

Creating Allocation Codes

Narrator: Angelica is the Cost Accountant at Maple Airworks. She's teaching the financial staff how to set up allocations for their financial results.

Angelica: First things first. Who can tell me what allocations are for? Anyone? Anyone? Allocations are for....

Hilda: Ah... Hm....

Tabitha: Well....

Hosea: They have something to do with accounting.

Angelica: Costs is the word I'm looking for. Costs, and revenues too. Allocations often distribute costs and revenues between produced goods, like the airplanes we make. For instance, we allocate depreciation costs between production departments that have fixed assets. That determines how much depreciation costs we place against the revenue we make from the airplanes.

Hosea: Zowie! See, it is about accounting.

Angelica: The first thing we need to do is to create allocation codes. We'll get into processing them later. Everyone log into your ERP system.

Narrator: Today's your lucky day, you'll learn how to create an allocation code. Tap the top button to start. Return to this menu any time by selecting the Home icon. But remember, to get credit for this class, pass the quiz. Happy learning!

Topics

- Defining Allocation Details
- Source Data Types
- Entering Target Accounts
- Fixed Value Allocation
- Formula Allocation

Defining Allocation Details

Let's explore how you create an allocation. Launch Allocation Code Maintenance and make a new record. Enter the allocation's identifier and description, something that will help you find it later.

Now indicate if the Allocation Type is Transactional or Balanced-Based. If Transactional, the source data comes from general ledger transactions. Transactional allocations must use formulas. On the other hand, if Balance-Based, the source data comes from account balances. Typically, these allocations use percentages to distribute amounts.

Optionally, select the Offset GL Account. This account stores the amount before you generate allocations. Use it to record the allocated amounts and offset the original balances without zeroing out the accounts.

Here's the key setting, the Ratio Setup Option. What you select here determines how the source amounts distribute to target accounts.

If you select Fixed Value, the allocation code disperses amounts from a total value it pulls from source data. Do this through a percentage or allocation units. You'll see how this works in the Fixed Value Allocation part of this course.

The allocation code's ratios can also use a Formula. First create formula parameters and then disperse amounts using formula expressions on target accounts. You'll see how this works later during the Formula Allocation demo.

These fields define this code's Tier, which is the allocation code's level. Tier 1, Tier 2, and so on. When the ERP system processes allocations, codes assigned to Tier 1 allocate amounts first. Tier 2 is second, followed by Tier 3. You get the idea.

You explore tiers and the allocation process in another course. Just remember for now that each code has a tier, and it determines the order in which the ERP system processes allocation codes.

Those are the first steps for setting up allocation codes. Expand the Recap text to read more details about them. The next part of this course shows you the sources for allocations.

Source Data Types

You allocate amounts from source types – Categories, Journal Codes, GL Account Masks, and Account Segment Ranges. Tap the up or down arrows to learn more about each type. When you finish, move on to see how you enter a target account.

Account Categories

Account Categories determine how the ERP system maintains account balances and the accounts that supply financial statements. They define the structure and format of your financial statements.

Journal Codes

Journal codes group journals so they post together. System journal codes post through a GL control. You can then track and report on journals by code.

GL Accounts/Masks

Account masks determine which accounts use reference types and whether these types are required or optional. You can link one reference type with multiple masks.

Ranges

Ranges pull amounts between a starting and ending segment. You select this starting, or Minimum Value segment and the ending, or Maximum Value segment.

Do They Work Together?

Multiple sources have "AND" relationships and "OR" relationships. If the sources are the same, they have "OR" relationships. When they all come from categories, the code distributes amounts from Category A or Category B. When the sources come from different types, they have "AND" relationships. If the sources are Journal Code 200 and Category A, the code uses all sources from Journal Code 200 and Category A.

Entering Target Accounts

Each allocation code needs one or more target accounts. To add an account, select New and New Target Account.

Now enter the Target Account or the account mask. After you select an account, its Description displays too.

To enter an alternate local account, select the Override check box, then enter this local account.

You select a Ratio Setup Option for the allocation code, and it displays here again, indicating the code receives amounts using either a Fixed Value or a Formula.

If this is a Fixed Value allocation, enter Allocation Units or Percentage Values. If this is a Formula allocation, enter a Formula Criteria. You'll see how to use percentages, allocation units, and formulas in the next videos.

Is your ERP system set up to allocate amounts to other companies? Select the Multi-Company check box. Then pick the External Company and enter the External G/L Account.

And that's how you add target accounts. Tap below to read notes about them. Otherwise, tap the right icon to see how you set up Fixed Value allocations.

Fixed Value Allocation

Now let's dig deeper into setting up allocations. First, enter a fixed value allocation.

Return to the Detail sheet. For the Ratio Setup Option, select Fixed Value. Then define a couple more options.

By default, the Percentage to Allocate is one hundred percent. This indicates how much of the source amounts you distribute. If you enter seventy percent, this code distributes seventy percent of the source amounts. Whatever this percentage is, you distribute it between the target accounts.

Another way to distribute this percentage is through Allocation Units. When you pick the Use Allocation Units check box, assign units to each target account. A common reason you use allocation units is to allocate by square footage. Units directly weigh how much each target account receives.

This code is a Fixed Value allocation set to allocate seventy percent of its source amounts.

For its Source Data, it pulls amounts from two account categories.

Go to the Target Accounts > List sheet. The code disperses amounts to target accounts that track costs in the Rockford plant. Each target account has a Percentage Value. These percentages total seventy percent, which is the Percentage to Allocate value from the Detail sheet. See how that works?

You enter percentage values on the List sheet, which is nice because you see them all at once. You can also change it here on the Detail sheet in the Percentage Value field.

Let's look at a different fixed value allocation. This one also allocates seventy percent of its source amounts to target accounts. But this code uses allocation units.

Its source data comes from a Journal Code. Go to the Source Data > Journal Code sheet to see this journal.

Review the accounts on the Target Accounts > List sheet. When you scroll to the right, you see the Allocation Units. One account has 50 units, another 70, and the next has 35 units.

This sets up granular percentages. These display in the Percentage Value column.

That's the difference between using percentages and allocation units. Tap below to read details on fixed value allocations. The next video explores formula allocations.

Formula Allocation

When you set up a Formula Allocation, enter a formula on each target account. This formula determines the amount that disperses to the target account.

Formula Allocations must have their Allocation Type set to Transactional. In this example, formulas distribute transaction amounts across this code's target accounts. Its Ratio Setup Option must also be set to Formula.

For a formula to work, it needs parameters. Enter them on the Formula Parameters > Details sheet.

Select New to create the parameter. Enter a Name and a Description for it. You use the parameter's name when you enter the formula's expression, so make sure it identifies what it does.

Select the parameter's Type. This can be an Account Balance, Summarized Balances, a Business Activity Query, or Non-Financial Data. This parameter uses Summarized Balances.

Let's see these options. Navigate to the Settings > Summarized Balance sheet. The parameter's balance come from Balance Types, Account Categories, Journal Codes, GL Account/Masks, and Ranges. This parameter uses an account category.

When you add target accounts, enter the formula expression on each account. Enter this expression in the Formula Criteria field.

You can type it in directly or right click to display the Parameters and Operators sub-menu. The parameters created for this code are on this sub-menu. It might be faster to select them here instead of typing them out.

Oh, one good thing to know about Formula Allocations. You can't save a target account until you enter the formula. When you finish, save the code. It's ready to use.

And that's the end of the allocation codes course! Tap recap below to read notes on formula allocations. When you're ready to take on the quiz, tap the Right icon.

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