

MODULE 1: FINANCIAL MANAGEMENT SETUP

Module Overview

Financial Management Setup describes in detail the following areas that must be set up to use financials in Microsoft Dynamics® NAV 2013.

- General Ledger
- Accounting Periods

 **Note:** There are other setup areas in the General Ledger, such as No. Series, Dimensions, and Posting Groups. The setup of these areas is covered in the course Application Setup in Microsoft Dynamics NAV 2013.

Objectives

The objectives are:

- Explain and set up the fields on the General Ledger Setup window.
- Explain and set up Accounting Periods.

General Ledger Setup

The **General Ledger Setup** window is used to specify a default setting for the general ledger and other application areas. The general ledger setup must be completed for each company that is set up in Microsoft Dynamics NAV 2013.

The five FastTabs on the **General Ledger Setup** window are as follows:

- General
- Numbering
- Dimensions
- Reporting
- Application

To access the **General Ledger Setup** window, follow these steps.

1. Click **Departments** in the navigation pane.
2. Click **Administration**, and then click **Application Setup**.
3. Click **Financial Management** and then click **Finance**.
4. In the **Finance** window, under **Tasks**, click **General Ledger Setup**.

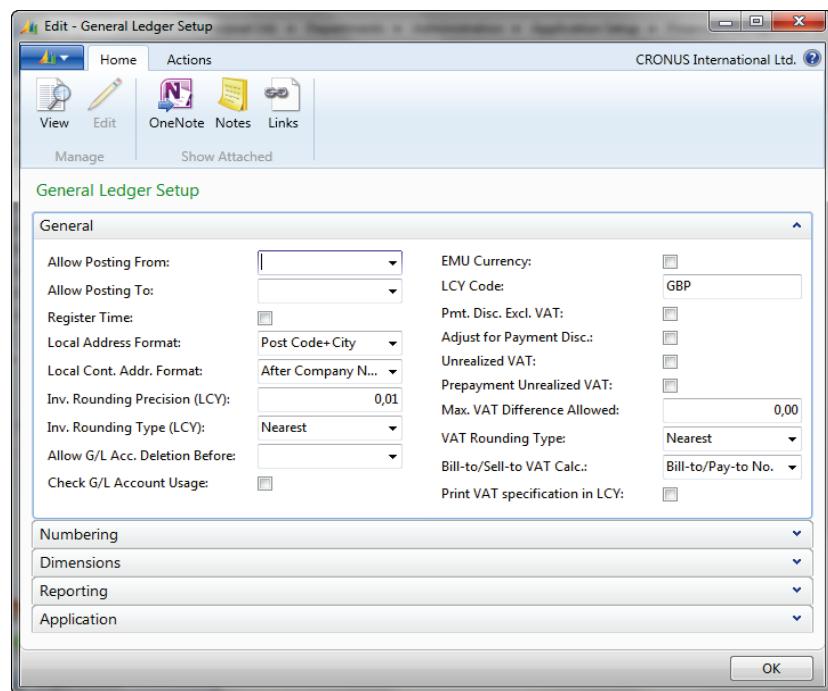


FIGURE 1.1: GENERAL LEDGER SETUP, GENERAL FASTTAB

General FastTab

The **General** FastTab contains the basic setup defaults and includes the following fields:

- **Allow Posting From / Allow Posting To** - Specify the date range that all users can post transactions in.

Because a specific accounting period cannot be closed in Microsoft Dynamics NAV 2013, setting the posting date range prevents users from posting entries outside that date range.

 **Note:** Specific user posting date restrictions are specified in the **User Setup** window. If there are no user restrictions, the company defaults are in effect. If there are no company defaults, there are no restrictions on dates for posting.

- **Register Time** - Specify whether the system registers the user's time usage.
- **Local Address Format** - Specify the address format that is used on printed documents.
- **Local Cont. Addr. Format** - Specify where the contact name must appear in mailing addresses.
- **Invoice Rounding Precision (LCY)** - Specify the size of the interval to be used when rounding amounts in local currency (LCY).
- **Invoice Rounding Type (LCY)** - Specify if invoice amounts are rounded up or down. The option selected here is used with the rounding interval specified in the **Invoice Rounding Precision (LCY)** field.
- **Allow G/L Acc. Deletion Before** - The date in this field determines when G/L accounts can be deleted. G/L accounts that have entries on or after the date specified in this field cannot be deleted.
- **Check G/L Account Usage** - Specifies that you want the program to protect G/L accounts that are used in setup tables from being deleted.
- **EMU Currency** - Select this field if the LCY is an European Monetary Union (EMU) currency. Use this field only when you apply entries in different currencies.
- **LCY Code** - Enter the currency code for the LCY. The value is only used on printouts because the system uses <Blank> as the indicator for the LCY when displaying information in tables.
- **Pmt. Disc. Excl. VAT** - Specify whether the payment discount is based on amounts including or excluding value-added tax (VAT).

- **Adjust for Payment Disc.** - If you select it, the system recalculates VAT amounts when you are posting payments that trigger payment discounts.
- **Unrealized VAT** – Select this field if you want the system to post unrealized VAT.
- **Prepayment Unrealized VAT** - Specify whether the system manages prepayments for unrealized VAT.
- **Max. VAT Difference Allowed** - Enter the maximum amount that you can have for VAT corrections in the local currency.
- **VAT Rounding Type** - Select how VAT is rounded when it is calculated for the local currency.
- **Bill-to/Sell-to VAT Calc.** - By default, this field is set to Bill-to/Pay-to No., and it indicates that the VAT Business Posting Group is taken from the Bill-to customer or Pay-to vendor for orders/invoices. Select Sell-to/Buy-from No. to use the VAT Business Posting Group for the Sell-to customer or Buy-from vendor for orders/invoices.
- **Print VAT Specification in LCY** - If you select it, a line is added on the printed sales documents that specifies the VAT details in the LCY, in addition to the invoicing currency. When this is not selected, VAT details will only print in the invoicing currency.



Note: In addition to the invoice rounding precision, you can specify the amount rounding precision and the unit amount rounding precision. However, these fields are not visible in Microsoft Dynamics NAV 2013 W1. Use the **About This Page** function to view the values of these fields.

Numbering FastTab

Bank Account Nos. is the only field on the **Numbering** FastTab. In this field, enter the code for the number series that will be used to assign numbers to bank accounts.

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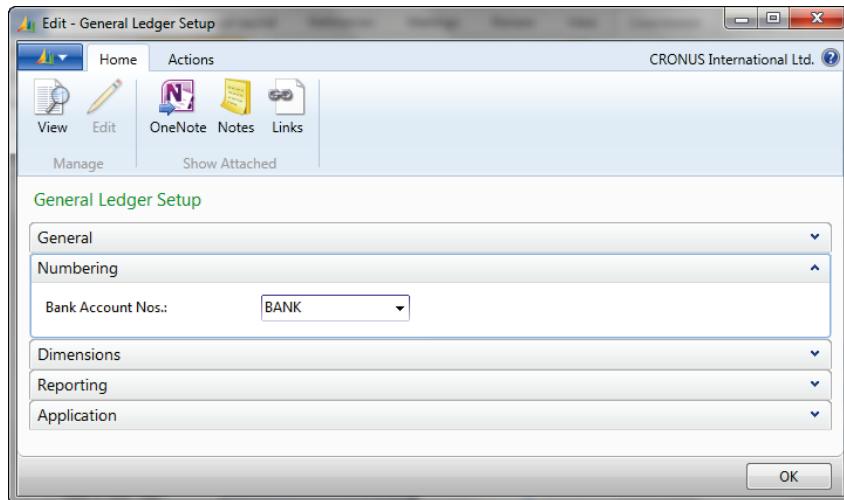


FIGURE 1.2: GENERAL LEDGER SETUP, NUMBERING FASTTAB

Number series are described in the Application Setup in Microsoft Dynamics® NAV 2013 courseware.

Dimensions FastTab

On the **Dimensions** FastTab, specify the global and the shortcut dimensions to be used for financial reporting.

The codes specified here are selected from the dimensions set up in the Dimension table.

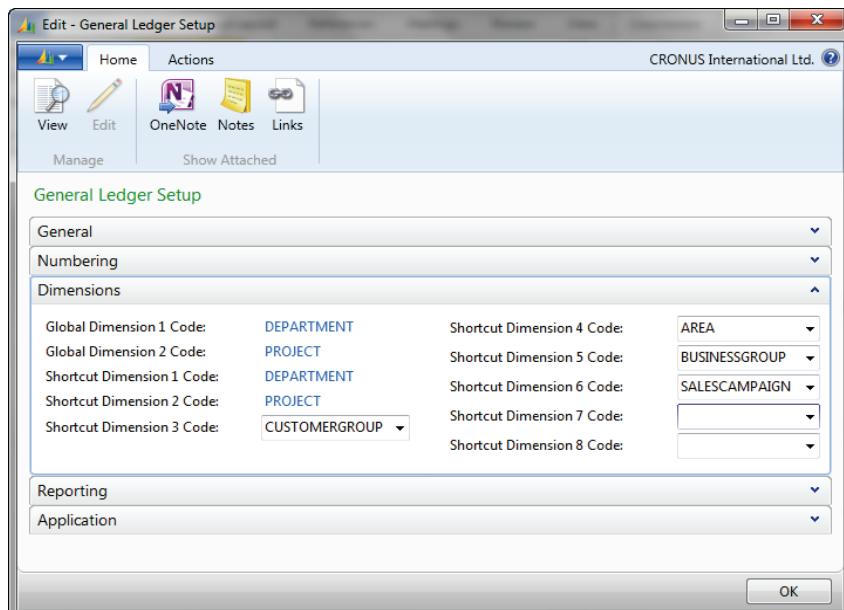


FIGURE 1.3: GENERAL LEDGER SETUP, DIMENSIONS FASTTAB

Global dimensions can be used as filters for general ledger entries or on all reports, account schedules, and batch jobs.

Determine which two dimensions will be analyzed most frequently and select these as the two global dimensions.

Shortcut dimensions offer a fast and convenient way to enter dimension information directly on the line in journals, sales and purchase documents. The eight shortcut dimensions are available to add as columns with the **Choose Columns** function in journals and documents lines.

The system automatically creates the first two shortcut dimensions based on the global dimensions. Users can select the other six shortcut dimensions based on the company's preferences and business rules.

Global Dimensions

To change the global dimensions, follow these steps.

1. In the **General Ledger Setup**, on the **Actions** tab, click **Change Global Dimensions**.
2. Use the drop-down list to change one or both of the global dimensions.
3. Click **OK** to run the **Change Global Dimensions** batch job.

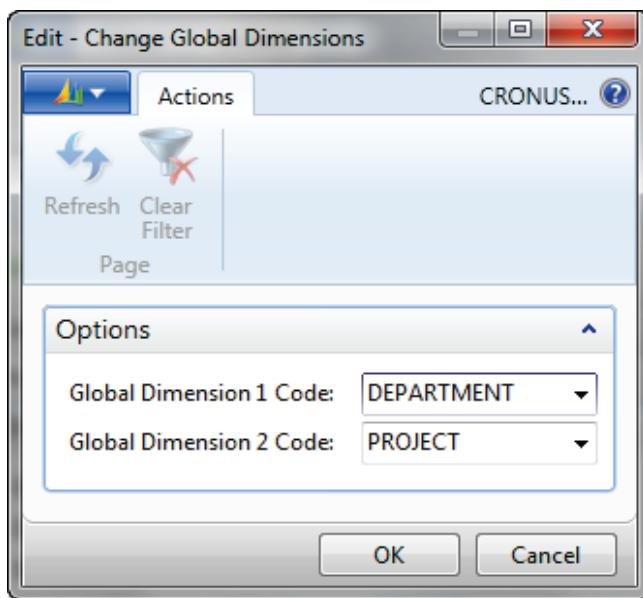


FIGURE 1.4: CHANGE GLOBAL DIMENSIONS

 **Note:** Changing a global dimension code requires that the system changes entries which are already posted. Carefully consider which dimension codes are designated as a global dimension to minimize the need for future changes.

Reporting FastTab

The **Reporting** FastTab is used to determine whether an additional reporting currency is used. An additional reporting currency is used when transaction information must also be available in a currency other than the local currency. When an additional reporting currency is set up, users can run financial reports in both the local currency and the additional reporting currency.

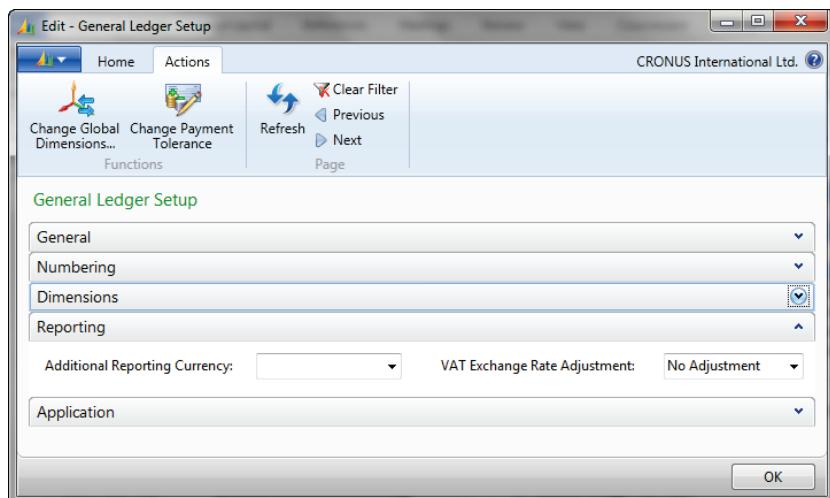


FIGURE 1.5: GENERAL LEDGER SETUP, REPORTING FASTTAB

The fields on the **Reporting** FastTab are as follows:

- **Additional Reporting Currency** - Specify the currency used as an additional reporting currency in the general ledger area.
If you specify it:
 - General ledger and other entries that include VAT entries in both the LCY and the additional reporting currency are automatically recorded in both LCY and additional reporting currency.
 - Reports are printed in either the LCY or the additional reporting currency.
- **VAT Exchange Rate Adjustment** - Use with the **Additional Reporting Currency** field to specify how the accounts set up for VAT posting in the VAT Posting Setup table are adjusted for exchange rate fluctuations between the LCY and the additional reporting currency.

The complete setup process of the additional reporting currency is covered in the course *Finance Advanced in Microsoft Dynamics NAV 2013*.

Application FastTab

The fields on the **Application** FastTab are used to specify the following:

- Currency rounding tolerance.
- How payments are applied to outstanding amounts. This includes the payments from customers and the payments to vendors.

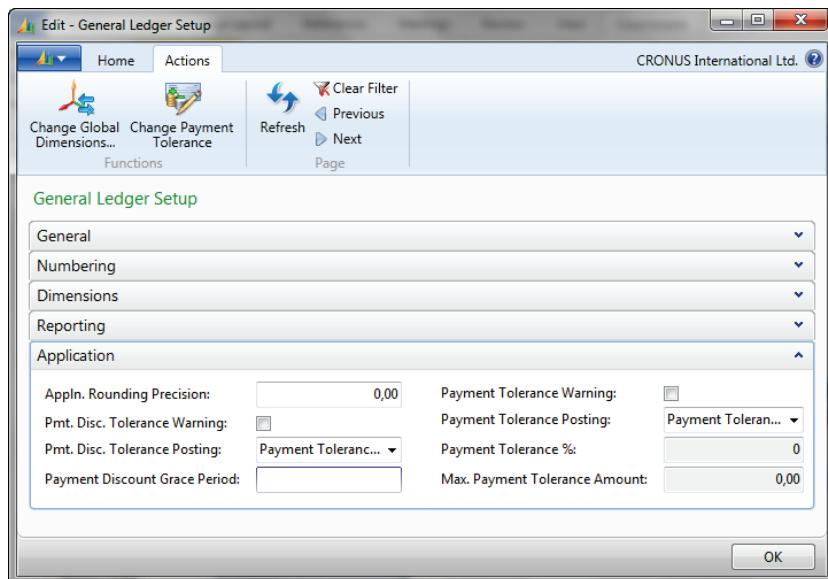


FIGURE 1.6: GENERAL LEDGER SETUP, APPLICATION FASTTAB

The **Application** FastTab contains the following fields:

- **Appln. Rounding Precision** - Specify the size of the interval for rounding differences for the LCY when you apply the LCY entries to entries in a different currency.
- **Payment Disc. Tolerance Warning, Payment Disc. Tolerance Posting, and Payment Discount Grace Period** - Complete these fields to allow tolerances on payment discount terms. More information about payment discount tolerance is available in the Receivables and Payables Management module in this Finance content.
- **Payment Tolerance Warning and Payment Tolerance Posting** - Complete these fields to close outstanding receivables and payables with payment amounts that differ from what is owed. More information about payment discount tolerance is available in the Receivables and Payables Management module in this Finance content.
- **Payment Tolerance %** - Enter the percentage that the payment or refund can differ from the amount on the invoice or credit memo.

- **Max. Payment Tolerance Amount** - Enter the maximum amount that the payment or refund can differ from the amount on the invoice or credit memo.

Payment Tolerance

To change the payment tolerance, follow these steps.

1. In the **General Ledger Setup**, on the **Actions** tab, click **Change Payment Tolerance**.
2. Select the **All Currencies** check box if you want to use the same payment tolerance settings for both local and foreign currencies.
3. Leave the **Currency Code** field blank if you want to set up payment tolerances for the local currency.
4. Enter a percentage in the **Payment Tolerance %** field.
5. Enter an amount in the **Max. Payment Tolerance** field.
6. Click **OK** to run the **Change Payment Tolerance** batch job.

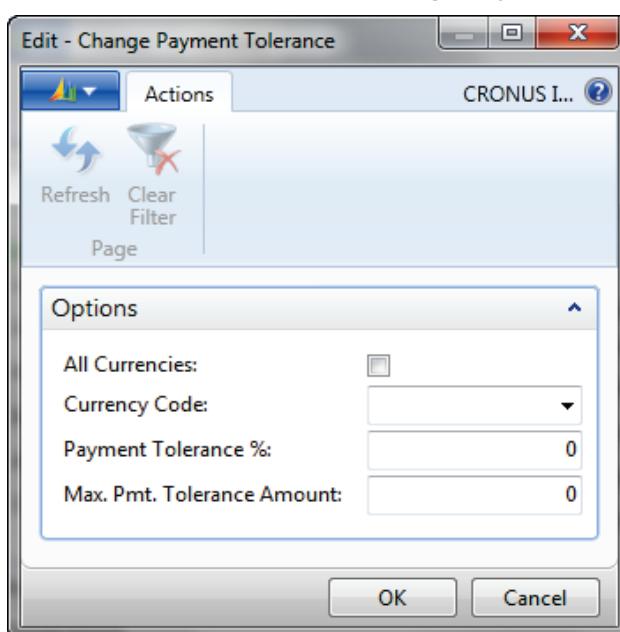


FIGURE 1.7: CHANGE PAYMENT TOLERANCE WINDOW

 **Note:** Payment tolerances can be set up by currency in the **Currencies** window.

Accounting Periods

With accounting periods users can create time references in Microsoft Dynamics NAV 2013. A fiscal year consists of several accounting periods. The shortest possible fiscal year consists of one accounting period with one day. This means that you can set up accounting periods that are different from a calendar year.

You can use the **Accounting Periods** window to do the following:

- Open new fiscal years.
- Define accounting periods.
- Close fiscal years.

You can use accounting periods in reporting. For example, when you are reviewing posted entries in a **Balance/Budget** window where the reporting interval can be specified, one of the options you may specify to report by accounting period.

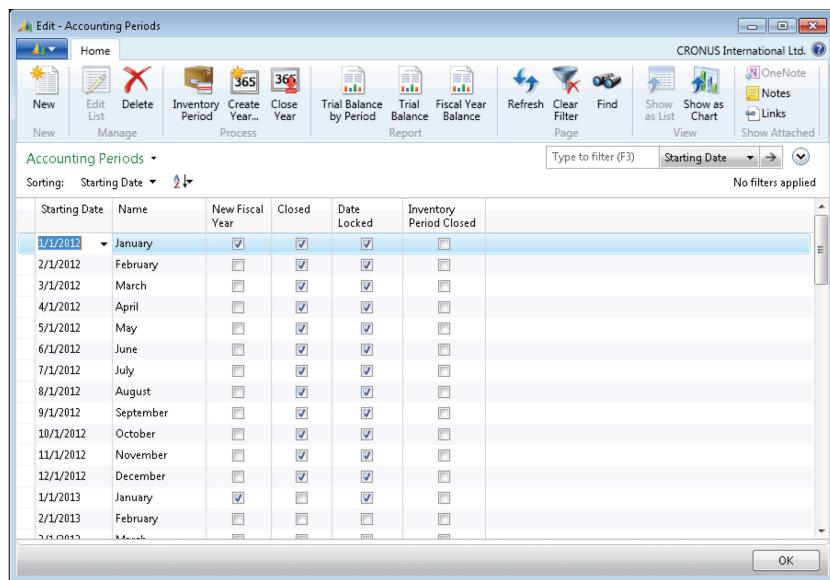


FIGURE 1.8: ACCOUNTING PERIODS WINDOW

The **Accounting Periods** window contains the following fields:

- **Starting Date** – Specifies the date that the accounting period will begin. This can, but does not have to be the first day of the month. You can change the starting date of a period manually when the **Date Locked** check box is empty.
- **Name** – Specifies the name of the accounting period. As a default, the program will enter the name of the month that corresponds to the starting date.

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- **New Fiscal Year** – Specifies whether to use the accounting period to start a fiscal year.
- **Closed** – Specifies if the accounting period belongs to a closed year. By closing a fiscal year, all periods in the year will be closed.
- **Date Locked** – Specifies if you can change the starting date for the accounting period. After closing a fiscal year, there will be a check mark in this field for all the periods in the year, and the first period of the next fiscal year.
- **Inventory Period Closed** – Specifies that the inventory period with an ending date equal to or greater than the ending date of the accounting period is closed.

Set Up an Accounting Period Manually

Accounting Periods can be created by using one of the following methods:

- Manually
- Automatically, by using the **Create Fiscal Year** batch job

To manually set up an accounting period, follow these steps.

1. In the **Search** box, enter **Accounting Periods**, and click the related link.
2. Click **New**.
3. In the **Starting Date** field, enter the date that the accounting period begins.
4. In the **Name** field, the system automatically updates the name of the month that corresponds to the Starting Date.
5. Select the **New Fiscal Year** check box to indicate the start of the year.
6. Repeat steps 4 and 5 for each period.

The **New Fiscal Year** check box must contain a check mark if an accounting period is the first in a fiscal year. Microsoft Dynamics NAV 2013 uses that period to determine which periods to close when the Close Year function is run.

Set Up an Accounting Period Automatically

To run the **Create Fiscal Year** batch job, follow these steps.

1. In the **Search** box, enter **Accounting Periods**, and click the related link.
2. Click **Create Year**.

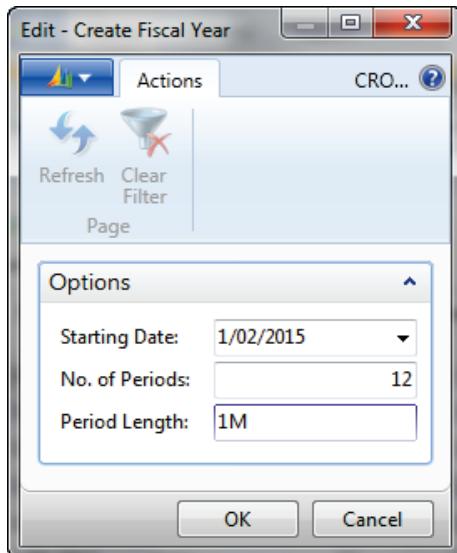


FIGURE 1.9: CREATE FISCAL YEAR WINDOW

3. In the **Starting Date** field, enter the date on which the fiscal year starts.
4. In the **No. of Periods** field, enter the number of accounting periods the fiscal year will be divided into. There can be from 1 to 365 periods.
5. In the **Period Length** field, enter how long each accounting period will be, for example, 1M = 1 month, 1Q = 1 quarter, and so on.
6. Click **OK**.



Note: For more information on date formulas, refer to the online help.

Reports

The Accounting Periods window also has the option to print a Trial Balance by Period. Select the option and enter the parameters for the report.

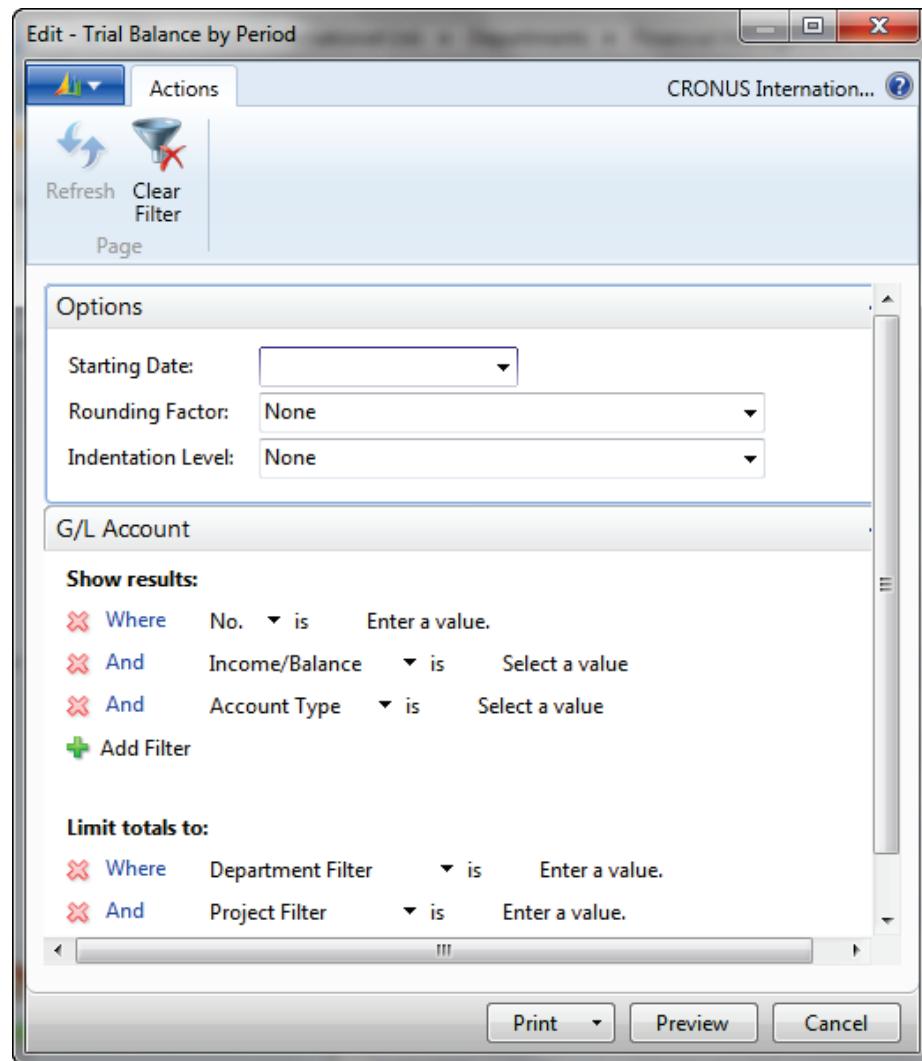


FIGURE 1.10: TRIAL BALANCE BY PERIOD WINDOW

Lab: Accounting Periods

Scenario

As the controller at CRONUS International Ltd., you must create a new fiscal year for 2015. Quickly create the new year by using the following information:

- The fiscal year begins on February 1, 2015 and ends on the January 31, 2016.
- The length of an accounting period is a month.

Exercise 1: Create a Fiscal Year

Exercise Scenario

As the controller at CRONUS International Ltd., you must create a new fiscal year for 2015. Quickly create the new year by using the following information:

- The fiscal year begins on February 1, 2015 and ends on January 31, 2016.
- The length of an accounting period is a month.

Task 1: Create a Fiscal Year

High Level Steps

1. Create the fiscal year for 2015 as specified in the scenario.

Detailed Steps

1. Create the fiscal year for 2015 as specified in the scenario.
 - a. Click **Departments** in the navigation pane.
 - b. Click **Administration**, click **Application Setup**, click **Financial Management** and then click **Finance**.
 - c. In the **Finance** window, click **Accounting Periods**.
 - d. In the **Home** tab, click **Create Year**.
 - e. In the **Starting Date** field, enter 2/1/2015.
 - f. In the **No. of Periods** field, enter 12.
 - g. In the **Period Length** field, enter 1M.
 - h. Click **OK**.

Exercise 2: Change the Starting Date

Exercise Scenario

After you create the fiscal year for 2015 you realize that a fiscal year should start on January 1. Make the necessary changes so that both fiscal years 2015 and 2016 start on January 1.

Task 1: Change the Starting Date

High Level Steps

1. Manually change the starting date of fiscal years 2015 and 2016.

Detailed Steps

1. Manually change the starting date of fiscal years 2015 and 2016.
 - a. Click **Departments** in the navigation pane.
 - b. Click **Administration, Application Setup, Financial Management** and then click **Finance**.
 - c. In the **Finance** window, select **Accounting Periods**.
 - d. In the **Home** tab, click **Edit List**.
 - e. For the accounting period with the starting date 1/1/2015, select the **New Fiscal Year** check box.
 - f. For the accounting period with the starting date 2/1/2015, clear the **New Fiscal Year** check box.
 - g. Repeat steps 5 and 6 for fiscal year 2016.
 - h. Click **OK**.

Module Review

Module Review and Takeaways

Financial Management Setup describes the areas that must be set up to use Financial Management in Microsoft Dynamics NAV 2013.

The **General Ledger Setup** window provides a quick and fast view of the options to set up the general ledger area for a company in Microsoft Dynamics NAV 2013.

You can use accounting periods to open and close the fiscal year. They are used as a time reference in financial reporting.

The areas discussed in this content are the basis of the general ledger setup. There are many other areas that must be set up in Microsoft Dynamics NAV 2013, such as Posting Groups and Dimensions.

Test Your Knowledge

Test your knowledge with the following questions.

1. Where are fiscal years defined?

- Fiscal Year window
- Accounting Periods window
- General Ledger Setup window
- Company Setup window

2. Where are posting date restrictions set in Microsoft Dynamics NAV 2013?

- General Ledger Setup window
- Database or Windows Logon window
- User Security window
- General Journal Templates window

3. How many shortcut dimensions can be defined?

- 2
- 6

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() 8

() Unlimited

4. Which rule applies when you change the starting date of an accounting period?
 - () You cannot change the starting date of an accounting period.
 - () The starting date can only be changed for accounting periods in the future.
 - () You can change the starting date of an accounting period.
 - () The starting date can only be changed for accounting periods without a date lock.
5. How are the global dimensions changed?
 - () By running the Change Global Dimensions batch job in the Dimension Value window.
 - () By running the Change Global Dimensions batch job in the General Setup window.
 - () By selecting the global dimensions in the chart of accounts.
 - () When global dimensions are set up, they cannot be changed any longer.

Test Your Knowledge Solutions

Module Review and Takeaways

1. Where are fiscal years defined?
 Fiscal Year window
 Accounting Periods window
 General Ledger Setup window
 Company Setup window

2. Where are posting date restrictions set in Microsoft Dynamics NAV 2013?
 General Ledger Setup window
 Database or Windows Logon window
 User Security window
 General Journal Templates window

3. How many shortcut dimensions can be defined?
 2
 6
 8
 Unlimited

4. Which rule applies when you change the starting date of an accounting period?
 You cannot change the starting date of an accounting period.
 The starting date can only be changed for accounting periods in the future.
 You can change the starting date of an accounting period.
 The starting date can only be changed for accounting periods without a date lock.

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5. How are the global dimensions changed?

- () By running the Change Global Dimensions batch job in the Dimension Value window.
- (✓) By running the Change Global Dimensions batch job in the General Setup window.
- () By selecting the global dimensions in the chart of accounts.
- () When global dimensions are set up, they cannot be changed any longer.

