

Creating a Chart of Accounts

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

Chart of Accounts are made up of Controlled and Dynamic segments. During this course, you first learn the difference between these segment types.

You next see how to create segments using Chart of Accounts Maintenance.

The course ends by showing how you assign values to segments using the Account Segment Values application.

Objectives

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

What Are Controlled and Dynamic Segments?

So what are controlled and dynamic segments?

Let's start with Controlled segments. The Chart value is the most basic reporting segment and is also called the natural account. You typically see 1000 represent a bank account, 2000 represent Accounts Payable, 4000 represent Revenue, and 6000 represent Expenses.

All that is standard. But besides these basics, Kinetic also has expanded functionality you can use to report your finances.

For example, 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 you add it 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.

Manufacturing companies usually have departments like welding, cutting, painting, and finishing. 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? Kinetic has three Controlled segments: Chart, Division, and Department. Standard posting rules support these segments. As a best practice, you should have always these three segments.

But you can add additional segments, up to 50, to track items like product lines, employee expenses, projects, and so on. These additional segments are 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 track. The system creates one segment for every employee who receives an advance.

But in Kinetic, 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 important thing to remember. 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.

Creating Segments

To start, launch Chart of Accounts Maintenance.

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 characters within the combined segments. Tap Save.

Now add a new COA segment. On the Segments card, tap the New icon. The Segment Detail card displays.

The Chart value is the first segment. This typically is 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.

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 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. As 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. Include them so that if you run a report or view a tracker, the summary, detail, and opening balance of this chart value displays. Select the Alphanumeric check box, but again, keep this segment numeric. Also make the Entry Control mandatory. Save the Division segment.

Now add the last COA segment for Department. This segment also has 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. Use with numeric values and make this segment mandatory as well. 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.

It is recommended that you use these three Controlled segments. But let's review how you create a Dynamic segment as well.

Create a new COA Segment and call it Employee. Select the Dynamic check box.

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

That's how you create a Dynamic segment. But these are optional, so in this course, let's continue to review the three controlled segments. You next see how to add values to these segments.

Creating Values

Once you define the segments, go to Account Segment Values to populate them. Select the new Main chart of accounts. The segments you set up are options on the Segment drop-down list.

Let's start with the Chart segment. The landing page shows the values currently assigned to this segment. Notice these segment values: Cash is 1000, AP is 4000, Expenses is 6000.

Now tap the Segment drop-down list and select Division. Two values display, Minneapolis and Saint Paul - 01 and 02. Minneapolis is 01 and Saint Paul is 02.

Since this segment value is Division, refer to it as Branch or Plant. Use whichever term you need to track expenses by a specific business unit. The last segment value is Department. Currently, you only have one to choose from - the Corporate 00 account.

Tap the New icon 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 four characters, so you enter PNTG. These other fields are grayed out and do not 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 de-select, this checkbox.

Normally you do not use the Effective From and To Dates, but you may need a temporary department for an event like 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 to add transactions to this temporary account. Before or after these dates, you cannot add entries for this segment value.

Tap Save. You have values in all three segments. Your Chart of Accounts is ready, and you can create General Ledger accounts. Explore this process in another course.

Recap

Let's review how you create a chart of accounts.

You first learned the difference between Controlled and Dynamic segment types.

You next saw how to create segments using Chart of Accounts Maintenance.

You then reviewed how to assign values to segments using Account Segment Values.

To learn more about the financial features, take more courses in the Epicor Learning Center and review the articles and videos in the Help and Support panel.

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Corporate Office

804 Las Cimas Parkway
Austin, TX 78746
USA

Toll Free: +1.888.448.2636
Direct: +1.512.328.2300
Fax: +1.512.278.5590

Latin America and Caribbean

Blvd. Antonio L. Rodriguez #1882 Int. 104
Plaza Central, Col. Santa Maria
Monterrey, Nuevo Leon, CP 64650
Mexico

Phone: +52.81.1551.7100
Fax: +52.81.1551.7117

Europe, Middle East and Africa

No. 1 The Arena
Downshire Way
Bracknell, Berkshire RG12 1PU
United Kingdom

Phone: +44.1344.468468
Fax: +44.1344.468010

Asia

238A Thomson Road #23-06
Novena Square Tower A
Singapore 307684

Singapore
Phone: +65.6333.8121
Fax: +65.6333.8131

Australia and New Zealand

Suite 2 Level 8,
100 Pacific Highway
North Sydney, NSW 2060
Australia

Phone: +61.2.9927.6200
Fax: +61.2.9927.6298