

Functional Requirements Document- Budgeting

Prepared for
Technica International

Version: **3.0**

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1. Introduction

1.1 Purpose

The Functional Requirements Document (FRD) describes in common terms:

- An overview of the processes comprising each Work stream
- An overview of each sub-process comprising the Work stream
- Major gaps between the business requirements and the functionality supported by the standard Microsoft Dynamics AX solution.
- The problem summary includes current business/environment issues.

The FRD is the starting point of solution and system development and is a collaborative effort between all business and technology stakeholders. The purpose of the Functional Requirements Document (FRD) is to document requirements for the requested system solution.

The objective of the Functional Requirements Document is to provide enhanced documentation for requirements that are a gap or will require a workaround or process change to fit the system solution of the client. The need for any modifications is clarified through the FRD. The FRD forms the basis of the subsequent task concerning the system design.

This document focuses on Budgeting and budgeting requirements.

1.2 Acronyms

Abbreviation	Explanation
FRD	Functional Requirement Document
TI	Technica International
BUD	Budgeting
ERP	Enterprise Resource Planning
Excel	Microsoft Office Excel
HOD	Head of Departments

2. Budget Overview

Technica are doing budget off the system on excel and by department (Non project budget)

Currently, they don't have allocated budget for example by laptop by department. It is all allocated to IT then IT will give it to accounting. No budget for accounting on this area

- In enhancing area, we will use the budget module by account by financial dimension department and business unit so that when the team set a budget it is not allowed to override it (That was confirmed by Technica Finance Manager).

Accounting department have no roles or part in the budget cycle (there is no tool or control by them):

- Accounting only receives a budget sheet from project managers that contains; Budget define, margin, selling price by assembly means by sub-projects.
- While costing the project, Pricing is set based on a pricing sheet that is based on type of equipment → End results: Project costing.

The things that Technica are expecting to be controlled from inventory/Procurement perspective → So Technica needs to give us related categories and account to control them:

- Ordered quantities.
- In transit orders.
- Items received and not consumed.
- Items received and consumed.

N.B:

At a certain time, the control should be captured on assembly level (What has been used and what has been ordered in terms of date I exceed the budget).

Also, Technica team requested to control the budget not from ledger part, instead from procurement side (on category level)

Department responsible or involved in projects but they don't place budget by themselves (other department can create budget on their behalf)			
a)- R&D			
b)- Project management			
c)- Factory			
d)- Customer service	---	"Sales support" department puts the budget per project as follows: 1- Cost on design: 5,000\$; Involving different department 2- Cost on manufacturing: 7,000\$; Involving different department 3- Cost on installation: 3,000\$; Involving different department Total 15,000\$	---
e)- Marketing			
f)- IT			
g)- Accounting			

Conclusion:

Due to all the above findings and based on our last meeting with the Finance team, They approved to pass budget register entry via a template by main account. In addition, to the forecasted budget that will be pushed from project module to ledger automatically
(Optional) (See section 4.1.1 Project Forecast to Budget)

3. Basic Budget Setup

3.1 BUD001 - Budget Cycle

The Budget Cycle is the period framework that Dynamics 365 follows in Budget tracking and control.

Technica will control its budget during yearly periods.

My view ▾

Budget cycle time spans

Budget cycle time span: Fiscal Fiscal calendar: Fiscal Length of budget cycle: Map to fiscal year Number of fiscal periods: 0

Budget cycle

+ Add - Remove

Name	Starting period	Ending period
FY2015	01/01/2015	31/12/2015
FY2016	01/01/2016	31/12/2016
FY2017	01/01/2017	31/12/2017
FY2018	01/01/2018	31/12/2018
FY2019	01/01/2019	31/12/2019
FY2020	01/01/2020	31/12/2020
FY2021	01/01/2021	31/12/2021
FY2022	01/01/2022	31/12/2022
FY2023	01/01/2023	31/12/2023

Figure 1 - Budget Cycle

Technica budget cycle will be set to Quarterly.

3.2 BUD002 – Dimensions for Budgeting

The budgeting module can operate on the same financial dimensions that are using in the General ledger module.

In Technica's case the budget financial dimensions are the following:

- ❖ Department
- ❖ Business Unit

Still waiting final decision from Technica team as they might change them.

Technica will include an additional financial dimensions, "Budget Type" which will allow further elaboration on the main account, this "Budget Type" will have budget for reference only with no budget control,

as an example, IT budget could be on main account IT Consumables allocated across several budget types: "Ink, Business Cards, Cables...ets" noting that they are all on the same main accounts

3.3 BUD003 – Budget Model

The budget model is kind of a grouping for the budget figures; normally you can create one and use it for all budget (example "Department") or use multiple for different scenarios (example "Worst Case" and "Best Case")

Technica will be using a single budget model.

3.4 BUD004 – Budget Codes

Budget codes are a kind of grouping for budget amounts at the transaction level. They also differentiate the different transaction types.

Technica will be using the below budget codes:

- ❖ Original Budget
- ❖ Budget Transfer
- ❖ Revision

3.5 BUD005 – Budget Transfer Rules

Budget transfer rules allow the transfer of budget within any given fiscal period for certain account and financial dimension defined in the transfer rules.

Technica will not be using the Budget transfer rules as any transfer of budget between ledger account and financial dimensions will be subject to workflow approval.

3.6 BUD006 – Budget Control Configuration

The budget control configuration governs the rules in which budget is controlled through the below:

- ❖ Account Structure: In Dynamics 365, only a single account structure can be subject to budget control; Technica will be using the below account structure for the budget control:
 - Main Account + Department + Business
- ❖ Over-Budget Permission: this allows over-budget transactions for certain security roles; Technica will allow over budget permission for the certain budget controller.
- ❖ Budget Funds available: the budget funds available is the formulas that Dynamics 365 uses to calculate remaining budget; Technica will be using the below:

$$\text{Budget Funds Available} = \text{Original Budget} + \text{Budget Revision} + \text{Budget Transfer} - (\text{Actual Expenditure} + \text{Un-posted Actual Expenditure} + \text{Budget})$$

Reservation for Encumbrance + Budget Reservation for Unconfirmed Encumbrance + Reduction to Budget Reservation for Unconfirmed Encumbrance + Budget Reservation for Pre-Encumbrance + Budget Reservation for Unconfirmed Pre-Encumbrance)

Define the calculation that determines the budget funds that are available

Select the amounts for the calculation that determines the budget funds that are available.

AMOUNTS TO SUM	AMOUNTS TO SUBTRACT
<input checked="" type="checkbox"/> Original budget	<input checked="" type="checkbox"/> Actual expenditures
<input type="checkbox"/> Preliminary budget	<input checked="" type="checkbox"/> Unposted actual expenditures
<input checked="" type="checkbox"/> Budget revisions	<input checked="" type="checkbox"/> Budget reservations for encumbrances
<input type="checkbox"/> Draft budget revisions	<input checked="" type="checkbox"/> Budget reservations for unconfirmed encumbrances
<input checked="" type="checkbox"/> Budget transfers	<input checked="" type="checkbox"/> Reduction to budget reservations for unconfirmed encumbrances
<input type="checkbox"/> Draft budget transfers in	<input checked="" type="checkbox"/> Budget reservations for pre-encumbrances
<input type="checkbox"/> Draft budget transfers out	<input checked="" type="checkbox"/> Budget reservations for unconfirmed pre-encumbrances
CARRY-FORWARD AMOUNTS	BUDGET APPORTIONMENTS
<input type="checkbox"/> Include carry-forward amounts	<input type="checkbox"/> Use only apportioned amount
<input type="checkbox"/> Maintain carry-forward status for documents	

Budget funds available = (Original budget + Budget revisions + Budget transfers) - (Actual expenditures + Unposted actual expenditures + Budget reservations for encumbrances + Budget reservations for unconfirmed encumbrances + Reduction to budget reservations for unconfirmed encumbrances + Budget reservations for pre-encumbrances + Budget reservations for unconfirmed pre-encumbrances)

Figure 2 – Budget control configuration formula

It is to be noted that Pre-Encumbrance stands for Purchase Requisitions and Encumbrance stands for Purchase Orders

- ❖ Define Budget Control Rules: the control rules govern which ledger accounts get controlled by budget. Technica will provide the budget control rules during the migration phase:
 - Means From which account to which account the control would be.
 - On high level or with financial dimension details.
- ❖ Documents that as subject to Budget Control: All journals including expense report & Travel requisition will be subject to budget control except Payroll and Fixed Assets journals and allocation journal:
 - Expense Report: The team will normally pass the related expense from expense management module (see expense management FRD) and the expense will need to be passed by Category by activity number to get controlled.

Document/ journal	Selected	Check at line e...
Advanced ledger entries	<input type="checkbox"/>	<input type="checkbox"/>
Allocation journals	<input type="checkbox"/>	<input type="checkbox"/>
Daily journals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Expense reports	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fixed asset journals	<input type="checkbox"/>	<input type="checkbox"/>
General budget reservation	<input type="checkbox"/>	<input type="checkbox"/>
Payroll pay statements	<input type="checkbox"/>	<input type="checkbox"/>
Project expense journals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Purchase orders	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Purchase requisitions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Travel requisitions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Vendor invoice journal	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Vendor invoices	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Figure 3 – Budget control configuration for journals

❖ Activate the budget and turn it on

My view ▾

Budget control configuration - Active

Define parameters

Over budget permissions

Budget funds available

Documents and journals

Assign budget models

Define budget control rules

Select main accounts

Define budget groups

Define message levels

Activate budget control

ACTIVATE BUDGET CONTROL CONFIGURATION

The budget control configuration draft will become active. When you turn on budget control, the active configuration takes effect.

Date when last activated

Activated by

Activate

22/06/2023

nmajdalani

TURN ON OR TURN OFF BUDGET CONTROL

When you turn on budget control, the active budget control configuration takes effect.

Turn off

Budget control is turned on

Figure 4 – Activate Budget module

3.7 BUD007 – Budget Reporting

The finance is requesting the ability to track the project category expense across multiple projects in terms of Budget and Actual as a global view.

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4. Processes List

To elaborate and define the functionality, the following business processes have been presented in the subsequent sections:

Process ID	Name	Description
BUDP01	Push Forecast to Budget	Push Forecast to Budget
BUDP02	Budget Transfer	Budget Transfer

4.1 Business Processes

4.1.1 BUDP01 – Project Forecast to Budget

Technica can push the Projects Forecast to budget where no one will create manual budget register entries. Info-sys suggested the following:

- For normal journals and expense report both have account that is linked to project category and this control is on project category that was pushed from project forecast to budget with Budget type "Project" (see below):

Transaction	SELECT	Budget type	STATUS	In use by user
Default date 27/05/2019	Budget model FY2019	Project	In use <input checked="" type="radio"/> No	
Source document	Budget code ProjectBudget	Reason code		Budget register entry status Draft
		Reason comment		

Budget check r...	Date	Account structure	Amount values	Amount	Amount type	Currency	Comment
<input checked="" type="radio"/>	01/01/2019	Service Industries P&L	540210-004-023-0000...	500.00	Expense	USD	Project transfer PITY_00008806
<input type="radio"/>	05/01/2019	Service Industries P&L	411300-004-023-0000...	575.00	Revenue	USD	Project transfer PITY_00008806
<input type="radio"/>	01/01/2019	Service Industries P&L	540210-004-023-0000...	1,000.00	Expense	USD	Project transfer PITY_00008807
<input type="radio"/>	05/01/2019	Service Industries P&L	411300-004-023-0000...	1,150.00	Revenue	USD	Project transfer PITY_00008807

Figure 5 – Budget register entry from project module

- Also, those account will be linked to procurement category and every procurement category will be linked to category expense that will be picked from project module this is in case Technica team have passed a PR, PO by procurement category only without item → **Need the related mapping from Technica team.**
- For exceptional cases, we can always create budget register entry manual, but it will be under budget type "Original", or "Revision" or "Transfer" → (See section 4.1.2).

4.1.1.1 To-Be Process Overview

- A. ~~Create 1 project per year by department that have specific activities (category)~~
- ~~example: IT equipment exhibition 2023, the year after, create a new project call it "IT Equipment exhibition 2024"....~~
 - ~~So, projects will be created automatically and pushed to accounting via the Project forecast screen.~~
 - ~~from within the project module, we can pass journals expense, time, hour spent.... And it will be controlled.~~
 - ~~This will also control the budget by activity by department. Example: I have a budget of 5,000\$ for IT department (laptop 1000\$, training 500\$, 3500\$ travel). So, even if I have a total of 5000\$ IT, Technica budget strategy will not accept taking a budget from training and use it on laptop even it doesn't~~

~~exceed the overall all budget of 5000\$ → This was confirmed by Technica's Finance Manager.~~

B. Showing steps to copy forecast to ledger.

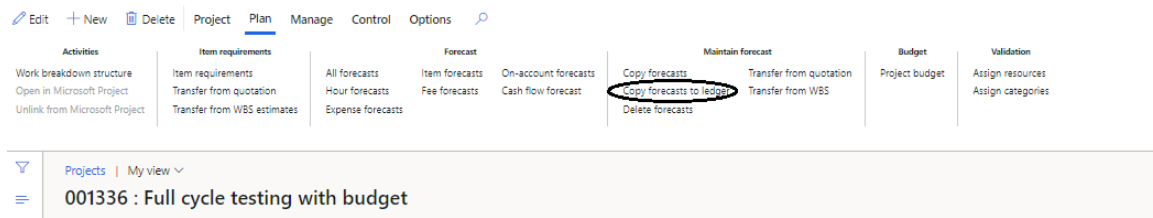


Figure 6 – Push forecast to budget

C. Fill the below configuration is ordered to push the correct data to the correct module and date:

Copy forecasts to ledger

Parameters

INCLUDE STATEMENT

Profit and loss

☒ Yes

WIP

☒ Yes

Payroll allocation

☐ No

PROJECT DATE

From date

01/06/2023

To date

30/06/2023

LEDGER DATE

From date

01/06/2023

To date

30/06/2023

COPY FROM/TO

From forecast model

CurrentF

To ledger budget model

FY2023

This is forecast pushed from WBS and now we are taking it to budget

Figure 7 – Push forecast to budget parameter enabled

D. Once the job is done, the below budget register entry was pushed automatically to budget module with these forecasted figures coming initially from the updated WBS at a certain time:

Budget register entry

TRANSACTION: Default date: 23/06/2023, Source document: [empty]

SELECT: Budget model: FY2023, Budget code: Project

Budget type: Project

STATUS: In use: Yes

In use by user: r.majdalani

Budget register entry status: Draft

Budget account entries

Date	Account structure	Dimension values	Amount	Amount type	Currency	Comment
01/06/2023	Manufacturing P&L	500130-001---	120.00	Expense	USD	Project transfer 005806
01/06/2023	Manufacturing P&L	601500-001---	150.00	Expense	USD	Project transfer 005807
01/06/2023	Manufacturing P&L	500100-001---	1,500.00	Expense	USD	Project transfer 005808
11/06/2023	Manufacturing B/S	160600-001-	2,500.00	Revenue	USD	Project transfer 005862

Figure 8 – Budget Register entry header and detail

- As you can see above, there was one line had a budget check because as per the setup activated above, I only placed this account to be controlled. So, while migrating the data we should make sure that we placed all the needed accounts that need to be checked.
 - For every budget type, we can have a unique workflow but in case of Technica there will be one workflow → Technica team will send the related workflow during migration phase.
 - Once the workflow is submitted and approved, click on “Update budget balance” and the budget register entry start will move from “Draft” to “Completed”.
- E. Now, we can start passing transactions, expense report and all the others, and the system will control them based on the configuration placed.
- As an example of controlling expense report by project category “Travel”.

Expense report for Nicolas Majdalani - 000106, Customer visit

Expense report header

General: Purpose: Customer visit, Location: SubOffice, Map to travel requisition, Travel requisition amount

Expenses

Transaction date	Approval status	Expense category	Merchant	Transaction amount	Currency	Project ID	Billable	Activity number
23/06/2023	Draft	Travel		250.00	USD	001336	Billable	17522

Error exceeding budget

Higher than 150 USD that was pushed to budget

Controlled by project ID and Activity ID

Figure 9 – Expense report controlled by budget

4.1.1.2 Requirements

ID	Description	FIT/GAP
BUDP01-001	Create WBS and push to forecast	FIT
BUDP01-002	Copy Project forecast to Budget	FIT

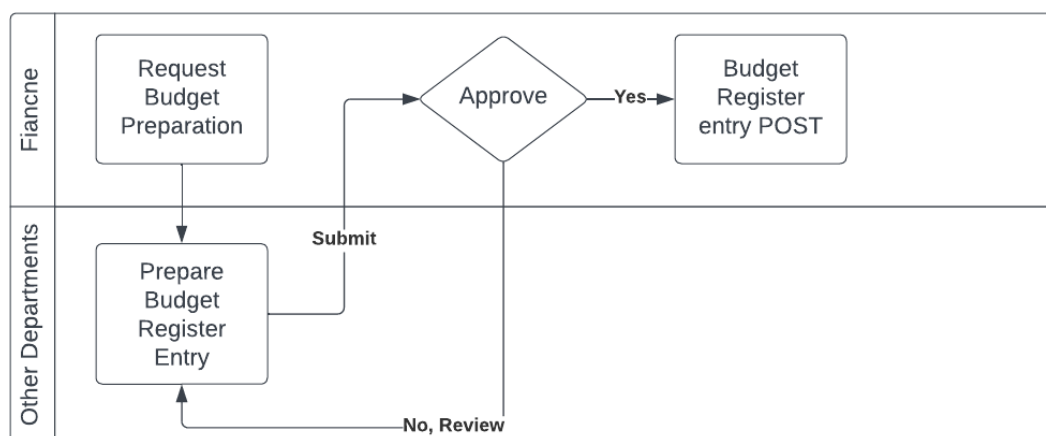
BUDP01-003	Budget register entry created automatically	FIT
BUDP01-004	Submit workflow for approval	FIT
BUDP01-005	Budget register entry activate and can start controlling budget	FIT

4.1.2 BUDP02 - Budget Transfer

Once the original budget is posted to the budget module, Technica can move budget around from one department to another if the need to do arises.

Technica to confirm the need of a workflow for this kind of budget type.

4.1.3 BUDP03 – Budget Register Entry



Whenever the finance begin to prepare their budget, they request by email from all the departments to create and submit their budget.

The different departments can create a budget register entry and open it with excel, once they fill their figures, they can submit for approval, the finance will receive the budget register entry for approval in the workflow.

Budget register entry | My view

USSIO00005

Budget register entry		SELECT		Budget type	STATUS	In use by user
Default date	27/05/2019	Budget model	FY2019	Project	In use <input checked="" type="radio"/> No <input type="radio"/>	
Source document		Budget code	ProjectBudget	Reason code		Budget register entry status
				Reason comment		Draft

Budget account entries						
Add line		Remove	Workflow	Enter recurrence	Allocate across periods	Related information
Budget check	Date	Account structure	Dimension values	Amount	Amount type	Currency
<input checked="" type="radio"/>	01/01/2019	Service Industries P&L	540210-004-023-0000...	500.00	Expense	USD
<input type="radio"/>	05/01/2019	Service Industries P&L	411300-004-023-0000...	975.00	Revenue	USD
<input type="radio"/>	01/01/2019	Service Industries P&L	540210-004-023-0000...	1,000.00	Expense	USD
<input type="radio"/>	05/01/2019	Service Industries P&L	411300-004-023-0000...	1,150.00	Revenue	USD

Once approved the budget will take effect

DOCUMENT APPROVALS

I have reviewed the information contained in this document and approved it through by sign off below:

Name	Department	Date	Signature

Comments:

The specifications and conditions are hereby accepted. Info-Sys is authorized to execute the project as outlined in this document. This document is not valid until signed by the customer representative and returned to Info-Sys.

Signature: _____ Date: _____