

palladium[®] ACCOUNTING

LEVEL 1 Foundation Training

GENERAL LEDGER



All transactions in Palladium are stored and recorded into General Ledger accounts. Your GL accounts list is often referred to as your chart of accounts.

UNDERSTANDING THE BASIC ACCOUNTING PRINCIPALS

In Palladium Accounting, you have the following accounts:

1. **Asset Accounts:** Asset accounts are numbered from 1000-000 and end in 1999-9999 if you use Palladium's predefined legend to create your chart of accounts. Your asset accounts are bank accounts, accounts receivable accounts, and fixed asset accounts as example.
2. **Liability Accounts:** Liability accounts are numbered from 2000-000 and end in 2999-9999 if you use Palladium's predefined legend to create your chart of accounts. Your liability accounts are credit cards, accounts payable, and long terms loans as example.

3. Equity Accounts: Equity accounts are numbered from 3000-000 and end in 3999-9999 if you use Palladium's predefined legend to create your chart of accounts. Your equity accounts hold current and previous year's results and ownership / shares values as example.

4. Revenue Accounts: Revenue accounts are numbered from 4000-000 and end in 4999-9999 if you use Palladium's predefined legend to create your chart of accounts. Your revenue accounts hold your current intake (earnings) without any sales taxes.

5. Expense Accounts: Expense accounts are numbered from 5000-000 and end in 5999-9999 if you use Palladium's predefined legend to create your chart of accounts. Your expense accounts hold your expenditures without any sales taxes.

Revenue and expense accounts are usually sub divided into operating (revenue / expense) and non-operating (revenue / expense). The difference between the two is that operating assumes that the revenue came from, or that the expense went towards your primary business functions (inventory would be a good example of operating revenue and expense). Non-operating would be interest earned for revenue and phone bills for expense. They are money movements that do not stem directly from your business operations.

SETUP NEW ACCOUNTS OR MODIFY EXISTING ACCOUNTS



From the home window go to the General Ledger tab and choose accounts. You may modify the account by double clicking on it, or press new for a new account. The following window will appear:

Account Number	Description	Type	Balance
1040-0000	Cash Expense Clearing Account	A	-8,000.00
1050-0000	Petty Cash	A	-438.00
1067-0000	Payroll Clearing Account	A	0.00
1069-0000	Foreign Currency Bank Account	A	0.00
	Sub Account Total	S	-30,179.75
	Total	T	-30,179.75
	Heading	H	
1060-0000	Current/Cheque Account	A	114,552.39
1065-0000	Savings Bank Account	A	4,763.02
1080-0000	Visa	A	0.00
1083-0000	MasterCard	A	0.00
1087-0000	American Express	A	0.00
1089-0000	Other Credit Cards	A	2,277.72
	Sub Account Total	S	121,593.13

Department	Description	Balance	Foreign Balance
1000	Training department	0.00	
2000	Sales Department	0.00	
3000	Dispatch Department	0.00	

After selecting the account you wish to edit or modify, you can go into it by double clicking on it. Thereafter the following screen will appear:

Account

Number: 1030-0000 Build Add Segment Values

Description: Cash Draws

Account Departments Reconciliation Budget Security Optional Fields Historical Files

Account Type

Full Account (G)

Sub Account (A)

Legend

1000 - 1999	Assets
2000 - 2999	Liability
3000 - 3999	Equity
4000 - 4999	Revenue
5000 - 5999	Expense

Bank / Cash Account

Next Cheque Number: 1

Currency: South African Rand

Account Class: Cash

Allow Segment Description

Opening Balance in (ZAR): 0.00 Opening Balance in (**): 0.00

Inactive Next OK Cancel

The account number must be unique and will drive the account class (there are different classes for each of the asset, liability, equity, revenue and expenses). The next step is to enter a description you would like to be shown on reports and in your ledger.

From this screen you can choose what exactly you would like to edit. You can choose which departments (under the departments tab) you would like to be associated or use the account as per the screen below:

Account

Number: 10600000 Build

Description: Current/Cheque Account

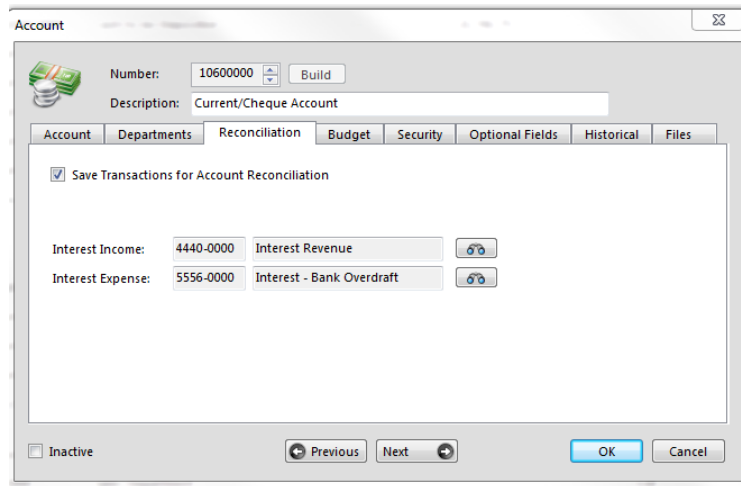
Account Departments Reconciliation Budget Security Optional Fields Historical Files

Departments Used with This Account:

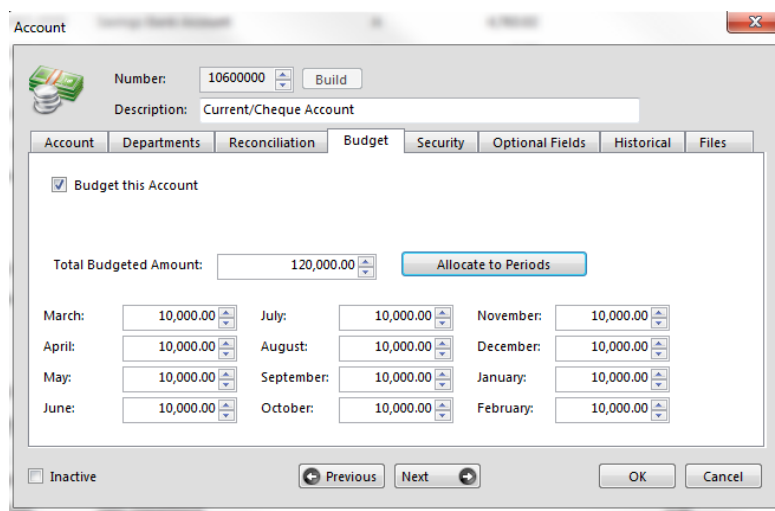
Department	Description
<input checked="" type="checkbox"/> 1000	Training department
<input checked="" type="checkbox"/> 2000	Sales Department
<input checked="" type="checkbox"/> 3000	Dispatch Department

Inactive Previous Next OK Cancel

Furthermore, there is a reconciliation tab that you can go into and be able to allow whether or not to set the account up for it to be reconciled.



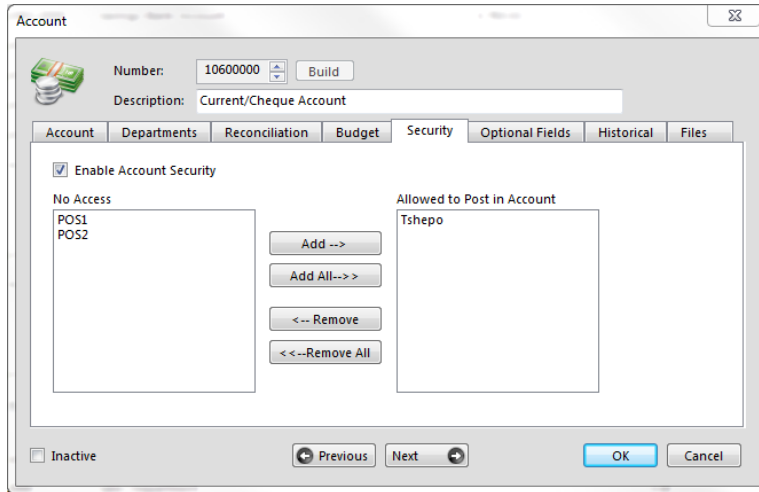
Under this section you can choose whether or not to set a budget for the account or not under the Budget tab.



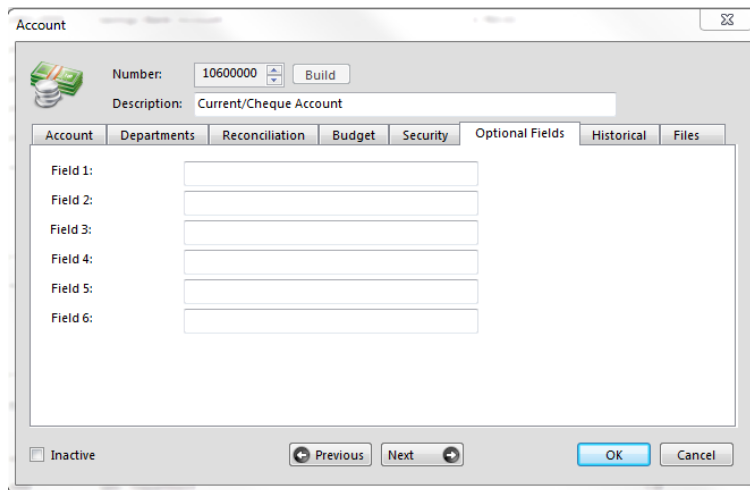
General ledger account security is used to prevent unauthorized users from posting into specified accounts. You can access account security on the account window and under the security tab.

If you wish to enable account security, check the box "enable account security" and then choose from the list which users have rights to post into the account.

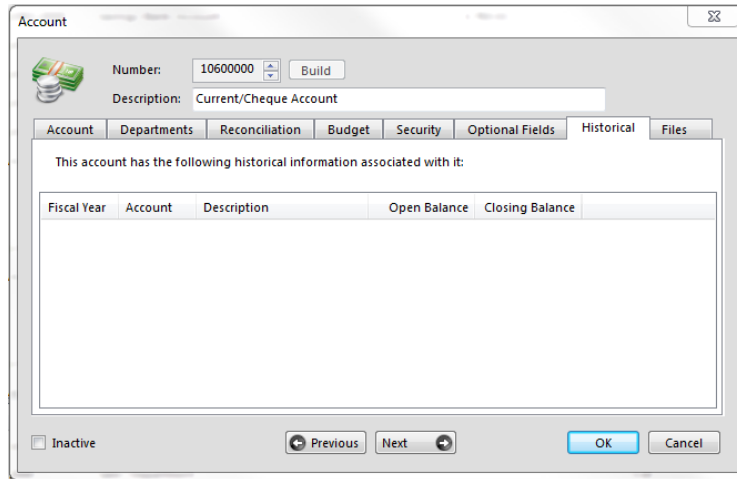
Please note: account security overrides any other security permission including administrator rights (however administrators can always gain access to accounts and modify the security). If a user tries to post into the account and they are not listed in the "allowed to post in account" list, an error will occur.



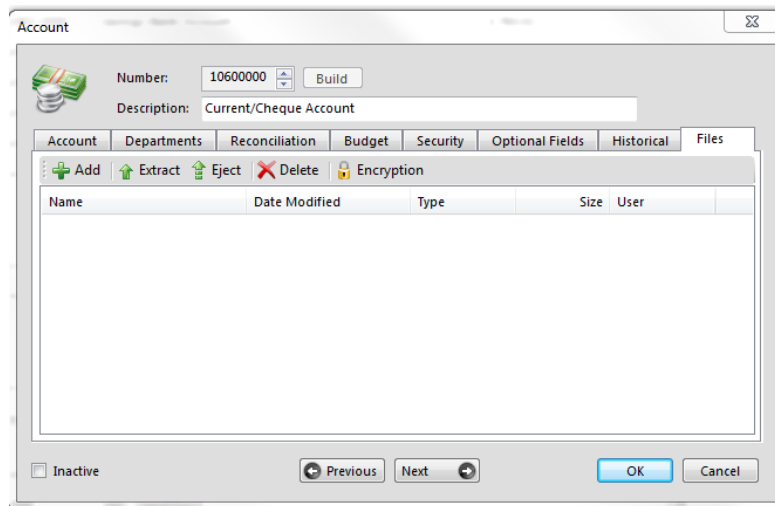
Optional fields can be added with the account.



Adding of historical information can be added as well i.e. opening balance, closing balance, etc.



Files can also be added or deleted and new ones added as and when you require them to change.



Understanding Account Types

There are 5 account types as follows:

1. Full Account: A full account is designated with the letter (G) on the home accounts windows. This account stands alone and does not total or subtotal into any other account.
2. Sub Account: A sub account is designated with the letter (A) on the home accounts windows. While this account is an account that accepts transactions like a full account, it will be used for summary calculations into sub account totals. Your sub accounts must have a sub account total at the bottom of each set (in numerical sequence).
The account types described in 3, 4 & 5 below are generated automatically by the system.
3. Sub Account Total: A sub account total is designated with the letter (S) on the home accounts windows. This account does not accept transactions but rather, is a place holder for totals found by adding all the sub accounts above it.

4. Summary Heading: A summary heading is designated with the letter (H) on the home accounts windows. The heading is used to add a break to the accounts and to group similar accounts together (such as operating and non-operating explained above). This account does not accept transactions.

5. Summary Total: A summary total is designated with the letter (T) on the home accounts windows. The summary total will show totals for all accounts placed between the summary header and the summary total. This account does not accept transactions.

Full Accounts & Sub Accounts are accounts that can accept transactions for processing. The final 3 are just place holders that summarize data for your convenience.

CHECKING YOUR ACCOUNTS ARE IN THE CORRECT ORDER

Accounts such as totals and subtotals must be in the correct numerical sequence. You can check this from the main accounts window by pressing the check button. This will tell you if you are missing any accounts or if everything is in proper order.

Understanding the Account Class

Each of the accounts (full / sub accounts) will have an account class. The account class signifies what type of money is being stored inside the account. Account classes let you organize your accounts into categories. For example, when you select cheque or cash as the payment method on an invoice, the program provides a list of the accounts that are set up as bank and cash accounts so you can choose one to make or receive the payment.

Account classes also provide a more informative Statement of Cash Flows, which shows you where your money is coming from and where it's going. If you are familiar with Crystal Reports or Microsoft Excel, you can also use this information to create custom reports. It's important to set up your account classes correctly. For example, be sure to classify your current and long-term assets and liabilities properly, and to assign an expense account for amortization (depreciation). This list will vary between different accounts (assets, liability, etc.). If you do not understand the account classes, try to select one that makes sense or ask your accountant to help you.

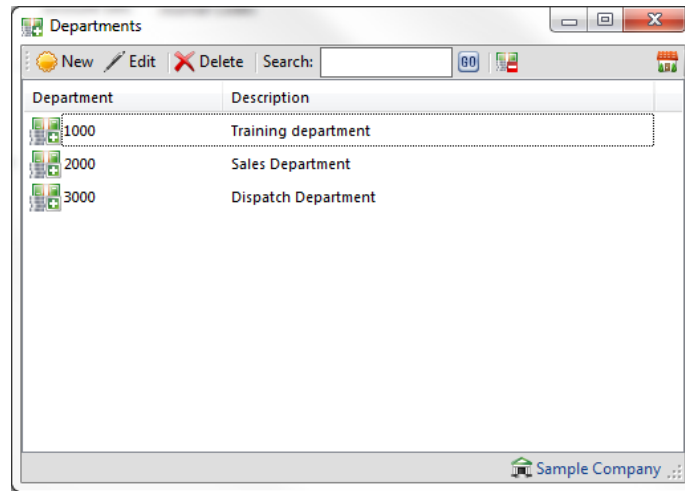
If you are working with a revenue or expense account you will see a "GP" designation on the account class. This tells Palladium to use these accounts when calculating your gross profit (such as on the gross profit income statement).

General Ledger Departments



All money transactions in Palladium are stored and recorded into accounts. Your accounts can be further segmented by using departmental accounting (departments). Each account will

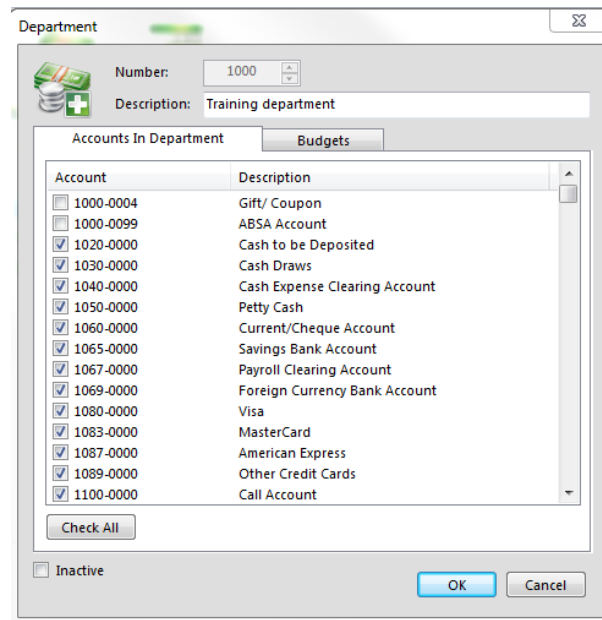
maintain its total balance and also separate balances for each department contained in the account.



Note: you do not have to add all departments to all accounts; you can specify which departments you have setup are allowed in which accounts you specify.

To access the departments list, go to the General Ledger menu, and click on the department's icon. Departments must be 4 digits long and must be numeric.

When adding or modifying departments, you can choose the accounts in which the department will be added, as follows:



Account Sets



Account sets are used in Palladium to link your inventory & service items to your general ledger. It provides security and seclusion for the ledger from employees that have permission to create inventory & service items.

Your employees only need to know the name of the account set versus the underlying accounts when setting up new items. This also allows the financial manager to change the underlying accounts without telling or retraining staff as to the new account to use. The financial manager just changes the account in the account set and all items are automatically updated.

Choosing your account sets takes some planning. It really depends on how much information you would like Palladium to report to you each month. It is possible to create a single account set that encompasses the entire business such as "sales". However this setup does not offer very much in the way of information about how your business is doing. It would be better to create an account set for each line of business you have, i.e., "car wash", "car service", "car spares / parts", "tune up services", etc.

This way you can easily track the gross profit you are making in each line of business category.

PARTS OF AN ACCOUNT SET EXPLAINED

Inventory account sets have 4 parts, while service sets (non-stock items) have 2. Here is what each part is used for:

1. **Asset:** The asset account is where all the money (without any relevant sales taxes) is stored. As you purchase inventory items the amounts of those items are stored in your asset account. As you sell these items, the moving weighted average is removed and used as a COGS (cost of goods sold) entry to obtain your gross profit. **INVENTORY ITEMS ONLY**
2. **Revenue:** The revenue account where the amount you charged for the item is stored (Without any relevant sales taxes). This is the selling price of each item (inventory or service). This amount is compared to expense to obtain your gross profit.
3. **Expense:** The expense account where the amount you paid for the item is stored. If you are selling an inventory item, Palladium will transfer the asset amount (cost) to this expense account. If this is a service item and you are purchasing it, Palladium will transfer the total amount of the purchase (less any sales taxes) to this account. This account is used to find your gross profit for the transaction and finally for the business on your income statement.

4. Variance: The variance account is used when an entry is being made by the user that needs correction. Normally you can just use the same account as your expense account. However, it is broken out here so that you can choose a different account to track variance.

A good example of variance is when you buy an item for 100. You then have 1 of these items in stock for 100. You then return that item to the supplier for 90. This would leave the inventory unstable as you would have 0 items in stock for 10 cost. Since that cannot happen, Palladium transfers the 10 to your variance account. INVENTORY ITEMS ONLY

A typical inventory account set

The screenshot shows the 'Account Set' dialog box with the following details:

- Code:** INVENTORY
- Description:** Inventory Account Set
- Type:** Inventory Service / General Ledger
- Linked Accounts:**
 - Asset:** 1520-0000 Inventory A
 - Revenue:** 4020-0000 Sales Inventory A
 - Expense (COGS):** 5020-0000 Cost Inventory A
 - Variance:** 5020-0000 Cost Inventory A
- Inactive
- Buttons:** OK, Cancel

A typical service (non stock item) account set a general ledger account set

The screenshot shows the 'Account Set' dialog box with the following details:

- Code:** CALLS
- Description:** Service Calls
- Type:** Inventory Service / General Ledger
- Linked Accounts:**
 - Revenue:** 4020-0000 Sales Inventory A
 - Expense:** 5020-0000 Cost Inventory A
- Inactive
- Buttons:** OK, Cancel

General ledger account sets are often used to perform special transactions through the normal purchases and sales transactions windows. An example of this would be the purchase and sales of fixed assets. In these circumstances, you may need to link the revenue and expense portion to a different account in the GL versus your normal revenue and expense accounts.

Journal Codes

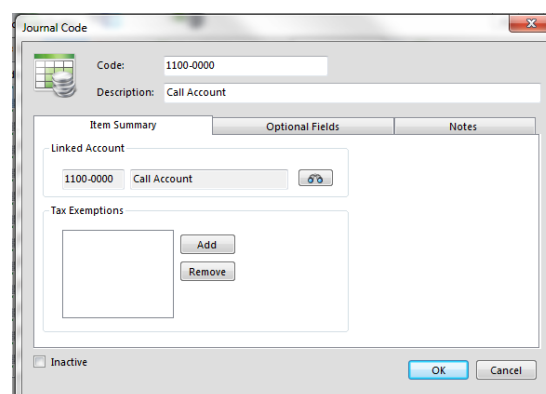
Journal Codes are used in Palladium during the invoicing process. In the Enterprise Edition of Palladium, you can control which accounts your users see on the journal tab in invoices. Basically, the financial manager has control over the entry process through the use of expense codes. While it does take some proper planning to setup the first time, the maintenance and control it affords is worth the extra effort. When an entry clerk is capturing your invoices, they are capturing them under a journal code. Let's say for example you have a telephone expense account numbered 5780-0000. You can create an expense code called "telephone" that links to your 5780 account number. The clerk only needs to know to apply telephone expenses to the "telephone" code. If the financial manager decides to change the account to a different account, all he/she would have to do is update the journal code. The clerk would continue to capture to "Telephone" and would not know anything about the underlying change in the general ledger that took place.

Please note: as additional security, you do not have to setup journal codes for all your ledger accounts. Accounts that do not have a linked journal code will be unavailable through the invoice entry window.

Also, for special operations, you can setup accounts other than just expense accounts (say to purchase fixed assets, etc.).

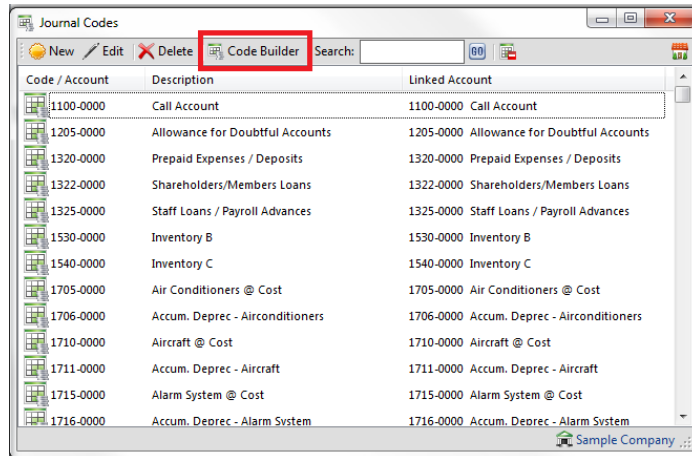
Adding Journal Codes Manually (one at a Time)

After selecting the journal codes item from the general ledger menu, you press new. You will see the following window and as an example would set it up like this:

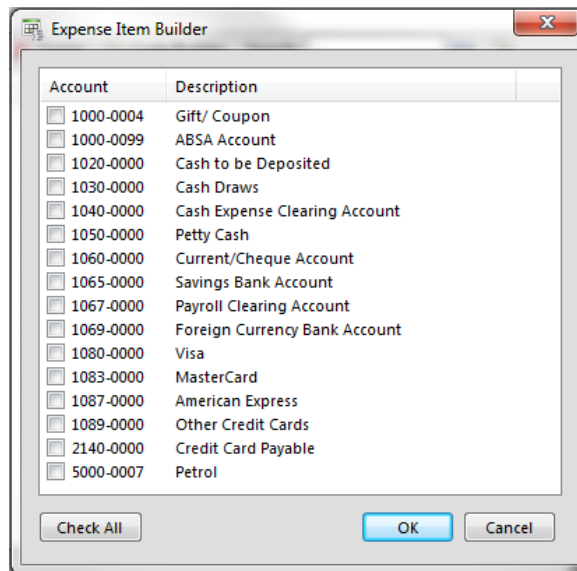


Adding Journal Code Using the Builder (Automatically)

From the main journal codes window press the code builder button. From here you will see all the ledger accounts that do not have a journal code linked to them. To setup all accounts press the check all button. To setup some accounts you can click them manually.



After choosing that option, the following screen will appear:



You do lose a little control when using the builder. Instead of "telephone" being the code, the code will automatically be assigned the ledger account number. If you prefer to work in account numbers, then the builder would work well for you. If you would prefer to use the simple "telephone" style, then you need to setup your journal codes manually.

Subsidiary Ledger



Subsidiary Ledger

The subsidiary ledger allows you to enter information under each ledger account, such as information about balances kept for multiple years, and fixed asset tags and values contained in the account. As Palladium only keeps the current and previous years ledger online (journal entries), this can be beneficial when you carry balances on items for years and years, to remember where those balances came from and what they pertain to.

ACTIVITY

1. Create 2 General Ledger Department: a) Training Department. b) Sales Department
2. Then link these departments to the Accounts
3. Create 2 Account Sets: a) Inventory b) Service

NOTES
