and the system uses the percentage to calculate the budget amount. Or, you can specify a Default Percentage, which becomes the default period percentage.

In the slide, the Default Percentage value is 12% and Yearly Budget is $500,000. Unless you specify otherwise, the period percentage is 12% and the budget amount $60,000. In a 12-period year, the system displays a warning that these percentages add up to more than 100%, so be aware that you must manually adjust some percentages downward. In the above example for a 12-period year, only $20,000 (4% of $500,000) is left to allocate by period 9. In periods 10, 11, and 12, both the percentage and the amount are zero.

Budget Based on a Percentage



Budgets can be based on a percentage of an actual account or format position or a yearly budget, or you can enter a default percentage. The system automatically calculates the default percentage for each GL period.

You can also enter a different percentage for each period. If By Percentage is set to Yes, you are prompted to enter a percentage for each GL period. The system uses the percentage to calculate the budget amount for the period, based on the percentage entered and the value in the Yearly Budget field.

In the slide, the budget for period 1 is based on 5% of sales (account 3000). But you do not have a budget amount until you run the budget calculation for budget DEPT30.

Note For a budget based on percentages, you cannot use the Auto Spread option—you must specify a default percentage or manually enter the amounts or percentages for each period.

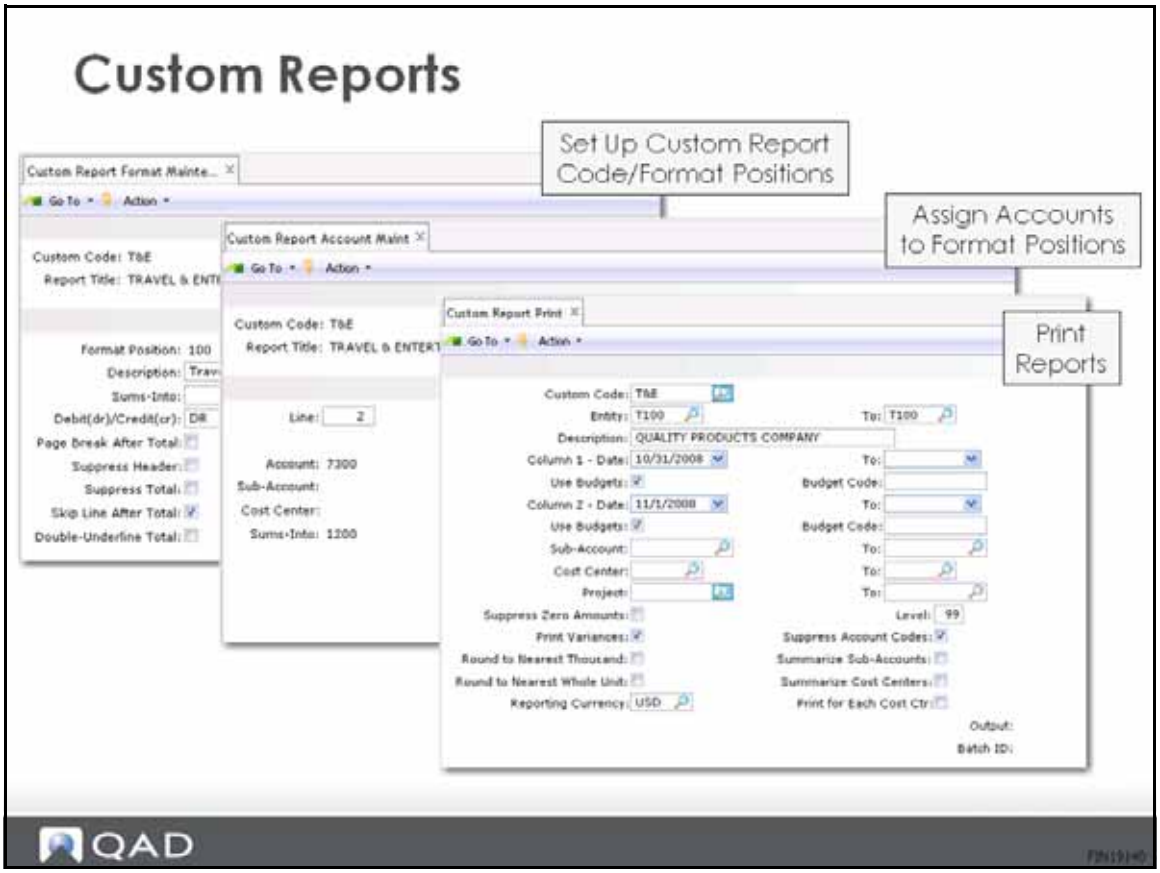
In Budget Calculation, you have the option to calculate the budget amount based on either the actual or the budgeted amount for the budget code's base account, sub-account, etc. If you set Use Budgets if no Actual to No, and there are no actual balances in the base account, the calculated budget is zero.

You can also print a report showing the calculated budget amounts by setting Print Budget Report to Yes. The Cumulative Only option enables you to specify how budget amounts are broken down on the report.

- Yes prints only the cumulative budget amounts for the current fiscal year.

- No prints a detailed report of each budget amount by fiscal period within the effective date range of the calculation.

Custom Reports

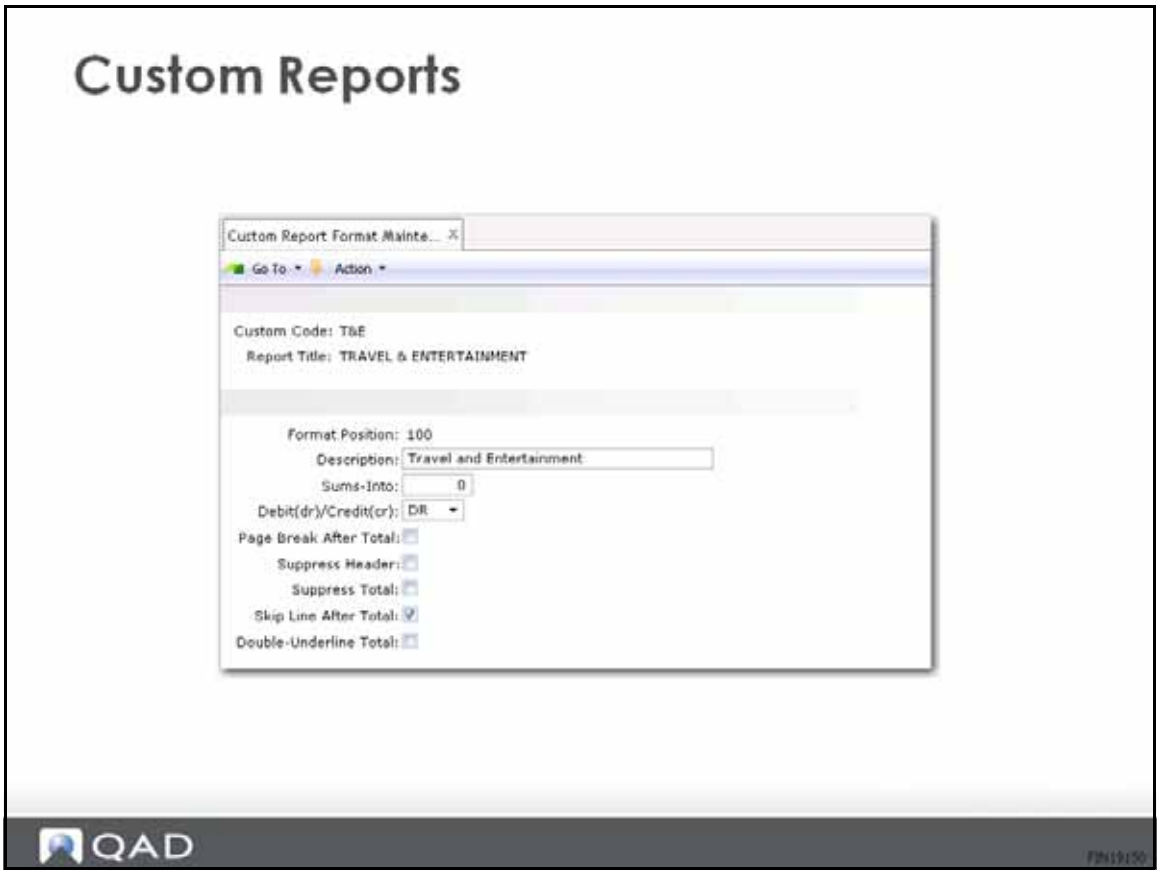


If your company requires specialized reporting, you can create custom reports using functions in the Custom Reports Menu. You can set up an unlimited number of custom reports. To create a report, all you do is set up format positions and then assign accounts, sub-accounts, and cost centers to these format positions.

In Custom Report Format Maintenance (25.17.1), set up the code for the custom report and define the format positions to appear on it. The format positions control the order in which GL accounts appear on the report, how they are totaled, and where page breaks occur. You can use the same format positions on multiple custom reports. You can also use the same format positions as your regular financial statements, but you still set them up separately.

In Custom Report Account Maintenance (25.17.4), specify the accounts, sub-accounts, and cost centers that sum into each format position. If you leave the sub-accounts and cost centers blank, transactions for all sub-accounts/cost centers assigned to the account appear on the custom report. If you do assign sub-accounts or cost centers to the format position, only transactions for those account/sub-account/cost center combinations appear.

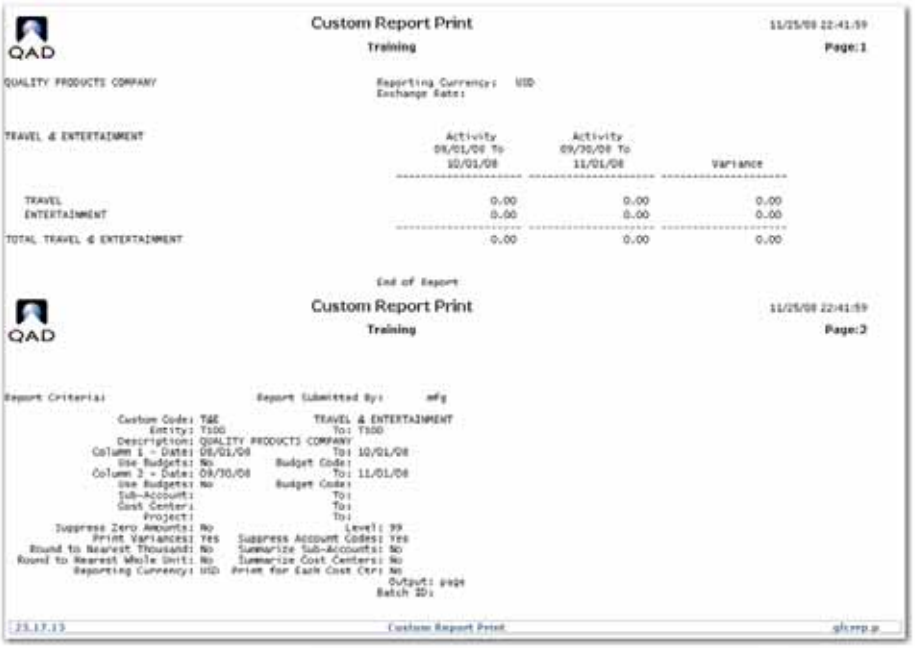
To create multiple similar custom reports, use Custom Report Copy and then adjust the format positions or accounts as necessary.



Custom reports are printed using Custom Report Print (25.17.13). The slide shows a sample custom report.

Print for Each Cost Center is used for custom reports that have been set up without specifying a cost center range. For example, to print expense reports by department, you do not need to reference specific cost centers—just leave the cost center ranges blank; set Print for Each Cost Center to Yes.

Custom Reports (Continued)



QAD Custom Report Print 11/25/08 22:41:59
Training Page: 1

QUALITY PRODUCTS COMPANY
Reporting Currency: USD
Exchange Rate:

TRAVEL & ENTERTAINMENT

	Activity 08/01/08 To 10/01/08	Activity 09/30/08 To 11/01/08	Variance
TRAVEL	0.00	0.00	0.00
ENTERTAINMENT	0.00	0.00	0.00
TOTAL TRAVEL & ENTERTAINMENT	0.00	0.00	0.00

End of Report

QAD Custom Report Print 11/25/08 22:41:59
Training Page: 3

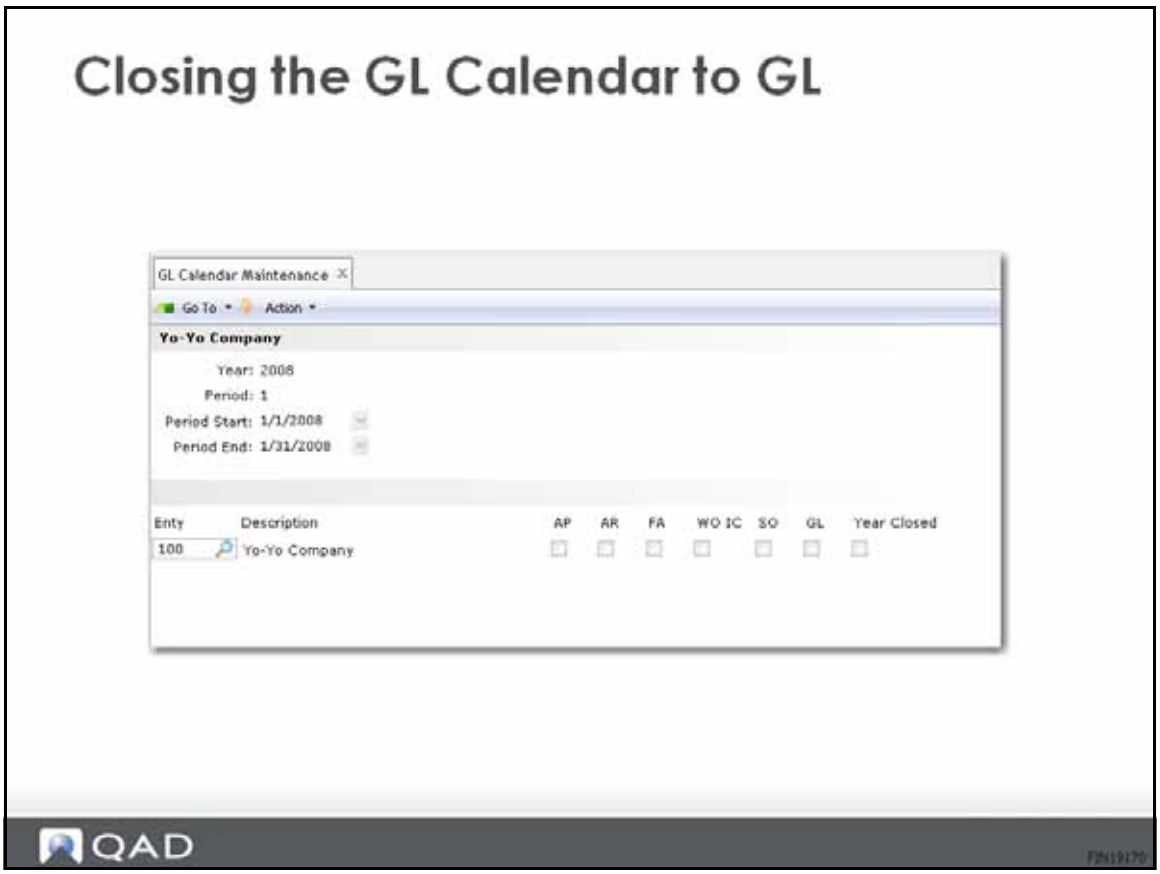
Report Criteria: Report Submitted By: mfg

Custom Code: T&E TRAVEL & ENTERTAINMENT
Entity: TSDD To: TSDD
Description: QUALITY PRODUCTS COMPANY
Column 1 - Date: 08/01/08 To: 10/01/08
Use Budgets: No Budget Code: To:
Column 2 - Date: 09/30/08 To: 11/01/08
Use Budgets: No Budget Code: To:
Sub-Account: To:
Cost Center: To:
Project: To:
Suppress Zero Amounts: No Level: 99
Print Variances: Yes Suppress Account Codes: Yes
Round to Nearest Thousand: No Summarize Sub-Accounts: No
Round to Nearest Whole Unit: No Summarize Cost Centers: No
Reporting Currency: USD Print for Each Cost Ctr: No
Output: page
Batch ID:

25.17.13 Custom Report Print glcrrp.p

QAD

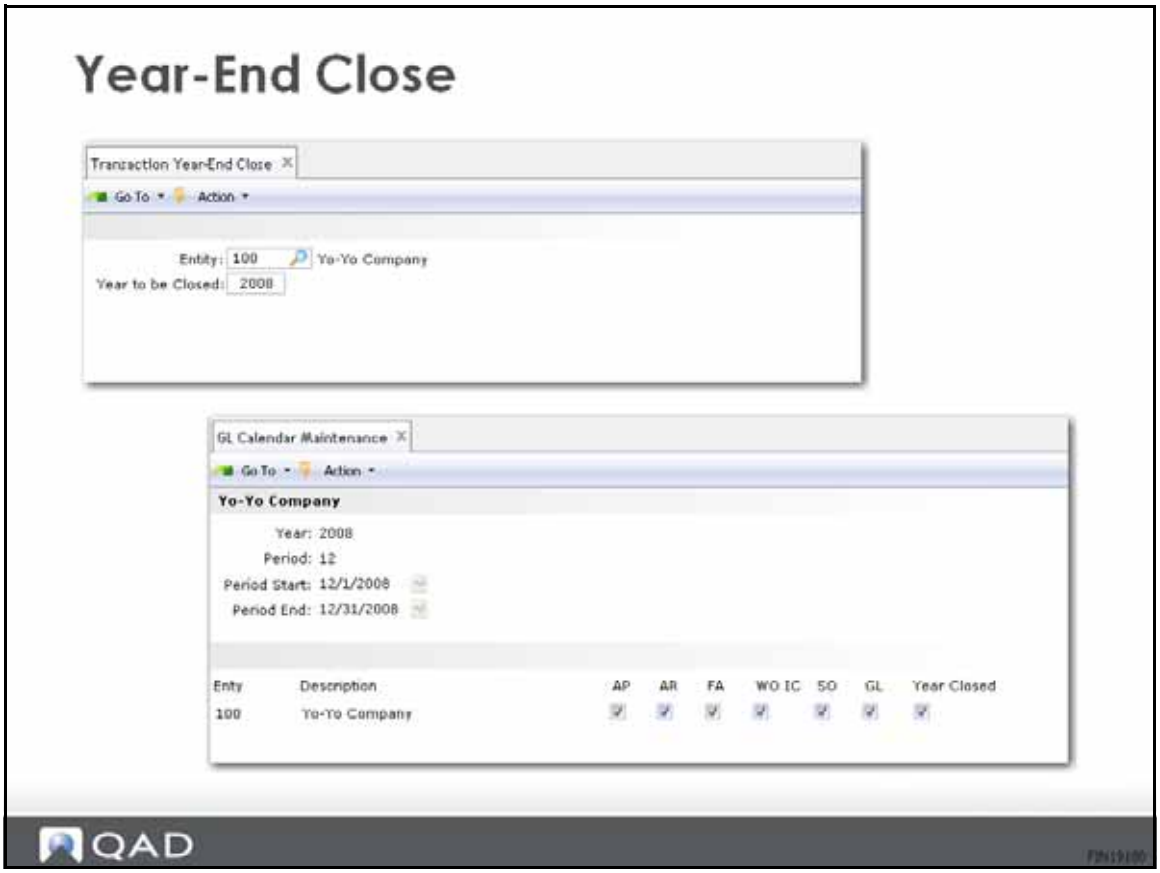
Closing the GL Calendar to GL



After you have printed (and corrected) all your financial statements and reports for the period, you must close the period to the General Ledger module, using the same function you used earlier to close the period to activity in the other modules, GL Calendar Maintenance.

If you need to make corrections to closed modules or General Ledger periods, you can reopen the periods at any time during the year until you execute the year-end close. To reopen a closed GL period, reset the GL field to No, enter and post the correction, and set the field back to Yes to close the period. Once the GL field is set to Yes, you can reopen and close the period to specific transaction types by setting the fields for AP, AR, FA, WO/IC, PR, and SO transactions.

Year-End Close



When the fiscal year is closed, a type YR (year-end) transaction is created that posts the net profit/loss to the retained earnings account identified in General Ledger Control. The year-end close also updates the Year Closed setting in GL Calendar Maintenance to Yes.

You cannot reopen a closed fiscal year. If you absolutely have to make an adjustment to a closed year, you can record it using Retroactive Transaction Maintenance (25.13.2), which we cover next. However, you can still print reports for the year after it has been closed.

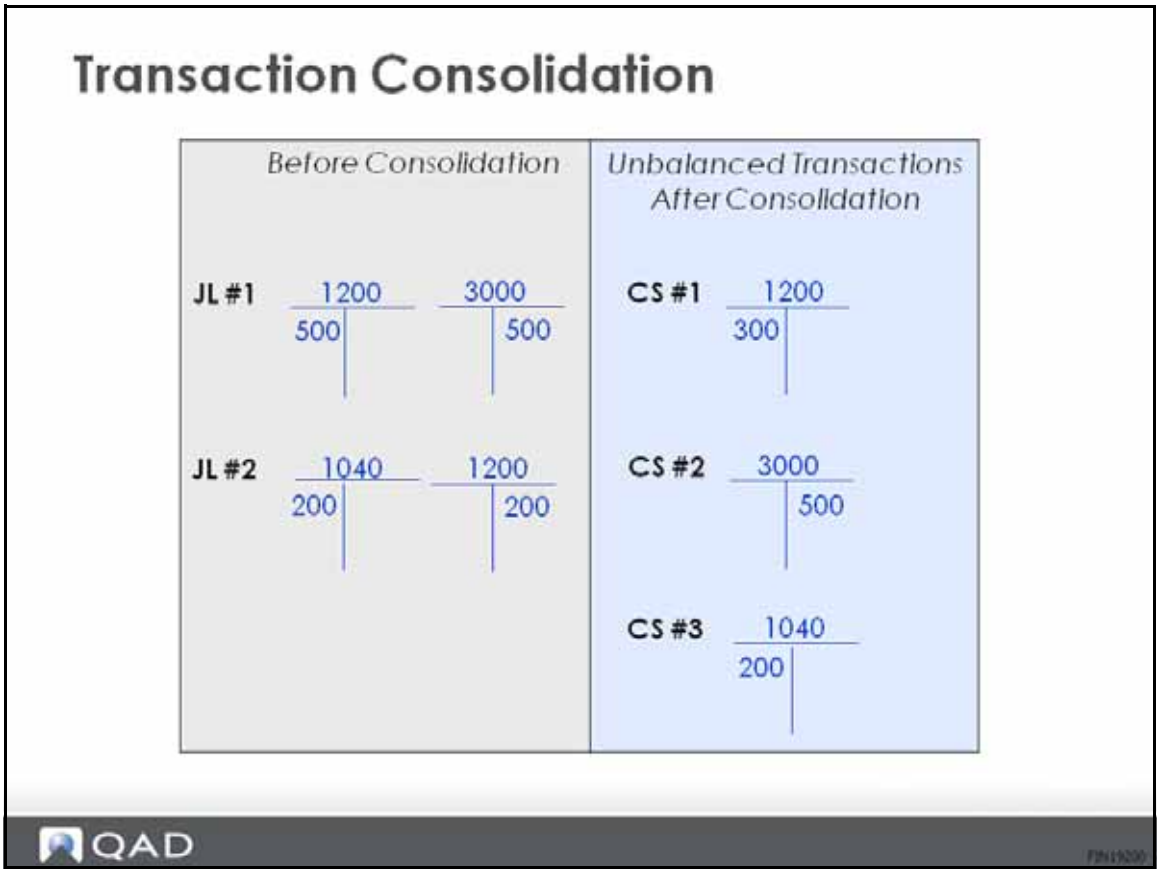
If you print a balance sheet or trial balance for the new fiscal year without closing the previous year, the reports are wrong because the accounts include the balances for the previous year as well as for the current one.

Retroactive Transactions

Use Retroactive Transaction Maintenance (25.13.2) to add or maintain transactions to a fiscal year that has been closed in the year-end close. This function creates a type RA transaction and automatically makes any necessary adjustments to retained earnings.

We recommend you exercise caution in the use of this function, particularly if you have already produced and published your financial reports for the year. This function should be password-secured.

Transaction Consolidation



Once transactions are posted, you cannot delete them. However, to free up database space, you can use Transaction Consolidation (25.13.11) to combine transactions from a specified period into a single transaction for each account, sub-account, cost center, and project. This consolidation feature saves database space.

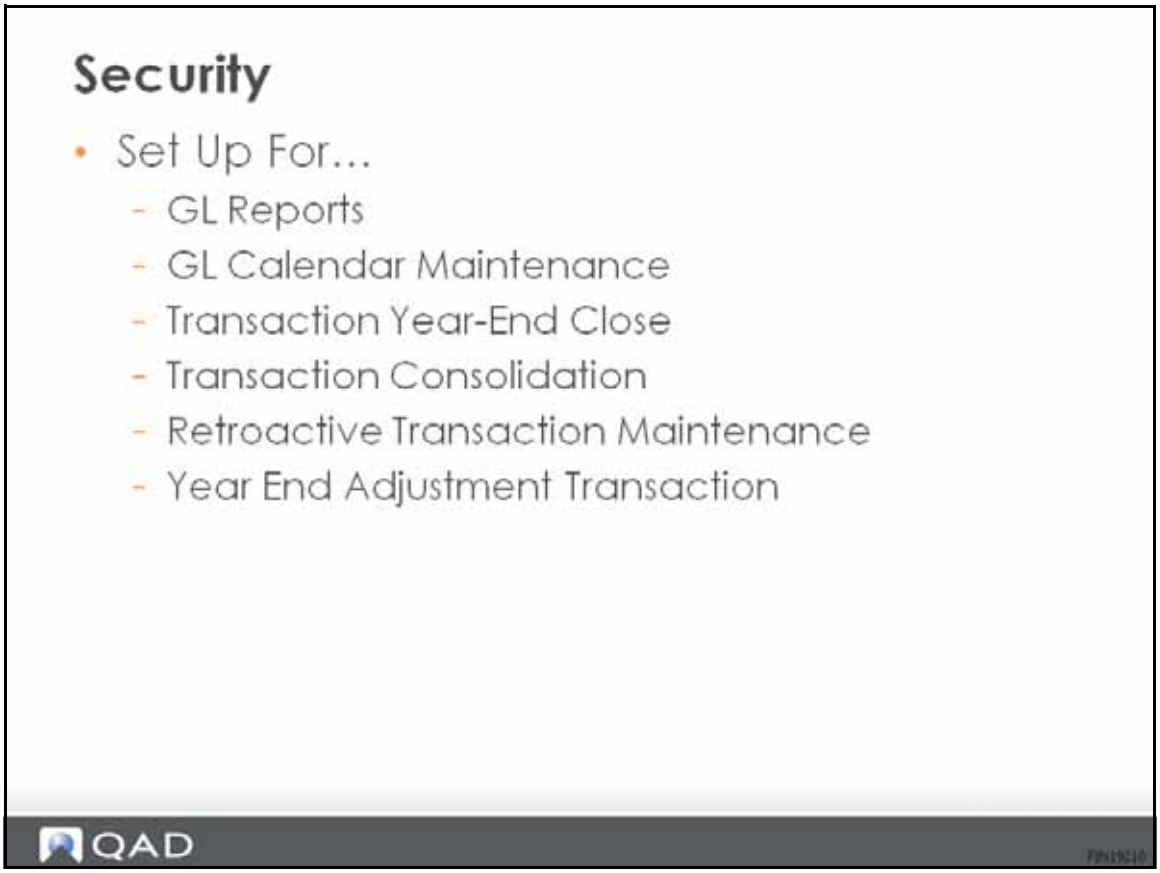
Consolidation combines the posted transactions for each period by account, sub-account, cost center, and project. Each consolidation transaction is assigned a GL reference number beginning with CS, followed by the effective date and a sequential number.

Use caution in selecting by account, sub-account, or cost center. Although it works correctly, it leaves you with one-sided transactions, as shown by the above example. For similar reasons, we recommend that you do not consolidate transactions for a range of entities. Also, consolidations should be done by period rather than by year. You might choose to consolidate for six periods ago and earlier in order to preserve more current detail in the GL.

You can produce a report that shows how transactions are consolidated by setting Audit Trail Report to Yes and Consolidate to No.

This function should be password-secured.

Security



To restrict access to confidential company information to authorized personnel, we recommend that you set up menu or password protection for the following GL reporting and period-end functions:

- GL reports in menus
- GL Calendar Maintenance
- Transaction Year-End Close
- Transaction Consolidation
- Retroactive Transaction Maintenance

Security for user IDs and user groups is set up using functions in the System Security menu of the Manager Functions module.

Exercise 19: Balance Sheets, Income Statements, and Budgets

Print Balance Sheet and Income Statement

In this exercise, you will print a comparative balance sheet and income statement comparing actual to actual figures.

Balance Sheet Comparative

1 Use Balance Sheet Comparative (25.15.9) to print a comparative balance sheet that displays the figures for periods 1 and 2 of the current year. Accept the system defaults on the remaining fields.

Column 1 — Ending Date: End of previous period

Column 2 — Ending Date: End of current period

Income Statement Comparative

2 In Income Statement Comparative (25.15.14), print a comparative income statement that displays the figures for periods 1 and 2 of the current year. Accept the system defaults on the remaining fields.

Column 1 — Date: First day of previous period To: Last day of previous period

Column 2 — Date: First day of current period To: Last day of current period

Note The percentage of income is based on the total of all type I account balances.

Enter and Calculate Budgets

In this exercise, you will enter and calculate budgets for the current year.

In QAD SE, you can:

1 Enter budget amounts manually for each GL period.

2 Distribute the annual budget over the periods or assign a percentage of the budget to each.

3 Allow the system to calculate the budget amount for each period based on a percentage of a format position or another account.

You will use all of these methods in this exercise.

Budget Maintenance

1 In Budget Maintenance (25.5.1), enter the following budget information for entity T100, budget code BUDGETYY (YY = current year).

The first budget is for an account/cost center with an annual budget divided evenly over all GL periods.

Budget Code:	BUDGETYY
Account (Cost Center):	7100 (1000)
Auto Spread:	Yes
Yearly Budget:	300,000.00

Which field determined how the annual budget for account 7100 was divided?

The next budget is allocated to each period by percentage.

Budget Code:	BUDGETYY
Account:	8400
By Percentage:	Yes
Yearly Budget:	50,000.00
Period:	**Percentage**
1:	25%
2:	40%
3:	30%
4:	5%

Notice how the system calculated the budget amount based on the percentage you entered. Which field enabled you to allocate the budget amount to each period by percentage?

_____

2 The next budget shows the amounts for each period.

Budget Code:	BUDGETYY
Account:	8200
By Percentage:	Yes
Yearly Budget:	125,000.00
Period:	Budget Amount
1:	20,000.00
2:	55,000.00
3:	35,000.00
4:	15,000.00

3 For the next budget, the sales account has a credit balance, so the budget amounts for each period are entered as negative amounts.

Budget Code:	BUDGETYY
Account (Cost Center):	3000 (0100)
Pd 1 through Pd 12	-5,000.00

4 The budget for account 6300 is 30% of the format position for sales (net sales on the income statement).

Budget Code:	BUDGETYY
Account:	6300
Base Format Position:	50000
Default Percentage:	30

Even if you enter a positive default percentage, the budget for account 6300 (normally a debit account) will always be a credit amount because sales is normally a credit amount.

5 The budget for account 6500 is 10% of account 6300.

Budget Code:	BUDGETYY
Account:	6500
Base Account:	6300
Default Percentage:	10

Budget Calculation

6 In Budget Calculation (25.5.7), calculate the budgets for accounts 6300 and 6500. Enter budget code BUDGETYY. Enter 01/01/YY to the current date as the effective dates.

Trial Balance Budget

7 Print a Trial Balance Budget (25.15.6) for entity T100, budget code BUDGETYY and report ending date (the current date).

Notice the variance column showing the difference in amounts and the variance percentage. ** indicates that no budget has been created for the account.

Creating a Custom Report

In this exercise, you will create and print an operating expense report. You will set up a report code and custom format positions and assign accounts and cost centers to the format positions.

Custom Report Format Maintenance

1 In Custom Report Format Maintenance (25.17.1), set up the report code, title, and format positions for the custom report. Accept the default values for the remaining fields.

Custom Code:	OPEXP
Report Title:	OPERATING EXPENSES
Format Position:	100
Description:	OPERATING EXPENSES
Sums Into:	0
Double-Underline Total:	Yes
Format Position:	200
Description:	SALARIES
Sums Into:	100
Format Position:	300
Description:	TRAVEL/ENTERTAINMENT
Sums Into:	100
Format Position:	400
Description:	OTHER
Sums Into:	100

Custom Report Account Maintenance

2 In Custom Report Account Maintenance (25.17.4), assign accounts and cost centers to the format positions on the custom report (OPEXP).

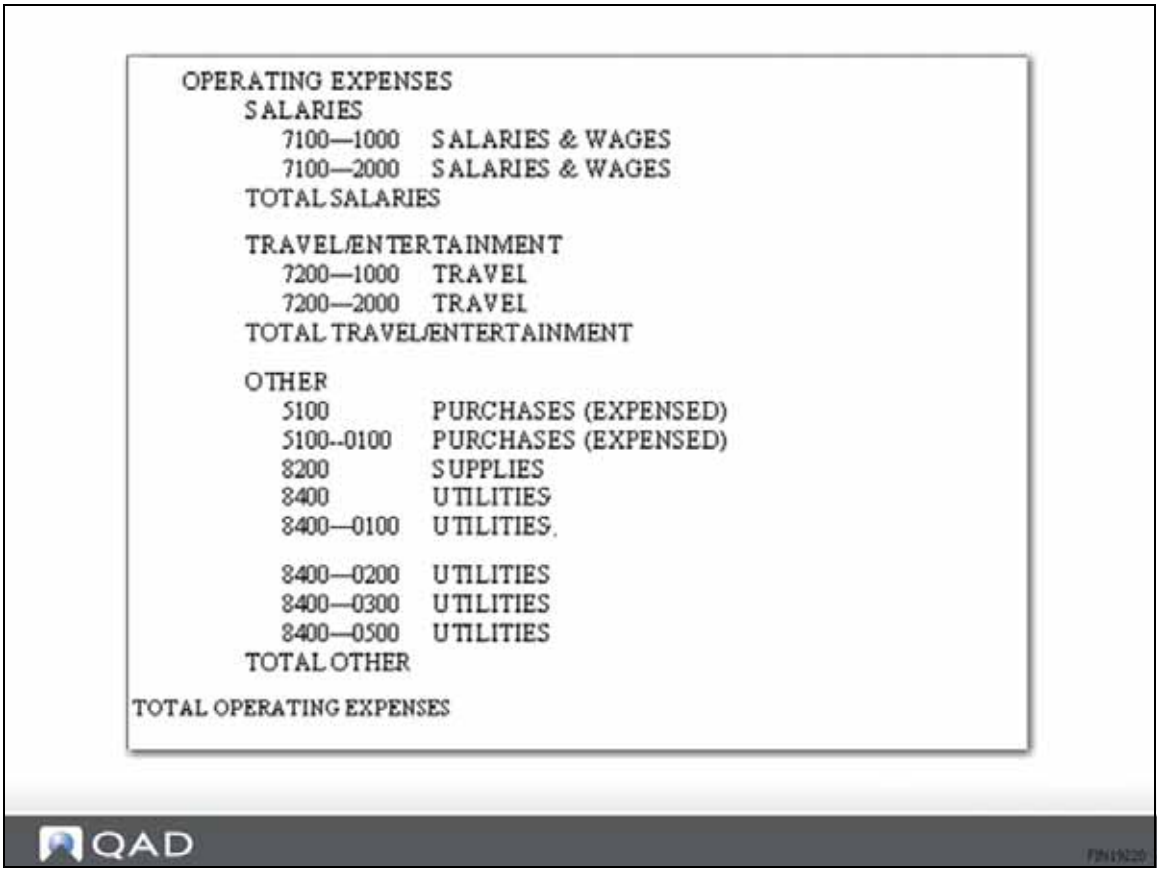
Line:	**1**
Account:	7100 to 7100
Cost Center:	1000 to 3000
Sums Into:	200
Line:	**2**
Account:	7200 to 7200
Cost Center:	1000 to 3000
Sums Into:	300
Line:	**3**
Account:	7300 to 7300
Cost Center:	1000 to 3000
Sums Into:	300
Line:	**4**
Account:	5100 to 5100
Sums Into:	400
Line:	**5**
Account:	8200 to 8200
Sums Into:	400
Line:	**6**
Account:	8400 to 8400
Sums Into:	400

Custom Report Print

3 In Custom Report Print (25.17.13), print the custom report.

Custom Code:	OPEXP
Column 1 - Date:	To: Prior Period
Column 2 - Date:	To: Current Period
Suppress Account Codes:	No

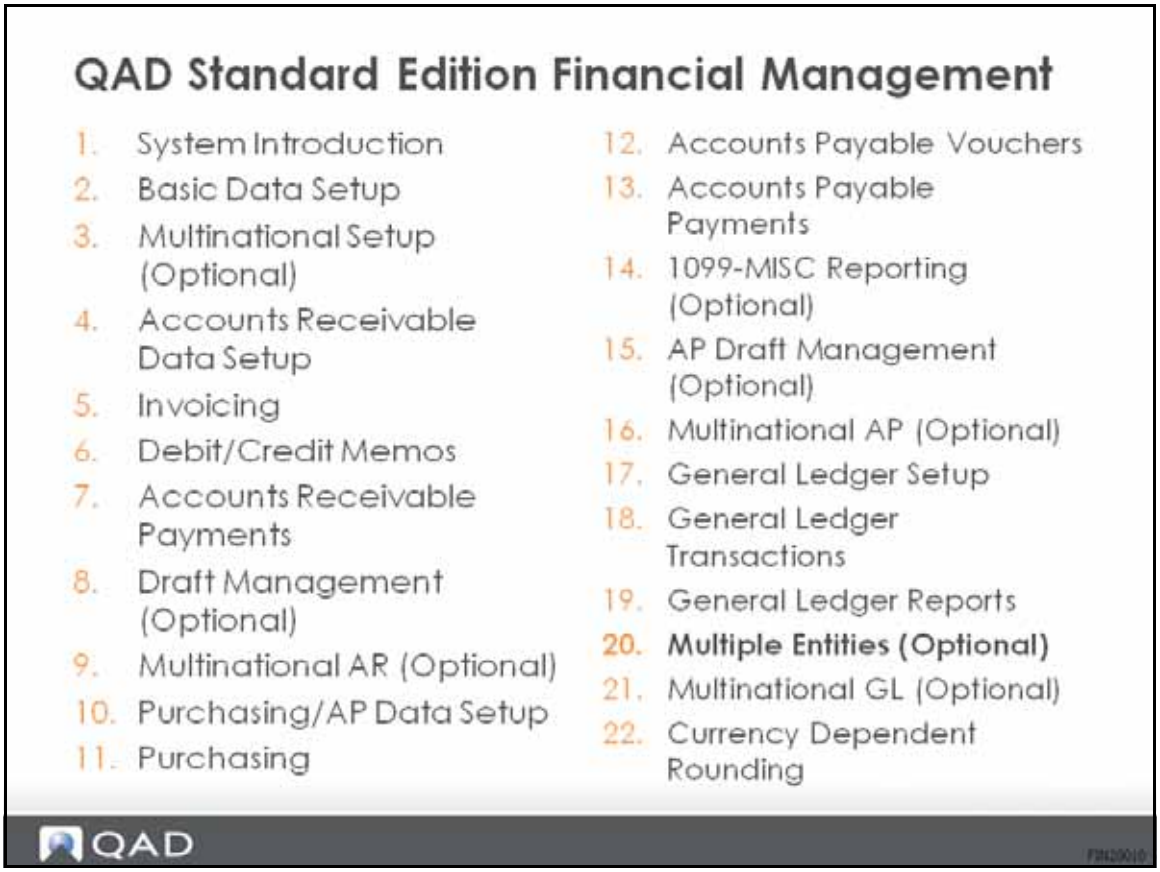
Your report should show format positions and accounts similar to the following:



Chapter 20

Multiple Entities

Overview



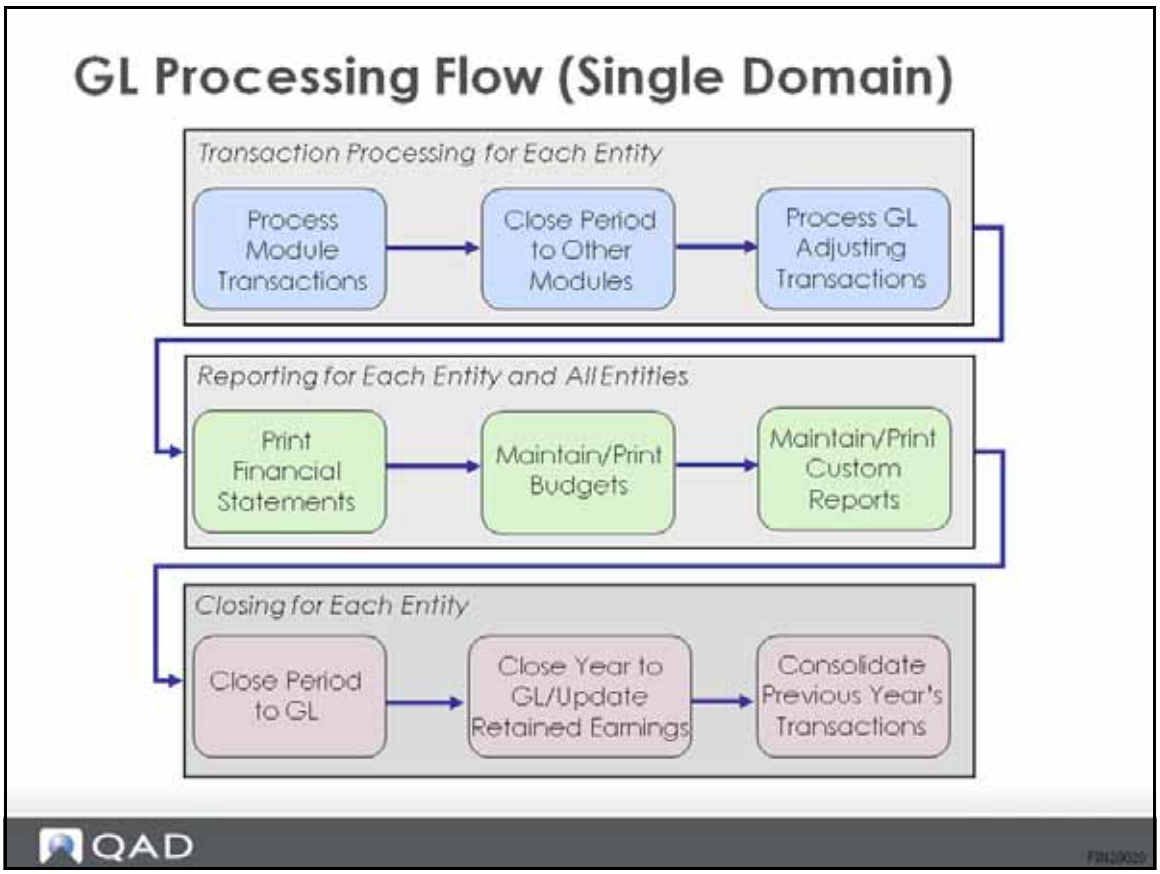
Up to now, we have been dealing only with transactions that take place within one entity and database; however, QAD SE supports multiple entities within a single database and multiple entities in multiple databases.

The flow of GL activities is somewhat different for companies whose financial reporting spans several entities. In these situations, transactions from subsidiary entities must be consolidated into a consolidation entity, either within or across domains.

In this lesson, we review processing in multi-entity and multi-domain environments.

Refer to *User Guide: Master Data* for more information on domains and databases, and to *User Guide: Financials A* for more information on GL consolidation.

GL Processing Flow (Single Domain)



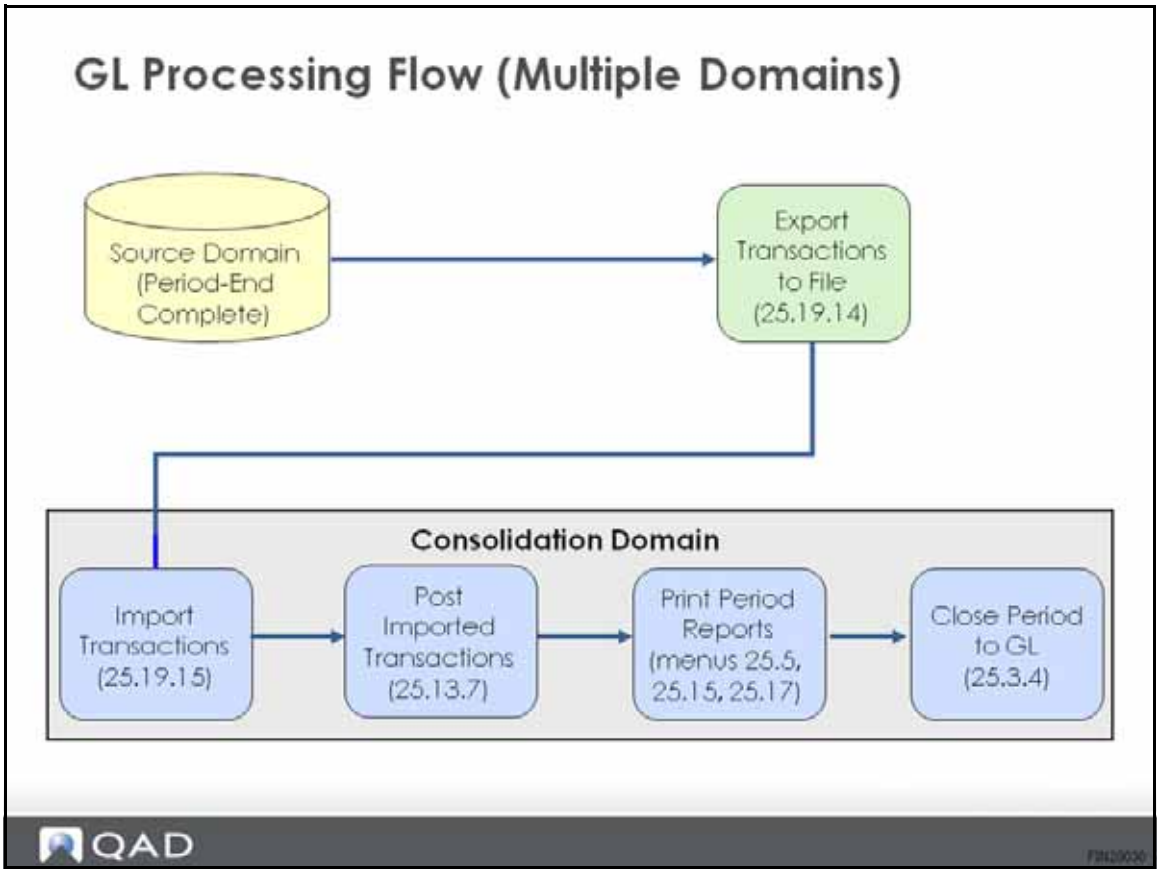
By now, you should understand where GL transactions come from, how they are posted to the GL, what GL reporting looks like, and how to close fiscal periods and years.

Up to now, we have discussed all of these activities under the assumption that only one entity is involved. In reality, large corporations often have multiple financial entities.

If all the entities are in the same domain, GL processing is much the same as for single entities, as you can see from the above diagram.

Transaction processing and period-/year-end close are done by entity and reporting is done both by entity and for the range of entities. There are a few procedural considerations that you need to understand, which we discuss at the beginning of this lesson.

GL Processing Flow (Multiple Domains)



As noted earlier, the flow of GL activities is somewhat different for companies whose financial reporting spans several entities. In these situations, transactions from subsidiary entities must be consolidated into a consolidation entity, either within or across domains.

The processing flow varies slightly depending on:

- The complexity of the consolidation hierarchy
- Whether account numbering is consistent across domains
- Whether the entities are in different databases
- Whether the transactions being consolidated come from entities with different base currencies.

You use GL Consolidation (25.19.20) in the consolidation domain to create the transactions for consolidated reporting, based on the relationships defined for a consolidation set in Entity Code Maintenance.

You can create consolidation sets specifically to generate reports and then delete and/or archive the resulting transactions and optionally the consolidation sets using Consolidation Entity Delete/Archive (25.3.1.6) when they are no longer needed.

The GL consolidation process supports consolidation in any of the following conditions:

- Multiple entities within the same domain.

  Using consolidation sets, you can select exactly which entities you want to include, regardless of the value of the entity code.

- Multiple entities in more than one domain in a single database.

  You can combine any number of entities from different domains in a database into a consolidation set. One entity can belong to more than one consolidation set, letting you create multiple views of your business.

- Multiple levels of consolidation.

  You can add consolidation entities as subsidiaries to a higher-level parent, thereby creating hierarchies with as many levels as you need.

- Multiple entities in more than one database at more than one application release level.

  Using transaction export and import features, you can import transactions into entities in a target database that are part of a GL consolidation set in preparation for consolidation. The transactions can be imported from databases on the same revision of QAD software or on earlier versions. This facilitates the roll-out and upgrade path, since you do not have to update all remote databases simultaneously.

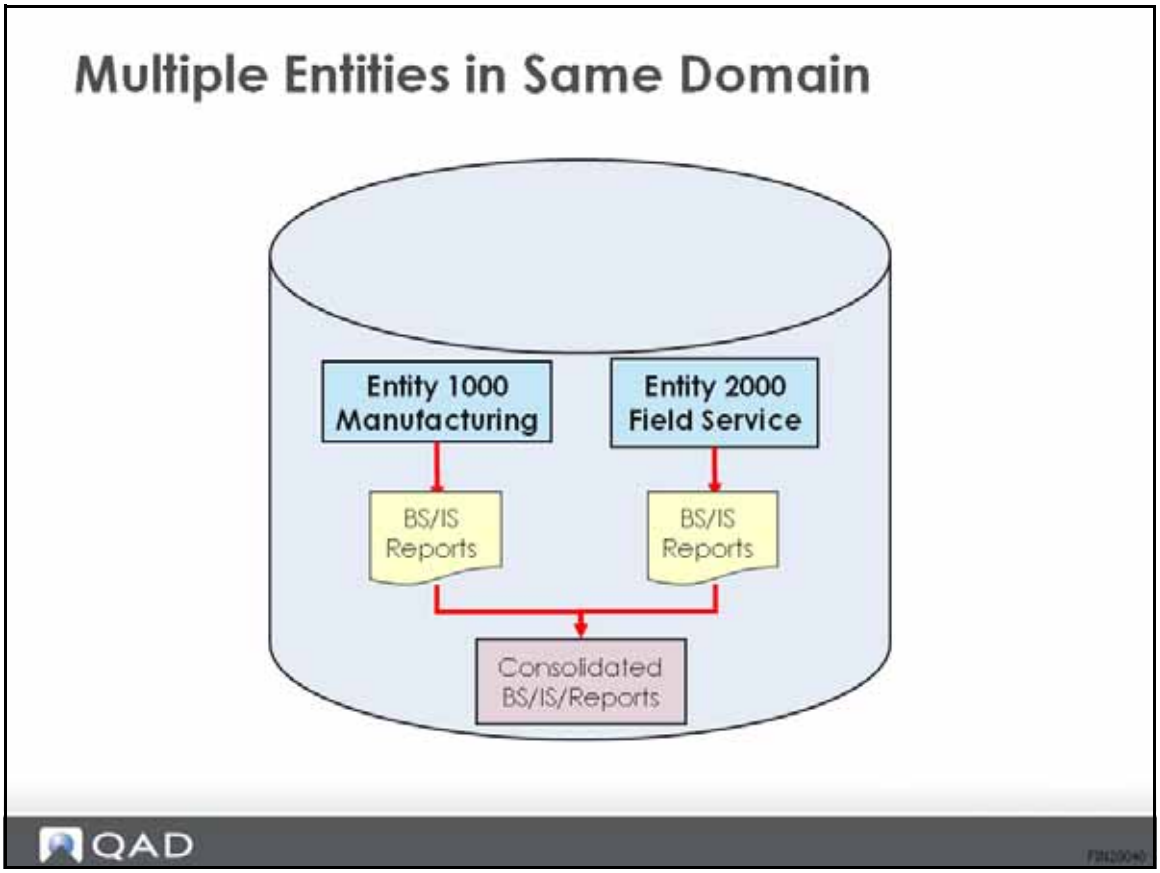
Preparation

Before attempting to consolidate transactions, you must complete a number of preparatory steps:

- You must complete all financial activity in the source entities.
- If entities are in different databases, you must follow steps to export transactions from the source database and import them into the consolidation database.
- You must prepare for the consolidation in the consolidation domain.

Refer to *User Guide: Master Data* for more information on domains and databases, and to *User Guide: Financials A* for more information on GL consolidation.

Multiple Entities in Same Domain

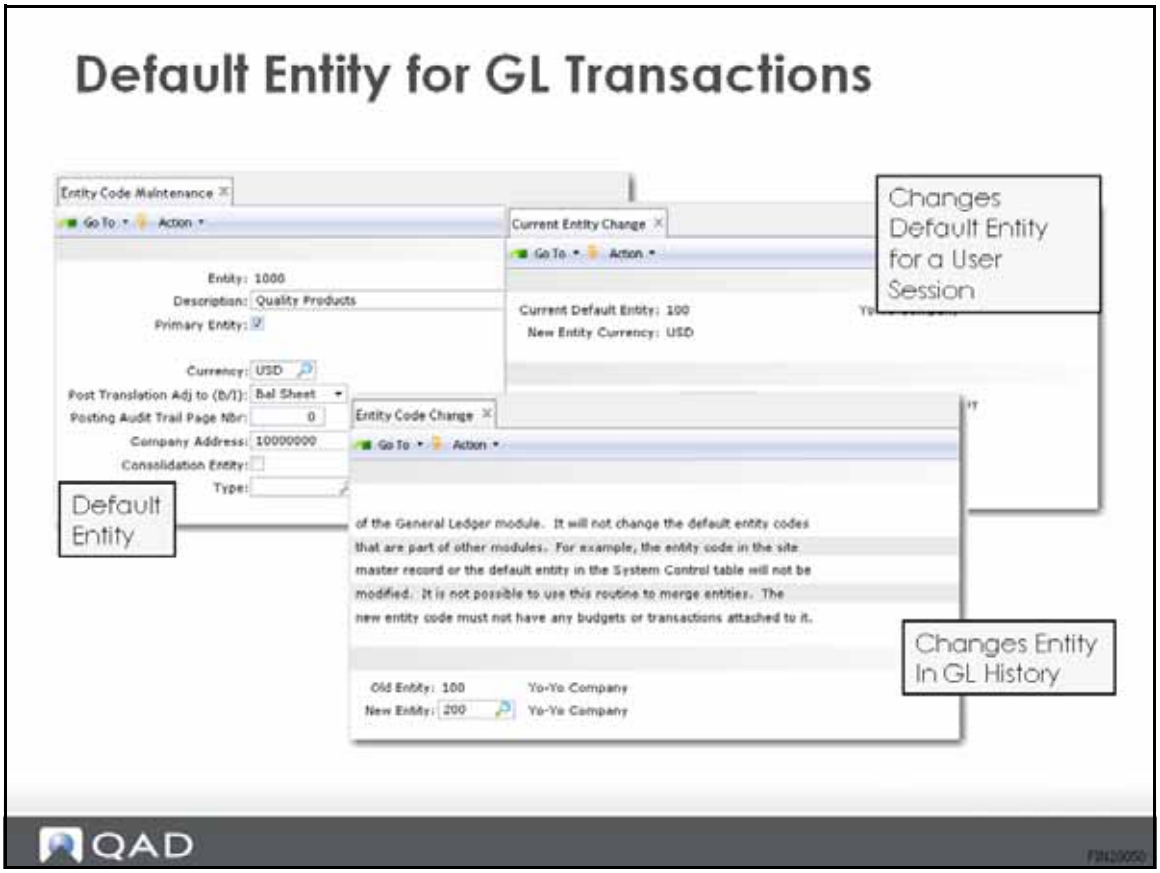


The simplest example of a multi-entity company is one in which all entities reside in the same domain. In these environments, the transaction processing steps are the same as in single-entity businesses. Reports are prepared at both the entity and corporate levels.

In the slide, the business consists of two distinct companies: Entity 1000, a manufacturing operation and Entity 2000, a field service office. Transactions for both entities are stored in the same database. Both entities print individual financial statements, but the business also prepares consolidated statements.

Refer to *User Guide: Master Data* for more information on domains and databases.

Default Entity for GL Transactions



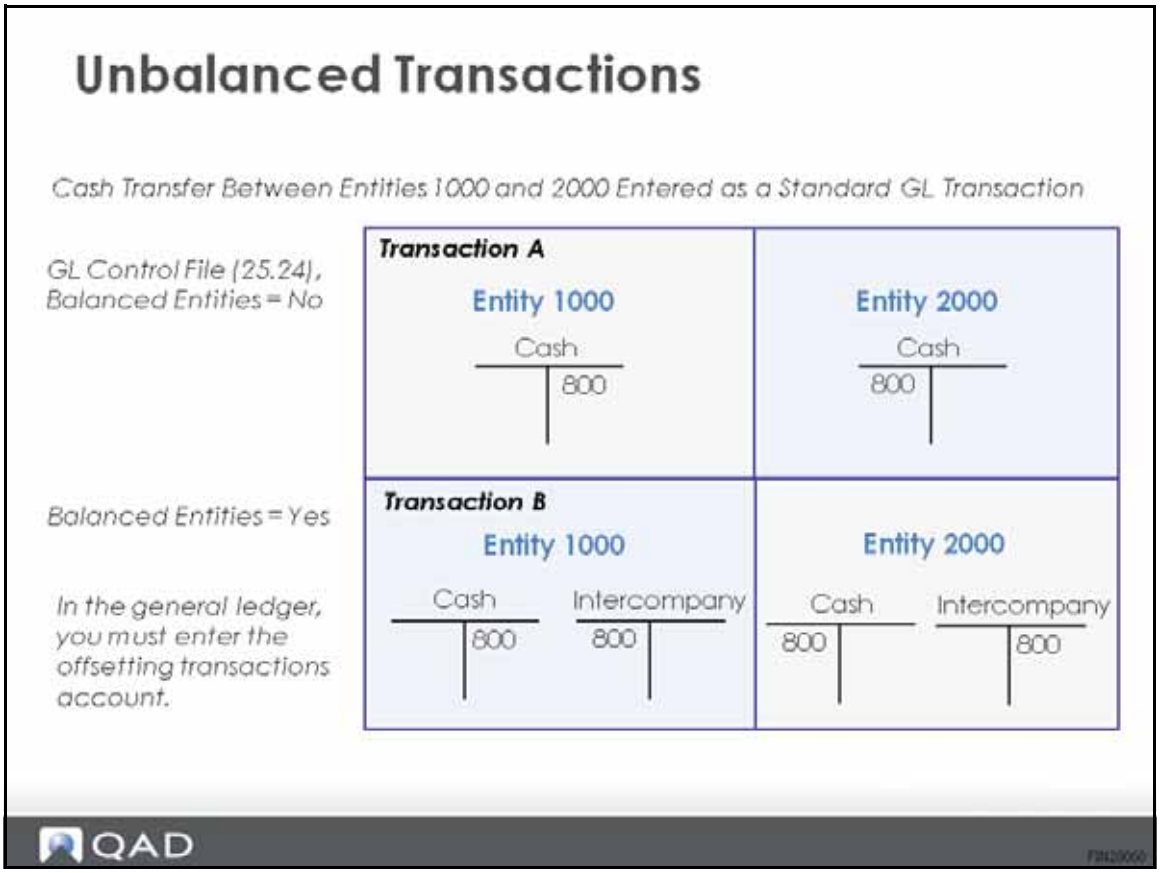
When you record a GL transaction in a multi-entity domain, the system assumes that the transaction applies to the primary entity designated in Entity Code Maintenance. The primary entity is the default entity for transactions created in the General Ledger module.

If the majority of transactions during a day are for an entity other than the primary entity, you can change the default entity for the duration of the user session using Current Entity Change. If you change the current entity, all your GL screens default to this entity.

The change does not affect other users logged onto the same database, and once you log off the system, the current entity reverts to the primary entity. Also, the change affects only transactions created in the General Ledger module; all other transactions still default to either the entity associated with the site, on transactions that update inventory) or the system entity from Domain/Account Control.

QAD SE has another function that deals with entity codes called Entity Code Change, which is used to change entity codes on previously posted GL transactions. An occasion when you might use it is if your company is acquired by another company and the new management wanted a different entity code used. *Do not use Entity Code Change to change the current entity for a user session!*

Unbalanced Transactions



Transaction processing in a multi-entity/single-domain environment is the same as in a single-entity company. However, an important consideration is keeping your GL transactions balanced.

Continuing the previous example, suppose the accounting department transfers cash from entity 1000 to entity 2000. Cash would be credited at entity 1000 and debited at entity 2000 (see transaction A above). Therefore, the debits and credits between entities would balance. However, within each entity there would be no corresponding counter entry unless you debit and credit the intercompany accounts as illustrated by transaction B.

To prevent unbalanced transactions within an entity, QAD SE automatically creates balancing entries for the appropriate inventory, AP, or AR intercompany account (see the example in the slide).

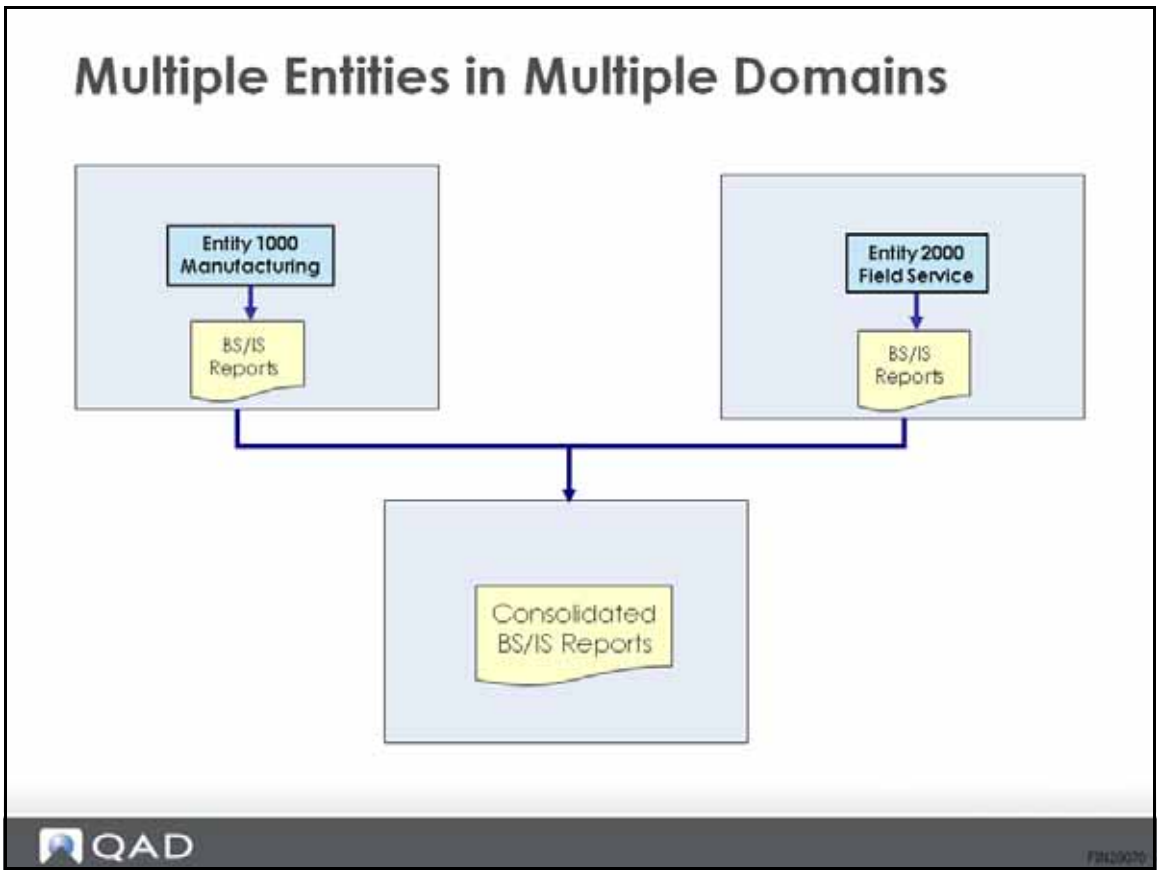
To prevent unbalanced transactions across entities, such as deleting intercompany balancing transactions in the general ledger, QAD SE has a safety feature called the Balanced Entities field in General Ledger Control.

If the Balanced Entities field is set to Yes, you cannot post transactions that created unbalanced entities. A warning message appears and you must rebalance the transaction manually. (Unbalanced transactions across entities can occur during manual GL entries. You need to balance these figures before they are entered.)

If the Balanced Entities field is set to No, transactions post without a warning message. Unbalanced entities prevents you from printing balanced statements by entity. You can only print consolidated statements.

For several reasons, storing several entities in the same database is not always practical, advisable, or even possible.

Multiple Entities in Multiple Domains



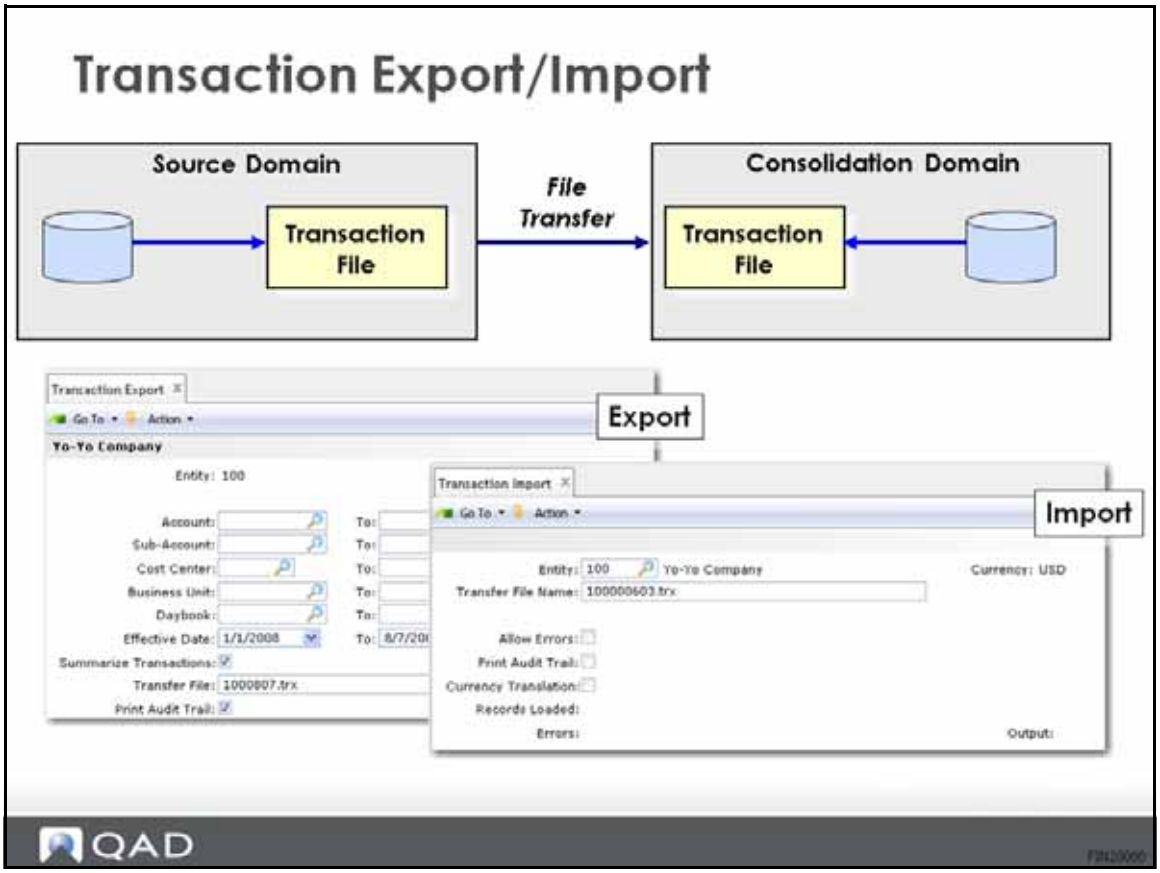
Multiple-entity businesses usually use multiple domains for several reasons.

In QAD SE, separate domains are required whenever the entities have different base currencies, charts of accounts, and GL calendars.

A business may also use multiple domains if the company sites are physically separated or a single domain is used for separate activities. In the above example, separate domains are used for manufacturing and field service, and consolidated corporate reporting is done from a third domain.

Refer to *User Guide: Master Data* for more information on domains and databases.

Transaction Export/Import



After you finish all the period-end transaction processing and reporting in each source domain, export the posted transactions to an ASCII file using Transaction Export. An export file name can have a maximum of eight characters in the format <entity><MMDD>.trx.

Then transfer this file to the working directory of your consolidation domain. If the consolidation domain also uses QAD SE, import the exported transactions using Transaction Import.

When exporting and importing files between domains in different countries, make sure that both the export and import databases are using the same date format. For example, if your export domain uses DD/MM/YY (day/month/year), the import domain must also use DD/MM/YY.

Consolidation at Export

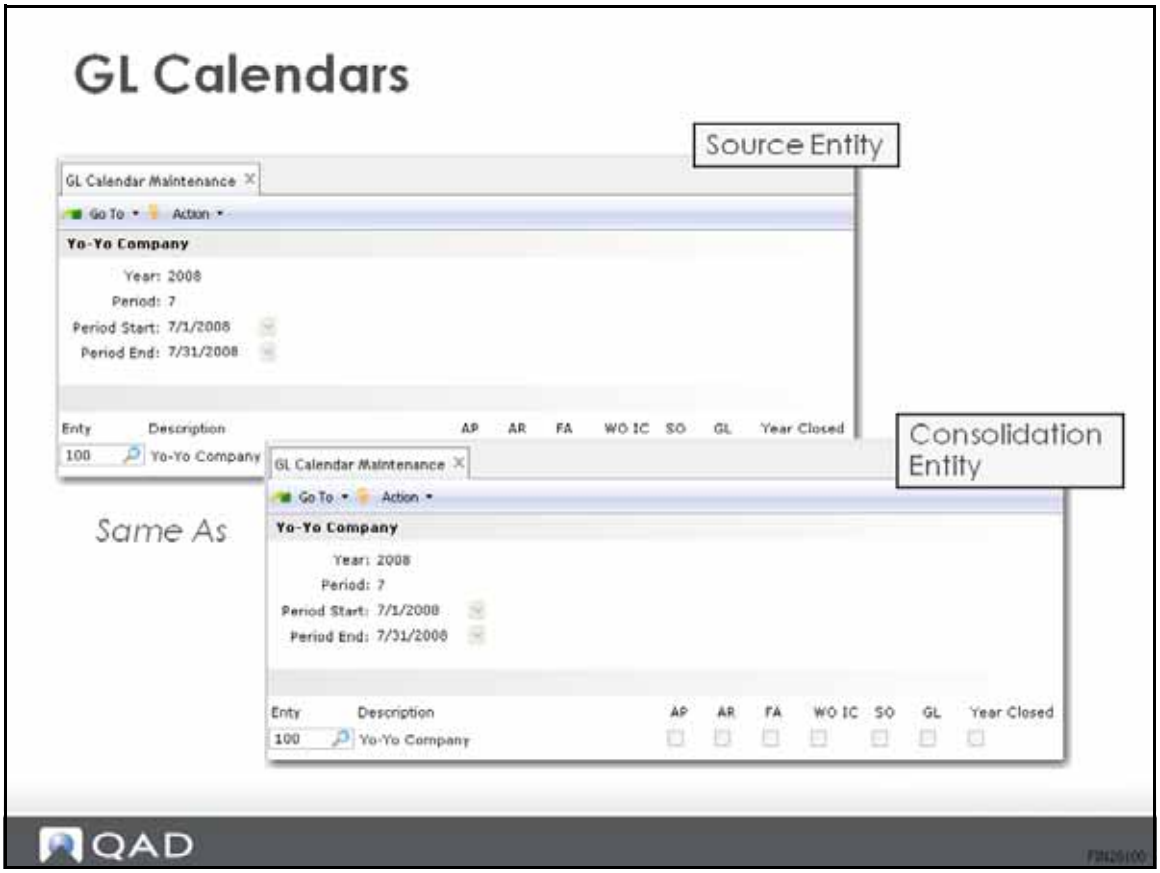
By default, the export consolidates the exported transactions to preserve database space. (However, you should not consolidate when you are exporting transactions for foreign currency accounts.)

Consolidation creates a single transaction in the format CS<*M*>*YY*><*transaction number*> whose effective date is the last day of the period associated with the original transaction's effective date. For example, if the original transaction had an effective date of July 7 and the GL period ended on July 31, the CS transaction would have an effective date of July 31, not July 7. (When you export in detail rather than consolidated mode, the original transactions are exported at the original effective date.)

In the consolidation domain, Transaction Import assigns all imported transactions (both consolidated and detail) a GL reference number of XX<*M*><*YYMMDD*><*transaction number*>. In the example, the imported transaction is XX940707000005.

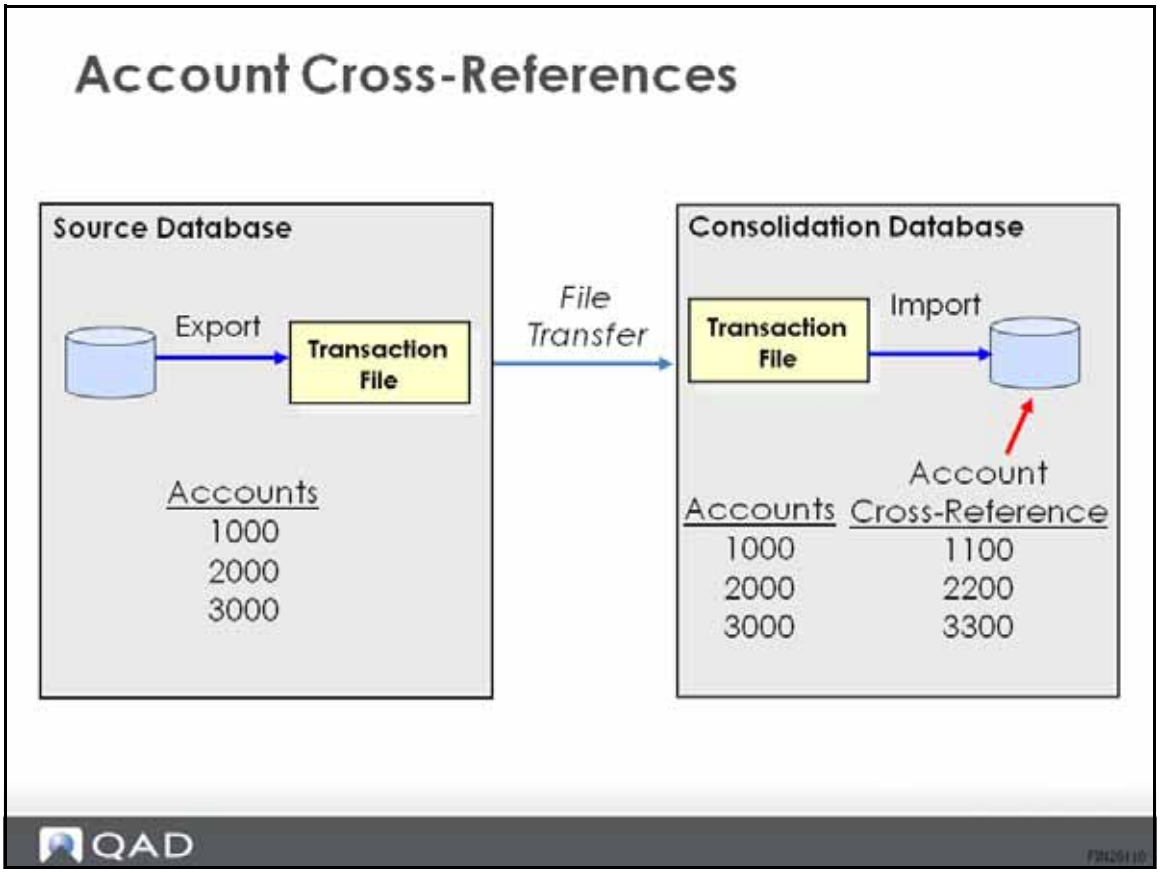
Important Make a backup of your system before you export or import transactions. Once you have transferred the transactions for the period, you cannot re-export or re-import them; however, you can still run reports on the transactions in the source domain.

GL Calendars



When transactions are exported and imported between entities, the source and target entities must have the same GL calendar setup for the import to work correctly. However, you can close and open calendar periods individually within each entity.

Account Cross-Reference



Use From-Account Cross-Reference Maintenance (25.19.4) to create relationships between accounts in different entities to be used during transaction import and GL consolidation:

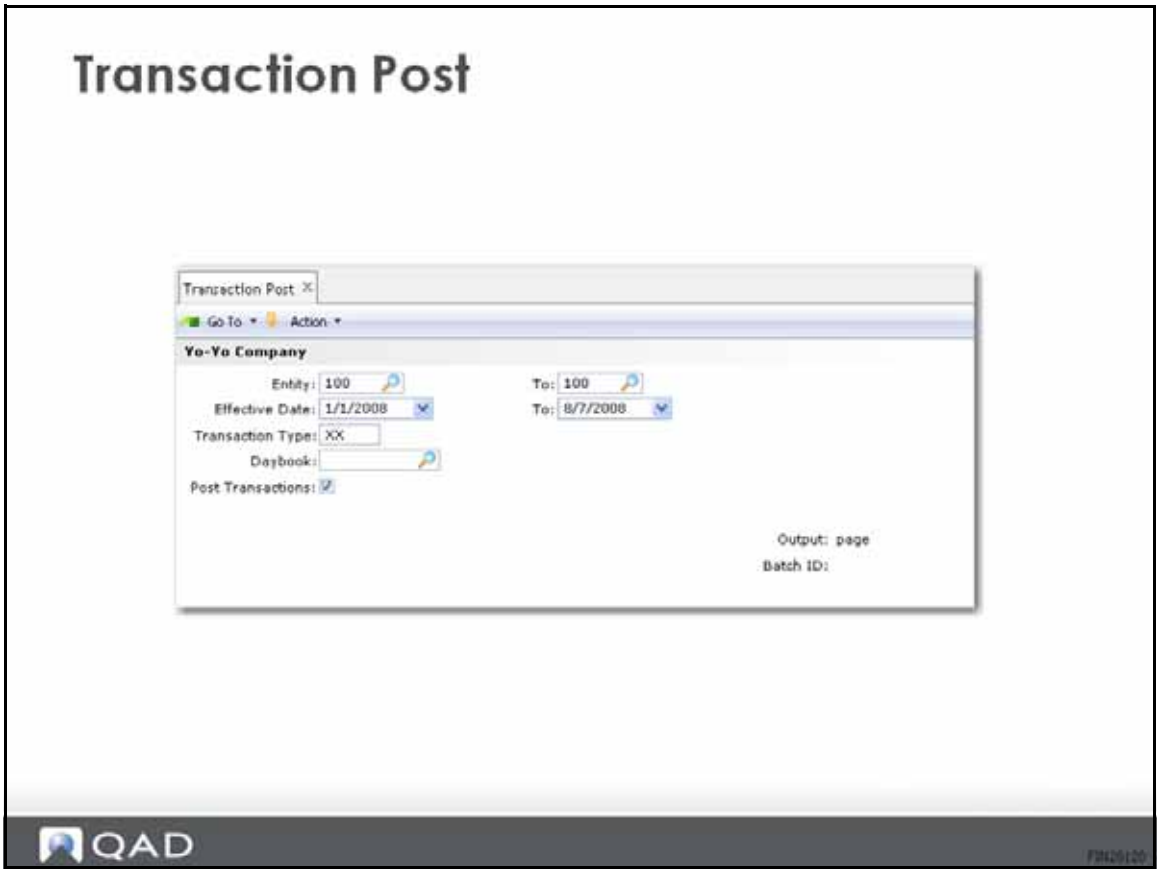
- Transaction Import uses this data to map accounts associated with GL transactions created for an entity in a source database to accounts for the same entity in the target domain and database.
- GL Consolidation uses this data to post transactions from a subsidiary entity and domain within the current database into the correct corporate accounts in the consolidation entity.

The validations for the entity and account fields vary depending on the type of cross-references you are setting up:

- For Transaction Import, the subsidiary entity and To accounts must exist in the current domain. From accounts are not validated since they are in a different database.
- For GL Consolidation, the subsidiary entity must exist in the subsidiary domain as defined for the consolidation set defined in Entity Code Maintenance. From accounts are validated in that domain and To accounts are validated in the current working domain.

During import or consolidation, the system reads the account, sub-account, and cost center from the source transaction and looks for a match in the cross-reference table of the consolidation entity's domain.

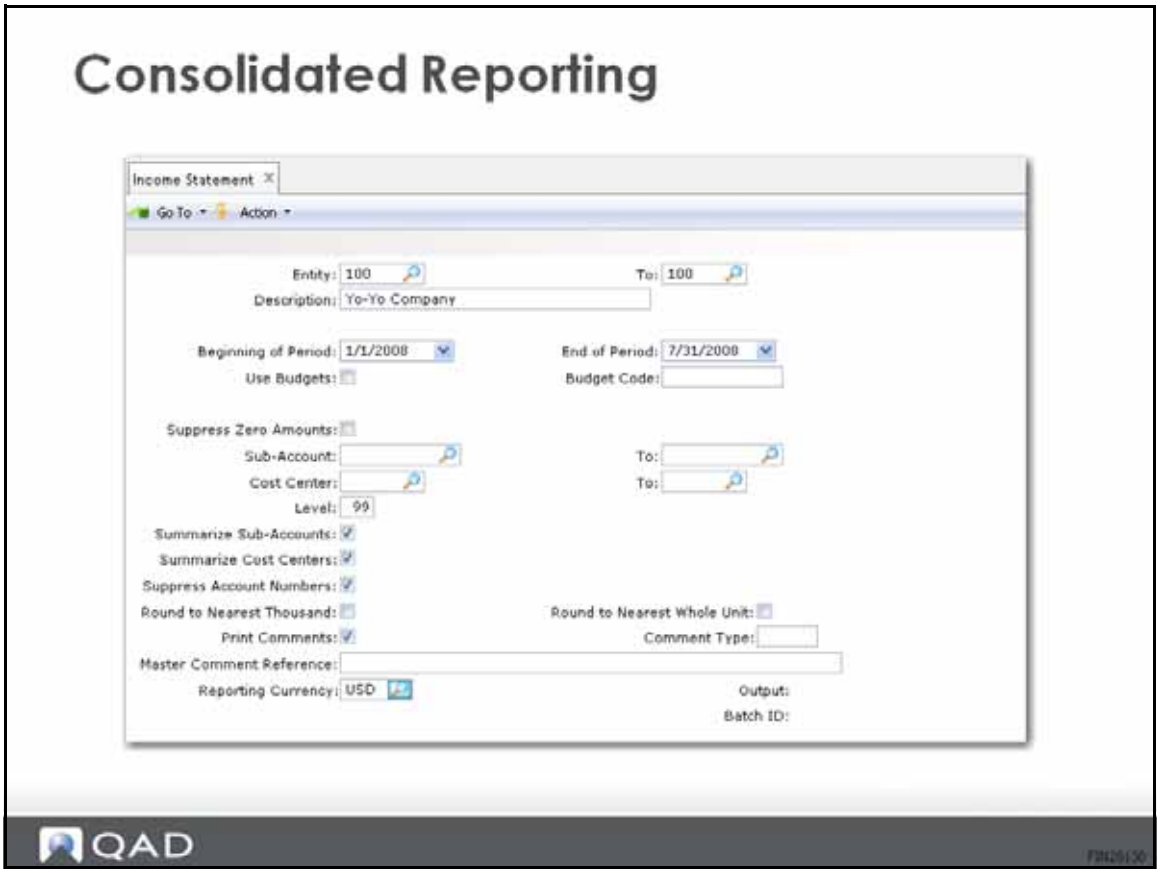
Transaction Post



After you import the transactions into the consolidation domain, you then have to post them before they are included in reports. Imported transactions are not automatically posted by the import—this gives you a chance to edit or delete them prior to posting.

For convenience, Transaction Post is also accessible from the Transaction Import/Export menu. Imported transactions can be selected for posting using transaction type XX.

Consolidated Reporting



When you have imported and posted transaction information from all entities, you can generate consolidated reports. To print consolidated financial reports in QAD SE, enter the entity range in the report selection criteria.

When you specify an entity range on a report, all entities in the range are included. For example, suppose your company has the following subsidiaries:

North America	Europe
United States	France
Canada	Spain
	Italy

In order to print a separate consolidated report for the European subsidiaries, the American and European entity codes must have separate number ranges (for example, 1000-1999 for American subsidiaries, 2000-2999 for European).

Exercise 20: Consolidated Income Statements

In this exercise, you will print a consolidated income statement.

Income Statement

1 In Income Statement (25.15.13), enter the following data

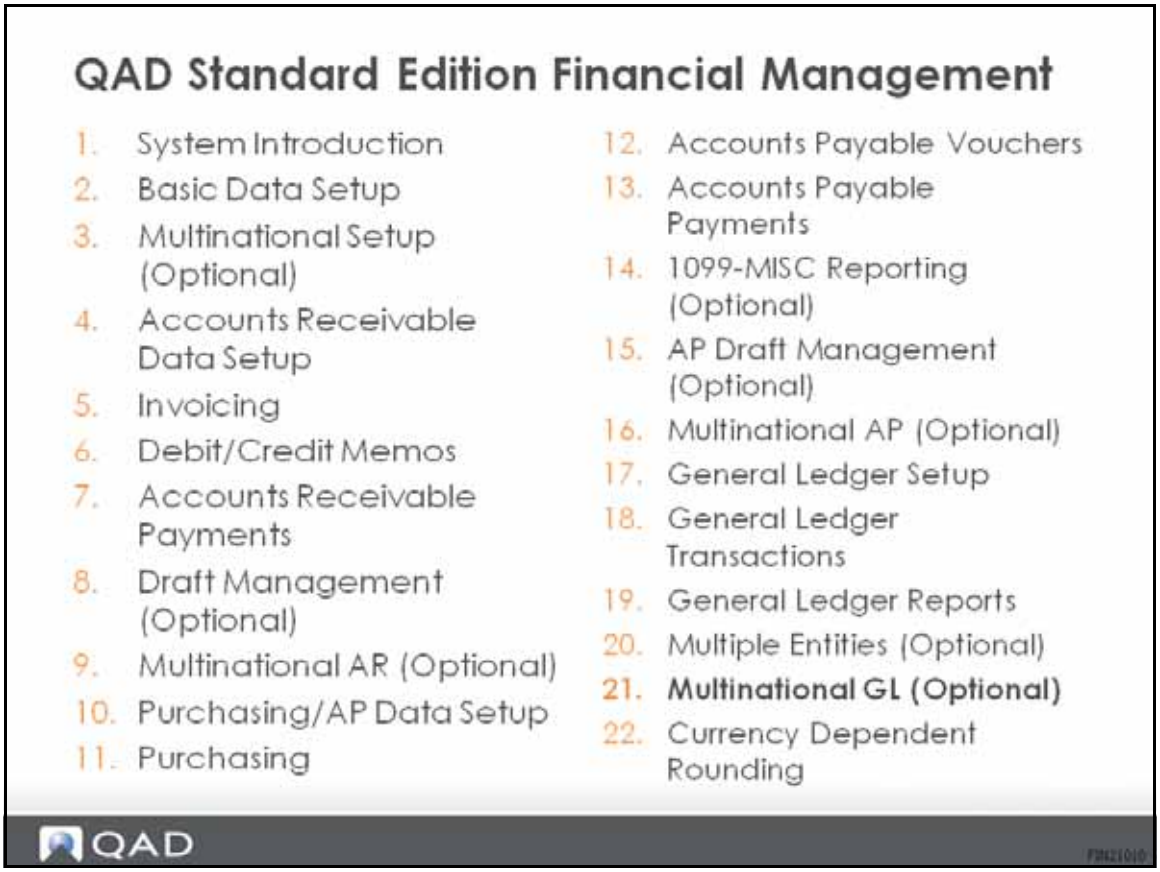
Entity:	T100 to T200
Beginning of Period:	Current Period
End of Period:	End of Period

2 Compare this to the income statement printed previously for entity T100. Notice how QAD SE consolidated the account balances.

Chapter 21

Multinational GL

Overview



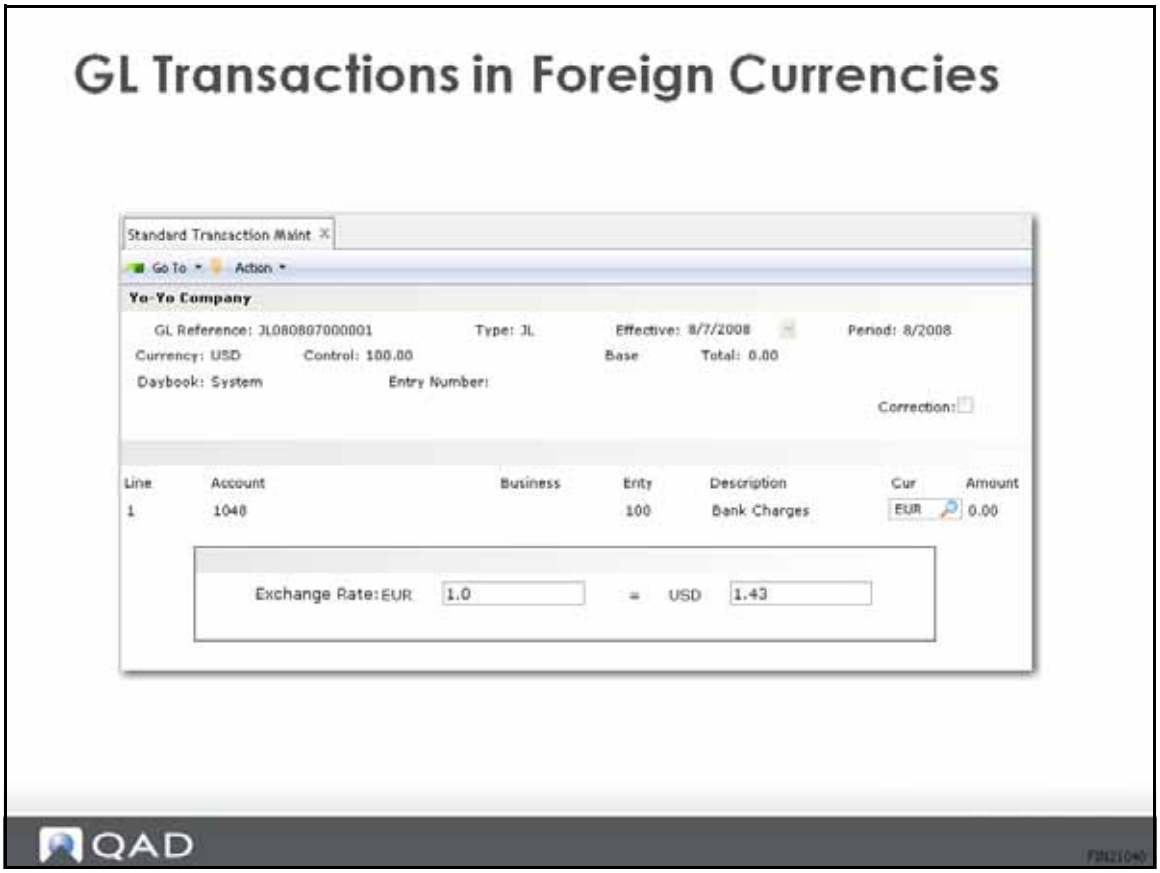
Earlier, we covered AR and AP transaction processing in multiple currency environments. In this lesson, we see how exchange rate fluctuations affect the general ledger. In addition to multiple currencies, we show how GL reporting is consolidated between multiple databases and entities and discuss how exchange rate fluctuations affect account balances.

Currencies are defined at the system level in your application database. You must have at least one currency defined and specified as the base currency for each domain in Domain/Account Control. Other setup is required if you use foreign currencies or if you have multiple domains with multiple base currencies.

Foreign Currency Accounts

Since each domain can have its own chart of accounts, the accounts associated with a currency may vary from one domain to another. Use Currency Account Maintenance (26.7) to define the six accounts associated with each currency in the current working domain. These accounts default from Domain/Account Control, so if the default accounts are acceptable, this step is not required.

GL Transactions in Foreign Currencies



On GL transactions, you can enter control totals to promote accuracy in data entry. A warning message displays if the debit total for the transaction does not match the control total.

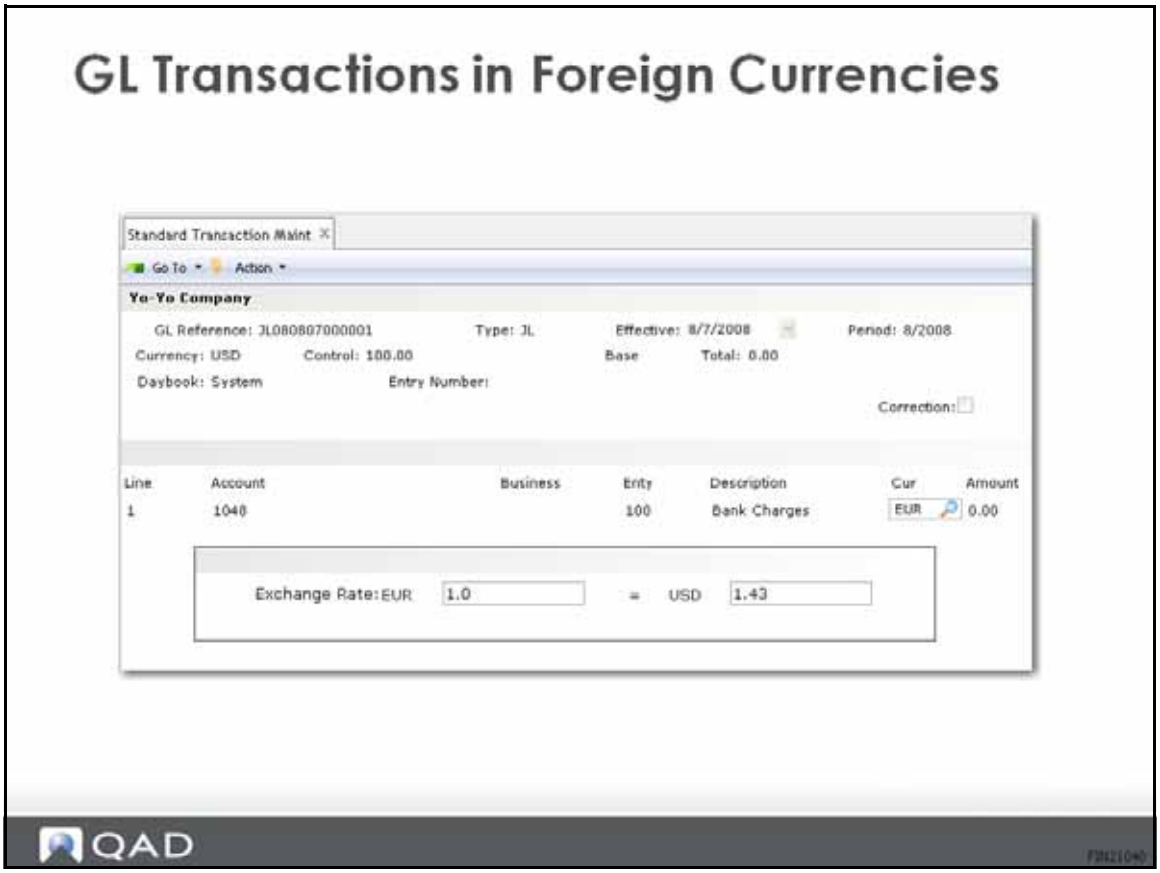
If you are recording the entire transaction in a foreign currency, enter the batch total in terms of the foreign currency. The system lets you enter batch totals in base currency, but you get a warning message that the debit total does not equal the control amount.

If you record a transaction in a currency other than the account currency, a warning displays telling you that the system is converting the amount to the account currency.

A pop-up window displays the default rate for the transaction's GL effective date and allows you to override it with a spot rate. You should specify a spot rate whenever the actual exchange rate is known (for example, if the bank specified a conversion rate on the statement).

Whenever you enter a transaction with a foreign currency amount, you see: `Warning: Amount in base currency is amount < >`. This message shows you how the foreign currency amount converted to base currency. This is the amount that goes into your financial statements, as you see next.

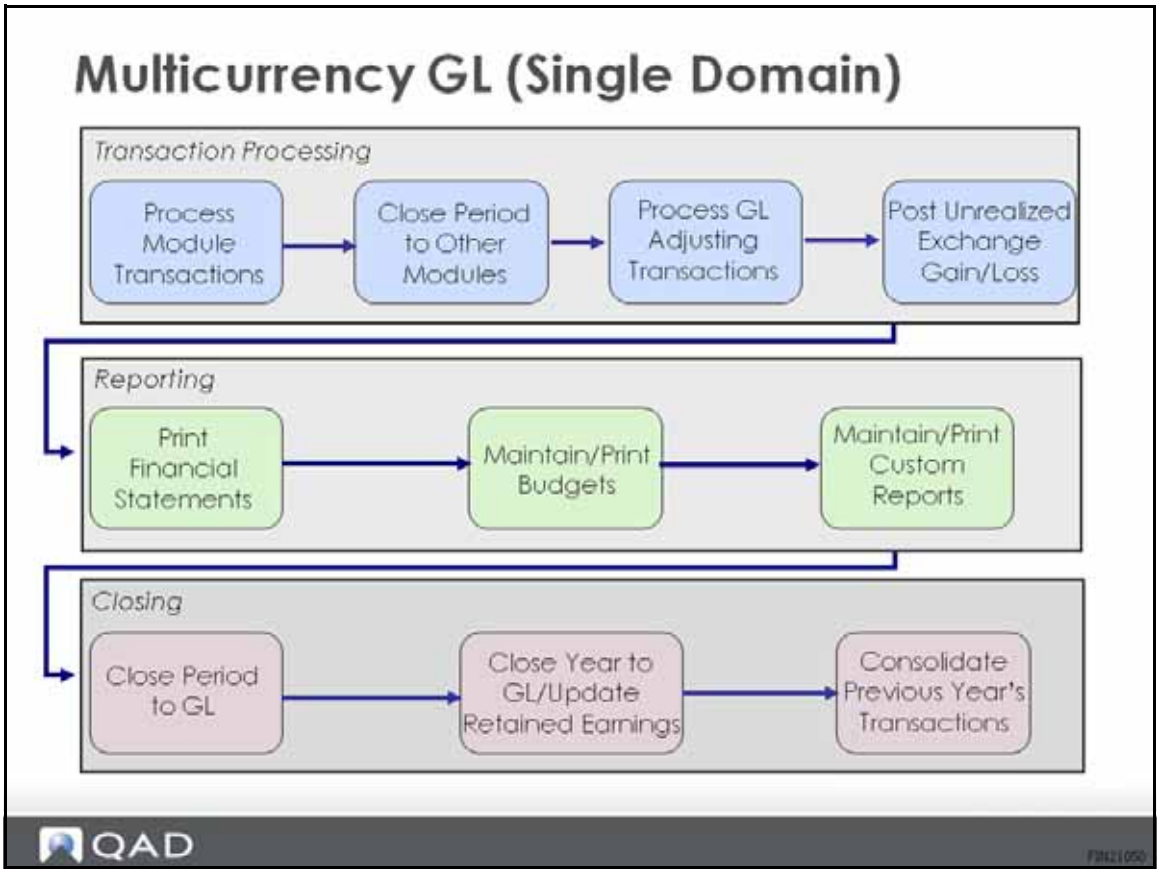
Multicurrency GL (Single Domain)



In multicurrency environments, additional GL processing is required to account for exchange rate fluctuations, ensuring that foreign currency amounts are accurately represented in financial reporting.

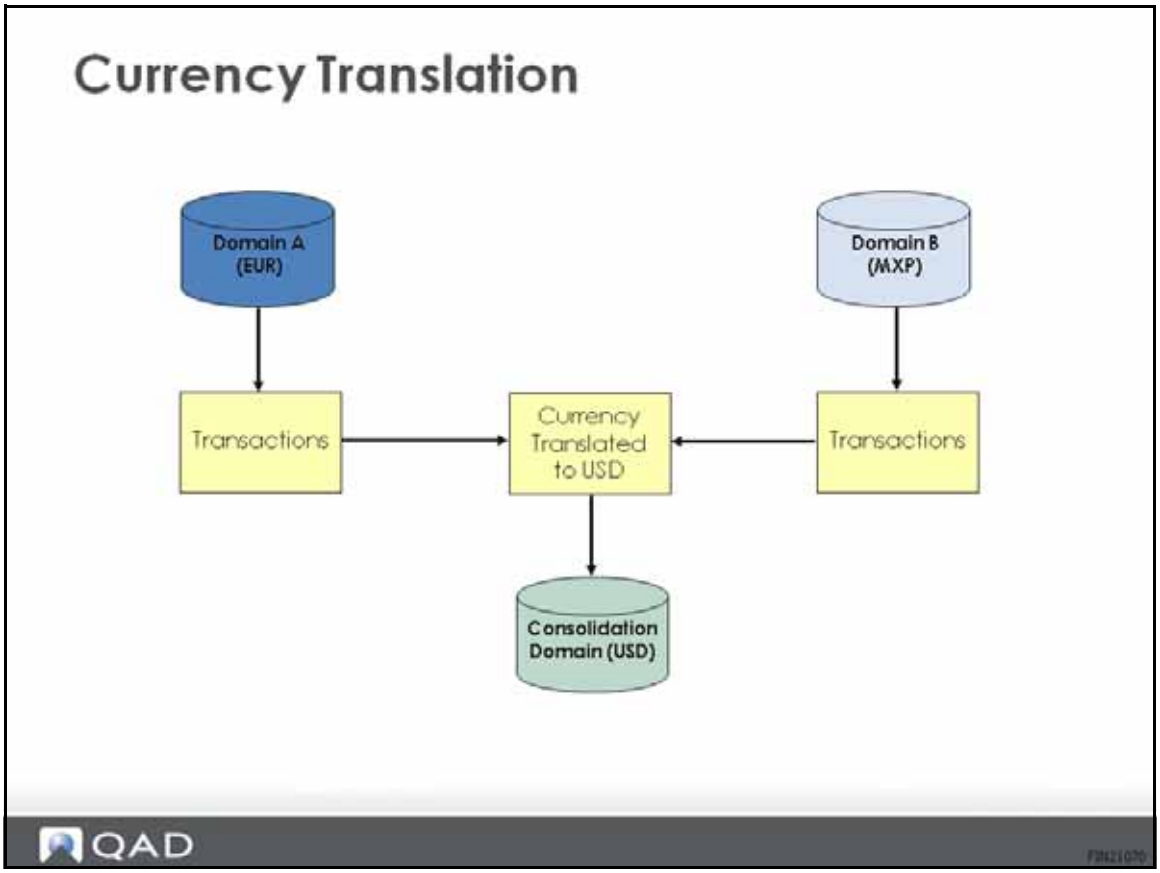
The additional processing required depends on whether you are operating in one or multiple domains. In a single-domain environment (as shown above), all you must do is calculate and post transactions for unrealized exchange gain/loss. When exchange rates fluctuate, the values of foreign currency GL accounts (primarily AR, AP, and cash) also fluctuate relative to your system base currency. This is known as an unrealized gain/loss because a true gain or loss is not realized on these amounts until they are disposed—that is, until cash is received or paid.

Multicurrency GL (Multiple Domains)



In multi-database environments, you still calculate and post transactions for unrealized exchange gain/loss. Periodically, you also recalculate foreign currency transactions you have imported from other domains, because their values also fluctuate relative to the base currency of the consolidation domain.

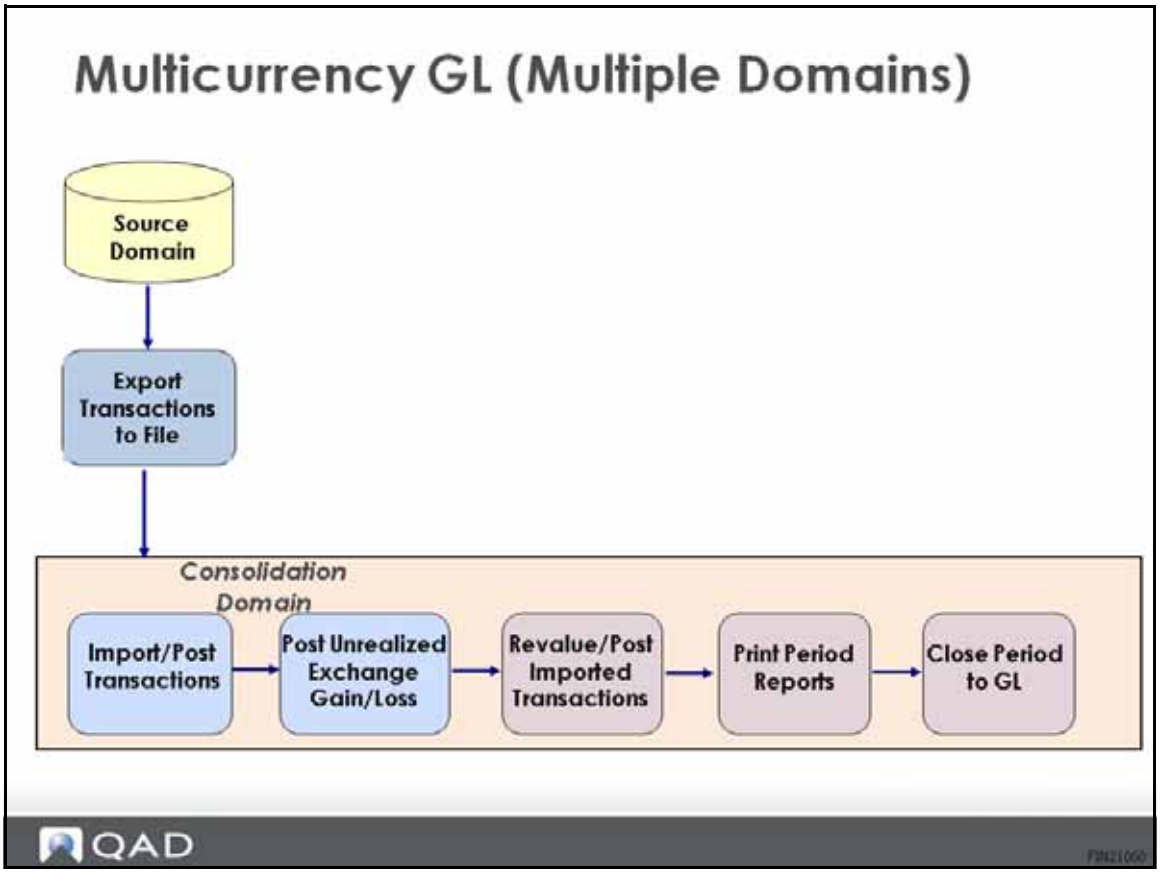
Currency Translation



In companies with multiple entities or domains, a number of currencies can be used for transactions, with charts of accounts in the different entities including the appropriate non-base currency accounts. However, for consolidated financial reporting, all transactions must be valued in the same currency. This is done either when transactions are imported by the consolidation domain or when GL Consolidation is run when the entities are in domains in the same database. The translation converts the source transaction amounts to the base currency in the consolidation domain using the translation index associated with the account.

A US company has subsidiaries in France and Mexico. The domains in the French and Mexican databases each maintain accounts in currencies other than the US parent entity base currencies. When the US consolidation domain imports transactions from the French and Mexican entities, the system translates transaction amounts to USD. Since account codes in the US domain are different, that domain first cross-references the accounts, then translates the currencies.

Foreign Exchange Revaluation



As noted earlier, some balance sheet accounts (primarily AR, AP, and cash) may be held in foreign currencies. The system maintains balances for these accounts at their historical rates. A true gain or loss is not realized on these amounts until they are disposed; that is, when cash is received for a receivable or when cash is paid for a payable. Likewise, gains or losses are not realized on cash accounts until they are closed or transferred to a base currency account. Therefore, the actual value of foreign currency accounts at the current exchange rate may be quite different from the value at the historical rate.

To ensure that unrealized gains and losses are accurately represented on the balance sheet, you execute the Foreign Exchange Revaluation every period prior to printing your statements.

Foreign Exchange Revaluation calculates the value of foreign currency amounts using the current exchange rate and creates unrealized gain/loss transactions. The transactions that are created vary depending on whether the debit/credit entries for each transaction are in the same or different currencies. Above, we show the transactions that are created when the currencies are the same.

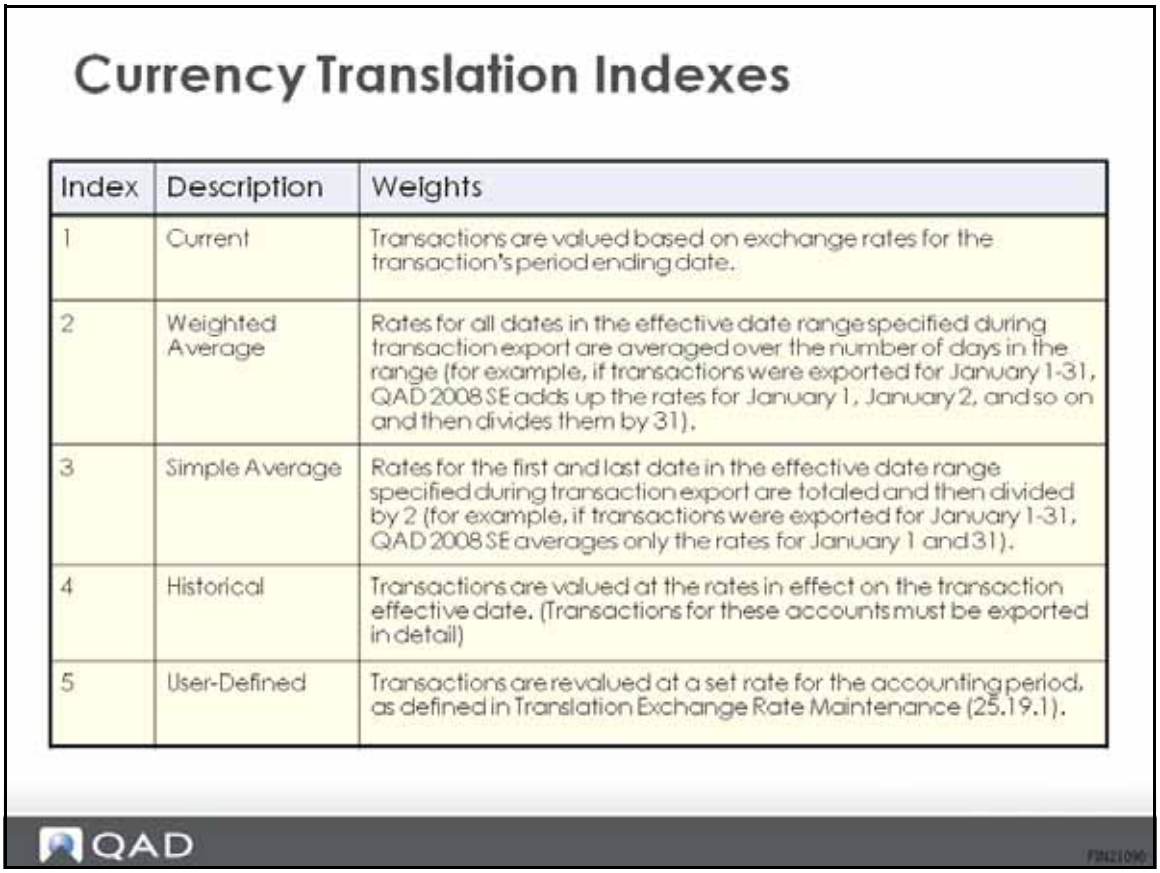
If the debit/credit entries of the transaction to be revalued are in different currencies, the revaluation creates an adjusting entry for the Unrealized Exch Gain/Loss Acct in General Ledger Control

After reviewing the revaluation transactions (and deleting any extraneous transactions), you post them. Revaluation transactions are type FX.

Once you execute the revaluation for a specific date, you cannot rerun it.

Note The revaluation function revalues all foreign currency accounts using the current exchange rate. If you hold fixed assets in foreign currencies, fixed asset accounts are also revalued. Prior to posting, you must manually delete the revaluation transactions for fixed asset accounts (and any other accounts whose balances should be valued at the historical exchange rates) using GL Transaction Delete/Archive or Standard Transaction Maintenance.

Translation Indexes



The slide shows the indexes used for currency translation. The account's currency translation index must be the same in each database. For example, an index 1 (current) account in the source database must be translated to an index 1 account in the consolidation database.

Transactions for 1 accounts are translated using the exchange rate for the period ending date of the transaction's effective date. For example, if the transaction's effective date is March 15 and the period ending date is March 31, the transaction is translated using the March 31 exchange rate.

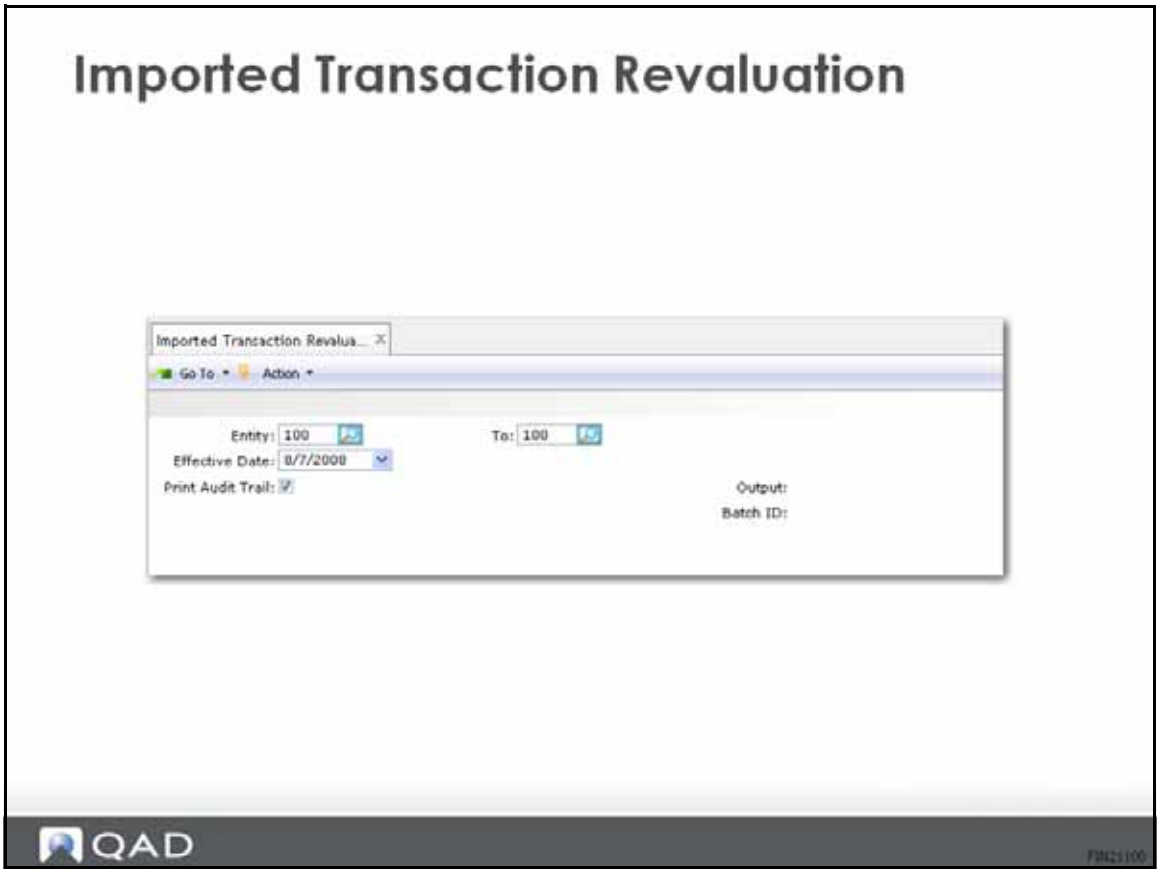
The fifth currency translation index is User-Defined. On these accounts, transactions are revalued at a set rate for the accounting period. User-defined rates are set up by account, sub-account, and cost center in Translation Exchange Rate Maintenance. Translation exchange rates are maintained on the consolidation database.

GL Entries for Currency Translation

A translation adjustment is calculated if the exchange rate for the period ending date of the export transaction is different from the effective date of the original transaction. A translation adjustment is also calculated if only one of the GL entries in a transaction requires a currency translation.

During the post, this adjustment updates the translation adjustment account for the consolidation entity. The choice of financial statement is specified for the entity, and the account for posting the translation adjustment is specified in the control program.

Imported Transaction Revaluation



Even after transactions are imported and posted in a consolidation database, the values of some transactions fluctuate, namely, those for accounts with the currency translation index of 1 (current).

Therefore, at the end of every period, you must also revalue all previously imported transactions for these accounts using the Imported Transaction Revaluation. This function revalues only accounts that are in the base currency of the consolidation database—it does not recalculate accounts held in foreign currencies.

The revaluation creates type XY transactions that must be reviewed and posted. In addition, like currency translation, Imported Transaction Revaluation creates additional GL adjusting entries to compensate for imbalances.

Chapter 22

Currency-Dependent Rounding

Overview

Currency Dependent Rounding (CDR) lets you round monetary amounts in a manner consistent with a given currency. You can apply appropriate rounding methods to each currency involved in a multiple currency transaction.

CDR affects both the value and presentation of monetary transaction amounts. In some countries, it is a legal requirement. For example, in Japan and Brazil, the local currencies round to zero decimals, while in Switzerland, the local currency rounds to the nearest 0.05 Swiss francs.

Features

- Document amounts are rounded according to the document currency.
- At data entry, currency amounts are validated to conform to the document currency format. For example, when entering a voucher in Japanese yen, QAD SE does not allow the user to enter an amount with decimals.
- Amounts are saved in the rounded form so totals and account balance updates are accurate.

Terms

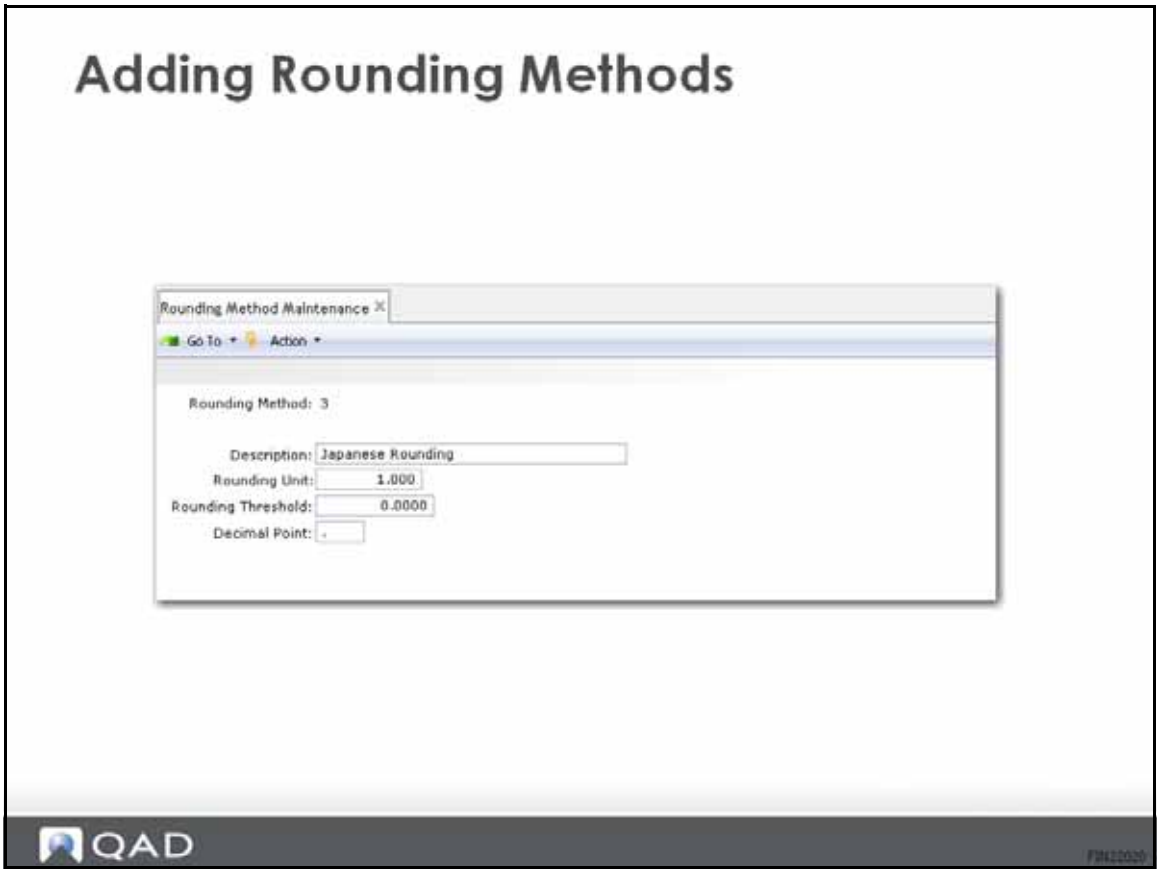
Rounding Unit

The amount is rounded to a multiple of the rounding unit specified here. For example, for US dollars, the rounding unit is equal to 0.01; for Swiss francs, the rounding unit is equal to 0.05.

Rounding Threshold

Enter the number at which monetary values are rounded up. This number must be less than the number entered for the rounding unit. For example, if the rounding unit is 0.001, entering 0.0025 for the rounding threshold tells the system that decimal values of 25 ten-thousandths and higher are to be rounded up to the nearest one-thousandth.

Setting Up Additional Rounding Methods



Use Rounding Method Maintenance (36.2.9) to set up additional rounding methods if those in the CDR conversion program do not meet your needs.

Account. Enter a code (maximum eight characters) identifying the account.

Rounding Method. Enter an alphanumeric code identifying the new rounding method to be created.

Description. Enter a description of the rounding method.

Rounding Unit. The amount is rounded to a multiple of the rounding unit specified here. For example, for US dollars, the rounding unit is equal to 0.01; for Swiss francs, the rounding unit is equal to 0.05.

Rounding Threshold. Enter the number at which monetary values are rounded up. This number must be less than the number entered for the rounding unit. For example, if the rounding unit is 0.001, entering 0.0025 for the rounding threshold tells the system that decimal values of 25 ten-thousandths and higher are to be rounded up to the nearest one-thousandth.

Amounts are rounded based on their absolute value. For example, –9.99 is rounded the same as 9.99.

Decimal Point. Enter the character to be used as the decimal point in monetary values.

Rounding Examples

In the following example, the rounding threshold in thousandths determines how the amounts are rounded to the nearest hundredth.

Rounding Unit = 0.010

Rounding Threshold = 0.0050

Amount to be Rounded	Rounded Amount
1,234.454	1,234.45
1,234.455	1,234.46

This example demonstrates rounding during processing. The extended price is calculated before the rounding unit and threshold are applied. The whole number in the Stored Amount column is the number stored for the sales order line.

Rounding Unit = 1.0

Rounding Threshold = 0.50

Sales Order Line	Quantity	Unit Price	Extended Price	Stored Amount
1	100	1.114	111.40	111.00
2	200	5.132	1,026.40	1,026.00
Total:			1,137.80	1,137.00

Applying Rounding Methods

Exercise 21: Currency Dependent Rounding

In this exercise, you will:

- Verify the rounding method for base currency
- Set up a new rounding method
- Set up a new currency
- Process a purchase order
- View Voucher Maintenance

Currency Maintenance

1 In Currency Maintenance (26.1), verify the Rounding Method field is set to 2 for base currency USD (US dollars).

Rounding Method Maintenance

2 In Rounding Method Maintenance (25.21.12.1), enter the following:

Rounding Method:	9
Description:	New Method
Rounding Unit:	5.000
Rounding Threshold:	0.500
Decimal Point:	, (Comma)

Currency Maintenance

3 In Currency Maintenance (26.1), enter the following information, accept all other defaults:

Currency:	<use your initials>
Rounding Method:	9

Exchange Rate Maintenance

4 In Exchange Rate Maintenance (26.4), enter an exchange rate for your new currency, relative to the base currency.

Beg Date:	today
End Date:	today
Exch Rate:	1.00000

Purchase Order Maintenance

5 In Purchase Order Maintenance (5.7), create a new purchase order, noting the PO number. In the header, enter the following information, accepting defaults for all other fields:

Supplier:	5001000
Currency:	New Currency Code
Fixed Price:	Yes

Enter in the pop-up window	
Fixed Rate:	Yes

6 In the line item section, add two line items using the following information:

Line	**1**	**2**
Site:	Train	Train
Item Number:	09-0035	10-0040
Qty Ordered:	100	200
Unit Cost:	1.134	.037

7 On the trailer screen, note the Total is adjusted for no decimal places.

8 Complete the purchase order.