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This document contains the explanation to important financial concepts

Financial Concepts

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### 1) IC Matching

Lets say there is a transaction between Company A and Company B(both companies being members of a Group). Matching is the process of finding the related entries in company A and company B's books.

### 2) IC Booking

Intercompany booking records and files the discrepency if there is any missing or difference is a IC transaction

### 3) IC Elimination

Intercompany elimination refers to the process for removal of transactions between companies included in a group. For example, If there is a trasaction between a parent and child company, there two entried will be removed for a consolidated trasaction journal.

### 4) What are the data fields used in the IC Transaction

• Transaction No. - A unique number that identifies the transaction.

• Name1 - Name of the company 1

• Name2 - Name of the company 2

• IC Partner Code 1- indicates the IC partner code that the transaction will be sent to.

• IC Partner Code 2- indicates the IC partner code that the transaction will be sent from.

• Currency Code - the IC partner's currency code.

• Source Type - indicates whether the transaction was created in a journal, a sales document, or a purchase document.

• Document Type, Document No., Posting Date, and Document Date - information from the transferred IC document.

• Transaction Source - indicates which company created the transaction.

• Line Action - determines the action taken when the Complete Line Actions function is run.

• status - status of the transaction

• Receivables Account - identifies the default receivables account

• Payables Account - identifies the default payables account

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### 5) How do we differentiate between an IC Transaction and a non IC transaction?

Parent company code, subsidiary company code, currency, transaction source

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### 6) Different type of IC Transactions with proper examples?

A downstream transaction flows from the parent company to a subsidiary. In this type of transaction, the parent company records the transaction and applicable profit or loss. The transaction is transparent or visible only to the parent company and its stakeholders, not to the subsidiaries. An example of a downstream transaction is the parent company selling an asset or inventory to a subsidiary.

An upstream transaction flows from the subsidiary to the parent entity. In an upstream transaction, the subsidiary records the transaction and related profit or loss. For example, a subsidiary might transfer an executive to the parent company for a period of time, charging the parent by the hour for the executive’s services. In this case, majority and minority interest stakeholders can share the profit or loss because they share ownership of the subsidiary.

A lateral transaction occurs between two subsidiaries within the same organization. The subsidiary or subsidiaries record a lateral transaction along with the profit or loss, which is similar to accounting for an upstream transaction. An example is when one subsidiary provides information technology (IT) services to another subsidiary for a fee.