# General Ledger

**Core Business**

General ledger is the master accounting document that contains all the accounts that FC Platinum has meaning it records all of the transactions made over the company’s life. The general ledger includes transactions grouped by type i.e.: assets, liabilities, equity, revenue, and expenses.

## Prerequisites

* **Chart of Accounts**

A listing of all accounts used in the general ledger.

* **Financial Dimensions**
* **Currency exchange rate**

Is the price of the domestic currency stated in terms of another currency?

* **Payroll Import Account Mapping**
* **Main Account Categories**

## Financial Dimensions

Dimensions are used to slice and dice the financial transactions. The FC Platinum hierarchy will be followed:



### Precondition

A company should exist before dimensions can be designed and created.

### Process Description

The Accounting Officer - Finance will receive a requirement to create a new dimension. This can be as a result of new report requirements or a new company have been acquired or created within the FC Platinum Database. Creation of dimensions is centralized The Accounting Officer - Finance will create the dimension in consultation with the Finance Superintended The dimension can be the following:

* + Cost centers
    - To add
  + Business line
    - To add
  + Sites
* To add

In processing, the divisions will contain themselves. The dimension will be slotted in the right hierarchy for reporting purposes. When the dimension is saved, an alert notification will be sent to the users that a new dimension has been created and ready for transactions. A dimension that does not have transactions against it can be deleted. A dimension with transactions can be stopped for further transactions if required.



### Actors

* Accounting Officer – Finance
* Users

### Workflow & Notification

When a new dimension is created, a notification is sent to users telling them that a new dimension has been added:

When a dimension is stopped, a notification is sent to the users that the dimension is stopped for further processing.

### Audit Trail

* User and date that the dimension was created.
* User and date that dimension was changed

## Chart of Accounts

The chart of accounts will be shared across all companies. This means that when an account is created or updated, the change occurs in all companies.

### Precondition

* A company must exist

### Process Description

The Accounting Officer - Finance will be responsible for the creation and update of the chart of accounts. A requirement for a new/amendment of chart of accounts will be originated by the Finance Superintendent or a new reporting requirement . The Accounting Officer - Finance will first check if such an account exists. If the account does not exist, the Accounting Officer – Finance captures the chart of accounts details. The following fields can be captured:

* + Account number (unique record)
  + Account description
  + Short description
  + Account type
    - Balance
    - Profit and loss
    - Header
    - Total
  + Posting profile linked to transaction category
  + Default dimensions (if any)
  + Default currency (if any)

If the account is a control account (balance account), then the account will be locked for direct posting. Locking an account prevents direct postings to the account using journals. This will ensure that the ledger and sub-ledgers are always in sync.

If the account is going to be used for exchange rate adjustment, then mark the account for exchange adjustment. This will ensure that when exchange rate adjustments are performed in the sub-ledger, then the ledger is automatically updated.

The account will be automatically approved and ready for transactions. Creation/amendment of the chart of accounts will only be initiated when the proposal has been fully approved



### Actors

* Accounting Officer
* Finance Superintendent

### Workflow & Notification

* Notification to the finance manager when an account is submitted for approval.
* Notification sent back to the accountants when the account is approved or rejected.

### Audit Trail

* Date and manager who approved the proposed chart of account creation/amendment
* Date and user that created the account.
* Date and user that updated the account.
* Date and user that approved / rejected the account

## Tax Management

This section deals with the setup of tax (VAT) and withholding tax in the system. FC Platinum uses both sales tax and withholding tax.

### Tax Authorities

Companies pay and report taxes to authorities. The authorities determine when and where the company pays its taxes. The following Tax authority will be created

* + Zimbabwe – Zimbabwe Revenue Authority (ZIMRA)

### Tax Settlements Periods

Sales tax settlement periods specify the intervals when the company reports and pays taxes. Sales tax settlement periods is 10th day of the month.

### Tax Codes

* Sales tax code is a central part of the setup. It specifies:
  + How taxes are calculated
  + The value that is used for tax calculation
* The sales tax value is very important because no tax is calculated without it.
* A sales tax code includes information about:
  + How the tax is calculated, posted and reported
  + When the payments are made
  + To whom the payments are made
* The following sales tax codes will be created:
  + Zimbabwe
    - VAT [15] %

### Tax Exemption

If no sales tax applies to trade documents, you must report why sales order is tax exempted.

The following sales tax exemption codes will be setup:

* + VAT Exempt

## Tax Payment

Tax payment is used to calculate the Tax that is due for a given period.

### Precondition

Tax transactions for the period should exist.

### Process Description

Sales tax transactions will come from these transactions:

* + Vendor invoices that are linked to tax codes
  + Customer invoices that are linked to tax codes. This will include invoices for asset disposal sale.
  + Manual journal entries transactions that are linked to sales tax codes.

The Accounting Officer Finance will run a sales tax deviation report that will show what was the system calculated sales tax and what the user entered on the transaction. The report has the following:

* + Transaction date
  + Voucher
  + Source
  + Sales tax code
  + Sales tax direction
  + Name
  + Origin (amount)

Tax input and output are cleared to tax control account for the period.



### Actors

* Accounting Officer Finance
* Finance Superintendent

### Workflow & Notification

* None required

### Audit Trail

* Date stamp and user that created the sale tax payment.

## Exchange Rate Management

The system has the functionality to work with multiple currencies and provides several methods to meet the accounting requirements of different countries. Exchange rates constantly fluctuate. Therefore, exchange rate adjustments are necessary for correct periodic accounting. If users do not periodically adjust to reflect the current rates, foreign amounts that are converted and posted in the general ledger, and then displayed in reports can be misleading. When a company works with multiple currencies, it must be able to track any profits and losses caused by fluctuating exchange rates.

### Precondition

Currency and exchange rates should exist in the system for the exchange adjustment date.

### Process Description

The Accounting Officer - Finance will be responsible for setup of the exchange adjustments. On each currency code the exchange profit and loss accounts will be setup specifying the following ledger accounts:

* Realized loss – the account number in the ledger for posting realized loss in the current currency. This calculates when settlement occurs.
* Realized profit – the account number in the ledger for posting realized profit in the current currency. This calculates when settlement occurs.
* Unrealized loss – the account number in the ledger for posting unrealized loss in the current currency. This calculates when an exchange adjustment is processed.
* Unrealized profit – the account number in the ledger for posting unrealized profit in the current currency. This calculates when an exchange adjustment is processed

The Accounting Officer - Finance can also setup currency rounding. When rounding is performed:

* Sums round off according to a fixed unit.
* Different rounding options for the accounts receivable and accounts payable modules and for prices exist.
* All posting amounts round off to the nearest factor of the specified unit, regardless of whether the system calculates and posts them or the user enters them manually.

The Accounting Officer - Finance will also mark the GL accounts that will be affected by the exchange adjustment (see chart of accounts setup above). This will be the control accounts for accounts receivable and accounts payable. This will facilitate the automatic update of the ledger whenever the adjustment is run in the sub-modules. At month end, the exchange adjustment can be run for the accounts receivable, accounts payable and some ledger accounts that need to be adjusted, but are not control accounts. If, for example, exchange rates are adjusted for customers using the Accounts Receivable module, do not at the same time adjust exchange rate in the General Ledger.

When the exchange adjustment is run, the GL accounts for exchange rate and profit are automatically updated. If there was a previous exchange adjustment, the system automatically reverses these entries and posts a new exchange adjustment for the period. The exchange rate adjustments transactions can be viewed on the vouchers created by the system.



### Actors

* Accounting Officer - Finance

### Workflow & Notification

* None required

### Audit Trail

Date and user that ran the exchange adjustment.

## Accrual Journals

Accounting rules require FC Platinum to report income when earned and expenses when incurred. Standard practice is to record and recognize revenues and expenses in the period they are earned and incurred respectively, because of their significance to the future income and cash flow of the company.

### Precondition

The chart of accounts should exist.

### Process Description

Ledger accrual makes it possible to redistribute the costs or revenue of a journal line to be recognized into the appropriate periods. The Accounting Officer - Finance will create an accrual scheme with the following details:

* + Accrual identification
  + Description

The Accounting Officer - Finance will then define the ledger posting for the debit and credit transactions. The debit account numbers are used for posting the accrued debit amounts onto an asset account and for posting the accrued credit amounts into a liability account. The period frequency for the accrual scheme duration will also be entered. The duration affects how long the accrual schemes are open. The period can be daily, monthly, quarterly, half yearly or yearly. The Accounting Officer - Finance will then apply the accrual scheme when journal entries are made by specifying the start date of the accrual. The accrual transactions can be viewed before the journal is posted. The journal is posted and transactions accrued automatically.



### Actors

* Accounting Officer - Finance

### Workflow & Notification

* None

### Audit Trail

* Date and user that created accrual schemes and applied them to journal entries.

## Periodic Journals

### Precondition

Periodic journal name should exist on the system.

### Process Description

The accountant will be responsible for setting up and retrieving the periodic journal for posting. The periodic journal will be setup by specifying the following:

* Name of periodic journal
* Ledger accounts
* Offset accounts
* Dimensions
* Journal lines text (description)
* Amount
* Frequency for retrieving journal

Once the journal is setup, the Accounting Officer - Finance can retrieve it at every month end. The system will prompt the accountant to specify the posting date for the journal lines. If there are any changes to the journal lines like amounts, then the Accounting Officer - Finance can make the changes, validate the journal and post it. Periodic journal can be used for provisions and accruals.



### Actors

* Accounting Officer - Finance

### Workflow & Notification

* None

### Audit Trail

User and date that the periodic journal is posted

## Payroll Journal

### Pre-Condition

### Process Description

The Accounting Officer Inventory and Revenue receives the statutory report from the Payroll officer. The statutory report contains the following details:

|  |  |  |
| --- | --- | --- |
| **Column Name** | **Datatype** | **Length** |
| EC Number | Varchar | 20 |
| Name | Varchar | 20 |
| Surname | Varchar | 20 |
| Cost code | Varchar | 20 |
| Grade | Varchar | 20 |
| Aids levy | Varchar | 20 |
| D paye | Varchar | 20 |
| DPensMIPF | Varchar | 20 |
| Nassa | Varchar | 20 |
| C-WCIF | Varchar | 20 |
| Gross Salary | Varchar | 20 |
| Net S | Varchar | 20 |

He then screens statutory report to suit the Accounting Officer Inventory and Revenue required fields. The Accounting Officer Inventory and Revenue will use the statutory details to calculate the employee total gross salary, payroll liabilities to get net income. He/she then uses the gross salary to bill the various cost centres. After all these calculations the Accounting Officer Inventory and Revenue generates a payroll Journal, he posts the journal.

### Actors

* Payroll Officer
* Accounting Officer Inventory and Revenue

### Workflow

* None

### Audit Trail

* Journal Number

## General Journal - Creation of Error

### Pre-Condition

### Process Description

When an error is discovered in the accounting records it should be corrected immediately to prevent the process of wrong data entry which will result in unreliable financial statements. A correcting entry is a journal entry whose purpose is to rectify the effect of an incorrect entry previously made. When End user has made an error, he creates a journal entry. Journal entry field has the following:

|  |  |  |
| --- | --- | --- |
| **Column Name** | **Datatype** | **Length** |
| Date | Varchar | 20 |
| Voucher | Varchar | 20 |
| Account Type | Varchar | 20 |
| Account | Varchar | 20 |
| Description | Varchar | 20 |
| Offset account type | Varchar | 20 |
| Offset Account | Varchar | 20 |

The End user submitted the entry so that it can be reviewed by the Accounting Officer Inventory and Revenue. When the Accounting Officer receives the Journal, he reviews and adjusts then submits to the Finance Superintendent for further adjustment and approval. The request can either be denied or approved and on approval it is then posted and the correction is made.

### Workflow

* End user requests for approval.
* Accounting Officer reviews.
* Finance Superintendent Approves.

### Audit Trail

* None Required.

## Month end Procedures -Revaluation

### Precondition

Posted foreign currency transactions

### Process Description

At the end of each month all foreign currency balances are revaluated. The Accounting Officer Inventory and Revenue loads the current rate as of last day of the month then revalue the all accounts balances with that rate. After revaluation a manual check is done to verify the revaluation.

### Actors

* Accounting Officer Inventory and Revenue

### Workflow

* None Required

### Audit Trail

* Current rate
* Paid amount