MYOB EXO BUSINESS WHITE PAPER

Period Handling and Transaction Ageing

EXO
BUSINESS

MYOB ENTERPRISE SOLUTIONS

Contents

Overview

While EXO Business stores transaction dates, it is not a purely date based system. It does not rely on dates for critical procedures such as transaction ageing and posting between ledgers, nor are dates used by any of the standard reports within EXO Business to calculate control totals.

EXO Business employs a method of tagging all transactions with a nominated period number at the time of posting. As an extra validation, EXO Business can ensure that the transaction date given is valid for the period that the transaction is being posted to. This method is used to avoid the traditional problems associated with incorrectly entered dates and extra processing overhead required to "age" transactions into periods, which often make purely date-based solutions very limited in scale.

Key Principles

Transaction Batching

EXO Business batches transactions for user-controlled posting to the General Ledger. Nevertheless, it is designed to run "real–time" in the sense that in order to perform a Bank Reconciliation (which is connected directly to the General Ledger), transactions must be posted to the General Ledger regularly during the period. The Posting process is independent of the End of Period process. It is not necessary that all transactions be posted to the General Ledger before the End of Period process can be run, but this can lead to difficulties when trying to reconcile.

Transaction Age Numbering

In EXO Business, transaction ages are numbered from current (0) backwards. This may be different from the systems you are familiar with; however it does provide some useful logic consistency.

Example:

> 0 = current period
>
> 1 = One period ago (last month)
>
> 2 = Two periods ago
>
> :
>
> :
>
> 54 = Fifty-four periods ago etc.

EXO Business knows which period in the period table is the current one, and uses this as a point of reference to display the name of the period on reports and data entry screens.

It is important that you are comfortable with this and that all users understand the approach.

Data entry operators are able to select the period they wish to post a transaction to using a period selection dialog like the one below:
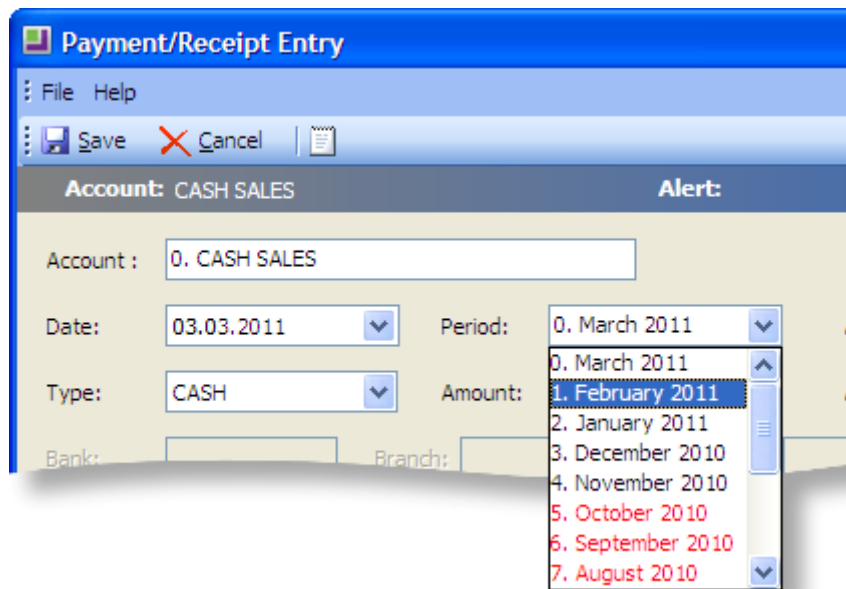
Ledger Rolling

EXO Business has a definite End of Period or "roll-over" procedure which ages the transactions (increases the age number by one), ages the balances of Debtors and Creditors and resets various cumulative month to date totals to zero. This <u>must</u> be performed before any transactions can be entered into the new period. As previously mentioned, it is not necessary that all transactions are posted to the General Ledger before that ledger is rolled over.

Each ledger (Debtors, Creditors, Stock and General Ledger) can be rolled separately or all ledgers can be rolled simultaneously (recommended). There is no loss of transaction detail as a result of the End of Period or End of Year procedures. Transaction detail is retained as history and is never deleted by EXO Business.

It may be necessary in some cases to complete some specialised procedures before the End of Period. The adjustments made for Revaluations of Current Assets due to Exchange Rate Variance is one example of this. See page 13 for considerations with other modules and specialised functions.

EXO Business does not employ a traditional forward period posting mechanism to deal with the problem of un-finalised transactions at the end of a period. Instead, the emphasis is placed on allowing complete functionality for post-period (late) transaction entry and retrospective reporting of transactions. If a user were to run the End of Period procedures prematurely, this would not present a problem for EXO Business.
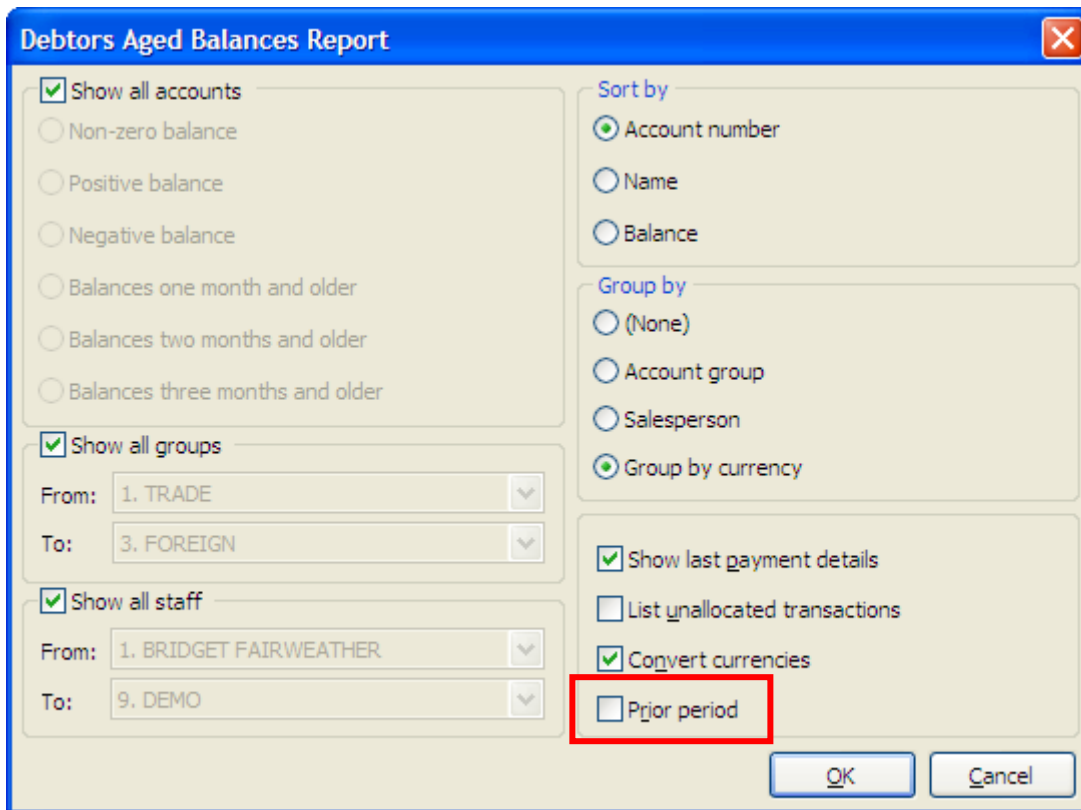
Prior period Statements and prior period Aged Balance Reports can be produced after the End Of Period rollover and are retrospectively adjusted if transactions are posted to a period other than current. A prior period end balance is maintained on every transaction and period end aged balances are stored on every Debtors and Creditors account for easy reference.

Period Posting

If a Posting occurs in a previous financial year, an option is included to recalculate retained earnings to take any changes into account.

As it is so easy to post to periods other than the current one, there are numerous controls available to prevent this happening inadvertently. Period control governs whether a period is locked for all posting for a particular ledger, for a particular period. This is useful if a company's Financial Statements have been published and they want to prevent any further adjustments being made. See "Period Statuses" on page 8 for further details on universal Period Locking. In addition, the permission to post to any period other than current can be controlled on a user basis, using the User Profile Setting; see "Profile Settings" on page 10 for further details

It is still important to have a logical close off for each ledger and lock the period. At some point the company has to print Statements for the current or the previous month, and at some time the company has to present a tax return. These are logical times to formally close off the periods.

EXO Business has the ability to edit invoice and edit credit note transactions—this ability is no longer available once the transaction has been through an End of Period, has been posted to the General Ledger, or has been involved in an allocation set with other transactions.
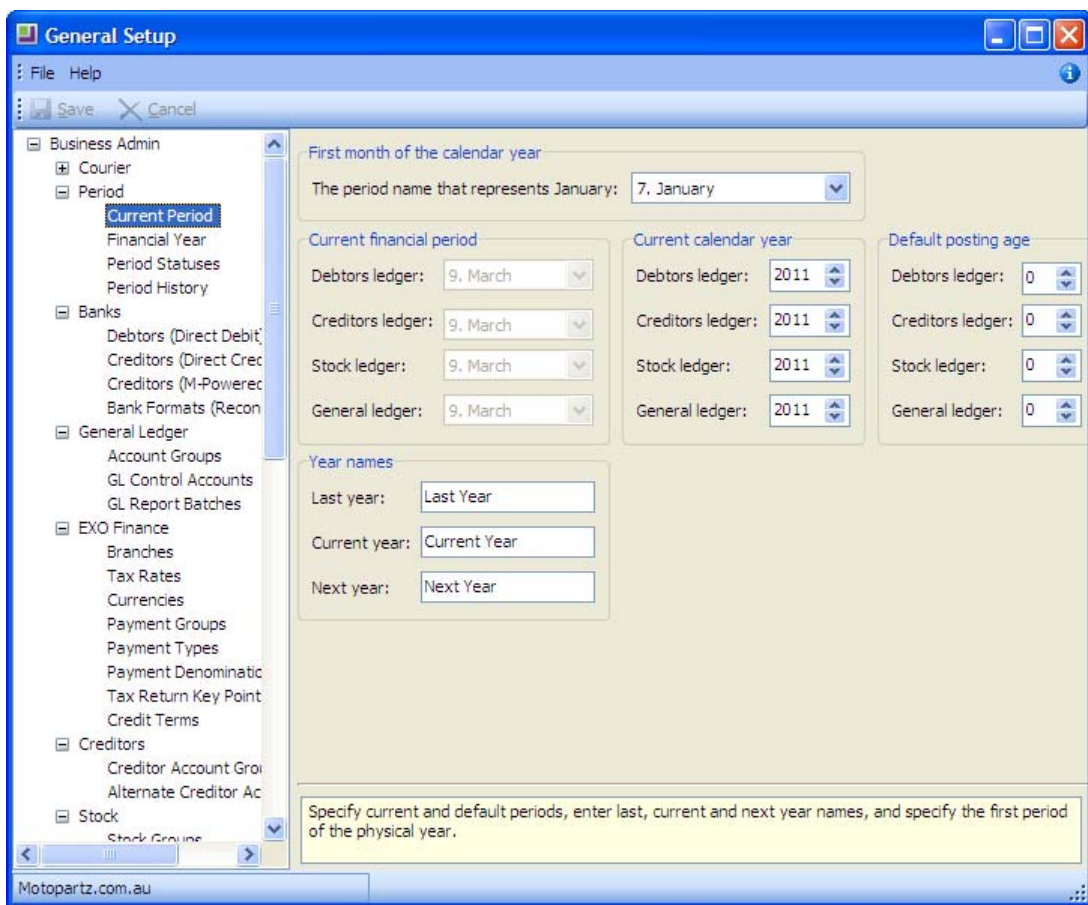
General System Setup

Overview

Period handling and transaction aging is controlled in the **Admin > Period** section of EXO Business Config (the options can also be accessed from EXO Business by selecting the **Setup > General Setup** menu option if it has been added to the staff member's menu).

Setup

Current Period

The **First period of the calendar year** is necessary for the system to determine short names and report codes for reporting purposes as the "financial" year rarely corresponds with the "calendar" year (January through December). The need for this setting came about because the period names may not necessarily be recognisable month names (refer to Page 6 for further details), so EXO Business cannot automatically tell which period is the start of the calendar year.

The **Current financial period** section displays the period number and the period name that represents the current period for each ledger.

The **Current calendar year** section displays the current year for each ledger.

The **Default posting age** section caters for users who wish to have their ledgers synchronised but prefer to have the Creditors ledger default to the previous period, as the suppliers' invoices are late being received. This can also be set via the period statuses screen described later.

The **Year names** section allows you to provide meaningful names for your financial years, e.g. "2010-2011 FY".

Financial Year
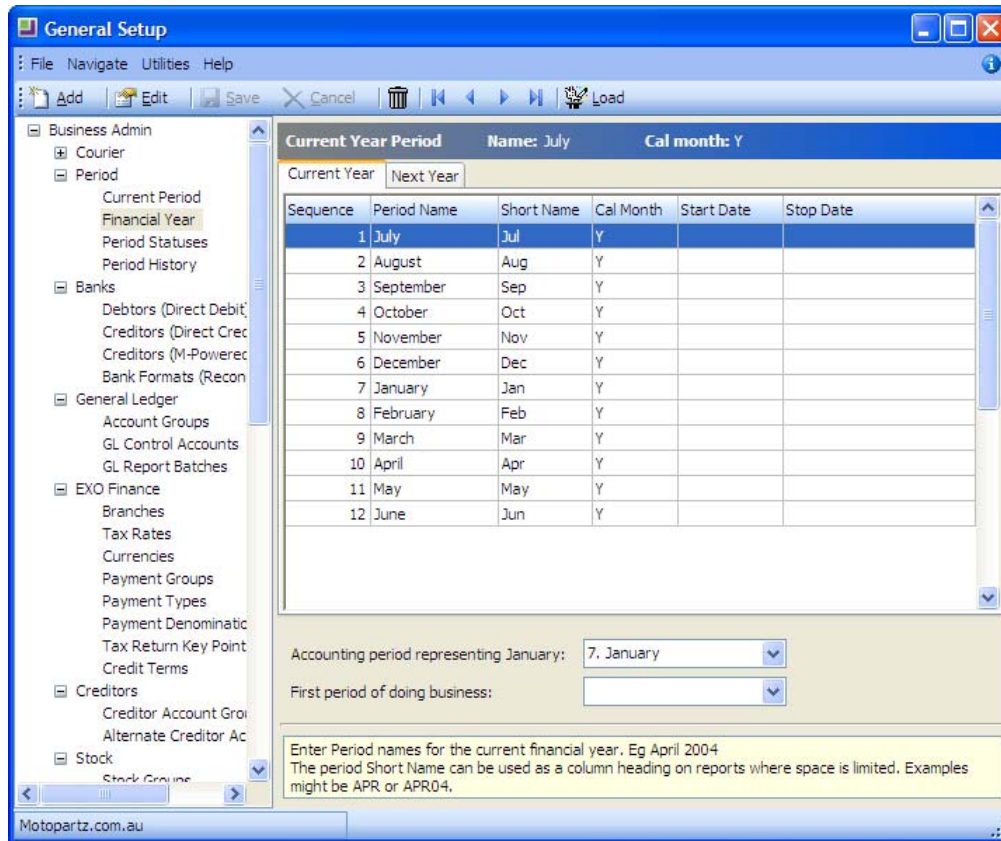
In the Financial Year section, users can add new periods and edit existing period details. To edit, click the line of the period to be edited.
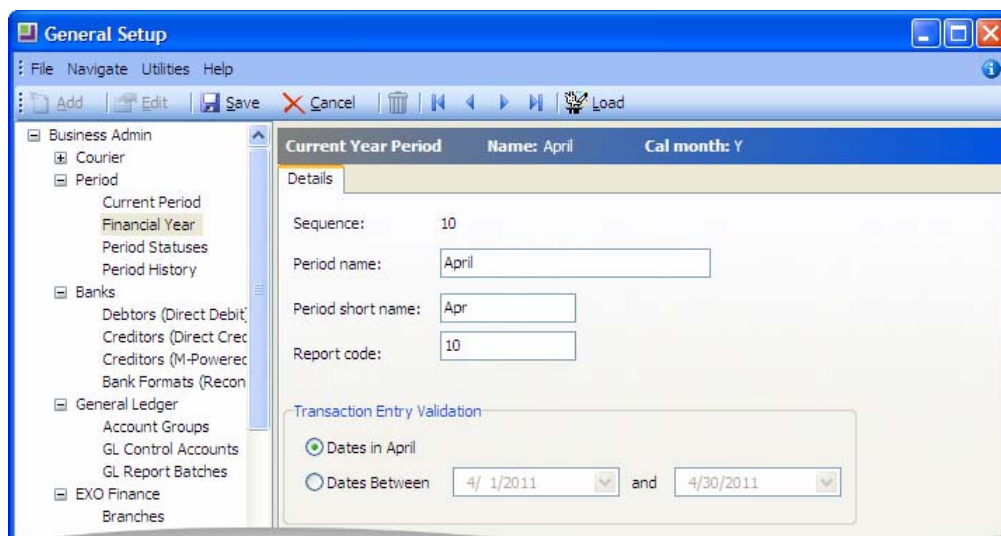
Instead of defining the period as a calendar month (by selecting the **Dates in April** option in the example above), users can select **Dates Between** and enter specific start and end dates for the period.

> **Note:** These start and end dates are used for validation purposes when the **Enforce Period Dates** profile setting is enabled. See "Profile Settings" on page 10 for more information.

The **Period short name** is used on screens and reports where space is limited and a more compact from of the **Period name** is appropriate.

The **Report code** is used for MS-Excel pivot and Clarity cross tab reporting and provides a convenient method of providing a meaningful column heading that automatically sorts itself into ascending order; alphabetically sorting by Period Name would cause issues with the order.

> **Note:** To retrieve the current ledger periods, use the following SQL query:
> SELECT LEDGER, PERIODNAME
> FROM PERIOD_STATUSES
> WHERE AGE=0

Period Statuses

In the Period Statuses section, the user can control the ability to post to a previous period by module.
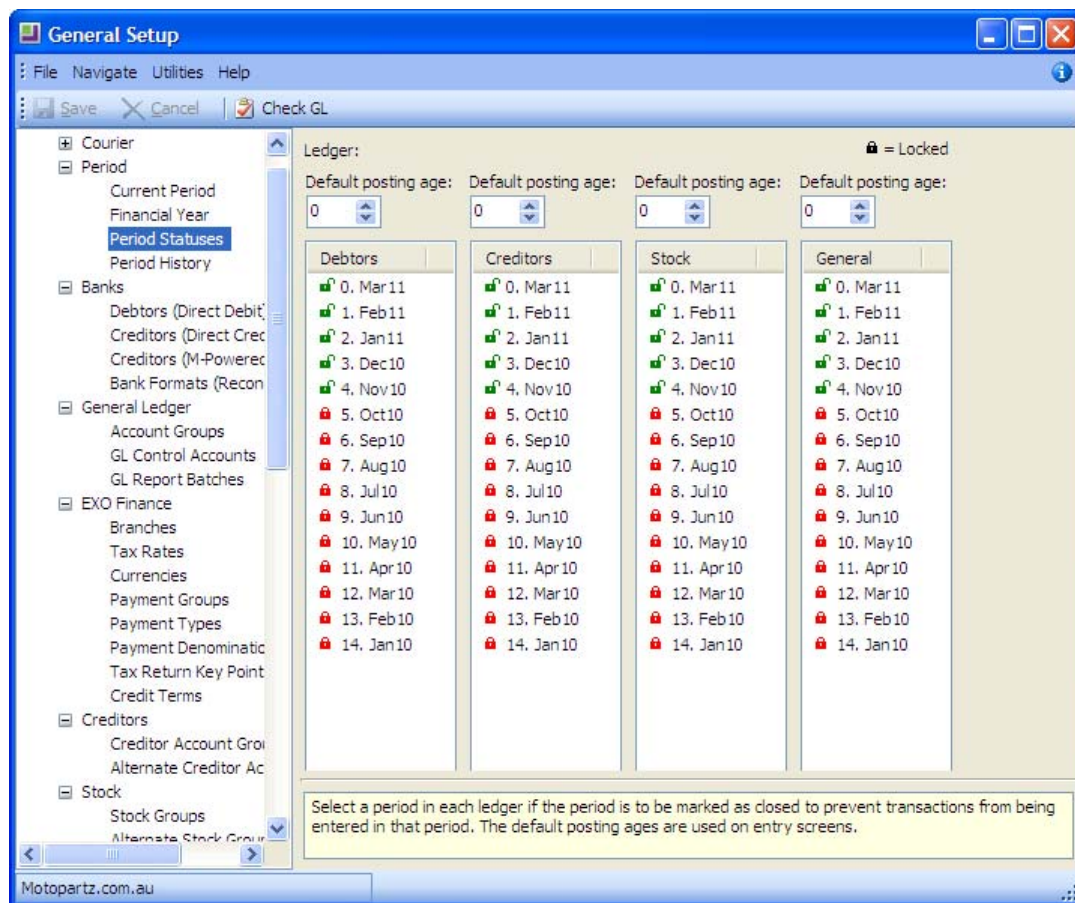
A user may lock or unlock a period in the selected Ledger (Debtors, Creditors, Stock, or General Ledger) at any time in order to make adjustments. For this reason, it is recommended that only the

system administrator or financial controller have access to the Period Statuses section. Each ledger is limited to 25 periods back or to the previous financial year if it affects retained earnings.

If a user attempts to post a transaction into a period that has been locked, they receive an error message when they click **Save**.

Period History

The Period History screen represents data that is stored in the PERIOD_STATUSES table.
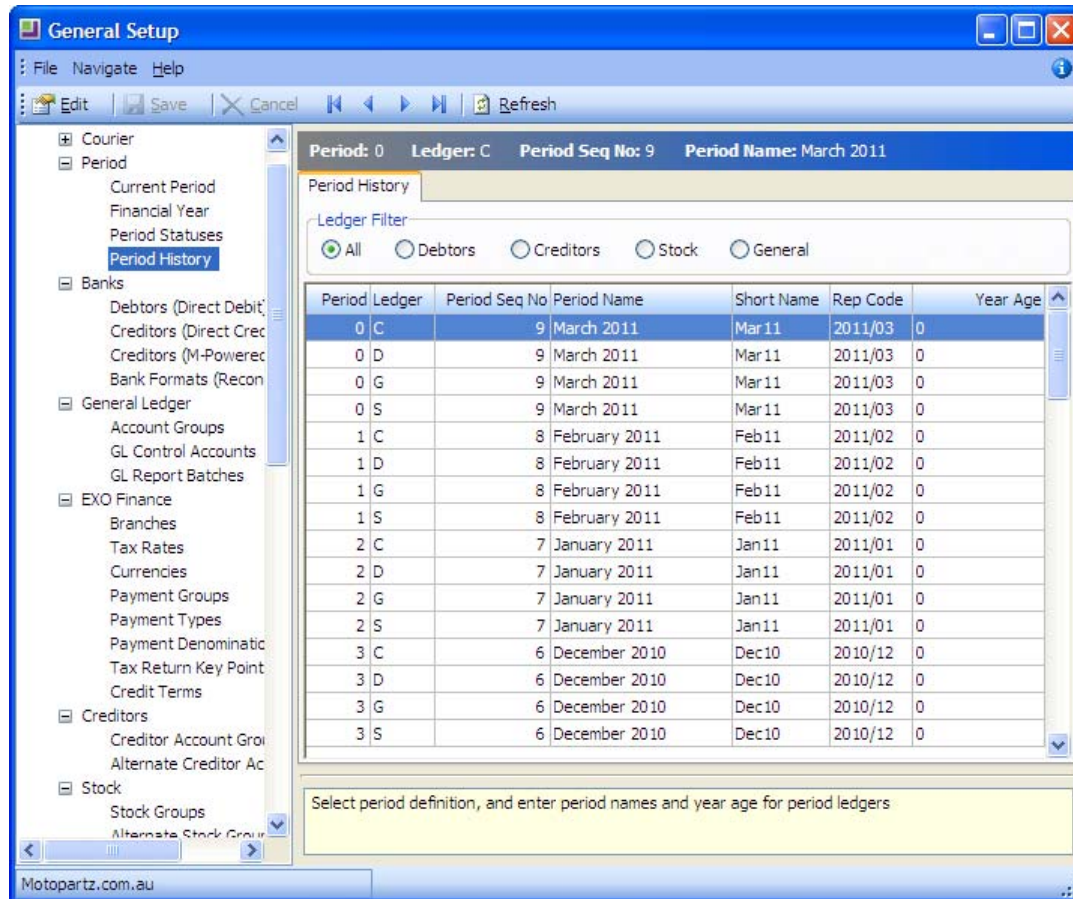
As part of the End of Month rollover, a new period entry is created for each ledger in the Period Statuses table.

The Period History screen is provided mainly to allow the system supervisor to fill in the information about past periods when starting up a new system so that they can be used for reporting.

When setting up a new implementation, it is recommend that the administrator set up a spreadsheet with the appropriate values in each field and use the CSV import tool provided with EXO Business Config to insert the values, or perform the number of End Of Month rollovers required to populate sufficient history entries for each Ledger.

> **Note:** To insert a period history record you must populate the fields in Period Statuses table. This table is defined as follows:
> AGE INTEGER NOT NULL,
> LEDGER CHAR(1) NOT NULL, ('D','G','S', or 'C')
> LOCKED CHAR(1) DEFAULT "N",
> PERIOD_SEQNO INTEGER DEFAULT 0 NOT NULL,
> PERIODNAME VARCHAR(20),
> YEARAGE INTEGER DEFAULT 0 NOT NULL,
> REPORTCODE VARCHAR(7),
> PERIOD_SHORTNAME VARCHAR(8),
> PRIMARY KEY (AGE,LEDGER)

Profile Settings

There are three main User Profile setting that affect period transaction entry. To change these settings, open EXO Business Config and click go to the Profiles section.
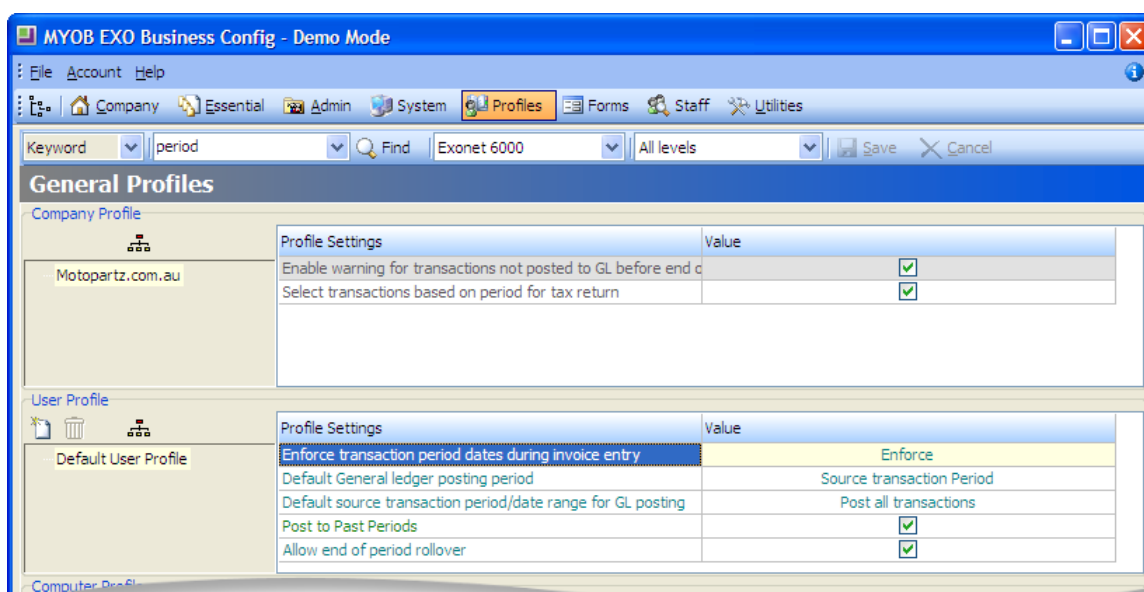
Allow end of period rollover

This setting enables the user to post transactions into previous periods. It is recommended that this option only be enabled for managers or accountants.

Post to Past Periods

This setting allows the user to post transactions into previous periods by allowing them to select from the period drop down list.

Enforce transaction period dates during invoice entry

This setting applies validation of the transaction date at transaction entry time. It ensures that the transaction date falls within the correct date range for the selected period of the transaction, as set in the Current Period section (see page 6 for details).

When the Enforce Period Date option is selected, it warns the user that the date must be inside the selected period.

For example, Period number "1" can be defined as having a Period Name of "May –First Half" and a start date of 1 May and an end date of 15 May can be set up. After saving and restarting or refreshing settings in EXO Business, the settings come into effect.

When user tries to enter a transaction into Period 1, EXO Business checks that the date of the transaction is within the defined range of Period 1, being 1–15 May. A transaction dated 16 May entered into Period 1 receives an error message saying the date is invalid, because it is not within the defined period. The user must amend the date to proceed.

Be aware of how this option works; it is a useful option, but it may need to be disabled sometimes during the processing cycle.

Operation

Initial Use

There are generally two approaches taken when priming an EXO Business system for the first time with transactions.

1. Enter all transactions that appear on a customer/supplier statement immediately after a End Of Period has been performed. This includes any outstanding invoices, unallocated credit notes and payments. The benefit of this method is that the EXO Business takes over the effect of full transactional detail from the previous system.

2. Enter Adjustment Entries from the aged balance summary, one adjustment for each period or column on the report. All transactions older than 3 months outstanding are keyed into 3 months.

Whichever method is preferred, there is the choice of setting the period numbers in a variety of ways. Begin by removing the date validation option **Enforce transaction period dates during invoice entry** and enable **Posting to Past Periods**.

1. Enter the transactions for one period then roll the ledger using the End of Period window (see page 12) until all transactions are entered and you are in the current period. Take care to balance the totals with your existing aged balance report before rolling.

2. Enter transactions and use the period number dial-up control to post to period 1, 2, or 3.

3. Enter the transactions with accurate dates and disregard the period number. When you have finished, use the Set Transaction Ages utility to apply the appropriate period numbers. This utility is available in EXO Business Config at **Utilities > Aging**.

Stock Integration with General Ledger

See the separate white paper on General Ledger Stock Integration methods. While there is no ageing or period handling required specifically, of course all standard End Of Month processes are taken into consideration, depending on the stock integration method selected.

End of Period Routine
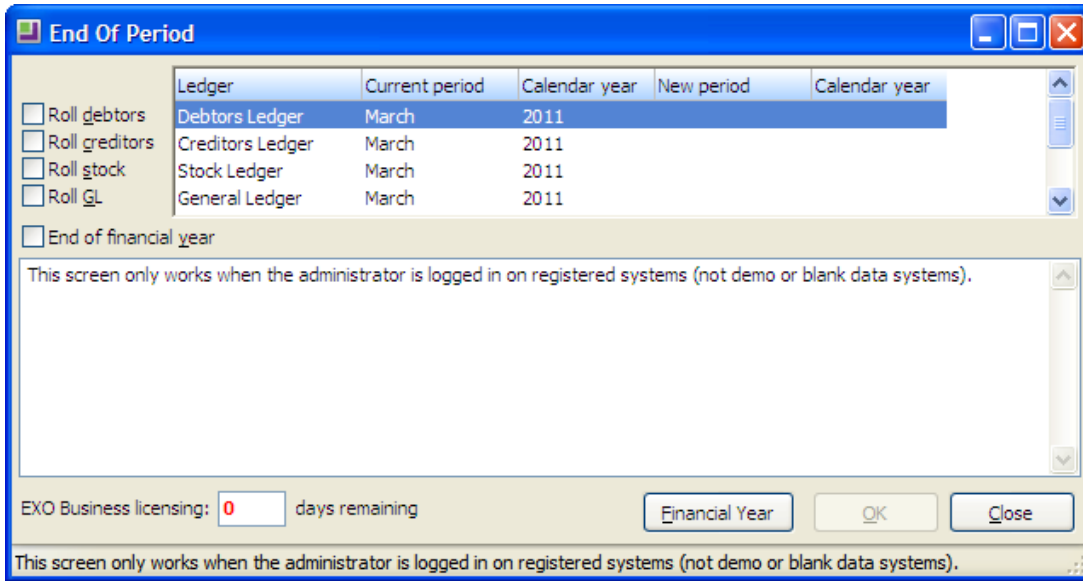
Running the End Of Period routine is performed from the End of Period screen (**Utilities > End Of Period**). The actions performed for each ledger are listed on screen to indicate progress.

The process for rolling the Debtors Ledger is as follows:

1. Setting Month Totals
   UPDATE DR_ACCS
      SET LASTMONTH=MONTHVAL,MONTHVAL=0

2. Copying Aged Balances to Last Period Balances on transactions for prior period statement reporting
   "2" indicates fully allocated in previous period and therefore not relevant on the statement.
   UPDATE DR_TRANS
      SET PREV_PERIOD_OPEN = AMOUNT-ALLOCATEDBAL WHERE   ALLOCATED<>"2"

   UPDATE DR_TRANS
      SET PREV_PERIOD_OPEN = 0 WHERE ALLOCATED="2"

3. Storing end of month account balances for prior period aged balance reporting
   UPDATE DR_ACCS
      SET PRIOR_AGEDBAL0=AGEDBAL0,   PRIOR_AGEDBAL1=AGEDBAL1,
      PRIOR_AGEDBAL2=AGEDBAL2, PRIOR_AGEDBAL3=AGEDBAL3

4. Moving aged balances by 1period.
   UPDATE DR_ACCS
      SET AGEDBAL3=AGEDBAL3+AGEDBAL2,
      AGEDBAL2=AGEDBAL1, AGEDBAL1=AGEDBAL0, AGEDBAL0=0

5. Incrementing Transaction age tags
   UPDATE DR_TRANS SET AGE=AGE+1

6. Incrementing Allocation Ages
   UPDATE DR_TRANS SET ALLOCAGE=ALLOCAGE+1 WHERE ALLOCAGE<3

7. Update Allocation Statuses where transactions are fully allocated to "allocated in previous period". This is important for open-item customer statement logic as to whether the transaction should be shown or not.
   UPDATE DR_TRANS SET ALLOCATED="2" WHERE ALLOCATED="1"

8. Incrementing the age on debtor allocation records
   UPDATE DR_ALLOCATIONS SET AGE=AGE+1

9. Increment the period to the next for this ledger
   UPDATE LEDGER_PERIODS
        SET PERIOD_SEQNO=PERIOD_SEQNO+1 WHERE SEQNO=1

10. Lock this ledger for prior period posting
    UPDATE PERIOD_STATUS
        SET LOCKED="Y" WHERE (AGE>1) AND (LEDGER=?)

11. Unlock the new period for transaction entry in this ledger
    UPDATE PERIOD_STATUS
        SET LOCKED="N" WHERE (AGE<=1) AND (LEDGER=?)

12. Debtors Ledger Rolled Successfully

Other Modules

The following considerations around periods and transaction ageing apply when using other EXO Business modules and specialised functions.

Sales Orders and Purchase Orders

It is not possible to pre-set the period of a Sales Order or a Purchase Order, although you can use the period number dial-up at time of Invoicing if required. This does however require the user to be attentive.

Point of Sale

No currently documented issues to consider for this module.

Payment Processor

When consolidating Direct Credits, Payment Processor will post transactions to the GL in period 0 (the current period). They have no period selection capability. Be aware of the situation where the sub ledger (e.g. Debtor ledger or Creditors ledger) is in a period forward from the General Ledger because the ledgers have been rolled independently. This is not recommended procedure, hence the preference to roll all ledgers at the same time.

Otherwise the posting to the General Ledger is controlled by the Post Creditors to GL function.

Banking Batches (Consolidation)

Banking Batches will post transactions to the GL in period 0 (the current period). They have no period selection capability. Be aware of the situation where the sub ledger (e.g. Debtor ledger or Creditors ledger) is in a period forward from the General Ledger, because the ledgers have been

rolled independently. This is not recommended procedure, hence the preference to roll all ledgers at the same time.

Debtors Payment Batches

Debtors Payment Batches will post transactions to the GL in period 0 (the current period). They have no period selection capability. Be aware of the situation where the sub ledger (e.g. Debtors ledger or Creditors ledger) is in a period forward from the General Ledger, because the ledgers have been rolled independently. This is not recommended procedure, hence the preference to roll all ledgers at the same time.

Integrated Cashbook

Here EXO Business is posting to the General Ledger and possibly the subsidiary ledgers simultaneously. It is therefore recommended that the ledgers be synchronised before entering D, C, X, or I type transactions.

Auto-reversing General Ledger Journals

Auto-reversing journals are processed at the time of the General Ledger rollover. Reversals yet to be done will be processed in the new current period after the GL rollover. For example, if you enter a reversing journal in period 2, the first part of the journal will happen in period 2, and the reversing entry will happen on the next rollover (i.e. the new period 2).
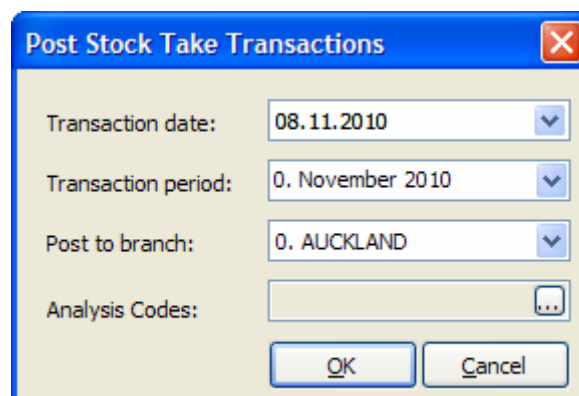
Asset Register

No currently documented issues to consider for this module.

Payroll Integration

No currently documented issues to consider for this module.

Stock-Take

No currently documented issues to consider for this module. When the user commits the results of the Stock Take they will be asked which transaction period the adjusting journals will be placed in.

Foreign Exchange Variance Calculator

Exchange Rate Variance Calculations are always posted to the General Ledger as current period (0).

Data Exchanger

With Data Exchanger it is important that any remote sites are in the same period as the master database. To keep them synchronised you must perform End of Period procedures on the remote databases as well as the master database.

It is possible to use the Data Exchanger to effect a period end on a remote database by installing a stored procedure in the remote database and setting up an exchange to start the stored procedure.

When the End of Period rollover runs on a master database, even though it modifies the period number on each transaction it does not mark the 'DXFlag' as modified or updated. It will also retain the DXFlag value as unexchanged 'I' or updated 'U' if the transaction is in the state.

Inwards Goods and Shipment Costing

Inwards Goods Costing will always post to the current Stock ledger period (0) but will give the opportunity to choose the period for Creditors Invoices resulting from Stock Receipts and landing (Shipment) costs.

Management Report

The Management Report is one exception to the rule that EXO Business disregards dates. This is because the Management Report is in fact daily in nature and takes snapshots of the business position at regular intervals. Note that the Management Report uses its own analysis period definition that is separate and independent from the financial period definitions.