# General Ledger

**Core Business**

The General Ledger is a collection of all accounts with each account is referred to as a ledger account. The general ledger works as a central repository for accounting data transferred from all subledgers or modules like accounts payable, accounts receivable, cash management, fixed assets, purchasing and projects. The general ledger is the backbone of any accounting system which holds financial and non-financial data for an organization.

## Prerequisites

* **Chart of Accounts**

A listing of all ledger accounts used and account categories

* **Financial Dimensions**

Categories into which a general ledger account is defined. FC Platinum dimensions defines the business units, operational sections and cost centres through which costs and revenue have been generated.

* **Reporting Currency**

Currency in which FCP reports its financial transactions.

* **Subledger Mapping**

## General Ledger Accounts

General ledger accounts are shared across all companies. This means that when an account is created or updated, the change occurs in all companies.

### Precondition

* A business model must exist

### Process Description

The Accounting Officer - Finance will be responsible for the creation and update of the chart of accounts. The creation or amendment to a general ledger account will be originated by the Accounting Officer- Finance and approved by the Finance Superintendent the Accounting Officer - Finance will check if the required account already exists. If the account does not exist, the Accounting Officer – Finance captures the ledger account details. The following fields can be captured:

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

If the account to be created is a control account, the account will be locked for direct posting. Locking an account prevents direct postings to the account using journals. Transactions will only be entered through the sub ledger modules. This will ensure that the ledger and sub-ledgers are always in sync.

If the account created is a balance sheet account and will have foreign currency transactions requiring balance revaluation, the account is marked for foreign currency revaluation. Control accounts created in which the sub ledger has foreign currency transactions, currency revaluations are performed in the sub ledger modules.



### Actors

* Accounting Officer
* Finance Superintendent

### Workflow & Notification

* Notification to users of the created account
* Notification to users if an account is locked for manual entry.

### 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

## Financial Dimensions

Financial dimensions are used to categorize financial transactions for further allocation of costs relating to specific departments of cost centres. This assists in the assessment of performance of given divisions or sections of FCP. Although reporting is at company level, the use of financial dimensions assists in measuring performance of the smaller components making up the organization

The FC Platinum account structure hierarchy is as follows:



### Precondition

Business model

### Process Description

An analysis / assessment of the business may give rise to new reporting requirements. These may be as a result of

1. Formation of a new division company
2. Unbundling of current existing divisions
3. An identified need to improve reporting
4. The need to enhance performance evaluation
5. The need to improve operational efficiency

If a department has identified any new business, a new business notification form needs to be filled and submitted to the Finance Superintendent. Any new financial dimension should be mapped in line with the existing business model. The Accounting Officer - Finance will create the dimension in consultation with the Finance Superintendent. When the dimension is created and 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
* Finance Superintendent
* Other Users

### Workflow & Notification

When a new dimension is created, a notification is sent to users notifying them of the addition to the dimension list. A notification will also be sent when a dimension has been blocked for transactions.

### Audit Trail

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

## Tax Management

This section deals with the setup of sales tax (VAT) and withholding tax in the system. The applicable tax liabilities to FCP are VAT (Sales tax) and Withholding tax.

VAT – The tax authorities require that all products and services rendered by FCP must be charged 15% VAT (VAT output) which is payable to ZIMRA while products and services received by FCP for business purposes and charged VAT (VAT Input) may be claimed from ZIMRA.

Withholding Tax- Payments to suppliers without a tax clearance certificate from ZIMRA are required to have 10% of the amount payable withheld and paid to ZIMRA by the 10th of the following month.

### Tax Authorities

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

* + Zimbabwe – Zimbabwe Revenue Authority (ZIMRA)
  + Zimbabwe – Zimbabwe Revenue Authority USD (ZIMRA USD)

### Tax Settlements Periods

VAT (Sales tax) settlement periods specify the intervals when the company reports and pays taxes. The VAT settlement process can be run for a specified date interval. FCP does its VAT settlement process monthly and the intervals will be equivalent to the period as set up in the month in question. The VAT settlement process has to be done by the 25th of the month as per the provisions of the tax authorities.

### Tax Codes

* The sales tax codes categorize the sales tax types into which revenue and cost transactions may be divided into. All sales tax transactions have to be categorized within the tax codes as provided by the tax authority (ZIMRA) and monthly returns submitted to ZIMRA for sales and cost transactions have to be similarly categorized
* The different sales tax codes will determine how taxes are calculated for a transaction the applicable tax codes for FCP are as follows:
* Zero Rated (0% tax non Vatable revenue generated)
* Input VAT (15% tax on supplies and services received)
* Input VAT USD (15% tax on USD products and services received
* Output VAT (15% tax on vatable revenue generated)
* Output VAT USD (15% tax on vatable USD services)
* Exempt Supplies (0% tax on exempt income)

## 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.
* A tax authority has to be setup

### Process Description- VAT

Sales tax transactions will come from these transactions:

* + Vendor invoices that are linked to tax codes
  + All 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 settlement payment process where the following parameters are inputted.

* Settlement period
* Transaction date to post the settlement
* Settlement Currency

The tax input and output accounts are cleared to the preset tax authority account under vendors. A Tax payment report is then printed for the specified month and the information will be utilized in the preparation of the VAT return form which will be submitted to ZIMRA monthly. The sales tax payment report will show all sales tax transactions in a specified period grouped by tax code.



### Process description- Withholding tax

### 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 transactions to reflect the current rates, foreign currency transactions that are posted and converted using the transaction date rate in the general ledger, and subsequently reported in financial statements 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.

### Preconditions

* Foreign currency transactions
* Official Exchange rates from financial institutions

### Process Description

The Accounting Officer - Finance will be responsible for setting up the foreign currency revaluation adjustments posting profiles. On each currency code the exchange profit and loss accounts will be setup specifying the following ledger accounts:

* Realized loss – the general ledger account for posting realized losses in the FCP reporting currency. Realized losses are only calculated when settlement occurs.
* Realized profit – the general ledger account for posting realized profits in the FCP reporting currency. Realized profits are only calculated when settlement occurs.
* Unrealized loss – the general ledger account for posting unrealized losses in the FCP reporting currency. This calculates when an exchange adjustment is processed and no settlement has been done
* Unrealized profit – the general ledger account for posting unrealized profits in the FCP reporting currency. This calculates when an exchange adjustment is processed and no settlement has been done.

The Accounting Officer - Finance will 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.
* FCP rounds all transactions to the nearest cent.

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 exclude the control accounts for accounts receivable and accounts payable as these are revalued at sub ledger level. The control accounts of all subledgers are automatically updated whenever a foreign currency revaluation is run in the sub-ledgers. FCP only revalues balance sheet accounts in line with the provisions of IAS21

When the foreign currency revaluation is run, the General Ledger accounts for exchange gains or losses 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 foreign currency revaluation can be simulated and checked before the actual run is done to ensure accuracy of conversion. The posted exchange rate adjustments transactions can be viewed on the vouchers created by the system. After revaluation a manual check is done to verify the accuracy of the revaluation.



### Actors

* Accounting Officer - Finance

### Workflow & Notification

* None required

### Audit Trail

Date and user that ran the exchange adjustment.

## Accrual Journals

The Accruals concept, a fundamental principle in accounting requires FC Platinum to report income when earned and expenses when incurred rather than when received or paid respectively. Standard practice is to record and recognize revenue 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. The timing differences between revenue and expense and recognition then gives rise to the need to accrue revenue and costs in which no invoices or payments have been received or made. These accruals are done on accrual journals.

### Precondition

* The chart of accounts should exist.
* Transactions relating to a financial period but not posted

### 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

Period or recurring journals are journals whose amounts and journal descriptions and other information remains the every time the journal is posted. The periodic journals process involves the automation of the posting of the recurring transaction.

### Precondition

* Periodic journal name should exist on the system.
* Recurring transactions

### Process Description

The Accounting Assistant- Finance 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 Assistant - Finance can make the changes, validate the journal and submit the journal for approval by the accounting officer - finance. Periodic journal can be used for provisions and accruals.



### Actors

* Accounting Assistant – Finance
* Accounting officer Finance

### Workflow & Notification

Normal GL journal approval workflow

### Audit Trail

User and date that the periodic journal is posted

## Payroll Journal

### Pre-Condition

### Process Description

The Accounting Officer- Finance receives the statutory report from the Payroll officer every month end. The statutory report contains the details as below:

|  |  |  |
| --- | --- | --- |
| **Column Name** | **Datatype** | **Length** |

. The Accounting Officer- Finance will format the statutory report for importing into dynamics. The accounting officer finance will upload the formatted statutory report into the system. The following processes are then initiated:

1. **Verification**

The process of verification includes checking the accuracy of the data uploaded, if the uploaded employee lines are the same as the original document. If the uploaded lines are not the same, the upload is corrected and another upload is done. Verification also involves checking that all cost centres as uploaded have been validated by the system

1. **Calculation**

On Calculation the Officer will be computing variables like Leave movement, Zimdef liability, Standards levy liability and total payroll cost to company per employee

As follows:

1. Loaded cost sums up gross salary with all company contributions
2. Zimdef liability is 1% of loaded cost
3. Standards Levy is 0.50% of Loaded cost
4. Leave liability is leave balance c/f- Leave balance b/f
5. Total Cost to company is the summation of the Loaded cost to the leave cost, zimdef and standards levy.
6. **Post**

The Accounting Officer posts the calculated upload. On posting, the system creates a journal which sums up all costs to be charged to specific cost centres while crediting all payroll liablity accounts. The journal is then moved to the normal general ledger journals on posting for normal GL journal workflows. The journal is then approved by the Finance superintendent and posted into the GL.



### Actors

* Payroll Officer
* Accounting Officer Finance
* Finance Superintendent

### Workflow

* GL Journal Workflow

### Audit Trail

* Journal Number
* Date and user

## General Journal - Correction of Errors

### 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 a finance user has made an error or discovers errors during the monthly reconciliation process, they create a correcting journal entry. The journal entry has the following fields:

|  |  |  |
| --- | --- | --- |
| **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 Finance. The Accounting Officer receives the Journal, reviews it and approves the request can either be denied or approved and on approval it is then posted and the correction is made. Journals raised by the accounting officer Finance are approved by the Finance superintendent.

### Workflow

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

### Audit Trail

* None Required.