

GENERAL LEDGER

COST CENTER

Index

Introduction.....3

Steps to providing rights of Cost Center to the user4

Steps of creation of Cost Center Code.....5

Cost Center Code tagging to Ledger.....6

Reports.....6

Transfer cost from one cost center to other.....7

Conclusion.....7

INTRODUCTION

- A cost center is a function within an organization that does not directly add to profit but still costs money to Operate, such as the accounting, HR, or IT departments.
- The main use of a **cost center** is to **track actual expenses** for comparison to budget.



Hello Mr.iON, we have any cost center functionality into the the system so that we can track our costs based on our requirement.

Mr. ABC (Finance User)
Twinkle supply Pvt. Ltd.



Yes Sir, we have a Cost Center functionality into our system, so using that functionality you can create your cost center code as per you requirement & track the expenses accordingly.

Mr. XYZ
(iON Support Executive)

STEPS OF PROVIDING RIGHTS OF COST CENTER TO THE USER

- Firstly please note only Admin Person can provide you the rights of particular use case, if you don't have the Admin rights, you will not be able to provide the rights to yourself and to another users.
- Need to follow below procedure for providing the Rights.

Go to the Administration – Manage User Account - Search that user – Modify – Select Application as Finance & Accounting – Need to Provide below highlighted rights by clicking on Green Arrow > - click on update User Group

Selected User: Guest HR <guesthr@ionmfg.com>

Select application: Finance and Accounting

Available: GL_CostCenter_Creator, GL_CostCenter_View

Selected: (Empty)

Filter: cost

Update User Groups (Highlighted)

- After Providing rights from Manage User Account screen, you will find Cost Center option in Finance & Accounting General Ledger – Cost

Home | General Ledger

System Configuration

- Organization
- Financial Calendar
- Accounting Periods
- Chart of Accounts
- Ledger Account
- Voucher Numbering
- Cost Center** (Highlighted)
- Analysis Category
- Navigation

STEPS OF CREATION OF COST CENTER CODE

- For creation Cost Center Code, you need to go to the General Ledger – Cost Center Code – Create.
- Before creation of Cost Center Code, take a note that, we can create Hierarchy wise cost Center code as well.

For Eg. – We have Two Parent Cost Center Code 1) Office Building 2) Factory Building, under that we have Child Cost Center code that is Electricity, Water, Stationary, Gas etc. so we can create cost Center code as mentioned below.

Office Building	1)	Off Electricity
	2)	Off Stationary
	3)	Off Water
	4)	Off Gas
Factory Building	1)	Fact Electricity
	2)	Fact Stationary
	3)	Fact Water
	4)	Fact Gas

- If you want to create Parent Code Center Code, **do not** select below mentioned check box.

☐ Is this a Child Cost Center

- For Creation of Child Cost Center Code, there are **two ways**.

- After Making Parent Cost Center Code, one Hierarchy tab will get open, where you can create Child Cost Center code.

- You need to check "Is this a Child Cost Center" flag, after checking that, One Parent Cost Center field will get Appear as mentioned in the screen shot. Where you can defined Parent Cost Center code for that Child Cost Center

COST CENTER CODE TAGGING TO LEDGER

- We can tag Cost center code to the Ledger as well, so at the time of booking Expense voucher for that Ledger Code, Center code will get by default flow in transaction. If we want to change the Cost Center code we can change it as well.

For tagging Cost Center code to the Ledger, you need to go to the **General Ledger – Ledger Account – Select Accounting Org – Mentioned that Ledger Code (Below Screen shot FYMR)**


- Also in Ledger Master, we have Cost Center Mandatory Indicator flag is there, after checking that flag system will not allow you to approve the transaction until you put the Cost Center code.

The screenshot displays the 'Detail' section of the 'General Ledger – Ledger Account' form. The 'Account Code' is 111, and the 'Account Description' is 'printing & stationery'. The 'Account Type' is 'Not Applicable', 'Indirect Cash Flow Category' is 'NA', 'Start Date' is '01/04/2013', and 'End Date' is 'dd/MM/yyyy'. Below this is the 'GST Details' section. The 'Cost Center and Analysis Category' section contains a 'Cost Center' dropdown menu with 'Off Stationary' selected, and a 'Cost Center Mandatory Indicator' checkbox. The 'Analysis Category Mandatory Indicator' checkbox is also present. The 'Back Dated Transactions' section is at the bottom.

Detail			
Account Code*	Account Description*		
111	printing & stationery		
Account Type	Indirect Cash Flow Category	Start Date*	End Date
Not Applicable	NA	01/04/2013	dd/MM/yyyy
GST Details			
Cost Center and Analysis Category			
<input type="checkbox"/> Cost Center Mandatory Indicator	Cost Center	<input checked="" type="checkbox"/> Analysis Category Mandatory Indicator	
	Off Stationary		
	Off Stationary (Office Stationary)		
Back Dated Transactions			

COST CENTER REPORTS

- We have three cost Center related reports Present in the system. Path as follows
Go to the **General Ledger – Drill down Reports.**

Reports	
Report Name :	<input type="text" value="cost"/>
<input type="button" value="Search"/>	
Records (1 - 3 of 3)	
Report Name	Report Description
Cost Center Hierarchy Wise	Cost Center Hierarchy Wise
Cost center summary report(On Screen) 	Cost center summary report(On Screen)
Cost center Detail report(On Screen)	Cost center Detail report(On Screen)

HOW TO TRANSFER COST FROM ONE COST CENTER TO OTHER?

System also allows transferring costs from one cost center to other in case costs need to be reclassified. This can be done through manual JV with same account being debited and credited. We need to tag the cost center in which we want to increase amount on debit side of this entry and the cost center where the amount is to be reduced is to be entered on credit side.

The above transfer of cost center becomes very useful in cases where the flow of cost is not clear at source and hence the amount would have been added to the parent cost center. Eventually, when the cost's specific application becomes clear, the amount can be transferred to the child cost centers for accurate reporting and analysis.

CONCLUSION

Cost center is a very useful analytical tool for the management which allows the analysis of the costs from not only a statutory and accounting point of view but from a customized point of view which can assist in analyzing costs incurred using company specific parameters.



Thanks Mr. iON, for the detail explanation of Cost Center functionality, it will help to other users also.