

Lesson 7 - Maintaining Accounts

Each Account in the Adagio Ledger records information for a particular type of transaction. For example, a company may have one account for recording sales information, another account for recording bank deposits or withdrawals and so on. There is no practical limit to the number of accounts that can be used in the Ledger, so users can keep very detailed transaction records by creating accounts that record specific transactions for specific regions or cost centers. One type of account common to every company is the expense account. You may want to keep track of expenses according to the type of expenses incurred, which branch office incurred the charge and which cost centre to charge the expense to. In order to keep this type of detail, you will require an account and a department for that account.

When creating a list of accounts you may need for your business, you may want to start with a list of generic accounts and then break down the generic accounts into more specific accounts afterwards. Also, be sure to include all accounts, including control accounts that your subledger accounts may need. A control account is the account that summarizes the subledger. The total of the subledger accounts would be the balance of the control account. For example, the total listing of customer balances in the Receivables would be the balance of the Receivables control account in the ledger. This would be true for Payables and Inventory, each having their own control account in the ledger.

Before setting up the accounts in Adagio Ledger, you should plan out and design the chart of accounts. It is far easier to plan, arrange and change the accounts before entering them than after entering them into the system.

Once you have listed all the accounts required for your organization, you should group them according to the account type: asset, liability, equity, income or expenses.

Accounts

The chart of accounts is the foundation of the company's accounting books. A well-planned, carefully designed chart of accounts will allow you to keep track of transactions efficiently and accurately, while also allowing you to expand the chart of accounts as required at a later date.

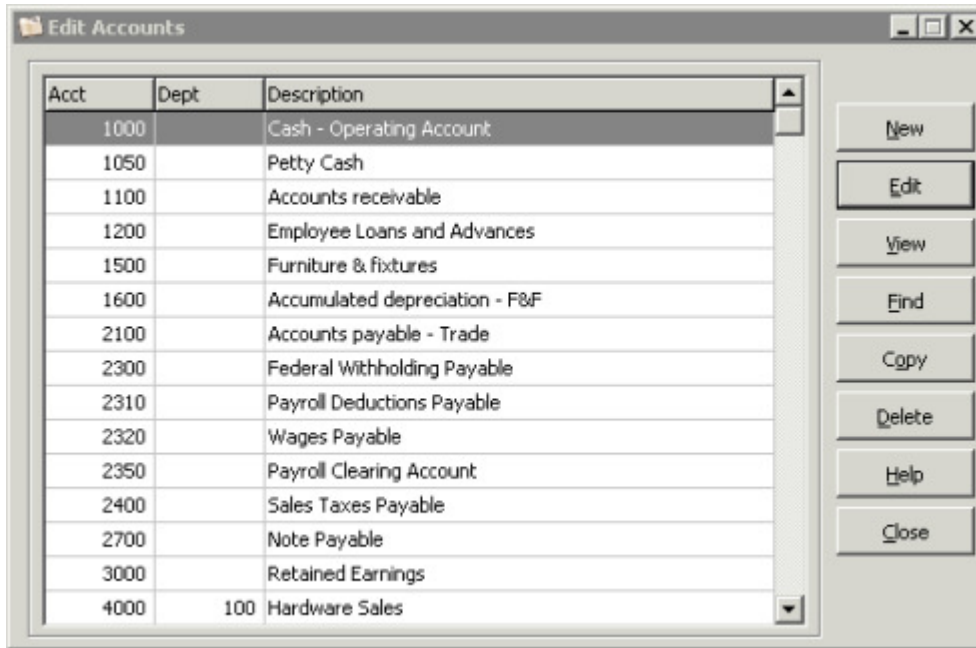
The steps to follow in designing the chart of accounts are:

1. Make a list of all the accounts needed.
2. Plan out the necessary account structures.
3. Plan out the numbering scheme.
4. Assign accounts to account groups as described above (e.g. assets, liabilities, equity, income and expenses).
5. Assign account numbers to accounts. Try not to number accounts too closely together. Try to leave 'gaps' in the numbering so that additional accounts can be inserted at a later date, keeping the logical order of all the accounts.
6. Decide which accounts should accept transactions in currencies other than the home currency, which accounts should be allocated, and which ones will receive allocations

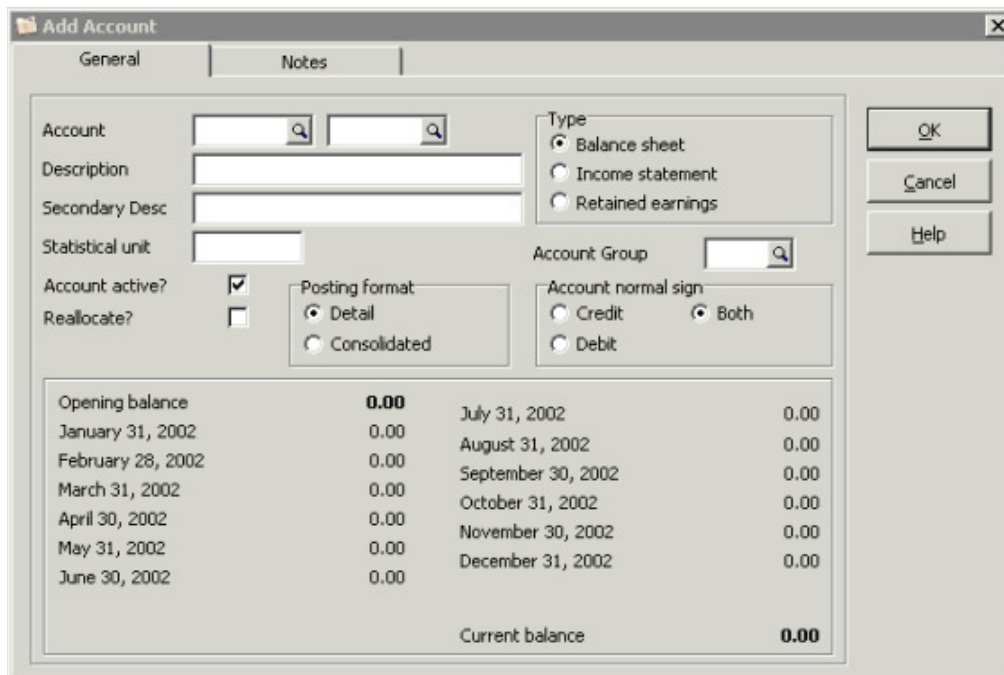
Select **Edit | Accounts** from the menu. You can also use the **Maintain** shortcut from the Toolbar.

Creating a new account

1. From the drop-down menu, select **Edit | Accounts**



2. To create a new account, click the **New** button.



3. Enter the account / department number you want to create. You may use up to 6 characters, alpha / numeric, for each account and department.

Hint: When creating Departments in Adagio, you should carefully plan how the departments can be used to create departmentalized financial statements. You can be very creative when creating your department codes as there are a number of functions in the Financial Reporter that can make use of the departments. For example, you can create Departmental financial statements based on the department selected in the Financial Reporter and then print a consolidated financial statement that includes all departments or a specific range of departments. You can also create departmental financial statements based on pseudo-departments, using the Departmental Masking function in the Financial Reporter. For example, if your departments are created as follows:

Department 110 – Western Software Sales

Department 120 – Western Hardware Sales

Department 130 – Western Consulting Services

Department 210 – Eastern Software Sales

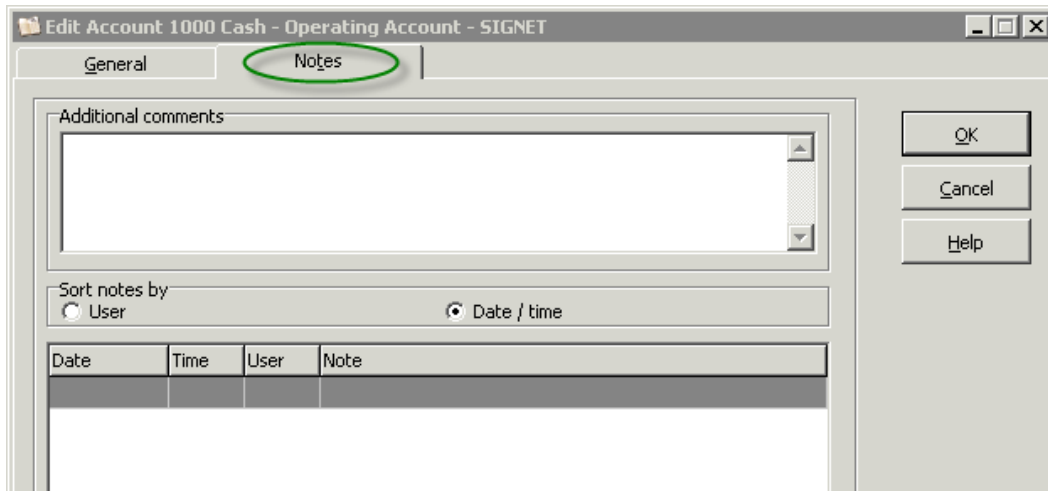
Department 220 – Eastern Hardware Sales

Department 230 – Eastern Consulting Services

You can create a financial statement for all hardware sales by creating a Department Mask `??` that will print a financial statement for Department 120 and 220. This is a very simplistic example of how departments can be used in the Financial Statements. Using more characters and making the departments more detailed can produce some very useful managerial financial statements.

4. Enter the Description of the Account.
5. Enter a Secondary Description for the account if you want to use this as a second description line on a report.
6. Enter a Statistical unit label if you want to track statistics with this account. For example, for a vehicle expense account, you may want to track the kilometers used for business purposes.
7. Click **Active Account?** to make this account active. To make this account inactive, deselect this box.
8. If you want to reallocate the balance of this account to other accounts, select **Reallocate?**. This is useful when you want to use this account to accumulate costs for a specific period and then reallocate the balance to other accounts based on a pre-determined reallocation basis. For example, you may use this account to record the rent paid on a monthly basis, then reallocate the balance to various departments. When you select this box, another tab will be available which will open a window that allows you to enter the reallocation details. See *Reallocation Details* section for more information.
9. Select **Type** for this account – Balance Sheet, Income, or Retained Earnings. **Note:** *You can only have one account in the chart of accounts designated as a Retained Earnings type.* The exception to this is if you have a departmentalized chart of accounts. In such a case, you may select a separate Retained Earnings account for each department.
10. Enter the **Account Group** to which this account belongs. Since we have selected the option to **Enforce Account Groups Range**, and the Account Groups have been defined in the previous lesson, the account being created must be within the account range representing the group range of this account.
11. Select either **Detail** or **Consolidated**. Detail means that each transaction will be in the posted transactions file. Consolidated means that all transactions for a given posting will be consolidated into a single transaction.
12. Select the **Account normal sign** for the account. The Data Integrity Check will display a warning if the account balance is different than what is indicated.
13. When you have completed entering these details, press the **OK** button.

Account Notes

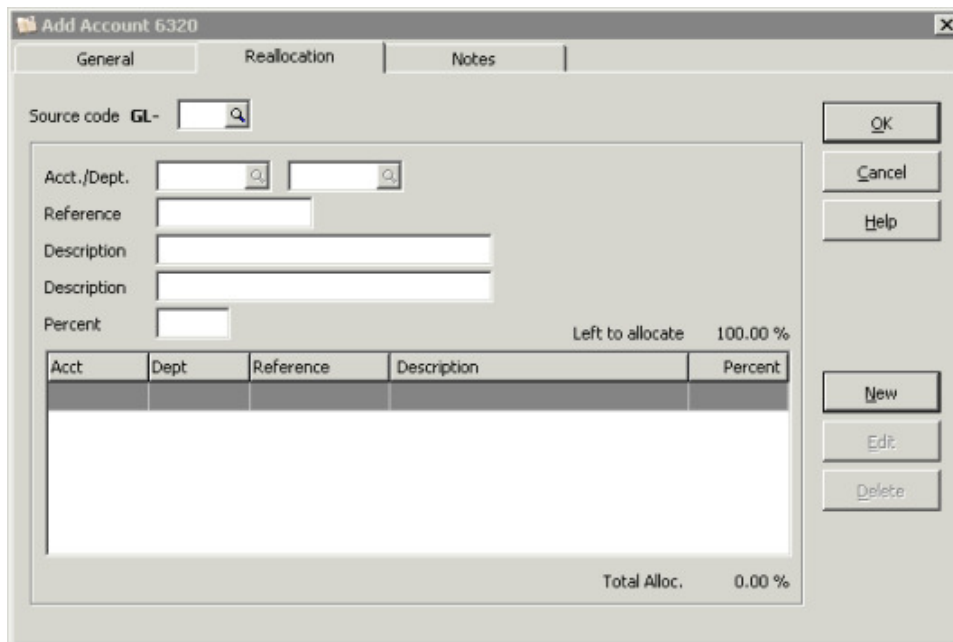


There are two sections in which to enter notes. The **Additional comments** can be used to enter general or static notes to each account. As an example, this could include a description of what this particular account is to be used for.

The second section is used for chronological notes that are sorted by user or date / time. Notes in this section can be deleted by using the **Purge Account Notes** function under **Maintenance**. Purging the notes can be done by a specific date range or user.

Reallocation Details

If the account has been selected to be **reallocated**, an additional tab appears:



1. Enter a source code for the reallocation. If you have already entered source codes into the system, you can click the **Find** button and select from the list of source codes.
2. Enter an account number for the reallocation. You can click the **Find** button and select from the list of current account numbers. If you use departments (set up in your Company Profile - Options screen), you can also enter a department number.
3. Enter a reference for the account. This reference is used when you create a reallocation batch
4. Enter a description for the account. This description is used when you create a reallocation batch. Note that you have two description lines that can print the second description line in the Detail Listing.
5. Enter a percentage of funds to reallocate. You may reallocate funds to multiple accounts but the total reallocation must be 100%.

When creating the distribution accounts, select **Save** after each entry. To create a new distribution, select **New** and repeat the steps above.

When the distribution of the balance in the account has been completed, the **Left to allocate** must be 0. The balance of this account will then be reallocated to the accounts listed for distribution when the **Create Reallocation Batch** function is completed through the *Maintenance* menu.

Exercise 7.1

Add the following accounts:

| Account | Dept | Description 1 Description 2 | Reallocate | Type | Posting Format | Group |
|---------|------|--------------------------------|------------|------|-------------------|-------|
| 1115 | | Other Receivables | No | B/S | Detail | A20 |
| 1300 | | Inventory | No | B/S | Detail | A30 |
| 2150 | | Accrued Liabilities | No | B/S | Detail | B10 |
| 2500 | | Credit Line | No | B/S | Detail | B20 |
| 4200 | 100 | Repairs | No | I/S | Detail | D10 |
| 4200 | 200 | Repairs | No | I/S | Detail | D10 |
| 6320 | | Salaries + Wages | Yes | I/S | Detail | E20 |
| 6350 | 100 | Delivery | No | I/S | Detail | E20 |
| 6350 | 200 | Delivery | No | I/S | Detail | E20 |
| 6790 | 100 | Rent 550 Bloor Avenue | No | I/S | Detail | E20 |
| 6790 | 200 | Rent 725 Winnipeg Street | No | I/S | Detail | E20 |