Creating Allocation Codes

In this course you will see how to set up allocation codes to distribute costs and revenues between produced goods to determine depreciation and similar expenses.

Objectives

- We begin by creating an allocation code and defining the details, including Target Accounts.

- Next, we explore the Source Data Types.

- We finish with examples of Fixed Value Allocation codes and a Formula Allocation Code.

Defining Allocation Details

To create an allocation, launch Allocation Code Maintenance and tap New.

Enter the allocation's identifier and description.

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.

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 the accounts.

The Ratio Setup Option is a key setting. 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.

The allocation code's ratios can also use a Formula. First create formula parameters and then disperse amounts using formula expressions on target accounts.

We explore each of these Ratio Setup Options later in this course.

Find more detail about Tiers and the allocation process in another course. For now, just know that each code has a tier that determines the order in which Kinetic processes allocation codes.

Codes assigned to Tier 1 allocate amounts first. Tier 2 is second, and so on.

Save your work.

Each allocation code needs one or more target accounts. To add an account, expand the Target Accounts card and tap New Target Account.

Now enter the Target Account. You can do this in Target Accounts…

Or Target Accounts Detail

Tap New Target Account.

The Ratio Setup Option for the allocation code 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. This is a Percentage value.

Again, you'll see how to use percentages, allocation units, and formulas in a bit.

If this is a Formula allocation, enter a Formula Criteria.

Is your 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.

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

There you have the basics. Tap Save.

Answer a question about this section and then continue to a tour of Source Types

Source Data Types

You allocate amounts from source types – Categories, Journal Codes, GL Account Masks, and Account Segment Ranges.

Tap each icon to learn more about each type.

When you finish, tap the right arrow 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 mandatory 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.

Source Data Types can work together.

Multiple sources have "AND" relationships and "OR" relationships.

If the sources are the same, they have "OR" relationships. For example, if they all come from categories, the code distributes amounts from Category A or Category B.

If the sources come from different types, they have "AND" relationships. So, if the sources are a Journal Code, like 200 and Category, such as A, the code uses all sources from Journal Code 200 and Category A.

Fixed Allocation

Let's Look at another fixed value allocation code. From the crumb bar, navigate back to the landing Page.

Select Utilities by Department

Note the Ratio Setup Option - Fixed Value.

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 select 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. For example allocate each department a portion of utilities based on the square footage they occupy.

This code is a Fixed Value allocation set to allocate 100 percent of its source amounts.

For its Source Data, it pulls amounts from 2 account categories.

Go to the Target Accounts Card. The code disperses amounts to target accounts that track costs in the Evanston plant. Each target account has a Percentage Value. These percentages total 100 percent, which is the Percentage to Allocate value from the Details. See how that works?

Let's look at a different Fixed Value Allocation. This one also allocates 100 percent of is source amounts to target accounts. But this code uses Allocation Units.

Its source data comes from a Journal Code which you can see in the Journal Code card.

In the Target Accounts card, you see the Allocation Units. One account has 60 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.

Answer a question about this section and then proceed on to 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.

The Ratio Setup Option must also be set to Formula.

In the Formula Parameters card, select New Formula Parameter. Let's work in the Detail.

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 balance comes 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 in the Formula Criteria field.

If you know the syntax, type it in directly. Or build the formula using the buttons and drop-downs.

Tap Check Syntax to look for errors.

You can't save a target account until you enter the formula. Tap Save.

Recap

And that wraps up the Creating Allocation Codes course! Let's recap.

We began by creating an allocation code and defining the details, including Target Accounts.

Next, we explored the Source Data Types.

We then looked at examples of Fixed Value Allocation codes; one with Percentage Values, and another with Allocation Units.

And lastly, we saw a Formula Allocation Code.

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