

Adaptive Consolidation: Intercompany Accounts Using Splits

Overview

In release 2013.2 (September 13th, 2013), we enhanced Adaptive Consolidation to identify intercompany account balances using account “splits”. With this feature, it is not necessary to define different intercompany trading partner accounts for every trading partner. Instead, a single account can be used, and account splits determine what portion of that account is associated with a given trading partner. This is essentially a “sub-account” method for identifying intercompany trading partner balances.

Account splits is an existing feature, the option to use it for intercompany account balances is new. A new system option controls whether intercompany account balances are identified using the existing attribute functionality, or the account split feature. This setting is global, so the instance uses either one method or the other, never both.

Use Case

Some companies identify intercompany account balances using a kind of “sub-account” feature, where the balance of a single account is partitioned (split) into different amounts, and each partition represents a specific trading partner, subsidiary, or entity. In some ways, this is a simpler implementation than using system attributes, which requires more setup and maintenance.

System Setup

The feature is enabled in Admin > System> General Setup > Setup Details:

Setup Details	
Disk usage	47 MB
Session timeout	<input type="text"/> minutes
Transactions	0 MB
Report files	0 MB
Locals	* Name <input type="text" value="Locals"/> Precision <input type="text" value="0"/>
Consolidation percentage	* Name <input type="text" value="Consolidation Percentage"/> Precision <input type="text" value="0"/>
* Trading partner label	<input type="text" value="Subsidiary Entity Trading Partner"/>
Trading partner account identification	<input type="radio"/> Use Account Attributes <input checked="" type="radio"/> Use Splits

Figure 1: Intercompany Trading Partner Account Balances using Splits

NOTE: See that above this option is a field named “Trading partner label”. The value in this field can be changed from the default of “Elimination Trading Partner” to anything the company prefers. For example, a company may prefer to use the term “Trading Entity”, “Subsidiary”, or “Cost Center”. Whatever value is entered in this field will be the field label wherever intercompany trading partners are shown throughout the application, including the account split.

The option cannot be changed if elimination rules exist. This is because the rules execute based on the system setting. This means that all elimination rules must be deleted before changing this option.

Changing the option removes the trading partner identifiers on all trading partner levels, as well as removing the trading partner selection from all intercompany accounts. This is because the level name is added to either a system attribute (existing functionality), or the system dimension (new functionality), and the two are incompatible with each other. We do not see this as a problem because we envision the setting of this value to be a one-time event, determined during implementation of Adaptive Consolidation.

How it Works

This section describes how the account split option functions.

Identify Trading Partners

Trading partner identification is the same for both the attribute and account split methods. This section is mentioned for completeness.

When identifying a level in the organization hierarchy as a trading partner, that level and all its descendants are identified as a trading partner, using the name of the trading partner level. The value at the descendants cannot be changed.

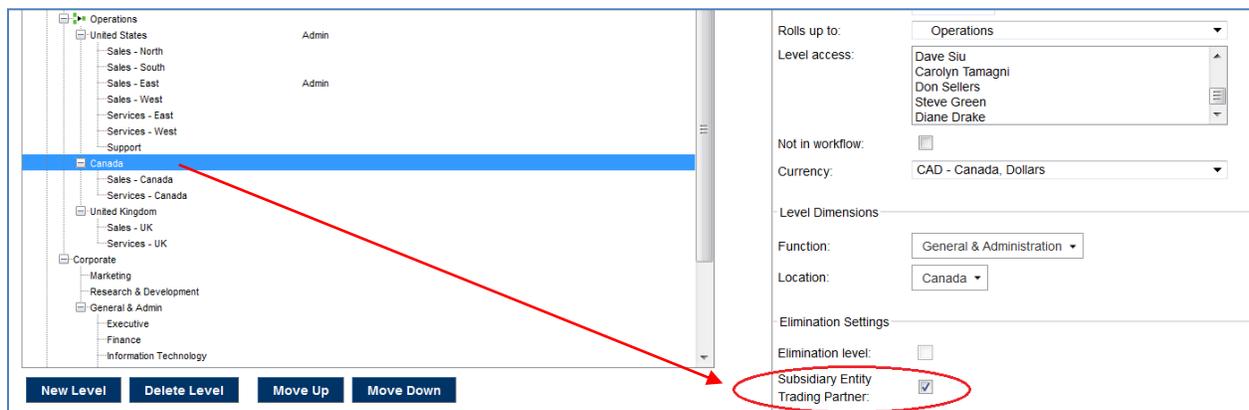


Figure 2: Trading Partner Level

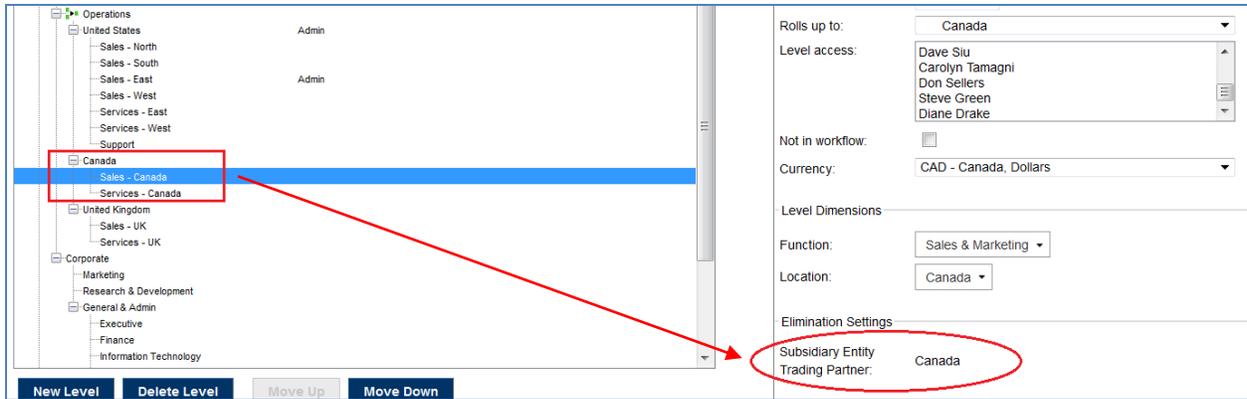


Figure 3: Trading Partner Descendant

Upon selection, the enabled level's name¹ is inserted into a system dimension². This system dimension is special in that it is not available for direct edit by users. Similar to system accounts, Adaptive Consolidation reserves the right to edit system dimensions. Values cannot be directly added to it, imported into it, nor deleted. Updates to this dimension occur only by enabling or disabling a trading partner, or changing the name of a level identified as a trading partner.

Associate the System Dimension with a Sheet

We use the same mechanism for associating the trading partner system dimension with sheets as for all other dimensions. This dimension has to be specifically assigned to a sheet before it can be used to differentiate trading partner balances on that sheet. We don't automatically make this association because this dimension won't be relevant to all sheets.

In Admin > Sheets and Dashboards > Manage Sheets on Levels, select the desired sheet. On the sheet Summary page, choose Edit Dimensions. On the Edit Sheet Dimensions page, choose the dimension having the same name as the "Trading partner label" value and move it to the Selected Dimensions box:

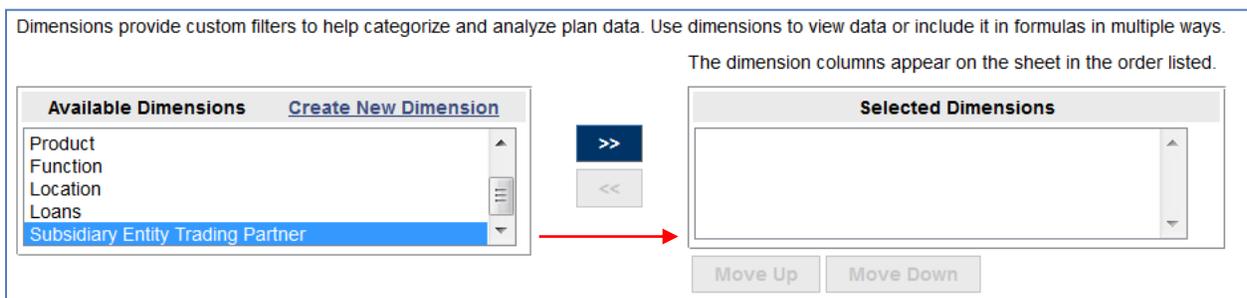


Figure 4: Associate Trading Partner Dimension with Sheets

¹ Just the name of the selected level. The names of its descendants are not inserted as they are all identified using the same name as their parent.

² When using the attribute method, names are inserted into the system attribute.

Intercompany Account Setup

Intercompany accounts are defined the same way as they are prior to this release. Simply select the option that indicates the account is intercompany. With this feature, however, there is no “Trading Partner” attribute to be selected, because the account balance will be partitioned (split) across different trading partners using the account splits function.

Enter / View Trading Partner Balances

When on sheets, use the standard “splits” functionality to enter and view trading partner balances:

1130 Accounts Receivable		
Accounts Receivable		98,776
Intercompany AR		
Canada		200
Sci-Biz Subsidiary		3,515
United Kingdom		100
Total		3,815

Figure 5: Trading Partner Balances using Splits

Trading partner balances can also be imported using the existing splits/dimension functionality for import.

Intercompany Eliminations

Intercompany eliminations are displayed the same regardless of the method of identifying intercompany trading partners. The Originator column shows the level owning the account balance, while the Trading Partner column shows the split value associated with the intercompany account balance split:

Eliminations Matching Viewer						
Elimination Rules: All		Elimination Level: Operations				
Eliminations: All		Period: Jan-2013				
Elimination Level	Elimination Rule	Intercompany Account	Originator	Trading Partner	Debit	Credit
Operations	IC AP/AR	Intercompany AR	United States	Canada	200 USD	
		Intercompany AP	Canada	United States		214 USD
		Intercompany AP	Canada	United States	214 USD	
		Intercompany AR	United States	Canada		200 USD
		IC AR Balance				14 USD
		Intercompany AR	United States	United Kingdom	100 USD	
		Intercompany AR	United States	United Kingdom		100 USD
		IC AR Balance			100 USD	

Figure 6: Eliminations Matching Viewer