AccountMate
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Article # 1206

Technical Note: Profit Center Tracking in AccountMate

Difficulty Level: Intermediate Level AccountMate User

Version(s) Affected: AccountMate 7 for SQL and Express, AccountMate 6.5 for SQL and MSDE, AccountMate 6.5 for LAN

Module(s) Affected: GL, AR, SO, AP, PO, IC, MI, PR, BR, RA, RV

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DESCRIPTION

A company may have business units or departments that are considered distinct entities. These business units operate as profit centers; as such they generate revenues and incur expenses. The profit center's performance is important to the whole entity; thus, management will need information to evaluate the profitability of each business unit.

This Technical Note discusses the procedures to track each profit center's transactions. It also provides information on the reports to generate for management to effectively evaluate each profit center's performance.

SOLUTION

Each profit center's profitability can be tracked by setting up Account Segment Values for each business unit. When you create a company in AccountMate, be sure to define a GL Account Segment for the profit center. For example, Segment 1 as the major GL account and Segment 2 as the profit center GL account.

In the Account Segment Values Maintenance function of the General Ledger (GL) module, set up segment values for each of your profit centers. Once you set up the Account Segment Values, proceed to set up in the Chart of Accounts Maintenance function the Revenue and Expense GL Account IDs for each profit center. For example, you have two profit centers: Department 1 and Department 2. The Account Segment Values designated to each department are 01 and 02 for Department 1 and Department 2, respectively. To properly track sales transactions in each department, you may have the following GL Account IDs:

GL Account ID	Description
6000-01	Sales – Department 1
6000-02	Sales – Department 2

Track Revenues

Once you have set up GL Account IDs for each profit center, you may use the appropriate GL Account ID depending on which module you record the revenue transactions and for which profit center. When you record revenue transactions in the GL module, you just need to select a GL Account ID with an Account Segment Value that is assigned to the profit center for which you want to record the transaction. Below is a discussion on how to track revenue transactions in other modules.

Revenue Code Maintenance

If you record sales and sales return transactions in the Accounts Receivable (AR), Sales Order (SO), and Return Authorization (RA) modules, you need to set up revenue codes for each profit center through the Revenue Code Maintenance function. Be sure to assign the revenue code with GL Account IDs that have Account Segment Values that are designated for the profit center.

If you track revenue by inventory, you must assign to each line item the appropriate Revenue Code of the profit center for whom the transaction is created. If you choose to track revenue by customer or salesperson, you must create a customer or salesperson record for each profit center and assign to the customer or salesperson record the appropriate revenue code.

Note: If a customer transacts business or a salesperson is assigned in multiple profit centers, make sure that the first few characters of the customer or salesperson number are identical. This will ensure that transactions for this customer or salesperson are shown one after the other in the report so you can easily group them together.

Transaction Code Maintenance

You can also record other revenue transactions in the Bank Reconciliation (BR) module. To track the revenues recorded in the BR module, you must set up transaction codes for each profit center through Transaction Code Maintenance. Be sure to assign the transaction code with a Reference GL Account ID that has an Account Segment value specifically designated for the profit center. When you record deposits or other receipts, you must use the transaction code of the profit center for which you want to record the transaction.

Note: Starting with AccountMate 7, you can assign multiple Reference GL Account IDs to a transaction code. You also need to designate the distribution percentage for the assigned GL Account IDs. With this enhancement, you are not required to set up one transaction code for each profit center and you are not required to record multiple deposit or other receipt transactions for the same deposit or receipt in order to record the apportioned revenue to each profit center. For example, if you receive interest income from your depository bank you only need to record one transaction for the interest because the revenue will

be distributed to the different profit centers based on the reference GL Account IDs assigned to the transaction code and their distribution percentages.

Track Expenses

When you record expense transactions in the GL module, be sure to use a GL Account ID with an Account Segment Value that is assigned to the profit center for which you want to record the transaction. Below is a discussion on how to track expense transactions in other modules.

AP Reference GL Accounts

When you post AP invoices for each profit center, be sure to assign the appropriate GL Account IDs in the GL Distribution tab of the AP Invoice Transactions function. It is advisable that you assign to the vendor record the GL Account IDs of the profit center with which the vendor usually transacts business.

Note: If you want to set up different Accounts Payable GL Accounts for each profit center, you must create a separate vendor record for each profit center. If a vendor transacts business in multiple profit centers, make sure that the first few characters of the vendor number are identical. This will ensure that transactions for this vendor are shown one after the other in the report so you can easily group them together.

Department Maintenance

Note: The discussion under the Department Maintenance section applies only to AccountMate 6.5 for SQL and MSDE and AccountMate 6.5 for LAN.

To track the wages and payroll tax expenses incurred by each profit center, you must create a department record for each profit center through the Department Maintenance function. Be sure to assign the Department record with GL Account IDs that have the Account Segment Value specifically designated for the profit center. Assign to each employee record the department designated for the profit center for which the employee works.

Earning Code Maintenance

In AccountMate 7, the Wage or Service Expense, Tax Expense, and Worker's Compensation Expense GL Account IDs for an earning type are set up in the Earning Code Maintenance function. To track the payroll expenses incurred by each profit center, you should set up an earning code for each earning type for each profit center. Once you assign the earning code to an employee record, you can still amend the default Wage or Service Expense, Tax Expense, and Worker's Compensation Expense GL Accounts in the Employee Maintenance Earning Code tab. In the employee record, you should set up for the employee the Wage or Service Expense, Tax Expense, and Worker's Compensation Expense GL Account IDs that have the Account Segment Value specifically assigned to the profit center for which the employee works.

If an employee's work hours will be apportioned to more than one profit center, enter the Wage or Service Expense, Tax Expense, and Worker's Compensation Expense GL Account IDs for the involved profit centers and their distribution

percentages in the GL Accounts grid. The system will distribute the payroll expenses to the profit centers based on the distribution percentages.

Paid Leave Code Maintenance

In AccountMate 7, a paid leave accrual is posted to the GL Account ID entered in the Expense Account field in the Paid Leave Code Maintenance function. To track expenses resulting from the accrual of paid leave time incurred by a profit center, set up a paid leave record for each profit center and be sure to specify in the Expense Account field the GL Account ID that has the Account Segment Value specifically assigned to the profit center. In the Earning Code Maintenance Accumulate Paid Leave tab for a Regular earning type, select the paid leave codes that are applicable to the earning code's assigned profit center. When the earning code is selected in the employee record, the system will ask whether you want to accrue the paid leave codes for the employee. Clicking "Yes" will add the paid leave codes in the Paid Leave tab.

Deduction Code Maintenance

In AccountMate 7, if a deduction has an employer matching contribution the system will record the expense resulting from the employer's contribution in the GL Account ID entered in the Expense Account field in the Deduction Maintenance Employer Matching/Contribution (M/C) tab. To track the deduction expense by profit centers, you must set up a deduction code record for each profit center and assign the GL Account ID that has the Account Segment Value specifically assigned to the profit center. In the employee record, set up the deduction code records that are applicable to the profit center to which the employee belongs.

Machine and Labor Maintenance

If you manufacture goods in various profit centers, you can track the machine and labor expenses incurred while processing work orders by creating separate Machine and Labor records for each profit center. Assign to each Machine and Labor record a GL Account ID that has an Account Segment Value specifically designated for the profit center.

Transaction Code Maintenance

You can also record other expense transactions in the Bank Reconciliation (BR) module. To track the expenses recorded in the BR module, you must set up transaction codes for each profit center through the Transaction Code Maintenance function. Be sure to assign the transaction code with a Reference GL Account ID that has an Account Segment Value specifically designated for the profit center. When you record checks or other disbursements, you must use the transaction code of the profit center for which you want to record the transaction.

Note: Starting with AccountMate 7, you can assign multiple Reference GL Account IDs to a single transaction code. You also must designate the distribution percentage for the assigned GL Account IDs. With this enhancement, you are not required to set up one transaction code for each profit center and you are not required to record multiple checks or other disbursement transactions for the same check or disbursement in order to record the apportioned expense to each profit center. For example, if your account is charged with interest for a bank

loan you only need to record one transaction for the interest because the expense will be distributed to the different profit centers based on the reference GL Account IDs assigned to the transaction code and their distribution percentages.

AccountMate allows you to generate Financial Statements, such as the Balance Sheet and Income Statement reports that enable you to evaluate the performance and profitability of each profit center. Sort the report by profit center Segment for easier evaluation. If you use the AR module to record revenue transactions, you may also generate the Profit Margin Report and sort it by Revenue Code.

Understanding how to track revenue and expense transactions in AccountMate will facilitate easier evaluation of each profit center's profitability. The foregoing discussion provides you with the procedures to record revenues and expenses by profit center, as well as how to generate the reports that provide the necessary information.