

Solution-IV[™] Accounting Bank Reconciliation



Version 8.521

285 Davidson Ave., Suite 302 • Somerset, NJ 08873
Telephone: 732-560-1377 • Outside NJ 800-524-0430 • Fax: 732-560-1594

Internet address: <http://www.tbred.com>

Published by:
Thoroughbred Software International, Inc.
285 Davidson Ave., Suite 302
Somerset, New Jersey 08873-4153

Copyright © 2005 by Thoroughbred Software International, Inc.

All rights reserved. No part of the contents of this document may be reproduced or transmitted in any form or by any means without the written permission of the publisher.

Document Number: ABR8.521MO1

The Thoroughbred logo, Swash logo, and Solution-IV Accounting logo, THOROUGHbred, IDOL, OPEN WORKSHOP, and VIP VISUAL IMAGE PRESENTATION are registered trademarks of Thoroughbred Software International, Inc.

Thoroughbred Basic, Thoroughbred Environment, OPENworkshop, IDOL-IV, Inquire-IV, Dictionary-IV, Script-IV, Report-IV, Query-IV, Source-IV, TS Network DataServer, TS ODBC DataServer, TS ODBC R/W DataServer, TS ORACLE DataServer, TS DataServer for MS SQL Server, VIP, Visual Image Presentation, VIP for Dictionary-IV, VIP4, GWW, Gateway for Windows_{TM}, TS ChartServer, TS ReportServer, TbredComm, WorkStation Manager, TS WebServer, T-WEB, Solution-IV, Solution-IV Reprographics, ezREPRO, TS/Xpress, and DataSafeGuard are trademarks of Thoroughbred Software International, Inc.

MS-DOS, Xenix, Windows, Microsoft Windows 98, Windows 2000, NT, XP, SQL Server are trademarks of Microsoft Corp.

IBM, IBM PC, OS/2, PS/2, and PC-DOS are trademarks of International Business Machines Corp.

DEC, OPEN VMS, and ULTRIX are trademarks of Digital Equipment Corp.

UNIX is a trademark licensed exclusively through X/Open Company

LTD.Novell is a registered trademark of Novell, Inc.

Oracle is a registered trademark of Oracle Systems Corporation

InstallShield is a registered trademark of Stirling Technologies, Inc.

Other names, products and services mentioned are the trademarks or registered trademarks of their respective vendors or organizations.

Table of Contents

1	Introduction	1
	Thoroughbred Solutions.....	2
	Bank Reconciliation Features	3
	Thoroughbred <i>Solution-IV</i> Accounting Flowchart.....	4
	<i>Solution-IV</i> Bank Reconciliation Flowchart.....	5
	How to Make the Greatest Use of this Manual.....	6
	How this Manual is Organized	7
2	Bank Reconciliation Menus	8
	Bank Reconciliation Main Menu	9
	Adjustments	9
	Bank Reconciliation Process.....	9
	Masterfile Maintenance	10
	Reports and Inquiries	10
	Code File Maintenance Menu	11
	System Parameters	11
	Code File Maintenance	11
	Conversion Utilities	12
3	Bank Reconciliation Setup	13
	Parameters Maintenance	14
	Parameters Listing	15
	Bank Code Maintenance	16
	Bank Code Listing	18
	Convert AP and PR Files	19
	Add Open AR Deposits	20
	Report and Update Deposits	21
4	Transaction Processing	22
	Adjustment Entry	23
	Adjustment Journal & Update	25
	Mark Cleared Items.....	27
	Reconcile Bank Account.....	29
	Bank Reconciliation Statement.....	31
	Remove Cleared Items.....	33
5	Reports & Inquiries	34
	Bank Reconciliation Inquiry	35
	Transaction Detail Report	36
6	Appendices	38
	A. Bank Reconciliation Messages; B. Understanding the Accounting Theory Behind Bank Reconciliation; C. Converting to Bank Reconciliation; D. What to do with all the Paper Generated; E. Glossary	

1 Introduction

This chapter explains how the manual is organized and how the manual should be used. It also provides you with an overall view of the Solution-IV Bank Reconciliation features.

The System Integration and Bank Reconciliation flowcharts show how your Bank Reconciliation module operates and how it relates to the overall accounting system.

Thoroughbred Solutions

Thoroughbred Software develops and internationally markets software products for small through Fortune 500 sized businesses. Thoroughbred products are true multi-user solutions and are installed at thousands of worldwide sites.

Solving everyday accounting problems has never been a simple task. Thoroughbred Solution-IV Accounting modules are 4GL-based providing the quality and versatility you need to bring your business accounting needs into and through the new millennium. Thoroughbred software is always at the forefront of our industry's rapidly changing technology. Thoroughbred Solution-IV Accounting sets the pace for 4GL-based applications and is a result of more than 25 years of application development and design experience. This product was built using one of the most powerful 4GL-application development environments available today – Thoroughbred OPENworkshop.

OPENworkshop provides a comprehensive set of productivity tools designed to be easy to understand and use. Solution-IV Accounting is built on top of this robust development platform, which provides the perfect foundation for construction of a feature rich solution to your accounting problems. The Thoroughbred OPENworkshop development environment makes it easy and practical to customize complex applications.

Thoroughbred Solution-IV Accounting is a completely integrated accounting solution. Each module provides a seamless integration and sharing of common data with each of the other modules.

Bank Reconciliation Features

Thoroughbred Solution-IV Bank Reconciliation is designed to help keep your banking operations and other accounting activities in sync. It pulls together your entire bank deposits from Accounts Receivable and checks from Accounts Payable and Payroll to assist you in doing your regular bank reconciliation's. Checks and deposits are posted automatically to the Bank Reconciliation files. Bank reconciliations can be done for as many bank accounts as you maintain on your system.

After entering any adjustments, such as bank charges, you can mark checks, deposits, and adjustments that have cleared the bank, enter the balance from your bank statement, and see if your bank account and system balance.

The following standard features are included in Solution-IV Bank Reconciliation:

- **Parameterized** to give you the ability to choose which applications post to the Bank Reconciliation files as well as the default adjustment General Ledger account.
- **Conversion utilities** to assist you in starting to work with Bank Reconciliation.
- **Over one thousand** bank accounts can be tracked and reconciled.
- **Checks can be cleared** using ranges of check numbers to speed the clearing process.
- **Adjustments** can be entered and optionally posted to General Ledger.
- **Bank Reconciliation Inquiry** allows you to easily view bank activity on the screen.

Standard Reports include:

- ◆ Bank Reconciliation Statement
- ◆ Transaction Detail Report

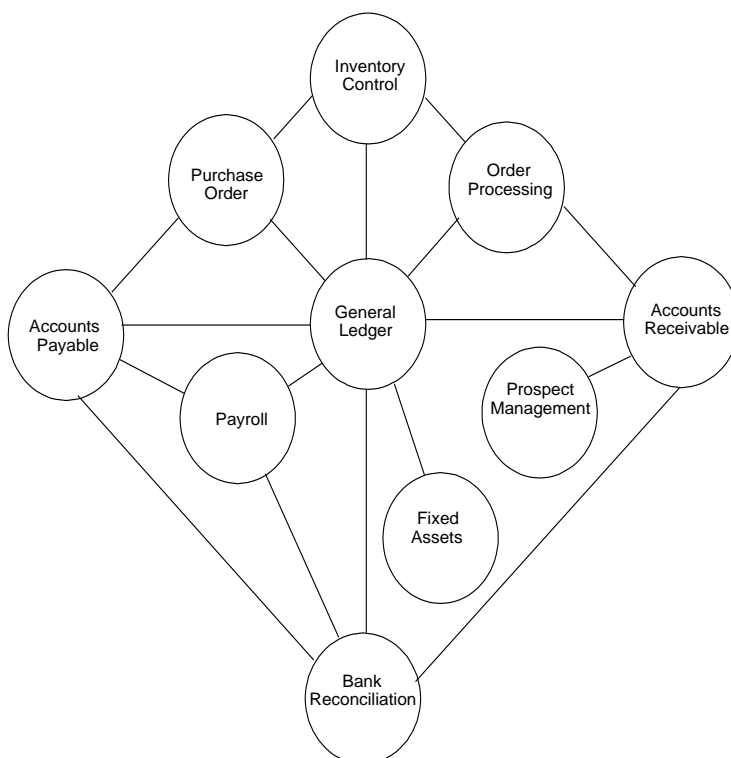
All of the preceding features are standard to the Solution-IV Bank Reconciliation package.

If additional features, modifications, or reports are required, Solution-IV is a 4GL-based package that makes customization a practical option. For additional information, contact your Thoroughbred Value Added Reseller.

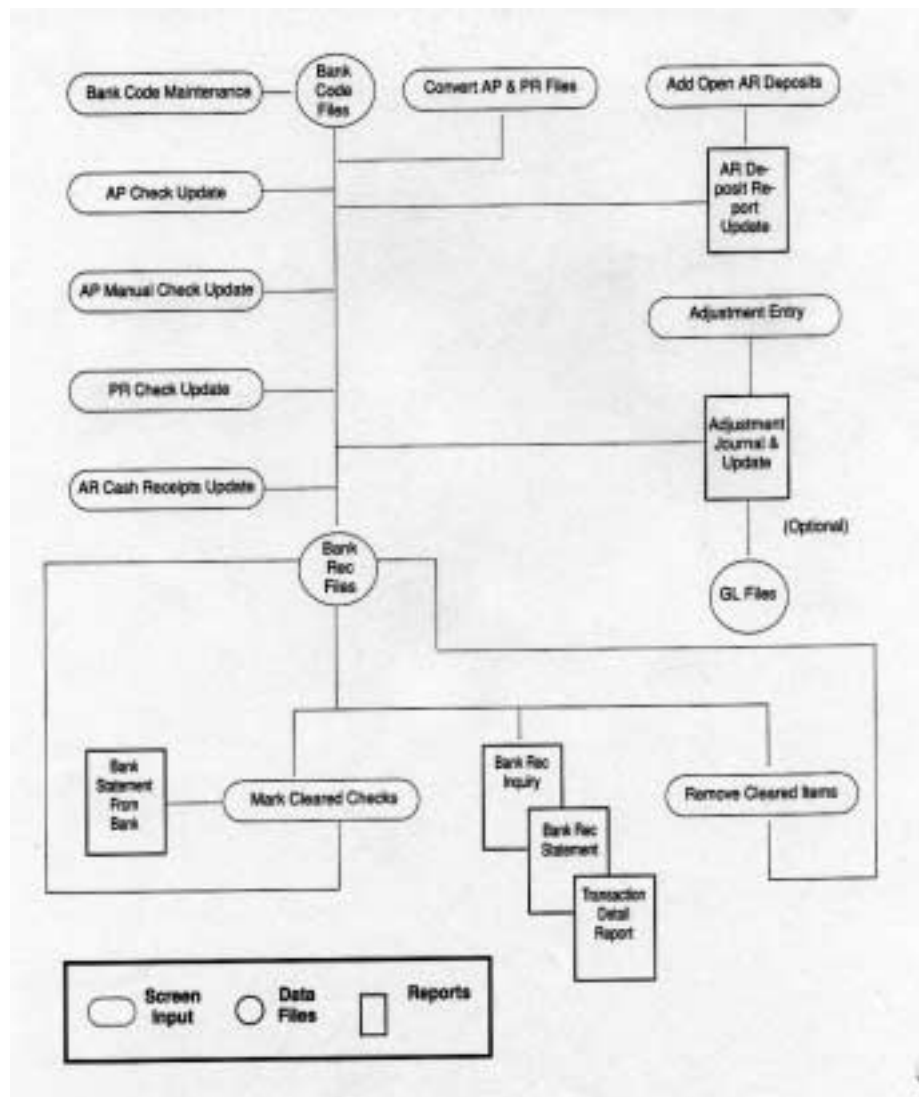
Thoroughbred Solution-IV Accounting Flowchart

The following System Integration flowchart diagrams how the various Solution-IV Accounting modules relate to one another.

The Solution-IV Bank Reconciliation flowchart on the following page shows how the various components of the module are related.



Solution-IV Bank Reconciliation Flowchart



How to Make the Greatest Use of this Manual

Introduction

With this manual we have created reference material that is easy to read, yet contains all of the information you need to set up and run the Thoroughbred Solution-IV Bank Reconciliation system.

This manual will introduce you to the capabilities of Solution-IV Bank Reconciliation, give you ideas to help you get started with the initial setup, provide complete processing instructions, and also serve as a reference guide once you are up and running.

Suggested Steps

In order to make the greatest use of this manual and to provide the easiest transition to your new system, we suggest you complete the following before actually entering your own data into the system.

- **Know how your computer works.** Users who are familiar with the functions of their computer will have an easier time using the system.
- **Read, or at least browse, the entire manual.** Become familiar with the options and capabilities before starting to use the software.
- **Install the system.** Make sure both the programs and demonstration data have been installed on your computer so you can begin looking at the system.
- **Use the demonstration data.** Demonstration data has been provided to allow you to get a look and feel of the operations of the system and reports without using your company's information.
- **Begin using the system.** Use this manual to begin entering and/or converting your information into the Solution-IV Accounting system.

Keep the manual handy. Once you are up and running, you will find the manual helpful as a reference guide. A complete Table of Contents has been provided for your assistance.

How this Manual is Organized

This manual has been organized to take you through normal Bank Reconciliation activities. As a supplement to these day-to-day procedures we have included a brief explanation of accounting theory, an extensive glossary of accounting terms, and several helpful setup ideas and system design hints.

Chapter 1

Introduction: Explains how the manual is organized and how the manual should be used. It also provides you with an overall view of the Solution-IV Bank Reconciliation features. The Bank Reconciliation and System Integration flowcharts show how your Bank Reconciliation module operates and how it relates to the overall accounting system.

Chapter 2

Bank Reconciliation Menus: Describes the options available on the Bank Reconciliation Main Menu and Code File Maintenance Menu.

Chapter 3

Bank Reconciliation Setup: Explains how to get started with your Bank Reconciliation system. This chapter contains all of the options on the Code File Maintenance Menu.

Chapter 4

Transaction Processing: Describes the options that are available during normal day-to-day processing.

Chapter 5

Reports & Inquiries: Describes the Transaction Detail Report and Bank Reconciliation Inquiry.

Glossary

Glossary: Provides a list of terms used in the Solution-IV manuals.

Appendices

Appendices: Contain supplemental information that is helpful to the understanding of Solution-IV Bank Reconciliation. System conversion is also detailed in the Appendices. Any errors that you may encounter while using the system are also listed and explained in the appendix.

2 Bank Reconciliation Menus

This chapter describes the options that are available from the following Solution-IV Bank Reconciliation menus:

- Bank Reconciliation Main Menu
- Code File Maintenance Menu

Bank Reconciliation Main Menu

Introduction

Thoroughbred Solution-IV Bank Reconciliation is designed to help keep your banking operations and other accounting activities in sync. It pulls together your entire bank deposits from Accounts Receivable and checks from Accounts Payable and Payroll to assist in doing your regular bank reconciliation.

How to Execute

From the Accounting System Master Menu, select option **9**, Bank Reconciliation.

Term: T1	Bank Reconciliation Main Menu	07/17/97
Menu: BRM	Lightspeed Distributors (DEM)	08:34 AM

Adjustments 1 Adjustment Entry 2 Adjustment Journal & Update	Masterfile Maintenance 7 Code File Maintenance Menu
Bank Reconciliation Processing 3 Mark Cleared Items 4 Reconcile Bank Account 5 Bank Reconciliation Statement 6 Remove Cleared Items	Reports & Inquiries 8 Bank Reconciliation Inquiry 9 Transaction Detail Report

Selection: _____

Adjustments

Adjustment Entry

This function allows you to enter any adjustments to your bank account, such as monthly bank charges, returned check fees, etc., to enable you to perform your bank reconciliation activities.

You have the option of posting adjustments to the General Ledger if they have not already been entered as journal entries.

Adjustment Journal & Update

This function allows you to view adjustments entered with Adjustment Entry. This journal acts as an audit report if you are posting the adjustments to the General Ledger.

If the Adjustments Journal is correct, the update function posts adjustments to the permanent General Ledger and Bank Reconciliation files.

Bank Reconciliation Process

Mark Cleared Items

This function allows you to mark checks, deposits, and adjustments as having cleared the bank. It is normally done as you receive your bank statements.

You also have the option of "unclearing" items that were incorrectly cleared. The use of ranges makes this step very easy to use.

Reconcile Bank Account

This function allows you to enter your statement date and statement balance, and the system determines whether or not your account is in balance.

Outstanding deposit, check, and adjustment totals are shown on the screen, as well as the amount out of balance, if any.

Bank Reconciliation Statement

This function provides the details, in report form, of the information entered using the Reconcile Bank Account option.

All checks, deposits, and adjustments are shown, including those that are marked as having cleared the bank. The total outstanding deposits, checks, and adjustments are shown, as well as the amount out of balance, if any.

Remove Cleared Items

This function allows you to clear the bank reconciliation file of any items that have cleared the bank, and therefore appeared on your bank statement. It is not necessary to use this function, but it will make each month's bank reconciliation run more efficiently.

This function is normally executed after your Bank Reconciliation Statement is balanced.

Masterfile Maintenance

Code File Maintenance Menu

This menu provides access to the Bank Reconciliation Parameters, Bank Code Maintenance and Listing, and all of the conversion utilities that can help you get started.

Reports and Inquiries

Bank Reconciliation Inquiry

This inquiry function allows you to view items in the bank reconciliation file by type: checks, deposits, adjustments, or all. It allows you to display the information only; you cannot perform maintenance activities here.

Transaction Detail Report

This report details all items in the bank reconciliation file and prints totals for each item type. It is similar to the Bank Reconciliation Statement.

Code File Maintenance Menu

Introduction

This menu gives you access to the Bank Reconciliation Parameters and all of the code files and conversion utilities required by this module.

How to Execute

From the Bank Reconciliation Main Menu, select option **7**, Code File Maintenance Menu.

Term: T1	BR Code File Maintenance Menu	07/17/97
Menu: BRC	Lightspeed Distributors (DEM)	08:35 AM

Bank Reconciliation Parameters 1 BR Parameters Maintenance 2 BR Parameters Listing	Conversion Utilities 5 Convert AP and PR Files 6 Add Open AR Deposits 7 Report and Update Deposits
---	--

Code File Maintenance 3 Bank Code Maintenance 4 Bank Code Listing
--

Selection: _____

System Parameters

BR Parameters Maintenance

This function determines the modules (Accounts Payable, Accounts Receivable, and/or Payroll) that will post to the bank reconciliation files. You may also enter a Default Adjustments Account that will be used by Adjustment Entry.

Note: You must enter the Bank Reconciliation parameters before starting any other Bank Reconciliation activity.

Parameters Listing

This function will print the parameters entered in Parameters Maintenance.

Code File Maintenance

Bank Code Maintenance

This function is used by all Solution-IV applications to define different bank or deposit accounts. Each bank code should be assigned to a different General Ledger account code. You can define as many bank codes as are required for your business.

Examples: BA—Bank of America - checking
 AX—American Express - deposit account

Bank Code Listing

This function prints all of the bank codes entered in Bank Code Maintenance.

Conversion Utilities***Convert AP & PR Files***

This function moves all of the checks from the Accounts Payable and Payroll monthly checks files to the bank reconciliation file. This option is normally used only once, when first starting to use Bank Reconciliation, as checks will be posted automatically from the point when you perform this activity forward.

Add Open AR Deposits

This function allows you to enter all of the deposits made since your last bank statement. This option is normally used only once, when first starting to use Bank Reconciliation. Deposits will be posted automatically from Accounts Receivable from the point when you perform this activity forward.

Report and Update Deposits

This function prints the deposits entered with the previous option and updates the permanent bank reconciliation file with the information.

3 **Bank Reconciliation Setup**

This chapter explains how to perform the initial setup of your Thoroughbred Solution-IV Bank Reconciliation system. Instructions for using Bank Reconciliation Parameters Maintenance, Bank Code Maintenance and the conversion utilities are given here.

The parameters must be setup before doing anything else. If you have been using Solution-IV Accounts Payable, Accounts Receivable and/or Payroll prior to starting Bank Reconciliation you should convert the files before entering any more checks into the system.

If you have not already done so, now would be a good time to read the appendices.

Parameters Maintenance

Introduction

The Bank Reconciliation Parameters determine which modules (Accounts Payable, Accounts Receivable, and/or Payroll) will post to the bank reconciliation files. You can also enter a Default Adjustments Account that will be used by the Adjustment Entry function.

Note: You must use this option to enter parameters before using any other option in the Bank Reconciliation module.

How to Execute

From the Code File Maintenance Menu, select option **1**, BR Parameters Maintenance.

BR Parameters Maintenance	
Lightspeed Distributors (DEM) 07/17/97 T1	
Update Accounts Receivable Deposits?	<input checked="" type="checkbox"/>
Update Accounts Payable Checks?	<input checked="" type="checkbox"/>
Update Payroll Checks?	<input checked="" type="checkbox"/>
Default Adjustment Account	900-00-00
Miscellaneous expenses	

Description of Fields

Update Accounts Receivable Deposits?

You have control over whether or not Accounts Receivable deposits post to the Bank Reconciliation files as follows:

- Y** Posts deposits to the Bank Reconciliation files.
- N** Does not post deposits to Bank Reconciliation.

Update Accounts Payable Checks?

You have control over whether or not Accounts Payable checks post to the Bank Reconciliation files as follows:

- Y** Posts checks to the Bank Reconciliation files.
- N** Does not post checks to Bank Reconciliation.

Update Payroll Checks?

You have control over whether or not Payroll checks post to the Bank Reconciliation files as follows:

- Y** Posts Payroll checks to the Bank Reconciliation files.
- N** Does not post Payroll checks to Bank Reconciliation.

Default Adjustment Account

Enter up to 15 characters for the General Ledger account code to which you will normally be posting adjustments, such as bank charges.

Example: 705-00 - Bank charges

Exit the Screen

When you have finished editing the parameters, you are automatically returned to the Code File Maintenance Menu.

Parameters Listing

Introduction

This reporting option displays or prints the parameters entered in Parameters Maintenance.

How to Execute

From the Code File Maintenance Menu, select option **2**, BR Parameters Listing.

Sample Report

After selecting a printed or displayed copy, you will see a report similar to the following.

When it is finished, you will be returned automatically to the Code File Maintenance Menu.

03/01/00 02:50 PM	BR Parameters Listing	Term: T7
	Lightspeed Distributors (DEM)	Page: 1

Update Accounts Receivable Deposits to Bank Reconciliation files?	Y	
Update Accounts Payable Checks to Bank Reconciliation files?	Y	
Update Payroll Checks to Bank Reconciliation files?	Y	
Default Adj Account: 900-00-00	Miscellaneous expenses	

Bank Code Maintenance

Introduction

All Thoroughbred Solution-IV Accounting applications use this function to define different bank or deposit accounts. Each cash account should have a unique bank code. The bank code is used to designate the General Ledger account to which a deposit is to be made or from which a check is to be drawn.

How to Execute

From the Code File Maintenance Menu, select option **3**, Bank Code Maintenance.

Description of Fields

Bank Code

Enter two alphanumeric characters for the bank code.

Examples: BA—Bank of America - checking
AX—American Express - deposit account

Description

Enter up to 40 characters to describe the bank code.

GL Account No.

Enter up to 15 characters for the General Ledger account code to which this bank code posts. It is normally a cash account.

Example: 101-00 - Cash in bank - checking

Bank Acct. No.

Enter up to 15 characters for your bank account number. This field is optional.

Status

This status field is used to hold the current status of every Masterfile record in the Bank Reconciliation module

The Status may be set as follows:

- Active** This record may be used anywhere, anytime.
- I - Inactive** This record may be used by those records already using it, but may not be added to new records.
- D-Deleted** This record is scheduled for deletion. In order to delete a code file record, it must not be in use anywhere.

C - Changed This record is scheduled to be changed to either a new code or combined with an existing code. If changing anything with history associated with it, the history is transferred as well.

Exit the Screen

When you are finished, press **F4** from the bank code to return to the Code File Maintenance Menu.

Bank Code Listing

Introduction

This reporting option displays or prints the bank codes currently in the bank code file.

How to Execute

From the Code File Maintenance Menu, select option **4**, Bank Code Listing.

Sample Report

After selecting a printed or displayed copy, you will see a report similar to the following. When the report is finished, you will be returned automatically to the Code File Maintenance Menu.

03/31/00 03:14 PM		Bank Code Listing		Term: T0
		Lightspeed Distributors (DEM)		Page: 1

Bank				
Code	Description	Account Code	Bank Account	

BA	Bank of America - checking	101-01-00	10156-12345	
NJ	Central Jersey National Bank - checking	101-00-00	205-12345	
2 Bank Codes Printed				

Convert AP and PR Files

Introduction

This option moves all of the checks from the Accounts Payable and Payroll monthly check files to the Bank Reconciliation file. It will normally only be used once, when first starting to use Bank Reconciliation. Once you have Bank Reconciliation set up, checks will be posted automatically.

How to Execute

From the Code File Maintenance Menu, select option **5**, Convert AP and PR Files.

Description of Fields

Do you want to convert your existing files? Yes No

Y Copies the entire contents of the Accounts Payable and Payroll monthly check files into the Bank Reconciliation files. Checks that were cleared using the "Maintain Cleared Checks" function in Accounts Payable or Payroll will still be marked as cleared in the Bank Reconciliation files.

N Returns to the Code Files Maintenance Menu.

Exit the Screen

When the conversion is finished, you will be returned automatically to the Code File Maintenance Menu.

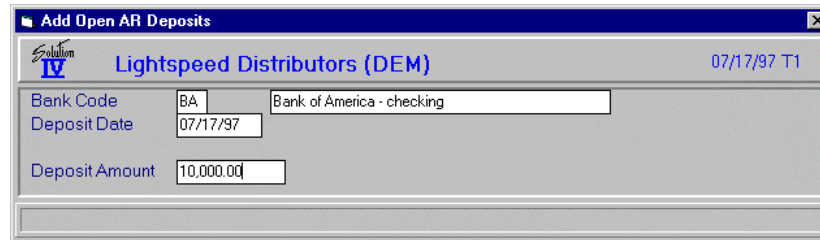
Add Open AR Deposits

Introduction

This option allows you to enter all of your deposits made since your last bank statement. It will normally be used only once, when first starting to use Bank Reconciliation, as deposits will be posted automatically from Accounts Receivable from this point forward.

How to Execute

From the Code File Maintenance Menu, select option **6**, Add Open AR Deposits.



Description of Fields

Bank Code

Enter up to two alphanumeric characters representing the bank code to which you want to input deposits. The bank code can represent checking and savings accounts as well as credit card deposit accounts.

Examples: BA—Bank of America - checking
AX—American Express - deposit account

Deposit Date

Enter the date this deposit was made to the bank. This date may be different than the date originally used to post the deposit to General Ledger.

Deposit Amount

Enter the amount of the deposit.

Exit the Screen

When you are finished entering deposits, press **F4** from the bank code to return to the Code File Maintenance Menu.

Report and Update Deposits

Introduction

This function prints the deposits entered using Add Open AR Deposits and updates the permanent Bank Reconciliation file with the deposit information.

How to Execute

From the Code File Maintenance Menu, select option **7**, Report and Update Deposits.

Description of Fields

Do you want a printed copy? Yes No

Y Prints a hard copy of the Deposit Report.

N Displays the Deposit Report on the screen.

The Deposit Update does not post to General Ledger, so is not considered an audit report.

Update Open AR Deposits? Yes No

Y Updates the current batch of deposits to the bank reconciliation files, then clears the open deposit conversion file.

N Returns to the Code File Maintenance Menu. You may make any necessary corrections using Add Open AR Deposits, then reprint the Deposit Report.

Sample Report

After selecting a printed or displayed copy, you will see a report similar to the following.

When the update is skipped or finished, you will be returned automatically to the Code File Maintenance Menu.

03/01/00 02:51 PM		AR Deposit Report		Term: T7	
		Lightspeed Distributors (DEM)		Page: 1	

Bank					
Code	Description	Date		Amount	

BA	Bank of America - checking				
		03/01/00		4,289.09	

		1 Deposits:		4,289.09	

4 Transaction Processing

This chapter explains how to perform the following Bank Reconciliation activities:

- Enter adjustments
- Mark cleared items
- Reconcile a bank account
- Print the Bank Reconciliation Statement
- Remove cleared items
- Display Bank Reconciliation transactions

You will be spending most of your time in this chapter because it explains the core transactions of the Bank Reconciliation module.

Adjustment Entry

Introduction

This function allows you to enter any adjustments to your bank account, such as monthly bank charges, returned check fees, etc., thus enabling you to perform your bank reconciliation.

You have the option of posting adjustments to the General Ledger, if they have not already been entered as journal entries.

How to Execute

From the Bank Reconciliation Main Menu, select option **1**, Adjustment Entry.

Description of Fields

Bank Code

Enter up to two characters representing the bank code for which you need to make an adjustment.

Examples: BA—Bank of America - checking
AX—American Express - deposit account

Reference

Enter up to ten alphanumeric characters for the reference number for this adjustment. You may wish to use a document number, check number, etc.

Adjustment Date

Enter the date of this adjustment.

Adjustment Amount

Enter the amount of the adjustment. If you are adding to your bank account, enter this amount as a positive number; if this adjustment reduces your bank balance, enter the amount as a negative number.

Adjustment Account

Enter up to 15 characters for the General Ledger account code to which you wish to post this adjustment. It defaults to the account code entered in the parameters.

Comment

Enter up to 35 characters to describe this adjustment or the reason the adjustment is being made. If you post the adjustment to General Ledger, this comment will be posted to the transaction detail file.

Post Adjustment to General Ledger?

You have the option of posting this adjustment to General Ledger as follows:

- Y** Posts the adjustment to General Ledger.
- N** Does not post to General Ledger.

Note: You will only want to post to General Ledger if you have not already entered the adjustment as a journal entry.

Has this adjustment cleared the bank?

If you know this adjustment has cleared the bank, you can make your bank reconciliation go faster by marking the adjustment as follows:

- Y** This adjustment has already cleared the bank. This is especially useful if you are entering adjustments at the same time you are doing your reconciliation.
- N** This adjustment has not yet appeared on the bank statement.

Exit the Screen

When you are finished entering adjustments, press **F4** from the bank code to return to the Bank Reconciliation Main Menu.

You may now wish to proceed to the Adjustment Journal and Update.

Adjustment Journal & Update

Introduction

This function lists the adjustments entered using Adjustment Entry. The journal is an audit report if you are posting the adjustments to the General Ledger.

If the Adjustment Journal is correct, the update function posts the adjustments to the permanent General Ledger and Bank Reconciliation files.

How to Execute

From the Bank Reconciliation Main Menu, select option **2**, Adjustment Journal & Update.

Description of Fields

Enter Posting Date

Enter the date you wish to use for posting the adjustments to General Ledger. It is important that this date be in the correct month because it controls the General Ledger period in which these postings appear.

Example: If today is 8/10/00 and you are entering adjustments from July, be sure the posting date is 7/31/00. If you need to enter adjustments for both July and August, they must be done in separate batches.

You will then see the message, "Now Processing" followed by the prompt:

Do you want a printed copy? Yes No

Y Prints a hard copy of Adjustment Journal.

N Displays the Adjustment Journal on the screen. You will not be allowed to continue with the update.

If the Adjustment Journal was printed to a printer, the system prompts:

Do you want to continue with the update? Yes No

Y Updates the current batch to the permanent files and then clears the adjustment entry files.

N Returns to the Bank Reconciliation Main Menu. You may make any necessary corrections using Adjustment Entry, then re-print the Adjustment Journal.

Sample Reports

After selecting a printed or displayed copy, you will see two reports similar to the following. When the update is skipped or finished, you will be returned automatically to the Bank Reconciliation Main Menu.

Printed Date: 03/01/00 02:50 PM		Adjustment Journal		Term: T7	
Posting Date: 03/01/00		Lightspeed Distributors (DEM)		Page: 1	
Reference	Date	Account	Comment	GL?	Clr?
BA Bank of America - checking					
SVCCHG	03/03/00	900-00-00	Miscellaneous expenses	Y	N
					3.00
Total Adjustments for Bank:					3.00
Total Adjustments:					3.00

03/01/00 02:50 PM	Adjustment Journal (BRAJ)	Term: T7
Posting Date: 03/01/00	General Ledger Account Summary	Page: 1
	Lightspeed Distributors (DEM)	

Account Code	Debit	Credit

101-01-00 Cash in bank - Bank of America	3.00	
900-00-00 Miscellaneous expenses		3.00
	-----	-----
	3.00	3.00

Mark Cleared Items

Introduction

This function allows you to mark checks, deposits, and adjustments as having cleared the bank. This process is normally done as you receive your bank statements.

With this function, you also have the option of "unclearing" items that were incorrectly cleared. You may use ranges to "unclear" several items at once.

How to Execute

From the Bank Reconciliation Main Menu, select option **3**, Mark Cleared Items.

Description of Fields

Bank Code

Enter up to two alphanumeric characters representing the bank for which you wish to clear checks, deposits and/or adjustments.

Examples: BA—Bank of America - checking
AX—American Express - deposit account

You also have the option of pressing **F2** and selecting **Transactions**, which displays a view of all the items. Use Up-arrow and Down-arrow to highlight the item to be cleared (or 'uncleared') and press **Enter**.

If you entered a bank code, you are prompted:

Clear Check **A**ddjustments **D**eposits

If you are clearing checks, you are then prompted:

Checks

List cleared checks to mark

Enter up to three lines of 65 characters each with a range of check numbers or individual check numbers to be marked as cleared. Ranges are separated by dashes; individual checks, or groups of ranges are separated by commas.

Example: 01-109, 112, 115-121, 123-134, 135, 136

If you are clearing adjustments or deposits, you are prompted:

Adjustments/Deposits**From Reference****To Reference**

If you are clearing deposits or adjustments, enter a range of references to clear. The reference for deposits is the date in YYMMDD format; the reference for adjustments is the adjustment reference code.



Mark Cleared Items - Adjustments/Deposit	
From Reference	ADJ101
To Reference	ADJ119

Once you have entered the range of items to mark, you will see the prompt:

Process Items: Clear Unclear

C Marks the selected items as having cleared the bank.

U Marks the items as having not cleared the bank, even if they were previously cleared.

You are acknowledged that the items have been marked with the message:

Items marked as cleared/uncleared. Enter to continue.

You will then be able to enter another range of the same type (checks, deposits or adjustments) to mark.

When you are finished with a particular type, press **F4** to return to the bank code.

Exit the Screen

When you are finished marking items, press **F4** from the bank code to return to the Bank Reconciliation Main Menu. You may now wish to proceed to Reconcile Bank Account.

Reconcile Bank Account

Introduction

This function allows you to enter your statement date and statement balance for the system to determine whether your account is in balance or not.

Outstanding deposits, checks, and adjustments are shown on the display, as well as the amount out of balance, if any.

How to Execute

From the Bank Reconciliation Main Menu, select option **4**, Reconcile Bank Account.

Reconcile Bank Account	
Solution IV Lightspeed Distributors (DEM) 07/17/97 T1	
Bank Code	BA Bank of America - checking
Statement Date	022897
Bank Statement Balance	= 16462.28
Add Outstanding Deposits	+ 1347.56
Less Outstanding Checks	- 62331.95
Add Miscellaneous Adjustments	+ .00
Reconciled Statement Balance	= 44522.11-
Solution-IV Bank Account Balance	= 44522.11-
Statement Balance Variance	= .00

Description of Fields

Bank Code

Enter up to two alphanumeric characters representing the bank for which you wish to do your bank reconciliation.

Example: BA—Bank of America - checking
AX—American Express - deposit account

Statement Date

Enter the date of the bank statement to be reconciled.

Bank Statement Balance

Enter the balance as shown on the bank statement.

The system will then calculate and display the following:

- **Outstanding Deposits:** Shows the total of all deposits that have not yet cleared the bank.
- **Outstanding Checks:** Shows the total of all checks that have not yet cleared the bank.
- **Miscellaneous Adjustments:** Shows the total of all adjustments that have not yet cleared the bank.

- **Reconciled Statement Balance:** Shows the adjusted statement balance. If your reconciliation is in balance, this amount should be the same as your Solution-IV Bank Account Balance.
- **Solution-IV Bank Account Balance:** Shows the balance that is on file for this bank, i.e., the balance of the associated General Ledger account code in the General Ledger account file.
- **Statement Balance Variance:** Shows the out of balance amount, if any.

Exit the Screen

When you are finished, press **F4** from the bank code to return to the Bank Reconciliation Main Menu. You may now wish to proceed to the Bank Reconciliation Statement.

Bank Reconciliation Statement

Introduction

This report prints the detailed information entered using the Reconcile Bank Accounts option.

All checks, deposits, and adjustments are shown, including those that are marked as having cleared the bank. The total outstanding deposits, checks, and adjustments are shown, as well as the amount out of balance, if any.

How to Execute

From the Bank Reconciliation Main Menu, select option **5**, Bank Reconciliation Statement.

Description of Fields

Print Selected Statements Only?

Y Displays a view allowing you to select individual banks to print on the report.

N Allows you to enter a range of banks to print.

If you selected **N**, the system prompts:

From Bank

To Bank

Enter the starting and ending bank codes for the range you wish to print or press **Enter** twice to select all bank codes.

Sample Report

After selecting a printed or displayed copy, you will see a report similar to the following. When the report is finished, you will be returned automatically to the Bank Reconciliation Main Menu.

03/01/00 02:53 PM

Bank Reconciliation Statement
 Lightspeed Distributors (DEM)
 For Statement Dated 02/29/00

Term: T7

Page: 1

Tran Type	Reference	Chk Type	Tran Date	Amount	Payee	Comment
BA Bank of America - checking						
C-AP	0000000001		03/01/00	82.45	0000000123	123 Party Supply Outlet
C-AP	0000000002		03/01/00	1,065.17	A002	Auto & Bike Parts - East
C-AP	0000000003		03/01/00	784.51	A003	Auto & Bike Parts - West
C-AP	0000000004		03/01/00	2,532.38	PEDAL	Pedal Manufacturers of America
C-PR	0000000005	C	02/02/00	510.13	0000000100	Keith Wilson
C-PR	0000000006	C	02/02/00	460.26	0000000200	Andrew Dean
C-PR	0000000007	C	02/02/00	313.07	0000000300	Matthew Perelli
C-PR	0000000008	D	02/02/00	527.37	0000000400	Mark L. MacMillan
C-PR	0000000009	C	02/16/00	510.13	0000000100	Keith Wilson
C-PR	0000000010	C	02/16/00	484.18	0000000200	Andrew Dean
C-PR	0000000011	C	02/16/00	477.02	0000000300	Matthew Perelli
C-PR	0000000012	D	02/16/00	527.37	0000000400	Mark L. MacMillan
C-PR	0000000013	C	03/01/00	510.13	0000000100	Keith Wilson
C-PR	0000000014	C	03/01/00	460.26	0000000200	Andrew Dean
C-PR	0000000015	C	03/01/00	412.34	0000000300	Matthew Perelli
C-PR	0000000016	D	03/01/00	527.37	0000000400	Mark L. MacMillan
D-AR	000301		03/01/00	1,351.83		

Reconciliation:

Bank Statement Balance on 02/29/00:	16,462.28
Add 1 Outstanding Deposits +	1,351.83
Less 16 Outstanding Checks -	10,184.14
Add Outstanding Adjustments +	.00

Reconciled Statement Balance:	7,629.97
Bank BA Balance from General Ledger:	7,533.26

Statement Balance Variance:	96.71-
-----------------------------	--------

'*' indicates item has cleared

Remove Cleared Items

Introduction

This function allows you to clear the bank reconciliation file of any items that have cleared the bank and therefore have appeared on your bank statement. It is not necessary to use this function, but it will make each month's bank reconciliation routine run more efficiently.

This option is usually executed after the Bank Reconciliation Statement is balanced.

How to Execute

From the Bank Reconciliation Main Menu, select option **6**, Remove Cleared Items.

Description of Fields

Clear items from bank

Enter up to two alphanumeric characters representing the bank for which you wish to remove cleared items.

Example: BA—Bank of America - checking
AX—American Express - deposit account

Clear items through

Enter the date through which you wish to remove cleared items from the above bank.

Examples: If you wish to remove cleared items through July, enter 073102.

You will then be prompted:

Is the displayed information correct? Yes No

Y Proceeds with removing cleared items from the bank reconciliation files.

N Allows you to correct the information on the screen.

Exit the Screen

When you are finished, press **F4** from the bank code to return to the Bank Reconciliation Main Menu.

5 Reports & Inquiries

This chapter describes the following:

- Bank Reconciliation Inquiry
- Transaction Detail Report

Bank Reconciliation Inquiry

Introduction

This inquiry function allows you to view the items in the bank reconciliation file by type: checks, deposits, adjustments, or all. This function is 'display only' and cannot be used to perform maintenance activities.

How to Execute

From the Bank Reconciliation Main Menu, select option **8**, Bank Reconciliation Inquiry.

T	Reference	Date	C	Sr	Payee	Comment	Amount	I
C	0000000001	03/01/97	AP	0000000123	123 Party Supply Outlet		82.45	
C	0000000002	03/01/97	AP	A002	Auto & Bike Parts - East		1065.17	
C	0000000003	03/01/97	AP	A003	Auto & Bike Parts - West		784.51	
C	0000000004	03/01/97	AP	PEDAL	Pedal Manufacturers of America		2532.38	
C	0000000005	02/01/97	C	PR	0000000100	Keith Wilson	509.55	
C	0000000006	02/01/97	C	PR	0000000200	Andrew Dean	459.11	
C	0000000007	02/01/97	C	PR	0000000300	Matthew Perelli	311.69	
C	0000000008	02/01/97	D	PR	0000000400	Mark L. MacMillan	526.22	
C	0000000009	02/15/97	C	PR	0000000100	Keith Wilson	509.55	
C	0000000010	02/15/97	C	PR	0000000200	Andrew Dean	483.02	

Description of Fields

Print for Bank

Enter up to two alphanumeric characters representing the bank you wish to view.

Transaction Type

Enter the type of transaction you wish to see on the report from the following list:

- A** Adjustments
- C** Checks
- D** Deposits
- E** Everything

Current balance from General Ledger

This field is 'display only' and shows the amount in the General Ledger account associated with this bank code.

The system will then display a view containing all activity for the selected bank. You can view all items using the **Up Arrow**, **Down Arrow**, **Page Up** and **Page Down** keys.

Exit the Screen

When you are finished viewing a particular bank, press **F4** from within the display to return to the bank code.

When you are finished with all inquiries, press **F4** from the bank code to return to the Bank Reconciliation Main Menu.

Transaction Detail Report

Introduction

This report lists all items in the bank reconciliation file and prints totals for each item type. It is similar to the Bank Reconciliation Statement.

How to Execute

From the Bank Reconciliation Main Menu, select option **9**, Transaction Detail Report.

Description of Fields

Print Selected Banks Only?

Y Displays a view allowing you to select individual banks to print on the report.

N Allows you to enter a range of banks to print.

If you select **N** above, the system prompts:

From Bank

To Bank

Enter the starting and ending bank codes for the range you wish to print or press **Enter** twice to select all bank codes.

Print Transaction Type

Enter the desired transaction type from the following list:

- A** Adjustments
- C** Checks
- D** Deposits
- E** Everything

Sample Report

After selecting a printed or displayed copy, you will see a report similar to the following. When the report is finished, you will be returned automatically to the Bank Reconciliation Main Menu.

03/01/00 02:52 PM

Bank Transaction Detail Report
Lightspeed Distributors (DEM)

Term: T7

Page: 1

Tran Type	Reference	Chk Type	Tran Date	Amount	Payee	Comment
BA Bank of America - checking						
C-AP	0000000001		03/01/00	82.45	0000000123	123 Party Supply Outlet
C-AP	0000000002		03/01/00	1,065.17	A002	Auto & Bike Parts - East
C-AP	0000000003		03/01/00	784.51	A003	Auto & Bike Parts - West
C-AP	0000000004		03/01/00	2,532.38	PEDAL	Pedal Manufacturers of America
C-PR	0000000005	C	02/02/00	510.13	0000000100	Keith Wilson
C-PR	0000000006	C	02/02/00	460.26	0000000200	Andrew Dean
C-PR	0000000007	C	02/02/00	313.07	0000000300	Matthew Perelli
C-PR	0000000008	D	02/02/00	527.37	0000000400	Mark L. MacMillan
C-PR	0000000009	C	02/16/00	510.13	0000000100	Keith Wilson
C-PR	0000000010	C	02/16/00	484.18	0000000200	Andrew Dean
C-PR	0000000011	C	02/16/00	477.02	0000000300	Matthew Perelli
C-PR	0000000012	D	02/16/00	527.37	0000000400	Mark L. MacMillan
C-PR	0000000013	C	03/01/00	510.13	0000000100	Keith Wilson
C-PR	0000000014	C	03/01/00	460.26	0000000200	Andrew Dean
C-PR	0000000015	C	03/01/00	412.34	0000000300	Matthew Perelli
C-PR	0000000016	D	03/01/00	527.37	0000000400	Mark L. MacMillan
D-AR	000301		03/01/00	1,351.83		

Summary Information for BA:

1	Deposits totaling:	1,351.83
16	Checks totaling:	10,184.14
0	Adjustments totaling:	0.00

** indicates item has cleared

6 Appendices

The following pages contain supplemental information that is helpful to the understanding of Solution-IV Bank Reconciliation.

- A. Bank Reconciliation Messages
- B. Understanding the Accounting Theory Behind Bank Reconciliation
- C. Converting to Solution-IV Bank Reconciliation
- D. What to do with all the Paper Generated
- E. Glossary

A Bank Reconciliation Messages

Most messages that you will encounter when using Solution-IV Bank Reconciliation system are described in the appropriate section of this manual, where the operation you are performing is documented.

This appendix contains additional messages that may be displayed during the normal processing of your system. These messages are not discussed in the body of the manual since they are not frequently displayed.

Adjustment Journal & Update

No information to update

The Adjustment Entry file is empty. Either the update has already occurred (you can check using the Event Log) or no adjustments have been entered into the entry file.

B Understanding the Accounting Theory Behind Bank Reconciliation

You can use the Solution-IV Bank Reconciliation package without understanding accounting, but may find the following concepts helpful in understanding what the system is doing.

Definition

A bank reconciliation system helps relieve some of the drudgery of doing your monthly bank reconciliation by hand. It pulls bank deposits from Accounts Receivable and checks from Accounts Payable and Payroll together in one place, helping to keep your banking operations and other accounting activities in sync.

With Solution-IV Bank Reconciliation, checks can be cleared quickly by entering ranges of check numbers to clear, again speeding the reconciliation process. Adjustments, such as bank charges, can be entered throughout the month, as well as when the bank statement is received.

Accounting Components

Every company's financial picture is made up of the following basic elements:

- **Assets** - anything of value that the company owns.
Examples: cash, accounts receivable, inventory, property
- **Liabilities** - anything that the company owes to someone else.
Examples: accounts payable, notes payable.
- **Equity**-what the company is worth
Examples: owner's equity, capital stock, retained earnings
- **Revenue** - income or earnings.
Examples: sales revenue, interest income
- **Expenses** - the cost of doing business.
Examples: cost of sales, payroll, supplies, bank charges

Cash vs Accrual

There are two acceptable ways of keeping your accounting records.

Under an accrual method of accounting, revenue is recorded into the General Ledger whenever you make a sale, not when you actually receive payment; expenses are recorded when you receive the invoice, not when you write the check. Operating under an accrual basis, you are better able to match revenue to expenses, giving a better picture of the actual profitability of your company. Most companies operate on an accrual basis.

If you operate under a cash basis, you do not actually record the revenue in the General Ledger until the payment is received and the expenses are not recorded until you write the check. In general, only very small companies operate under a cash basis.

With Solution-IV Bank Reconciliation, it really doesn't matter whether you operate on a cash or accrual basis, since only the cash account is affected. Checks and deposits are recorded as they are cut from the subsidiary modules and adjustments are recorded as they are entered regardless of your chosen accounting method.

Debits and Credits

In the simplest of terms, every account has a debit side and a credit side. If total debits are more than total credits, the account has a debit balance. If total credits are more than total debits, the account has a credit balance. Each account has a normal debit or credit balance. The following table demonstrates what happens with each basic component.

Account type	Normal balance	Debits	Credits
Asset	Debit	Increase Balance	Decrease Balance
Liability	Credit	Decrease Balance	Increase Balance
Equity	Credit	Decrease Balance	Increase Balance
Revenue	Credit	Decrease Balance	Increase Balance
Expense	Debit	Increase Balance	Decrease Balance

Pluses and Minuses

Debits and credits cause some confusion when thought of as pluses and minuses. In general, in the General Ledger, debits are entered as positive numbers and credits are entered as negative numbers. This may be confusing because revenue is a credit account (see the table above) which means that the amounts posted to it are usually negative numbers. We have tried to eliminate this confusion in the Bank Reconciliation package by taking care of the debits and credits for you.

While in Solution-IV Bank Reconciliation, you will simply enter an adjustment as a negative number if it decreases the amount of cash in your account, and enter an adjustment as a positive number if it increases the amount of cash in your account.

Postings

The basis of double entry accounting, which Solution-IV uses, requires that every entry be composed of at least two entries-- a debit and a credit. The following chart shows the sample postings made by Bank Reconciliation to General Ledger:

General Ledger Accounts Used

Account Type	Name
Asset	Cash - defined in Bank Code Maintenance
Revenue	Miscellaneous income or interest income
Expenses	Bank charges or miscellaneous expenses

Bank Reconciliation Postings

Type of Entry	Account	Debit	Credit
Positive	Cash	55.00	
Adjustment	Interest Income		55.00
Negative	Cash	10.00	
Adjustment	Bank Charges		10.00

Subsidiary Ledger

A subsidiary ledger is a supporting ledger consisting of a group of similar accounts, the total of which is in agreement with a controlling account in the General Ledger. The purpose behind a subsidiary ledger is to keep unnecessary detail out of the General Ledger.

In Solution-IV Bank Reconciliation, the Adjustment Journal can be considered a subsidiary journal because it contains the details of what adjustments were made to the various cash accounts. The journals from Payroll, Accounts Receivable and Accounts Payable are also subsidiary journals, since they provide the detail on what was added to or removed from the cash account.

The Bank Reconciliation Statement can also be considered a subsidiary journal since it provides evidence that your accounting records and the records of the banking institution are in sync indicating that the balances shown for your cash account on your financial statements are in fact correct.

C

Converting to Solution-IV Bank Reconciliation

Converting to Solution-IV Bank Reconciliation is different than converting to any of the other Solution-IV Accounting modules, since it is dependent on other Solution-IV modules for its data.

The steps you will follow when doing the conversion are the same whether you have been doing bank reconciliations manually or through another computerized bank reconciliation package.

Preparing for conversion will involve the following steps:

- Get up and running on the Solution-IV modules you are connecting to Bank Reconciliation.
- Make sure that your most recent bank statement was in balance with your General Ledger. If you do not do this step, it will make your first computerized bank reconciliation difficult and frustrating.
- Use the Bank Reconciliation Startup Checklist provided in Appendix C for the actual steps in the conversion process.

Note: If you have open checks that are not in the Accounts Payable or Payroll check files, these can be entered as negative amounts in Adjustment Entry. Be sure to answer **N** to the "Post to General Ledger" question in this case.

You should now be ready to do your first computerized bank reconciliation.

D What to do with all the Paper Generated

Solution-IV Bank Reconciliation generates less paper than any other Solution-IV module. However, that doesn't mean that the reports that it does generate are any less important. This section explains why reports are generated and what you are supposed to do with them.

Why?

The entire line of Solution-IV Accounting has been designed to comply with the Generally Accepted Accounting Principles (GAAP). In general, GAAP are broad concepts and detailed practices including all conventions, rules, and procedures that comprise accepted accounting practice at any given time. They have become generally accepted by agreement in industry.

The paper generated by the Solution-IV Accounting system complies with GAAP by providing an audit trail, or sufficient backing, for every entry in the General Ledger, a principle mandated by GAAP. Within Bank Reconciliation, the Adjustment Journal and Bank Reconciliation Statement provide this necessary audit trail.

What You Need to Keep

In general, you need to keep the final copy of each of the reports listed below. The final copy is the one printed just before you run the update. If you printed a report several times, you can identify the final copy by looking at the date and time the report was printed. It is important that you keep only the final copy and discard the earlier ones.

The reports that you **MUST** keep are:

- Adjustment Journal (if posted to the General Ledger)
- Bank Reconciliation Statement

How to Organize Saved Reports

The following are suggestions on how best to file and organize printed reports. Review them and determine the one that works most effectively for you.

Ring Binders

If you are using standard three-ring binders to store information from your other accounting modules, they will work well with Bank Reconciliation as well. You will need two binders, with dividers by month, one for each of the following:

- Adjustment Journal
- Bank Reconciliation Statement, with your bank statement attached

Filing Cabinet

Another way to file your Bank Reconciliation reports is to use hanging file folders and your filing cabinet. You should use a separate folder for each type of report and file them by month. This is probably the easiest way to file your Bank Reconciliation reports, due to the low volume of reports generated.

Data Binders

While computer data binders may work for your other accounting reports, you may want to consider using another method for filing your Bank Reconciliation reports. Bank Reconciliation does not generate enough reports to make data binders work well. You will find that ring binders or file folders work better.

A Closing Note

Try to keep your filing system as up to date as possible, as well as keeping current with your bank reconciliations. Although it may seem tedious, saving and organizing your reports is beneficial. In the event of a system problem, you will find the saved reports invaluable in tracing data entry in the system. In an accounting or IRS audit, you will be able to provide the information needed easily and quickly. With proper storage of your important reports, corrections are easier to make and audits will take less time, saving you both time and money.

E Glossary

1099 Reporting

1099 reporting is the filing of a 1099 tax form with the federal government. This is a report of all payments made to individual vendor of more than an amount specified by the government in a calendar year.

A

Account or Account Code

An account is the basic component of a formal accounting system. It records all additions and deductions and shows balances of assets, liabilities, owners' equity, revenues and expenses.

There are two types of accounts: debit and credit. Asset and expense accounts are usually debit accounts. Liability, equity and revenue accounts are usually credit accounts.

Accounting

The process of recording, organizing, reporting and interpreting the financial data of a business.

Accounting Period

An accounting period is an interval of time for which a financial statement is prepared. In most businesses, each month is a separate accounting period.

Solution-IV allows you to store data for as many as 26 accounting periods (2 full years).

Accounting System

An accounting system is a method for interpreting the financial performance of a business. It includes the raw data, procedures and equipment needed to make this analysis.

Accounts Payable

Accounts payable is a record of money owed and payments made by a business to creditors. It is a current liability showing the actual dollar amount owed to creditors.

Accounts Receivable

Accounts receivable is a record of money owed and payments made to a business by customers. It is a current asset showing the actual dollar amount owed by customers.

Accrual Basis

Accrual basis accounting records revenues and expenses for the current accounting period even though payments will not be received or paid until a later accounting period. This is to be distinguished from cash basis.

Most companies operate on the accrual basis.

See Accrued Asset and Accrued Liability.

Accrued Asset

An accrued asset is a revenue that is recorded when it is earned, not when a payment is received. The revenue then appears on financial statements for the period in which it is earned. (It may also be called an accrued income.)

Example: If you sell a camera for \$295 on credit, this transaction is immediately recognized as revenue and recorded in accounts receivable (even though cash has not yet been received).

Accrued Liability

An accrued liability is an expense recorded when it is incurred, not when a payment is made. The expense then appears on financial statements for the period in which it is incurred. (It may also be called an accrued expense).

Example: If you purchase on credit 5 dictionaries at \$24.95 each, the \$124.75 transaction is immediately recognized as an expense even though cash has not been paid.

Accumulated Depreciation

Accumulated depreciation is the sum of all recorded depreciation for a particular asset (or group of assets) since the date of acquisition.

Activity

Activity is the continuous completing of transactions. This activity, whether an expense or a revenue, changes the account balance.

The Solution-IV General Ledger allows you to see the activity of each account for a given accounting period.

Adjusting Entry

An adjusting entry is a general journal entry that corrects an account or brings that account up to date.

These entries are usually made at the end of an accounting period, but may be made whenever it is considered appropriate.

Aging Period

The aging period is an interval of time following a sale or a purchase that defines a revenue or expense as outstanding. The length of this period is different for each company.

Example: A loan company may want a listing of payments that are 2 weeks late.

Allowance for Bad Debts

Allowance for bad debts is an asset account that offsets uncollectible revenue. The amount is usually estimated as a percentage of accounts receivable, based on previous experience with unpaid accounts.

Alphanumeric

Alphanumeric describes a combination of letters and/or numbers.

Example: L48, 56SJ, E913S, 1234, and ASTVLS are alphanumeric.

Amortization

Amortization is the writing-off of the cost of an intangible asset over its economic life. It is usually used with leasehold improvements, organization costs, or goodwill.

Asset

An asset is anything that is owned by a business and has a monetary value.

Example: Buildings, fixtures, equipment, supplies and cash are assets.

Audit Report

An audit report verifies the accuracy of information entered into the computer. An audit report must be printed before updating the permanent files.

Audit Trail

An audit trail is a detailed record of accounting activity. It is a means of examining transactions from the time they are entered into a journal until they are printed in the financial statements.

Average Cost Method

The average cost method is a system of inventory costing. The value of inventory is determined by averaging the cost of goods in stock with goods recently received.

Example: 25 bicycle pedals purchased by you for resale at a cost of \$35 each remain in inventory. You purchase 10 more at \$40. Your inventory is now valued at $(25 \times \$35) + (10 \times \$40)$ or a total of \$1275 or \$36.43 each. If you sell 30 of them, the cost of the sale will be computed as $\$36.43 \times 30$ or \$1092.90, with a remaining inventory value of $\$36.43 \times 5$ or \$182.15.

See Standard Cost, LIFO and FIFO.

B**Back Order**

A back order is a request for items that are currently out of stock. As soon as they become available they are shipped to the customer.

Backup

A backup is a copy of computer files on a portable medium (such as a floppy diskette or tape cartridge). Should the computer files be corrupted or destroyed the backup can be used to replace the data.

Backups should be made at regular intervals.

Bad Debt

A bad debt is a revenue that is partially or completely uncollectible. It becomes an expense when it is established that the customer will not pay the obligation and it is not practical to enforce payment.

Balance

A balance is the difference between total debits and total credits of an account at a given time. An individual account is said to have a debit balance if debits are greater than credits, a credit balance if credits are greater than debits, or a zero balance if debits equal credits.

Balance Forward

Balance forward is a technique used in accounts receivable summarizing all transaction activity at the end of an accounting period. The balance is then carried forward to the next accounting period.

See Open Item.

Balance Sheet

A balance sheet is a financial statement summarizing the financial status of a business at a specific time. It is a detailed presentation of the assets, liabilities and owner's equity as in the fundamental accounting equation: $\text{Assets} = \text{Liabilities} + \text{Equity}$.

Bank Reconciliation

A bank reconciliation compares the bank statement to the depositor's records. Differences should be analyzed and explained by deposits in transit, checks outstanding, bank charges, and errors.

Bucket

A bucket is a field on the screen or in a file where data is displayed or stored. Often it is a field that does not allow user input such as the data in a specific aging category.

Budget

A budget is a financial plan or goal for a specific period of time. It can be used to compare with actual results.

C**Capital**

In accounting, capital is too general to be used by itself. In most cases it means the ownership of the assets of a business by the proprietor(s).

See Equity.

Cash Basis

Cash basis accounting records revenue only when a payment is received and records an expense only when a payment is made. The payments are recorded on financial statements for the period in which they are made.

Very small businesses usually operate on a cash basis.

Example: When the sale of a product or a service is made, the transaction is not recorded until cash is received. This is to be distinguished from accrual basis.

Cash Discount

A cash discount is the amount deducted from a customer's bill when a prompt payment of that invoice is made.

Character

A character is a symbol, letter, or number.

Chart of Accounts

The chart of accounts is a table of contents for the General Ledger. It lists the accounts systematically with assets followed by liabilities, capital, revenue, cost of sales and expenses.

Check Register

A check register is a listing of check numbers and invoices paid. It is available when computer checks are generated, hand-written checks are entered, or as a summary at the end of the period.

Company

A company is an organization with its own separate assets, liabilities and equity. It may, however, be a division, branch office, department or subsidiary of a single organization. Solution-IV separates all files by company. In Solution-IV a company may also be referred to as a business or an entity.

Compressed Printing

Compressed printing is a feature available on some 80-character printers. It allows reports formatted for a 132-character column width to be printed on an 8-inch by 11-inch page.

Credit

A credit decreases an asset or an expense account and increases a liability, equity, or revenue account. It is entered on the right side of a ledger account.

Credit Balance

See Balance.

Credit Limit

A credit limit is the maximum dollar amount in merchandise a customer may receive prior to payment. Once this amount is reached, the customer must make a payment before receiving additional merchandise.

Credit Memo

A credit memo is a document notifying a customer that his account has been credited. It is usually a result of a return. A credit memo reduces accounts receivable.

Current Asset

A current asset is expected to be converted into cash or depleted in one year or less.

Current Liability

Also called short term liability. See Liability.

Current Liquidity Ratio

See Liquidity Ratios.

Current Ratio

See Liquidity Ratios.

Cursor

The cursor is a character on a computer terminal screen, which marks the place where typed characters are entered.

D**Data File**

See File.

Debit

A debit increases an asset or an expense account and decreases a liability, equity, or revenue account. It is entered on the left side of the ledger account.

Debit Balance

See balance.

Depreciation

Depreciation is the decrease in value of a fixed asset over a period of time. The loss of value is caused by wear or obsolescence.

Direct Labor

Direct labor is the labor cost to convert raw materials into finished goods.

Discount Due Date

The discount due date is the last day a payment may be made to receive a cash discount. After this date the full price must be paid.

Diskette

A diskette, computer storage media, is made of flexible plastic rather than rigid metal. It is a portable medium and can be easily stored.

Due Date

The due date is the date on which payment must be made.

Dunning Message

Dunning messages are messages that may be printed on a customer statement. The messages usually are different, depending on how late the customer's oldest invoice is.

Example: Your account is past due please pay promptly. Thank you!

E**Economic Life**

The economic life of a fixed asset is the time during which it is usable. When it must be replaced, its economic life is over.

Equity

Equity is the investment in a business by the owner. It can be expressed as: $\text{Equity} = \text{Assets} - \text{Liabilities}$.

Expense

An expense is a cost incurred while operating a business.

Example: The electric bill is an expense of operating a retail store.

F**FIFO**

FIFO (an abbreviation for first-in, first-out) is a method of assigning cost to inventory. Those items acquired or produced first are used or sold first. This keeps the value of all items in stock at the latest price to be paid for them.

In inflationary times, costing by FIFO increases both the gross margin and the stated value of remaining inventory.

Example: 25 bicycle pedals purchased by your company for resale at a cost of \$35 each remain in inventory. You purchase 10 more at a cost of \$40. Your inventory is now valued at $(25 \times \$35) + (10 \times \$40)$ or \$1275. If you sell 30 of them, the cost of sale will be computed as $(25 \times \$35) + (5 \times \$40)$ or \$1075, with a remaining inventory value of $(5 \times \$40)$ or \$200.

See LIFO, Standard Cost and Average Cost.

Field

A field is the place on the computer terminal screen where a single item of data is entered.

Example: In a customer masterfile record, the customer name is typed in the customer name field and the customer address is typed in the customer address field.

See Key.

File

A computer file is a collection of related records stored under a unique name. Data files contain accounting information such as journal entries and account balances. Program files contain instructions used by the computer.

Financial Statement

A financial statement is a report of the financial status of a business. It can be a balance sheet, profit and loss statement, or any other presentation of financial data.

Fiscal Year

The fiscal year is an accounting period that does not necessarily follow the calendar year. It might consist of 12 months, 13 periods of 28 days each or 4-4-5 weeks (each 13 weeks equaling 1/4 year).

Fixed Asset

A fixed asset is a physical item having a useful life of one year or more. It is also referred to as property, plant, equipment, or plant assets.

Example: A copy machine is a fixed asset.

Floppy Disk

See Diskette.

Function

A function is an operation that performs a job.

G**GAAP**

See Generally Accepted Accounting Principles.

General Ledger

The General Ledger summarizes all business transactions, grouping them by account code. Financial statements are prepared from this information.

Generally Accepted Accounting Principles (GAAP)

Generally Accepted Accounting Principles provide guidelines for conventions, rules, and procedures currently considered acceptable accounting practice.

Goodwill

Goodwill is an intangible asset whose dollar value is derived from the management skills and reputation of a business. It represents the potential earning power of a business beyond the current market value of its assets. Goodwill is usually recognized only at the time a business is sold.

Gross Profit

Gross profit is the difference between the selling price and the cost of the items being sold. It does not recognize other expenses such as rent, telephone, or utilities.

Gross Profit Percentage

Gross profit percentage shows the relationship of gross profit to sales. It can be expressed as: $\text{Gross Profit Percentage} = (\text{Total Sales} - \text{Total Cost of Sales}) / \text{Total Sales}$.

H**Hard Disk**

The hard disk is computer storage media made of rigid material and is either fixed or removable. It has greater storage capacity and handles data faster than diskettes.

Hardware

Hardware is a general term referring to the computer and its associated equipment.

I**Income**

Income is the excess of revenues over expenses. It may be expressed as: $\text{Income} = \text{Revenues} - \text{Expenses}$.

Income Statement

An income statement is a report that balances total revenues and total expenses over a period of time. A positive balance is a profit, while a negative balance is a loss. It is also called a profit and loss statement or a statement of operations.

Intangible Asset

An intangible asset is a long term asset without physical substance.

Examples: Copyrights, franchises, patents, trademarks, and goodwill are intangible assets.

Integration

Integration is the bringing of separate parts together. It can be used to describe the transferring of data from one system to another or the entering of data into the system once and having it transferred to all related files.

Example: Accounts Payable is integrated with General Ledger. Entries to Accounts Payable, which are relevant to General Ledger, are automatically transferred to General Ledger.

Interactive System

An interactive system does not allow the user to enter invalid data.

Example: Solution-IV is an interactive system and does not accept the entry of a company code that has not yet been created.

Interest

Interest is the amount of money paid for the use of money over time.

Inventory

An inventory is the stock owned by a business at any given time. It can be finished goods held for direct sale or component parts used in manufacturing for future sale.

Inventory Costing

Inventory costing is the method of determining the value of items in inventory.

See LIFO, FIFO, Average Cost, and Standard Cost.

Invoice

An invoice is a complete list of goods or services delivered to the buyer by the seller. It also shows quantity, price, shipping charges, terms, and other costs or discounts.

J**Journal Entry**

A journal entry is the primary means of entering financial data into the General Ledger. The sum of the debits and credits in a journal entry must always equal zero.

Example: The journal entry for the purchase of \$250 of office supplies (paid in cash) would consist of a \$250 credit to cash and a \$250 debit to office supplies expense.

K**Key**

A key is a specialized field (see Field). Since the system uses the characters entered in this field to access records in a specific file, the key entry must be unique.

Example: In Solution-IV Customer Maintenance Masterfile, the customer code is the key field.

L**LIFO**

LIFO (an abbreviation for last-in, first-out) is a method of assigning cost to inventory. Those items acquired or produced last are used or sold first. This keeps the value of all items in stock at the earliest price paid for them.

In inflationary times costing inventory by LIFO reduces both the gross margin and the stated value of remaining inventory.

Example: 25 bicycle pedals purchased by you for resale at a cost of \$35 each remain in inventory. You purchase 10 more at a cost of \$40. Your inventory is now valued at $(25 \times \$35) + (10 \times \$40)$ or \$1275. If you sell 30 of them the cost of sale will be computed as $(10 \times \$40) + (20 \times \$35)$ or \$1100, with a remaining inventory value of $(5 \times \$35)$ or \$175.

See FIFO, Standard Cost and Average Cost.

Labor Burden

Labor burden is the expense incurred for workers in addition to their actual wages.

Example: The employer's share of FICA (Social Security), federal and state unemployment insurance tax, workers' compensation insurance premiums, and employer-paid union contributions are part of the labor burden.

Leasehold Improvement

A leasehold improvement is a fixed asset purchased by the lessee for a rented property. Usually it may not be removed from the property when the lease expires.

Example: The installation of new fixtures and walls are leasehold improvements.

Leverage Ratios

Leverage ratios indicate how much the business is encumbered by its liabilities. It is the relationship of liabilities to assets and of debt to equity.

Liability

A liability is the amount of money due creditors.

Types of liabilities:

1. Current(or short term)-full payment is due in 1 year or less.
2. Long term-full payment is not expected for over 1 year.

Liquidity Ratios

Liquidity ratios indicate how much of the assets are easily available.

The Current Ratio is the relationship of current assets to current liabilities. It can be expressed as: $\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$.

The Quick Ratio is the relationship of current assets less inventory to the current liabilities. It can be expressed as: $\text{Quick Ratio} = (\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$.

List Price

A list price is a published price subject to customer discounts.

Long Term Liability

See Liability.

M**MTD**

MTD is an abbreviation for month-to-date. In Solution-IV it usually refers to the activity of an account (such as General Ledger account codes, customers, or vendors) so far this month.

Masterfile

A masterfile is a computer file containing all related data elements for a specific record.

Multi-Company Accounting

See Multi-Company Environment.

Multi-Company Environment

A multi-company environment allows the user to maintain separate sets of records for different businesses. Solution-IV is a multi-company environment system. It is also called multi-company accounting.

Multi-User Accounting System

A multi-user system allows more than one user to access a specific program from different terminals at the same time. All users can access the same files (except when a file has been security protected).

N**Net Asset**

The net asset is the total stockholders' equity. It can be expressed as: $\text{Net Assets} = \text{Total Assets} - \text{Total Liabilities}$.

Net Income

See Net Profit.

Net Profit

The net profit results when income exceeds costs and expenses. A Net Loss occurs when costs and expenses exceed income.

O**Open Item**

Open item accounting is the accounts receivable procedure which tracks each transaction in the customer record. Statements for open item customers show all invoices that are not fully paid regardless of the period in which they originated.

See Balance Forward.

Operating Expense

An operating expense includes marketing and administrative expenses. It is all expenses other than the cost of goods, cost of labor, interest, and income tax.

Operator Code

The operator code is an identifier from 1 to 3 characters long that must be entered to gain access to the system or to a function.

Overhead

Overhead is an expense not directly related to a specific job. These expenses occur whether or not a specific job is under way.

Example: Wages to office personnel, office supplies, rent, and utilities are overhead.

Overhead Burden

Overhead burden is all overhead expenses except for labor that can be applied to the cost of producing goods or services.

Overhead Rate

An overhead rate applies a predetermined rate to a contract or job to cover overhead burden. It is usually based on labor hours or direct material dollars.

Overtime

Overtime is the number of hours of work done beyond regular hours. These records are kept for payroll purposes.

Example: Overtime might be anything over 8 hours a day or 40 hours a week.

P**Paid-in Capital**

Paid-in capital is the amount of money invested as equity when a business is started.

Parameter

A parameter is a format definition. When setting up Solution-IV, the system may be customized by setting parameters such as the length of the account size, the position of the location segment and the position of the department segment.

Perpetual Inventory Method

The perpetual inventory method is a continuous count of merchandise. The inventory count is updated at the time of a purchase or a sale.

Physical Inventory

A physical inventory is a list of merchandise on hand, determined by an actual count.

Profit Center

A profit center is a part of a business generating its own income and incurring its own expenses. It is separated from the rest of the business for accounting purposes. A conceptual division (rather than a physical department) of a company may also be a profit center.

Example: One store in a chain of stores may be designated a profit center.

Profitability Ratios

The profitability ratio is the relationship of the net profit to the size of the business. It may be expressed as:

Net Profit Margin = Net Profit / Total Sales

Return on Assets = Net Profit / Total Assets

Return on Equity = Net Profit / Total Equity

Earnings per Share = Net Profit / Total Shares of Stock

Program File

See File.

Purchase Order

A purchase order is a document requesting a vendor to ship a specified quantity of merchandise.

Q

Quantity Pricing

Quantity pricing is a system that provides a lower price when larger quantities are ordered.

Example: 10 bicycle tires may be ordered at \$9.95 each, while 100 bicycle tires may be ordered at \$9.45 each.

Quick Ratio

See Liquidity Ratios.

R

Range

A range is a group defined by two specific end points.

Examples: The number 2 is within the range of numbers from 1 to 10. The letter G is outside the range of all letters from A to C.

Ratio Analysis

A ratio analysis is a financial report assessing the performance of a business. It analyzes the activity in terms of leverage ratios, liquidity ratios, and profitability ratios for a business over a specific period of time.

Record

A record is related data stored in a computer file.

Example: Information for each company (company name, address, telephone number, federal ID number and applications used) is a single record in the Company Masterfile.

Recurring Entry

A recurring entry is a fixed journal entry that occurs on a regular basis.

Example: Rent, loan payments, and flat rate utility fees may be recurring entries.

Reorder Amount

The reorder amount is the minimum quantity of stock allowed in inventory. When that number is reached, an order is placed to replenish the stock.

Example: If the reorder amount for handlebars is 25, an order will not be placed until the inventory reaches 25 handlebars.

Reorder Level

See Reorder Amount.

Retainage

Retainage is an amount of money withheld from payment until an entire job (or a specified portion of the job) is completed. It is most often used in construction.

Retained Earnings

Retained earnings are profits reinvested in the business as stockholder equity. It is also the accumulated profits, minus any losses or dividends, of a company from its creation.

Reversing Entry

A reversing entry cancels a previous entry. A credit is used to cancel a debit and a debit is used to cancel a credit.

S

Sales Allowance

The sales allowance is a reduction of the previously agreed upon selling price.

Sales Returns

A sales return is a product returned by the customer. When merchandise is returned, a debit must be made to the sales return and allowances account, and a credit to Accounts Receivable.

Security

Security is a system safeguard against unauthorized entry.

Short Term Liability

Also called current liability. See Liability.

Source Document

A source document is the original transaction record. It is used to enter data into the computer file.

Example: The vendor invoice is a source document which contains information such as the vendor invoice number, the invoice date, terms, discount, and sales tax which is entered into the computer files.

Standard Cost Method

The standard cost method is a system of inventory costing. It uses a predetermined amount for a specific item to value the inventory and establish the sales price.

See LIFO, FIFO and Average Cost methods.

Example: The standard cost of your bicycle pedals is predetermined to be \$35. 25 pedals remain in inventory at a cost of \$35 each. You purchase 10 more at \$40 each. Your inventory value will be calculated at (35 x \$35) or \$1225. If you sell 30 of them the cost will be computed as (30 x \$35) or \$1050 with a remaining inventory value of (5 x \$35) or \$175.

T

Terms

Terms are the conditions of payment agreed to by the customer and are included on the invoice. Discount terms are often used to encourage prompt payment.

Example: Terms of payment such as 2/10 net 30 (a 2% discount is allowed if payment is made within 10 days), might be offered to encourage prompt payment.

Trade Discount

A trade discount is a reduction from the list price.

Transaction

A transaction is an event that affects the financial position of a business.

Example: The purchase of 2 bicycle pumps @ \$7.50 each is a transaction requiring the following journal entries: a \$15 debit to inventory and a \$15 credit to cash.

Trial Balance

The trial balance is a report showing the balance of each account in the General Ledger. The total credits must always equal the total debits in the General Ledger.

Two-Step Billing

In a two-step billing procedure the first step is to enter the customer order and the second step is to prepare the invoice for that order. The invoice is not prepared until the ordered items are shipped.

V

Variance

A variance is the difference between an actual amount and an estimated amount. It can be shown as an amount (e.g., \$1000 over) or as a percentage (e.g. - 2%).

Example: If \$500 is budgeted for office supplies and \$450 is spent, the variance is \$50 under (or -10%).

Voucher

A voucher is a document that legitimizes an invoice and authorizes payment. Solution-IV Accounts Payable allows the entry of records using either the vendor's invoice number or your company's voucher number.

W**W-2 Form**

A W-2 form is a statement of an employee's total earnings received and total taxes paid during the calendar year. The IRS requires that a W-2 be prepared for and distributed to each employee.

W-4 Form

The W-4 is a form completed by the employee informing the company of the amount of income tax that should be withheld from that employee's wages. The form is provided by the IRS and is also called the Employee's Withholding Exemption Certificate.

Working Capital

Working capital is the amount of capital in current use in the operation of a business. It can be expressed as: $\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$.

Write-Off

See Amortization.

Y**YTD**

YTD is an abbreviation for year-to-date. In Solution-IV it usually refers to the activity of an account (such as General Ledger account codes, Customers, or Vendors) so far this fiscal year.