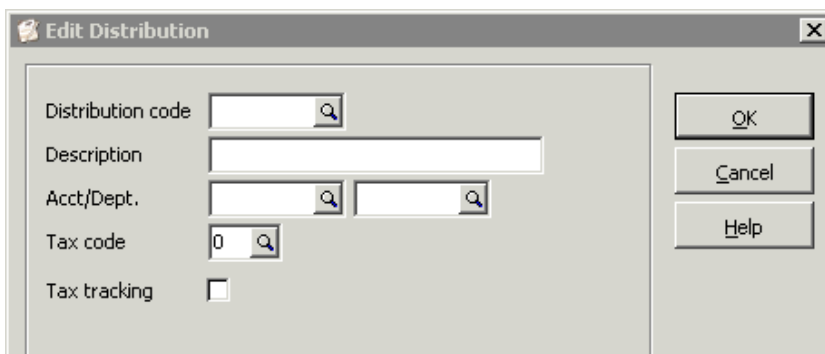


Lesson 7 - Defining Distribution Codes

Adagio Payables can distribute expenditures such as inventory purchases, freight and tax to the general ledger by way of distribution codes which are attached to general ledger accounts. Different distribution codes can be attached to the same general ledger account and department and present a convenient way to classify, for example, expense types and distribute data to the general ledger. This ensures improved accuracy when assigning expenses to specific departments.

Distribution codes are also useful in capturing recoverable taxes such as GST / HST Input Tax Credits. They are even useful to organizations which can only recover a portion of their GST / HST paid or in the case of expenditures such as meals and entertainment where only 50% of the tax is recoverable.

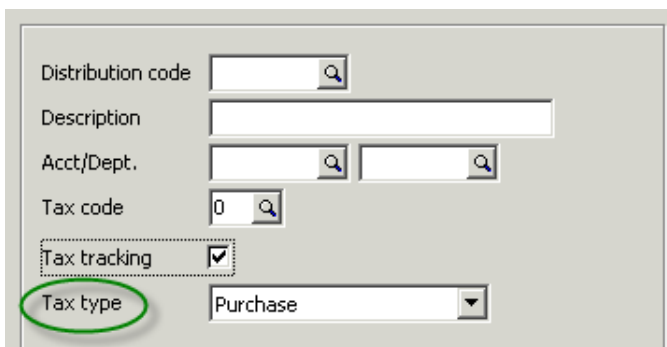
To set up distribution codes select **Distributions** from *Edit* menu, or click the **Distributions** button from the toolbar. When you click **New** or select an existing distribution for editing, the *Edit Distribution* window appears.



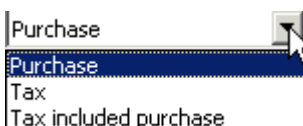
Enter a unique **Distribution code** and a **Description** to identify the Distribution. Enter the account / department code to which transactions assigned to the Distribution will be posted in the Ledger.

Select the appropriate **Tax code** that is represented by this Distribution. The available Tax codes are those that have been set up in the **Tax Information** section of the Company Profile.

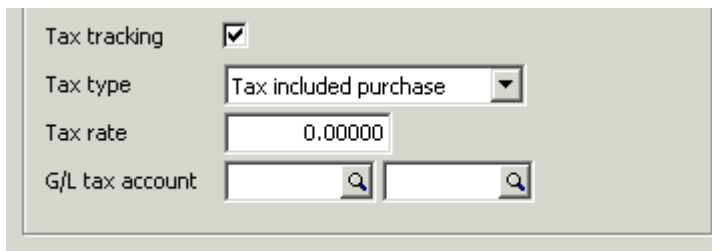
If this Distribution is to be included in the Tax Tracking reports, select the **Tax tracking option**. When this option is checked, the **Tax type** option will appear:



The following Tax type options are available from the drop down menu:



When the **Tax** or **Tax included purchase** option is selected, you will need to enter in the tax rate for the tax represented by the Distribution:



The screenshot shows a form with the following fields:

- Tax tracking:
- Tax type: Tax included purchase (dropdown menu)
- Tax rate: 0.00000 (text input)
- G/L tax account: Two empty text input fields with search icons.

This tax rate will be used when calculating the base on which the tax is calculated for reporting purposes.

When the Tax included purchase option is selected, you will also need to enter the **G/L tax account** to which the tax liability will be posted as the program will calculate the amount of tax included in the expense recorded, and post the calculated tax to the liability account. The net amount will be posted to the expense account as specified in the **Acct/dept** as described in the Distribution code setup.

Exercise 7.1

Enter the following Distribution Codes that will be used by Electronics World Inc. when entering vendor invoices.

Distribution code	UTIL
Description	Utilities
Account / Department	6900 – 100
Tax code	0
Used in tax tracking?	Yes
Tax type	Purchase

Distribution code	MEALS
Description	Meals + Entertainment
Account / Department	6575 – 100
Tax code	0
Used in tax tracking?	Yes
Tax type	Purchase

Distribution code	STINC
Description	Sales Tax Included
Account / Department	(Leave blank)
Tax code	0
Used in tax tracking?	Yes
Tax type	Tax included purchase
Tax rate	5%
G/L Tax account	2400