



Article # 1185

Technical Note: Understanding the Consolidation Process in the Consolidated Ledger Module

Difficulty Level: Intermediate AccountMate User

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

Module(s) Affected: GL and CL

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DESCRIPTION

Merging several companies' financial statements into a consolidated format is a requirement that many businesses face today. Large corporate enterprises as well as smaller companies may find they need to merge financial statements from multiple facets of their business. AccountMate's Consolidated Ledger module provides the tools necessary to accomplish this goal. This Technical Note discusses the consolidation process and the results of performing consolidation, undoing previous consolidation, and fiscal year-end closing

SOLUTION

A. Preparing for Consolidation

The AccountMate Consolidated Ledger (CL) module is a complement to the AccountMate General Ledger module. Often, corporate growth or acquisitions dictate the need for combined financial statements. The CL module facilitates, by means of a parent company, the combination of several subsidiary companies' financial information. These subsidiary companies' charts of accounts and financial periods are tied or "mapped" to those of the consolidating or "parent" company.

Preparing your AccountMate installation to use the Consolidated Ledger module consists of a few simple steps:

1. Activating and initializing the module.
2. Creating a new company or designating an existing one as the parent.
3. Mapping the subsidiary companies' charts of accounts to that of the parent.
4. Mapping the subsidiary companies' fiscal periods to those of the parent.

Refer to the On-line Help or Electronic Manual for information about installing, activating, and initializing the CL module, creating a company or designating one as a parent, and mapping subsidiary companies' GL Account IDs and fiscal periods to those of the parent company.

Note: It is important to remember when creating the parent company that you must set the fiscal year of the parent to be the same as or one year previous to the fiscal year of the subsidiaries.

B. Consolidation Process

During Consolidation, financial information from subsidiary companies is recorded in the parent company's data. The consolidation process occurs when running either the Perform Consolidation function or the Fiscal Year-End Closing function of the subsidiary company. Although the parent company can have its own transactions, we recommend that you reserve the parent company for consolidation use only.

Performing Consolidation

Similar to the way subsidiary modules transfer data to the General Ledger module, the Consolidation function transfers data from the totals kept in the subsidiary's General Ledger Account Balances table (*glabal*) to the parent's General Ledger Transfer table (*gltfer*). Posted transactions generated by the parent company's GL module will be recorded in the General Ledger Transaction table (*gltrns*). You can perform consolidation as many times as you want; however, in order to ensure accurate consolidated financial statements you must consolidate account balances by running the Perform Consolidation->Consolidate Account Balances function in the subsidiaries before you print the reports in the parent company. Performing consolidation in one subsidiary will not affect other subsidiaries' information.

Undoing Previous Consolidation

You may find after you have performed consolidation that data was omitted or that there was an error made in a transaction that occurred in one of the subsidiary companies. The Undo Previous Consolidation feature removes all records from the parent's *gltfer* table that were placed there when performing either consolidation or fiscal year-end closing. Each subsidiary company's information is handled by its own un-consolidation. Undoing previous consolidation in one subsidiary will not affect other subsidiaries' information.

Performing Fiscal Year End Closing in the Subsidiary Company

Just as it is in the Perform Consolidation function, during fiscal year-end closing the information in the subsidiary company's *glabal* table is recorded in the parent company's tables. When you close a subsidiary company's fiscal year, the system automatically makes a final consolidation of the subsidiary company's account balances to the parent company for the said fiscal year. Information from the subsidiary's *glabal* table is stored in the *gltfer* table of the parent company as follows: If closing 2009 in the subsidiary, 2008 and 2009 records will be stored in the Parent company's GLTRSN table while 2010 records (mostly forwarded balances from prior year) are updated into the parent's *gltfer* table. After the subsidiary is closed, correcting journal entries created in the subsidiary company are recorded in the subsidiary's *gltrsn* and summarized in *glabal*. When consolidation is performed from that company, the information summarized in the subsidiary's *glabal* is recorded in the parent's *gltfer* table.

Performing Fiscal Year End Closing in the Parent Company

The Fiscal Year End Closing function in the parent company differs from that of a non-consolidating company. These two closing functions share the same program except that validation is performed when closing the parent to verify whether the subsidiary company fiscal year-end closing was completed.

While two years' data or less is recorded in the parent's *gltrsn* table, after fiscal year-end closing is performed the *gltfcr* table of the parent holds transactions for the parent's current year. If closing parent's year 2009, *gltfcr* will have 2010 while *gltrsn* will have 2009 and previous years. This function will simply increment the year, update the balances in *glabal*, and create a future year in the Fiscal Period Table.

AccountMate's Consolidated Ledger module provides the ability to quickly combine several companies' account balances into a single unified ledger to present consolidated financial statements. Understanding AccountMate's consolidation process will help you to determine an effective and efficient time to perform consolidation.

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