Creating a Chart of Accounts

Narrator: The Finance team is gathered to plan and set up their Chart of Accounts.

Barbra B: wow… there's so many more options in here.

Corrine C: Yeah – that'll give us better visibility once we figure it out and set it all up.

Elizabeth T: Just imagine all the reporting options. And no more spreadsheets? Sign me up!

Narrator: They're right. The way you set up your chart of accounts really drives your financial tracking and reporting capabilities.

Narrator: Before we get too far into setting up the chart of accounts, let's step back for a few moments and take a look at how they're setup from a higher level. Are you ready? Let's go.

Topics

- What Are Controlled and Dynamic Segments?
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What Are Controlled and Dynamic Segments?

The foundation for your accounting system is the Chart of Accounts. The way you set it up determines how you report on your finances.

Let's start with Controlled Segments. The Chart value is the most basic reporting segment and is also called the natural account. Here you'll typically see 1000 represent a bank account, 2000 represent Accounts Payable, 4000 represent Revenue, and 6000 represent Expenses. All that's pretty standard. In Epicor, you'll have those basics, but also expanded functionality to report your finances.

Let's say you have multiple divisions or locations – maybe a location in St. Paul and another location in Minneapolis. You can assign a separate segment to denote divisions, which, when added to your chart segments, creates a distinct account.

For instance, 4000-01 can indicate income that comes from St. Paul, while income from Minneapolis can be 4000-02. That second level is the Division segment.

Now manufacturing companies usually have departments like welding, cutting, painting, and finishing. You can add that third segment to keep track of expenses by Department. For example, St. Paul office expense can be 6000-01-100, while a welding supply expense for the Minneapolis factory can be 6000-02-400.

See how that works? Epicor has three Controlled segments: Chart, Division, and Department. Standard posting rules support these segments. As best practice, you should have always these three segments.

But you can add additional segments, up to 50, to track things like product lines, employee expenses, projects, and so on. If you need these additional segments, they're available.

You can also add Dynamic segments. For example, you might disperse employee advances. On your balance sheet, you need an asset account called employee advances.

In other systems, you might have an employee advance segment for employee 1 and another for employee 2, meaning you have many additional segment values to keep track of. The system creates one segment for every employee who receives an advance.

But in Epicor ERP, you create a chart segment value for Employee Advances, and use a dynamic segment for each Employee ID. When reporting on the balance sheet, you see one line instead of all the details for employee advances. But you can always run a different report to see the detail per employee.

The dynamic segment gives you an optional way to drill down deeper into the chart without carrying separate employee segments.

One last tidbit - If you track multiple companies and, at the end of the year or quarter, do consolidation reporting that rolls the child companies up to the parent, the chart account ID for the child companies must be MAIN. The description can be anything, but the actual ID needs to be MAIN.

Click the Recap link below to read some notes on what you just saw. When you're ready, move on to learn how you create segments.

Creating Segments

First things first – launch Chart of Accounts Maintenance. Let's set up the Chart of Accounts and call it "Main". Add a description. Separate the segments with a dash. The Chart Length calculates the total of all segments combined. Once you do all of that, click Save.

Now add a New COA Segment. The Chart value is the first segment. This is typically four characters, but you could make it shorter or longer. And it can be either alphanumeric or numeric, but best practice is to make it numeric.

Notice two Balance Options are set automatically. That's because the system makes segment balances and summary balances available for reports and trackers.

The Chart segment is mandatory. It must be included in General Ledger Accounts, so you cannot change this value.

Now add another New COA Segment. For this second value, Division, the minimum and maximum length is 2. That means you can have values of 01 through 99.

You could potentially have 99 divisions. That's plenty for most companies. For another good business practice, you should use 00 for transactions that relate to the balance sheet but are not specific to the division.

Here are the balance options. Let's include them so that if you run a report or view a tracker, the summary, detail, and opening balance of this chart value displays. Stick with numeric values and make this segment mandatory as well. Save the Division segment.

Now let's add the last COA Segment for Department. Here we also have a minimum and maximum length of 2.

Like Division, this means that you can track up to 99 departments. Make sure you set up a Corporate Department of 00. You will likely have balance sheet accounts that are not department specific.

Notice the same balance option is included for reporting and trackers. Activate both numeric and mandatory. Save again. This creates your chart of accounts with three segments.

The Chart Length is now 10 (####-##-##). That's the total number from each segment plus the separator dashes.

Now select the check box that creates default categories. You can modify categories in COA Category Maintenance, but the default categories should handle most of your financial needs.

These are the three Controlled segments that you are recommended to use. But let's take a quick look at how you create a Dynamic segment too.

Create a New COA Segment. See this? The Dynamic check box is active.

Select Use Business Entity so that a business entity generates this dynamic segment. Otherwise, clear this check box so dynamic segments use posting rules and lookup tables to set values when journals post.

That's how you create a Dynamic segment. But these are optional, so let's stick to the three controlled segments. You'll next see how to add values to these segments.

Click or tap the orange bar to review this section or click next to continue.

Creating Values

Once you've defined the segments, go to Account Segment Values to populate them. Select the new Main chart of accounts. The segments you set up show here.

Again, start with the Chart. The program has a sampling to choose from; select all. When you look at each segment, you'll see these segment values: Cash is 1000, AP is 4000, Expenses is 6000.

Next is the segment value for Division. There are two, Minneapolis and Saint Paul - 01 and 02. Minneapolis is 01 and Saint Paul is 02.

Since this segment value is Division, you can refer to it as Branch or Plant. Use whichever term you need to track expenses by a specific business unit.

And the last segment value is Department. Currently, you only have one to choose from - the Corporate 00 account.

Select New Value to add another Department. Enter Segment Value 10 and name it Painting Department. Enter a Description that identifies the specific department.

The abbreviation has a maximum number of 4 characters, so you enter PNTG. These other fields are grayed out and don't need values.

Some countries require this Report Category field. Enter the category required for your locality.

By default, the Active checkbox is selected. If a segment becomes unnecessary, clear, or deactivate, this checkbox.

You won't normally use the Effective From and To Dates, but let's say you need a temporary Department for a trade show.

Use the Effective From Date for the date on which you start seeing expenses for that event. Then use the To Date to indicate how long you want users to continue adding transactions to this temporary account. Before or after these dates, nothing can be entered for this segment value.

Click Save. You have values in all three segments. Congratulations, your Chart of Accounts is ready, and you can create General Ledger accounts. But that's another course.

Click or tap the bar below to review this section or click next to continue to the quiz. You must answer all questions correctly to get credit for this course. Thanks for watching!

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