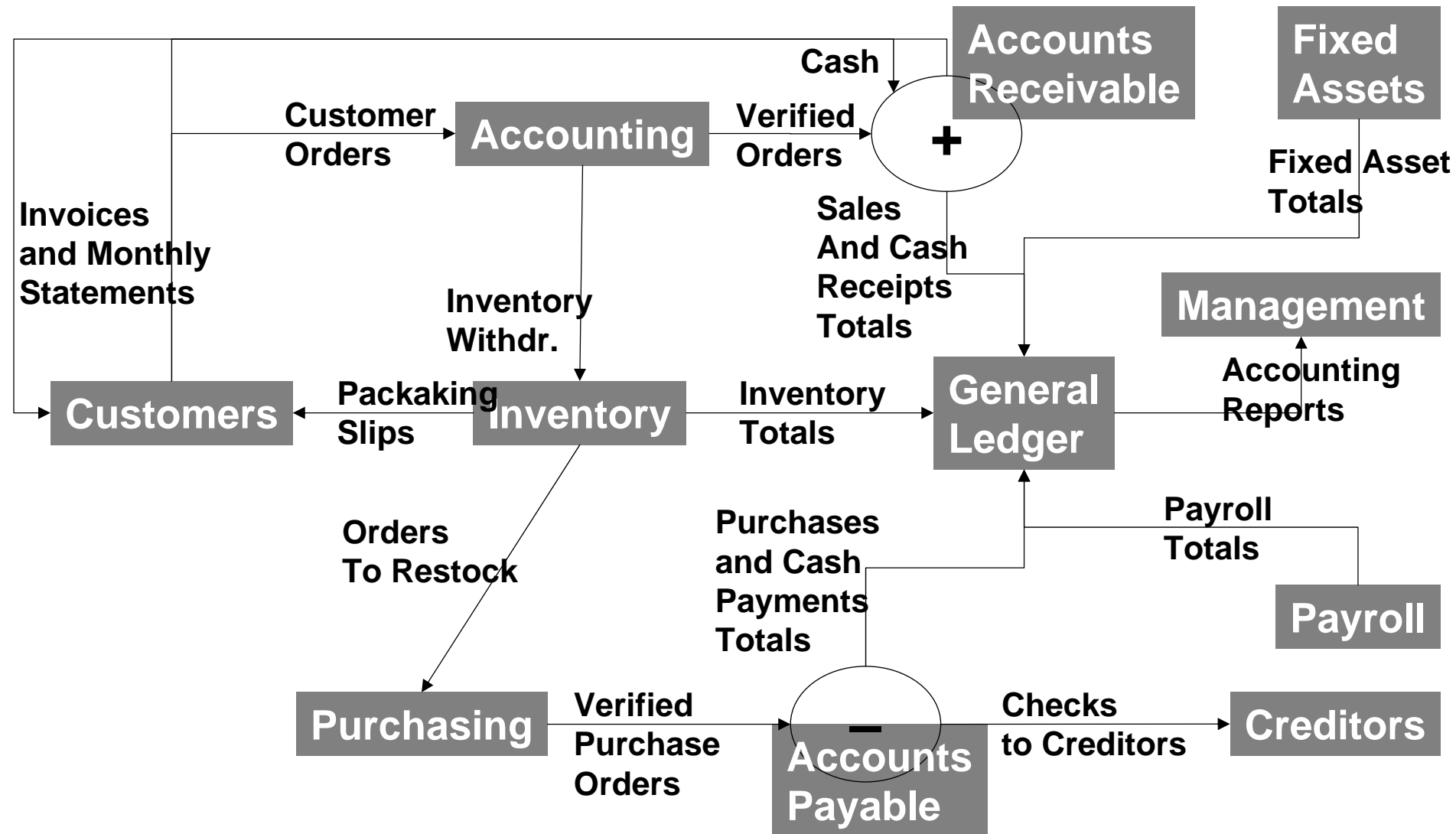


ERP Course: Accounting and Finance

Reading: Chapter 5 from Mary Sumner

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E2-201
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Accounting

Account = a financial variable representing a business aspect of a company

Maintained in bookkeeping

Single entry accounting system (small businesses, simple, no need for ERP 😊)

Double entry accounting system (usual)

Principles

Assets = Liability + Owner's equity

Asset is anything owned which can produce economic benefit

Liability is something owed to another party

Equity is a difference between asset and liability

Assets

Current Assets (cash, receivables, short term investments,
inventory, prepaid expenses)

Long term investmnets

Fixed Assets (property, plant, equipment)

Intangible assets (copyrights, patents,...)

Liabilities

Current (less than year)

- Accounts payable
- Wages
- Taxes
- Adjusting Entries

Long Term (more than year)

- Leases
- Pensions
- Bonds
- And so on

Journal

Records first entry documents certifying expenses and receivables

It is daily

Contains

- Invoices (customer and purchase)
- Sales receipts
- Deposit slips
- Checks which effects debits and credits

2001 Kontorcentralen A/S - Sales Order

General Invoicing Shipping Foreign Trade E - Commerce

No. 2001 [edit] [refresh]

Sell-to Customer No. . . . 10000 [up]

Sell-to Contact No. . . . E000001 [up]

Sell-to Customer Name . . . Kontorcentralen A/S

Sell-to Address Carl Blochs Gade 7

Sell-to Address 2

Sell-to Post Code/City . . DK-2610 [up] Rødovre [up]

Sell-to Contact Hr. Anders Madsen

No. of Archived Versions. . 0

Posting Date 17-01-01

Order Date 17-01-01

Document Date 17-01-01

Requested Delivery Date

Promised Delivery Date

External Document No.

Salesperson Code PS [up]

Campaign No. [up]

Responsibility Center . . . RYDOVRE [up]

Status Open

T..	No.	Description	Location ...	Quantity	Reserve...	Unit of M...	Unit Pric...
▶ I...	LS-MAN-10	Brugervejledning t. højtalere	HVID	4		STK	

Order Line Functions Posting Print... Help

Customer Information

Sell-to Customer [edit]

- Ship-to Addresses (2)
- Contacts (5)
- Sales History

Bill-to Customer

- Avail. Credit 0

Item Information

- Item Card [edit]
- Availability (75)
- Substitutions (0)
- Sales Prices (0)
- Sales Line Di... (0)

SCI000002 Kontorcentralen A/S - Sales Invoice

General Invoicing Shipping Foreign Trade

No. SCI0000002

Sell-to Customer No. 10000

Sell-to Contact No.

Sell-to Customer Name Kontorcentralen A/S

Sell-to Address Carl Blochs Gade 7

Sell-to Address 2

Sell-to Post Code/City DK-2610 Rødovre

Sell-to Contact Hr. Anders Madsen

Posting Date 30-06-00

Document Date 30-06-00

External Document No.

Salesperson Code PS

Campaign No.

Responsibility Center

Status Open

Customer Information

- Sell-to Customer
- Ship-to Addresses (2)
- Contacts (5)
- Sales History
- Bill-to Customer
- Avail. Credit 0

T..	No.	Description	Location ...	Quantity	Unit of M...	Unit Pric...	Line Amount ...	Lin
		Servicekontrakt: SK00002						
G..	6955	30-06-00 - 30-06-00	BLÅ	1		0,85	0,85	

Invoice Line Functions Posting Help

Ledger (Book of Accounts)

Bring together all amounts related to an account

The process is called posting

Posting undergo a balancing phase (reconciliation)

The phase is characterized by number of adjustments on accounts to fit accounting principles

Result is adjusted trial balance

It usually includes accounts for items such as fixed assets, current assets, liabilities, profit and loss, income and expenditure, funds and reserves

Trial Balance

21

Period:

CRONUS Danmark A/S

No.	Name	Net Change		Balance	
		Debit	Credit	Debit	Credit
1000	BALANCE				
1002	ANLÆG				
1003	Anlægsaktiver				
1005	Materielle anlægsaktiver				
1100	Grunde og bygninger				
1110	Grunde og bygninger	12.666.785,97		12.666.785,97	
1120	Tilgang i år	1.264,82		1.264,82	
1130	Afgang i år				
1140	Akk.afskr. grunde og bygn.		4.508.736,14		4.508.736,14

Receivables-Payables

Period St...	Period Name	Cust. Balances Due	Vendor Balances...	Receivables-...
25-01-01	Thursday	0,00	0,00	0,00
26-01-01	Friday	0,00	0,00	0,00
27-01-01	Saturday	0,00	0,00	0,00
28-01-01	Sunday	1.849,06	0,00	1.849,06
29-01-01	Monday	9.806,70	0,00	9.806,70
30-01-01	Tuesday	0,00	0,00	0,00
▶ 31-01-01	Wednesday	5.578.503,37	3.019.163,70	2.559.339,67
01-02-01	Thursday	0,00	108.874,05	-108.874,05
02-02-01	Friday	100.790,00	71.004,79	29.785,21
03-02-01	Saturday	12.837,38	222.481,71	-209.644,33
04-02-01	Sunday	70.799,94	0,00	70.799,94

1 7 31 3 12 ≡ |◀ ▶| ...

Help

Double Entry Accounting

If an account is credited another account is debited

Examples:

You buy a paper for your printer

This credits a company account where you bought the paper and paired with a bank transfer

Your "usual goods" account on general ledger is debited

T account is used to record the entries

Account	
Debits	Credits

Debit vs. Credit Normal Balance

Assets = Owner's equity + Liability

Assets are of debit normal balance (DB)

Liability and equity are of credit normal balance (CR)

Debit increases value of DBA

Credit increases value of CRA

Financial statements

Created from trial balance

Income statement

Balance sheet (at the end of the fiscal year)

Cash flow statement

Income Statement

How revenue is transformed to Net Income

Past performance of enterprise

Can predict future performance

Cash Flow

Due Date	Cust. Balances Due (Vendor Balances Due (Net Change (LCY)	Balance at Date (LCY)
...before	1.403.585,92	371.814,74	1.031.771,18	1.031.771,18
25-01-01..24-02-01	6.997.844,55	3.961.160,71	3.036.683,84	4.068.455,02
after...	-23.668,28	0,00	-23.668,28	4.044.786,74
Total	8.377.762,19	4.332.975,45	4.044.786,74	4.044.786,74

In Navision

General Ledger

Cash Management

Receivables

Payables

Fixed Assets

Inventory

Support of Integrated ERP System

Accounts receivable are updated automatically so sales know the customer credit limits

ERP automatically updates the value of finished goods when they are transferred to a warehouse

Up to date cost variance

Currency management

VAT management

Management Control Processes in Accounting

Budgeting

Cash Management

Capital Budgeting

Investment Management

Budgeting

Tracking revenues and expenses

Comparing current budget allocation to prior years

Comparing current revenues and expenditures to prior years

Using the information for further planning on:

- Budgets (increase or decrease)
- Personnel
- Assets

Cash Management Processes

To ensure sufficient cash for companies needs

Allocate excesses to investments

What if analysis can be used to analyse different options for cash and budget allocation

Capital Budgeting

To analyse impact of possible acquisitions

Methods used:

- Net present value (NPV)
- Internal rate of return (IRR)
- Payback period

Net Present Value

$$NPV = \sum_{t=0-N} (C_t / (1+i)^t)$$

t ... is a time of cashflow

N ... is a total time of the project

i ... is a discount reate

C ... cashflow at the point in time (includes expenses and revenues)

If the value is positive, company shoud invest

IRR is the same, but looks for i where NPV is 0

Further management functions

Cost center accounting

Internal orders

Activity-based costing

Product cost controlling

Profitability analysis

Profit center accounting

Consolidation

Profit centers – branches

Distribution of work and accounting to independent units

Independent accounting

Own responsibility for revenues and losses

Profit center accounting creates reports on performance of these branches

Centers can be responsible for (which of them have the highest contribution margins):

- Products
- Territories
- Customers
- Or combined

Central Clearing House

Financial accounting – source for management (revenues, general ledger,...)

Materials management – posts costs of goods

Production planning – posts the costs of bills of materials which are created in

Personal administration – posts payrolls

Sales and distribution – posts billing documents

Activity Based Costs

Traces costs from resources (people and machines)

Applies them to costs of specific products, services and customers

ERP helps with this and help to answer questions about profitability

This information is strategic as it guides not just ordinary sales but also strategic decisions

Selfreflection on accounting (how many people can process orders still efficiently and how much does it cost)

Source for process improvements

	Operational Control System	Activity Based Control
Purpose	information about process and business unit efficiency	provides strategic cost information about the underlying economies of the business
Data	Timely, accurate and specific to a workgroup	estimates are sufficient
How Cost is Defined	relevant information on costs of people, machines, energy, which are used in operating processes	costs of resources across a value chain of providing a product
Questions addressed	what was left from production? How much of the material?	how much does it cost to make a product?
Scope	specific to a responsibility center	aggregates costs across multiple centers
Example	measure actual expenses of a specific process (e.g help desk)	Measure what it costs to connect a customer to internet including help desk