



Tips and Tricks #57 - Control file and Distribution Account Defaults

In the last installment we developed a number of T-bars / T-charts to aid in analyzing a set of GL distributions. The important information in these charts is the columnar information showing the use of various accounts make-up and how they determine the transaction set.

Where do those account numbers come from? Who/what controls them and how are they chosen to appear? That is our subject matter for this discussion.

One of the major attributes of the Passport accounting system is its ability to supply and/or aid in the generation of accurate distribution accounts which control the traffic flow i.e., the distribution and classification of money going into the General Ledger. As such, accuracy in use of these accounts is of critical importance. The Passport system attempts to provide fixed account number generation, not user determined whenever possible, and default account “suggestions” with override options where not.

Generally speaking, these accounts come from three sources 1) company file and application control files, e.g. AP Control file, 2) master files in each application; the AR Customer file, and 3) operator entry or override of defaults. In addition, these accounts are used in a hierarchical fashion, meaning that the account numbers in a control file are the values that are defaulted into the building of a master file or transaction record. Then the master file will have account numbers (some defaulted from the control files) and others entered into the master file and these together will be fed into transactions based on that master file using the defaulting entries. So, the flow is Control file to Master file to Transaction file. Finally, whatever the defaults that are fed into a particular transaction (e.g. an A/P voucher or an A/R cash receipt) some of these may be overridden by the operator but some will be system defined requirements and can't be changed by the operator. A series of examples below will hopefully illustrate these items.

Technical Note

Starting with V12.05 and continuing in V12.06, a major set of changes were made across the PBS applications which extended the size and number of the name, address and other demographic field info. This also involved removing contact information from most master files and placing this data in a new, system-level Contacts file that is now used across all apps. The same principal was applied to secondary name and address data (warehouse name and address data and ship-to data), which was consolidated into another new system file – the Location file. This means that in addition to always using the graphical screen shots as examples in all these T&T's (as opposed to the “classical” character screens), we are now using V12.07 or V12.08 for screen shot examples. And, especially for

master files, the screens may look substantially different from the equivalent pre-V12.07 screens due to the reorganization of this data.

PBS System account controls

Account structure

The account structure for the entire PBS system is defined in the Company control file. Here, the number of segments, their length and whether they are alphanumeric or numeric is specified:

The screenshot shows the 'Account setup' window with the following settings:

Segment name	Size	Alphanumeric	Fill requirement	Suppress spaces
Main account	4	Allow numbers only	Fill with zeros on left	Supp <input type="checkbox"/>
Sub account	3	Allow numbers only	Fill with zeros on left	Supp <input type="checkbox"/>

Number of cost center segment: 0

Separation character: [icon]

Cost center table:

Segment name	Short name	Size	Alphanumeric	Fill requirement	Suppress spaces
					Supp <input type="checkbox"/>
					Supp <input type="checkbox"/>

Up to four segments (Profit Center 1, Profit Center 2, Main account, Sub-account) can be defined and these will be used in that sequence, PFC1 - PFC2 - Main - Sub. The structure in this example has two segments (indicated by the number of cost centers being 0). This implies only Main and Sub-accounts are used. The structure of these is:

Main account 4 (numeric digits)

Sub-account 3 (numeric digits)

All other specifications found in control files and master files that follow will use this specification. (Our example will all use the 4-3 specification above).

This setup simply sets the format for the GL account numbers. The file that contains the actual accounts is the Valid G/L accounts file (VGL). It is against the VGL that any validation of "Is this a valid GL account" will be done. The VGL file contains only the account number and name and does not accumulate any details or totals. If the system also has the General Ledger module, then the G/L Chart of accounts file is considered prior and will generally be set up so that any changes to the Chart are also made to the VGL. However, it is the VGL that is still referred to for account validation. The VGL is *always* used for validation but it is assumed the changes to the Chart will be communicated to the VGL so the validation is current and legitimate. There is a setting in the GL that automatically updates the VGL whenever there is a change to the Chart of accounts which eliminates the possibility of them going out of sync.

Accounts Payable application

Accounts Payable Control file (A/P / Master information/Control information)

This is the portion of the control file (first tab) specifying accounts used elsewhere in the AP module:

Default accounts	
A/P account	2000-000 Accounts Payable
Cash account	1000-000 Checking
Discount account	6100-000 Allowances/Discounts
Distribution account	2100-000 Uninvoiced Inventory/Liability

Aging

Age by

Number age days period 1 Aging period 1 description

A/P account. This is the liability account that typically offsets the “expense” side of the voucher transaction. It is a form of clearing account, holding the value of unpaid vouchers until they are paid. Although the Passport system allows for multiple A/P accounts to be used, each vendor can only be assigned one A/P account and this account is fixed for the life of this vendor account. This means that any transactions involving an A/P account for this vendor will automatically use the account (e.g. credit side for vouchers and debit side for checks.). An A/P account must exist in both the Valid G/L (VGL) account and a special account file, the A/P accounts file (see below). The sequence of use is to ensure the A/P account is in the VGL, then check that it has also been added to the A/P account file and then it can be added to the control file.

Cash account. This account, which must be previously defined in the Cash Accounts file in the CTL section of the system, provides the default account for any A/P transaction involving cash, including manual and non-AP checks, as well as cutting checks in A/P. This account can be overridden at check print or transaction time to use an alternate cash account (however the alternate must also be defined in the Cash Accounts file.)

The next two accounts provide defaults that feed the corresponding fields in the vendor master record. When creating a vendor, these two values are defaulted into the vendor record but can be overridden.

Discount account. Account for any calculated or entered discounts off the entered cost.

Distribution account. This account’s name is so general that it is not really descriptive. The account corresponds to either the expense account used

when purchasing expendables, the inventory account if the inventory module is *not* being used and vendor invoices for inventory are being recorded at AP voucher time and, finally, a clearing account – the UIR UnInvoiced Receivings account - if inventory or purchase orders are being used. (See the prior T&T#56 for details on the UIR account). Because there are so many possible categories of distributions this account can be used for, it is generally referred to as the “expense side, distribution account”, the offset to the (A/P) liability account.

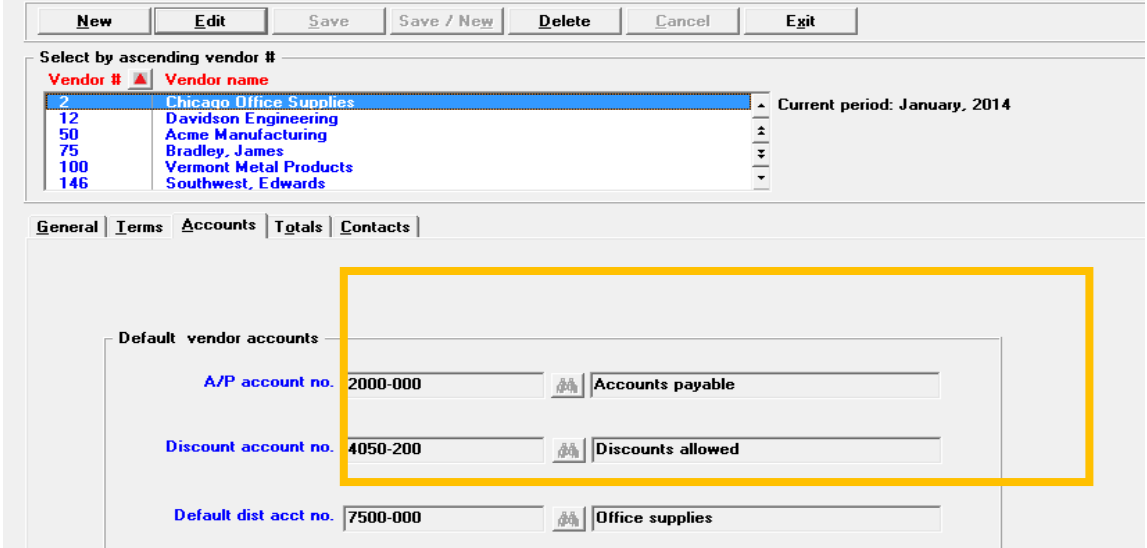
Keep in mind that these two entries are only the default values “suggested” for building a new vendor.

Accounts Payable Accounts file

Any A/P Liability account must have an entry in this file in order to be used as a liability account (as above). Since Passport supports multiple A/P Liability accounts there will be one entry in this file for each valid A/P account, i.e. the account entries in this file merely certify that these accounts are valid as liability accounts (as above). The only editable field in the file is a comments field available to add descriptive info regarding use.

Vendor Master file accounts


The vendor master entry for all vendors has Tab 3 devoted to account number defaults for that particular vendor:



Keep in mind that these entries apply only to this vendor. The first is the A/P Liability GL account to be used for any transactions that generate an A/P Liability distribution. The second (“Discount account no.”) and third (“Default dist acct no.” – the “expense-side” distribution account) are default values that will appear in the voucher distribution screen when allocating

the cost of a voucher for this vendor to appropriate GL accounts. The program provides these as function-key options to save you having to type them.

One very important point that has been previously discussed: Debiting the expense side distribution account can represent a number of different types of “expense”. In the case of the above screenshot, the debit will be directing the cost to be posted to a “true” expense account – Office Supplies. However, the following:



The screenshot shows a form titled "Default vendor accounts" with three rows of data. Each row consists of a label, a text input field containing a number, a small icon, and a text input field containing an account name.

Label	Account No.	Account Name
A/P account no.	2000-000	Accounts payable
Discount account no.	5050-100	Purchase discounts
Default dist acct no.	1440-000	Uninvoiced Receiving, IC Liab.

is the setup for a vendor who normally or always supplies inventory for the company. Assuming a Purchase Order or Inventory system is in use, the expense side entry debit will need to clear the credit to the UIR account (accrued value) created when the receiving was done. Note also that this vendor could also be used for tools or supplies but in these cases the AP clerk doing the vouchering will have to be notified that the invoice being processed is for expensed items in the standard sense and would have to override the above default valued account number to put in a true expense account - such as “tools & supplies expense”.

The above shows the locations for all/most of the GL Distribution accounts used in A/P. In the next section we will examine the Accounts Receivable situation. However, with the above as a template and overall document length as a guide, the followings sections will be in more of a point form.

Accounts Receivable application

Accounts Receivable Control file (A/R/ Master information/Control information)

Since the A/R control file is the consolidation of two older applications, it contains the distribution account number needed for both of the cash application functions, both the management of Open Items and receiving of

cash, plus the accounts needed for doing A/R Billing (previously the Professional Invoicing app - "PI").

Tab 2 – major GL accounts:

General	Account information	Calc/Dunning/Date Control	Invoicing 1	Invoicing 2
	Default A/R account	1100-000		Accounts receivable
	Default Cash account	1000-000		Cash account #13557-000
	Distribute sales	<input checked="" type="checkbox"/>		
	Distribute miscellaneous charges	<input type="checkbox"/>		
	Default miscellaneous charges account	4020-000		Miscellaneous sales
	Distribute freight	<input type="checkbox"/>		
	Default freight account	4030-000		Freight - shipping
	Discount account	5010-100		Purchases - misc. items
	Finance charges account	4070-000		Finance charges
	Default allowances account	4060-000		Sales allowances
	Process prepaid cash	<input type="checkbox"/>		
	Prepaid account	2390-000		Prebillings
	Summary post distributions	<input type="checkbox"/>		

- Default A/R account – as with the A/P account in the sister app, this default is used to feed a default value to the user while creating the default A/R account in a Customer Master entry.
- Default -Cash account – during cash receipts this will provide a default Cash account for cash receipts. This account default can be overridden during the transaction entry cycle.
- Default misc. charge account, Default freight account and Discount account – defaults provided during the creation of an invoice in the billing side of the A/R system.
- Finance charge and allowances accounts – defaults to be suggested during the cash receipts/check cashing cycle.
- Prepaid cash fields (greyed out) – fields associated with processing of Contract pre-payments and progress payments where the issue of unearned revenue has to be tracked/controlled. (A much bigger topic to be covered separately).

Tab 5 – Billing and related GL accounts:

Top left:

- Sales accounts – allow multiple sales accounts or just one – fixed/not operator changeable at transaction time.
- What sub-accounts should be defaulted – this is the suggested sub-account to be used to fill out the full distribution account number for the invoice header when entering an invoice. This means that even if there is only one sales account, different regions or product types can have their own sub-account and therefore be distinguished from other sales with the same account but with a different sub-account.

Bottom left:

- If multiple accounts are allowed, the Default sales accounts will provide a drop-down list in the invoice entry screen of accounts to be used as the revenue account.

Bottom right:

- Specialty accounts – accounts to be used as: a) the asset account to receive scrap dollars from return-to-stock transactions (replaces the inventory account that would normally be debited) and b) the accrual/clearing account to be used to hold what would have been the credit to inventory to offset the cost of sales. In this case, since the item is drop shipped no (local) inventory is touched and so the merchandise credit value is held here until reversed by a debit generated by the receiving transaction (e.g. PO receiving non-inventory items - see T&T#56).

Customer Master file (A/R/ Customers)

Only two fields are accounts related and controlling individual customers, both are on Tab 2:

The screenshot shows a software window with a menu bar (New, Edit, Save, Save / New, Delete, Cancel, Exit) and a title bar. Below the menu is a table titled "Select customer by descending customer name". The table has columns for Customer #, Customer name, Address, Zip code, and Sls rep. The first row is highlighted in blue.

Customer #	Customer name	Address	Zip code	Sls rep
ABPLA	A & B Paint Supply	PO BOX 1295 LA SALLE IL	61301	HSE
AJAPA	A.J. Anich Lumber Co.,Inc	414 S. THIRD STREET PALMYRA WI	53156	PJ
ACCEA	Accent Paint Store	6800 US HWY. 12E EAU CLAIRE WI	54701	JK
ACEAP	Ace Hardware - Appleton	500 E. NORTHLAND AVENUE APPLETON WI	54911	JK
ACEEL	Ace Hardware - Beloit	1878 ELMWOOD BELOIT WI	53511	PJ
ACECA	Ace Hardware - Cambridge	200 COMMERCE STREET CAMBRIDGE WI	53523	PJ

Below the table is a tabbed interface with tabs: General, Sales setup, Totals, Last transaction, Period totals, Contacts. The "Sales setup" tab is active. The "A/R account" field is set to "1100-000" and the "Tax code" field is set to "No Tax". Other fields include Customer type (P1), Balance method (Open item), Statement cycle (M), Credit limit (Unlimited), Ship via (OUR), Ship zone, SIC code, Terms code (01), Discount percent, Tax exempt # (0019-2147), and Sub-account (000).

- A/R account. Since PBS supports multiple A/R accounts that are all defined in the A/R Accounts file, this field indicates which one has been assigned for use by this customer. For example, in a company that has multiple sales regions, or sales territories, each region might be given its own A/R account so accounting can track Open Sales, Pay turn-around time etc. by region.
- Since a sub-account can be used as an extension to the GL account (see above), for the sales transaction (i.e. Credit revenue), this field gives the default sub-account to be used by this customer. Again, this could be used to allow sales to be recorded by region in different sub-accounts. Each customer would be included in one region for sales purposes.

Accounts Receivable Miscellaneous support files

There are four small files that contain GL account information mostly used for control of the application. These are given to the specific function and are not expected to, nor are prohibited from, being overridden during transaction entry or customer master file entry.

A/R Accounts file (A/R / Master formation/A/R accounts)

This is the sister file to the AP Accounts file and is the file that is referenced to certify a GL account as being a valid A/R account. Like the A/P accounts file, the only field in this file that can be entered/alterd is a comment field.

A/R Bank accounts file (A/R/ Master information/Bank accounts)

Similar to the A/R Accounts file above; the bank account file identifies which GL accounts are cash accounts for A/R purposes. However, unlike the above A/R Accounts file, this file does contain some additional information in each record such as bank name, specific bank account number, last deposit slip number and last deposit date. These fields all support the use of deposit tickets to supplement the cash receipts/check cashing process, *Goods and Services file* (A/R/ Master information/Goods and services)

This file supports the billing function in A/R by providing a basic item file handling both merchandise and labor. In setting up the A/R billing function you elect, use either this file or the standard Inventory Control module as your source of items. The use of this file is therefore limited to those people who do not want to set up a full inventory system but do want to have some sort of a structured items list. No backorder control, RMAs, or serialized items are tracked in the Goods and Services file.

The screenshot shows a software interface for setting up a service item. At the top, there are menu buttons: New, Edit, Save, Save / New, Delete, Cancel, and Exit. Below this is a section titled 'Select by ascending service #' with a 'Type' dropdown set to 'Services' and a table of service items. The table has columns for 'Number' and 'Description'. The selected item is 'CON' with the description 'Consulting and other Labor income'. Below the table is the 'General' tab with the following fields: Service # (CON), Description (Consulting and other Labor income), Unit (None), Price (.00), Cost (.00), Taxable (checkbox), Commissionable (checkbox), and Sales account # (4500). A yellow oval highlights the Sales account # field.

Number	Description
CON	Consulting and other Labor income
G	Goods
I01	Above is no charge defective
I99	Comment

General

Service # CON

Description Consulting and other Labor income

Unit (None)

Price .00

Cost .00

Taxable

Commissionable

Sales account # 4500

- In addition to supplying item codes e.g. CON for consulting, a description, unit price and cost, flags as to being taxable and commissionable are available.
- Each merchandise or labor item can have a sales account provided which will be used for the Credit-to-Revenue side of the GL transaction.

Tax codes file (A/R/ Master information/Tax codes)

As its name implies, this file stores the information necessary to have the A/R system, especially the billing function, be able to compute taxes based on various tax schemes. It supports a five-level tax table (graduated/step

tax) and allows the user defined tax code to cover multiple states and tax methods. Each member of the five-level tax record can have its own GL distribution account which means that in a five-step table, the top two entries could distribute to a Luxury tax account as opposed to a Standard tax account.

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New Edit Save Save / New Delete Cancel Exit

Select by ascending tax code

Code ▲	Tax code description
NY	New York State sale tax
OR	Oregon
TH	Thailand
WA	Washington
WI	Wisconsin
WIC	Wisconsin + County=5.5

General Tax code amounts

Tax code NY

Description New York State sale tax

State NY New York State Sub

Due to state based on Invoice date

Description	Pct %	Over sales of	Tx on Tx	G/L account
Level 1	8.74	.00		2500-000 Sales Taxes Payable
Level 2	1.00	5 000.00	<input type="checkbox"/>	2510-000 Surcharge on Sales
			<input type="checkbox"/>	
			<input type="checkbox"/>	
			<input type="checkbox"/>	

Non-taxable

Calculate tax by line by

Use web tax service

Thank you for reading our latest Tips & Tricks.

If you have questions or comments please email psi@pass-port.com, we enjoy hearing from you!

The PSI Team