Microsoft Dynamics NAV Financial Management

Delve deep into the world of financial management with Microsoft Dynamics NAV

Cristina Nicolàs Lorente
Laura Nicolàs Lorente

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About the Authors

Cristina Nicolàs Lorente has been working with Dynamics NAV since 2005. She started in the ERP world as a developer, but soon evolved to a complete Dynamics NAV professional, doing all the tasks involved in Dynamics NAV implementation: consultancy, analysis, development, implementation, training, and support to end users.

When Cristina started developing solutions for Dynamics NAV she had no idea about accounting or about any kind of business workflows. They don't teach those kind of things for a technical university career. Soon she discovered that it is important to know the set of tools used, but even more important to understand the meaning of whatever you develop. Without knowing the accounting rules, practices, and legal requirements, it is impossible to develop useful accounting functionalities even if you are the best developer. Only when you fully understand a company's processes you will be able to do the appropriate developments.

Having that in mind, she has taken courses in Accounting, Warehouse Management, and Operations Management. She is also willing to take courses on any other company related topics.

She thinks that the best way to learn is to teach what you are learning to someone else. She has actually learned almost everything she knows about Dynamics NAV by responding to user questions on internet forums, by writing a blog about Dynamics NAV, and of course by writing the book you have in your hands. When you have to write about something, you have to experiment, try, investigate, and read. It is definitely the best way to learn.

Cristina is also co-author of the book Implementing Microsoft Dynamics NAV 2013, which had really good comments coming from different Dynamics NAV experts.

Acknowledgments

I would like to thank Isabel, who has supported me on this project. She has always believed in me and she has been pushing me to find the time invested on this book. Without her, this project would have been much more difficult than it turned out to be.

I would also like to thank Laura, my sister and colleague, the coauthor of this book, for being always positive about what you can reach with effort, discipline, and confidence of your own possibilities. She is the one who encouraged me to write this book.

A special thanks to Josep and Josep Maria. They have given me an opportunity to professionally evolve. They have always believed in me and have given me the needed confidence to take my own steps and responsibilities.

The final thanks goes to all my colleagues and customers, and also for all the people who helped me to learn by posting questions on the forums. You have all contributed to build the professional, I am today.

Laura Nicolàs Lorente started to work with Dynamics NAV back in 2005, first in the support department, mostly solving functional issues and doubts. She soon jumped to full deployment: consulting, analysis, development, implementation, migration, training, and support.

Right from the beginning she realized that it was very important for a Dynamics NAV consultant to have a deep knowledge of business workflows. Technical skills are just not enough. So she started to train herself accounting, taxation, supply chain, logistics, and so on. She discovered a whole new world and she found it very interesting.

After having enough consultancy experience, she got to manage the first project on her own. And then she realized that tech and business knowledge is not enough: she also needed management skills. This is why after reading different management books and trying different approaches on the projects she worked on, she decided to deepen her knowledge by taking a Masters in Project Management. She is now transitioning to Agile Management and Agile Development for better project success.

She continues her training in the three areas (tech, business workflows, and management) whenever she gets the chance.

The net is a huge source of inspiration for her: groups, forums, blogs, books, and so on. She also contributes by sharing her knowledge and experience with the Spanish Dynamics NAV community.

Laura is also co-author of the book Implementing Microsoft Dynamics NAV 2013, which had really good comments coming from different Dynamics NAV experts.

I would like to dedicate this book to Roc and Quim, my twin sons that were born while writing this book. Being a mum has changed me and my life, and I am really happy with it. A new life starts from now on. I hope I will be able to teach them the values I learned from my parents, that made me be the person I am.

I also want to dedicate it to Rosa, my wife, who gave birth to such beautiful babies. She is the pillar onto which I hold, and the person that gives me the energy I need to keep going.

I would like to thank Cristina. She is my sister, my friend, and my colleague. We both wrote this book and had a great time together while writing and learning. I wish us many successful projects together, now and in the future.

Also thanks to my family, friends, colleagues, managers, and customers who helped me grow. And a special recognition to my forum and blog followers for their comments. It is nice to know that you are helping people and that they thank you for that.

About the Reviewers

Stefano Demiliani is a Microsoft Certified Solution Developer, MCTS on Microsoft Dynamics NAV, and MCTS on Sharepoint, and different .NET technologies.

He has a Masters degree in Computer Engineering from Politecnico of Turin.

He works as a Senior Project Manager and Solution Developer for EID/Navlab (one of the biggest Microsoft Certified Partners in Italy) and his main activity is architecturing and developing solutions based on Microsoft technologies.

He has written many articles and blogs on different Microsoft related topics (.NET, Sharepoint, Microsoft Dynamics) and he's frequently involved in consulting on these topics.

You can get more details and keep in touch with him by reaching the site `http://www.demiliani.com` or via Twitter (`@demiliani`).

Mylia S. Rubanzana (MBA, MABR, PGDFM, BCOM, and DIP) is currently a Finance Manager at Uganda National Council for Science and Technology. Mylia has over 20 years of working experience specializing in financial management. Mylia is a Member of the International Consortium on Governmental Financial Management and a Council Member of Uganda Technology and Management University.

In 2011, he proposed an implementation plan for the Science, Technology, and Innovation Fund. He worked on System Financing in the Science, Technology and Innovation benchmarking study of Finland. Also, he performed an assessment of the budget performance management in the public sector the Uganda: a case study of Uganda National Council for Science and Technology. He established the China-Uganda Scientific and Cultural Village in Uganda. In 2010, he participated in transfer and commercialization of charcoal manufacturing technology for farmers and entrepreneurs in Uganda. In 2005, he worked on Accounting information system and quality of financial reporting at some Public institutions in Uganda: Case study of Uganda National Council for Science and Technology. Later, he worked on a financial procedural manual for Science and Technology. In 2002, he worked on Financial procedural Manual for the National Civic Education Program. In 1990, he wrote an extended essay on Gold Trust Bank.

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Preface

Dynamics NAV is an **Enterprise Resource Planning** (**ERP**) system targeted at small and medium-sized companies. An ERP is a system, a software, which integrates the internal and external management information across an entire organization. If you search the net you will find plenty of documentation, webs, forums, and all kinds of information covering Dynamics NAV from many technical points of view. But you will find nothing or little covering Dynamics NAV from a functional point of view, meant for end users. Thousands of users from all around the world that use Dynamics NAV as their main tool for daily work complain that they cannot find information about what they need from the system. And they are right.

This book is written for them, after the experience of giving training to many end users in each implementation we have worked on. We have found out that most users do not care about system configuration; they just want to know how the system works. They contact Dynamics NAV consultants to set up when needed. But in the little end user documentation found, each topic starts with a full setup introduction that confuses readers and may even discourage them from reading further.

In this book we have changed the established structure of official manuals. Instead we have used a logical structure that makes it easy to read and very easy to understand. This is how we teach Dynamics NAV in our training sessions and this is how people tell us they have learned and understood the application.

Don't think this book is only meant for financers and accountants. This book is also meant for Dynamics NAV consultants and developers. You need full Dynamics NAV functional knowledge to become an expert, and this book can help you with it.

You will never stop learning about new features and functionalities. The idea behind the book is that you learn enough to be able to keep learning on your own. Every single field in every single table can hide a mini functionality that is there to help you with your work.

What this book covers

Chapter 1, *The Sales and Purchase Process*, explains how these two essential business areas in all companies can be handled in Dynamics NAV. It also shows how Dynamics NAV translates all the transactions to accountancy language on the fly. In this chapter, you will learn how to create new customers and vendors, to set up your pricing policies, and the documents used when selling and purchasing as well as their workflows.

Chapter 2, *Managing Payments and Banks*, discusses that after invoicing companies have to charge for the items delivered and have to pay for the services received. In this chapter you will learn how to manage different payment terms and methods, and to analyze customer and vendor extracts and their outstanding balances.

To check that the statements your bank provides you agree with the payments and charges you have posted into the system, you can use the Bank reconciliation feature that is explained in the chapter.

Chapter 3, *Accounting Processes*, explains how to handle accounting tasks such as reporting taxes, fixed asset management, inventory valuation, posting payroll accrual entries, provisions, and other accounting transactions, annual accounting close, and consolidation with other companies.

Chapter 4, *Reporting and Business Intelligence*, discusses the tools that can help you with analysis, both inside and outside the application. The previous chapters teach readers about the data entry and data process tasks. Once the data is introduced into the system, you should be able to analyze it.

In this chapter we explain how dimensions can be used to tag entries so that you can group entries with similar characteristics. This will allow you to report on the data in a way that is meaningful to the company.

Dynamics NAV has a bunch of reports that can be used out of the box. Account Schedules and Analysis Views are features that allow users to create their own reports. You can also use the Business Intelligence tools included in Excel by linking it with your Dynamics NAV database.

Chapter 5, *Foretelling – Budgeting and Cash Flow Management*, discusses that accounting rules are based on faits accompli, but companies need to anticipate and predict events. In Dynamics NAV budgets are used to plan costs, revenues, and resources and can be used to set up goals and measure performance. The cash flow management functionality is meant to help companies to predict future cash needs.

Chapter 6, *Financial Management Setup*, explains that in Dynamics NAV everything leads to accounting, but most of the operations inside Financial Management can be carried out with little accountancy knowledge. You need to set up the system so that it can translate transactions to accountancy language according to your company rules.

In this chapter we cover the general setup, the dimensions setup, the creation and configuration of posting groups, and the definition of number series.

Chapter 7, *Other Financial Functionalities*, explains briefly about currencies, intercompany postings, XBRL, and accounting implications on areas such as Jobs, Services, Warehouse, or Manufacturing. In the previous chapters we have covered the most important aspects of financial management with Dynamics NAV. But the application has a lot more possibilities.

What you need for this book

To successfully follow the examples in this book you will need an installation of Microsoft Dynamics NAV 2013.

Who this book is for

This book is meant for financers and accountants that are using or going to use Dynamics NAV as their ERP and financial management system.

It is also meant for Dynamics NAV consultants and project managers who will help organizations to use the system for their daily work.

The book will also be very helpful to Dynamics NAV developers who want to understand how the standard application is used in organizations, to help them develop better features, and more integration with the existing ones.

Conventions

In this book, you will find a number of styles of text that distinguish between different kinds of information. Here are some examples of these styles, and an explanation of their meaning.

New terms and **important words** are shown in bold. Words that you see on the screen, in menus or dialog boxes for example, appear in the text like this: "click on the **View** icon found on the **Home** tab of the ribbon."

Warnings or important notes appear in a box like this.

Tips and tricks appear like this.

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The Sales and Purchase Process

Sales and purchases are two essential business areas in all companies. In many organizations, the salesperson or the purchase department are the ones responsible for generating quotes and orders. People from the finance area are the ones in charge of finalizing the sales and purchase processes by issuing the documents that have an accountant reflection: invoices and credit memos.

In the past, most systems required someone to translate all the transactions to accountancy language, so they needed a financer to do the job. In Dynamics NAV, anyone can issue an invoice, with zero accountant knowledge needed. But a lot of companies keep their old division of labor between departments. This is why we have decided to explain the sales and purchase processes in this book. This chapter explains how their workflows are managed in Dynamics NAV. In this chapter you will learn:

- What Dynamics NAV is and what it can offer to your company
- To define the master data needed to sell and purchase
- How to set up your pricing policies
- What kind of documents you can issue
- The workflows inside the sales and purchases area

Introducing Microsoft Dynamics NAV

Dynamics NAV is an **Enterprise Resource Planning** (**ERP**) system targeted at small and medium-sized companies.

An ERP is a system, a software, which integrates the internal and external management information across an entire organization. The purpose of an ERP is to facilitate the flow of information between all business functions inside the boundaries of the organizations. An ERP system is meant to handle all the organization areas on a single software system. This way the output of an area can be used as an input of another area.

Dynamics NAV 2013 covers the following functional areas:

- **Financial Management**: This includes accounting, G/L budgets, account schedules, financial reporting, cash management, receivables and payables, fixed assets, VAT reporting, intercompany transactions, cost accounting, consolidation, multicurrency, and intrastat.

- **Sales & Marketing**: This area covers customers, order processing, pricing, contacts, marketing campaigns, and so on.

- **Purchase**: The purchase area includes vendors, order processing, approvals, planning, costing, and other such areas.

- **Warehouse**: Under the warehouse area you will find inventory, shipping and receiving, locations, picking, assembly, and so on.

- **Manufacturing**: This area includes product design, capacities, planning, execution, costing, subcontracting, and so on.

- **Job**: Within the job area you can create projects, phases and tasks, planning, time sheets, work in process, and other such areas.

- **Resource Planning**: Manage resources, capacity, and so on.

- **Service**: Within this area you can manage service items, contracts, order processing, planning and dispatching, service tasks, and so on.

- **Human Resources**: Manage employees, absences, and so on.

Some of these areas will be covered in detail in this book.

Dynamics NAV offers much more than robust financial and business management functionalities. It is also a perfect platform to customize the solution to truly fit your company needs. If you have studied different ERP solutions, you know by now customizations to fit your specific needs will always be necessary. Dynamics NAV has a reputation for being easy to customize, which is a distinct advantage.

Since you will probably have customizations in your system, you might find some differences with what is explained in this book. Your customizations could imply that:

- You have more functionality in your implementation
- Some steps are automated, so some manual work can be avoided
- Some features behave differently than explained here
- There are new functional areas in your Dynamics NAV

In addition Dynamics NAV has around forty different country localizations that are meant to cover country-specific legal requirements or common practices.

Many people and companies have already developed solutions on top of Dynamics NAV to cover horizontal or industry-specific needs, and they have registered their solution as an add-on, such as:

- Solutions for the retail industry or the food and beverages industry
- Electronic Data Interchange (EDI)
- Quality or maintenance management
- Integration with third-party applications such as electronic shops, data warehouse solutions, or CRM systems

Those are just a few examples. You can find almost 2,000 registered third-party solutions that cover all kind of functional areas. If you feel that Dynamics NAV does not cover your needs and you will need too much customization, the best solution will probably be to look for an existing add-on and implement it along with your Dynamics NAV.

Anyway, with or without an add-on, we said that you will probably need customizations. How many customizations can you expect? This is hard to tell as each case is particular, but we'll try to give you some highlights.

If your ERP system covers 100 percent of your needs without any customization, you should worry. This means that your procedures are so standard that there is no difference between you and your competitors. You are not offering any special service to your customers, so they are only going to measure you by the price they are getting.

On the other hand if your Dynamics NAV only covers a low percentage of your needs it could just mean two things: this is not the product you need; or your organization is too chaotic and you should re-think your processes to standardize them a bit.

Some people agree that the ideal scenario would be to get about 70-80 percent of your needs covered out of the box, and about 20-30 percent customizations to cover those needs that make you different from your competitors.

Importance of Financial Management

In order to use Dynamics NAV, all organizations have to use the Financial Management area. It is the epicenter of the whole application. All other areas are optional and their usage depends on the organization's needs. The sales and the purchase areas are also used in almost any Dynamics NAV implementation.

Actually, accountancy is the epicenter, and the general ledger is included inside the Financial Management area. In Dynamics NAV everything leads to accounting. It makes sense as accountancy is the act of recording, classifying, and summarizing, in terms of money, the transactions and events that take place in the company.

Every time the warehouse guy ships an item, or the payment department orders a transfer, these actions can be written in terms of money using accounts, credit, and debit amounts.

An accountant could collect all the company transactions and translate them one-by-one to accountancy language. But this means manual duplicate work, a lot of chances of getting errors and inconsistencies, and no real-time data.

On the other hand, Dynamics NAV is capable to interpret such transactions and translate them to accountancy on the fly. In Dynamics NAV everything leads to accountancy, so all the company's employees are helping the financial department with their job. The financers can now focus on analyzing the data and taking decisions, and they don't have to bother on entering the data anymore.

Posted data cannot be modified (or deleted)

One of the first things you will face when working with Dynamics NAV is the inability to modify what has been posted, whether it's a sales invoice, a shipment document, a general ledger entry, or any other data. Any posted document or entry is unchangeable.

This might cause frustration, especially if you are used to working with other systems that allow you to modify data. However, this feature is a great advantage since it ensures data integrity. You will never find an unbalanced transaction.

If you need to correct any data, the Dynamics NAV approach is to post new entries to null the incorrect ones, and then post the good entries again. For instance, if you have posted an invoice and the prices were wrong, you will have to post a credit memo to nullify the original invoice and then issue a new invoice with the correct prices.

Document No.	Amount	
Invoice 01	1000	
Credit Memo 01	-1000	This nulls the original invoice
Invoice 02	800	

As you can see this method for correcting mistakes always leaves a track of what was wrong and how we solved it. Users get the feeling that they have to perform too many steps to correct the data, with the addition that everyone can see that there was a mistake at some point. Our experience tells us that users tend to pay more attention before they post anything in Dynamics NAV, which leads to make fewer mistakes in the first place.

So another great advantage of using Dynamics NAV as your ERP system is that the whole organization tends to improve their internal procedures, so no mistakes are done.

No save button

Dynamics NAV does not have any kind of save button anywhere in the application. Data is saved into the database while it is being introduced. When you enter data in one field, right after you leave the field, the data is already saved. There is no undo feature.

The major advantage is that you can create any card (for instance, **Customer Card**), any document (for instance, **Sales Order**), or any other kind of data without knowing all the information that is needed.

Imagine you need to create a new customer. You have all their fiscal data except their VAT Number. You could create the card, fill in all the information except the VAT Registration No. field, and leave the card without losing the rest of the information. When you have figured out the VAT Number of your customer, you can come back and fill it in. The not-losing-the-rest-of-the-information part is important.

Imagine that there actually was a Save button; you spend a few minutes filling in all the information and, at the end, click on Save. At that moment, the system carries out some checks and finds out that one field is missing. It throws you a message saying that the customer card cannot be saved. So you basically have two options:

- To lose the information introduced, find out the VAT number for the customer, and start all over again.

- To cheat. Fill the field with some wrong value so that the system actually lets you save the data. Of course, you can come back to the card and change the data once you've found out the right one. But nothing will prevent any other user from posting a transaction with the customer in the meantime.

Understanding master data

Master data is all the key information to the operation of a business. Third-party companies, such as customers and vendors, are part of the master data. The items a company manufactures or sells are also part of the master data.

Many other things can be considered master data, such as the warehouses or locations, the resources, or the employees.

The first thing you have to do when you start using Dynamics NAV is load your master data into the system. Later on, you will keep growing your master data by adding new customers, for instance. To do so, you need to know which kind of information you have to provide.

Customers

We will open a customer card to see which kind of information is stored in Dynamics NAV about customers. To open a customer card, follow these steps:

1. Navigate to `Departments/Sales & Marketing/Sales/Customers`.

2. You will see a list of customers, find No. `10000 The Cannon Group PLC`.

3. Double-click on it to open its card, or select it and click on the **View** icon found on the **Home** tab of the ribbon.

The following screenshot shows the customer card for **The Cannon Group PLC**:

Customers are always referred to by their **No.**, which is a code that identifies them. We can also provide the following information:

- **Name**, **Address**, and **Contact** information. A **Search Name** can also be provided if you refer to your customer by its commercial name rather than by its fiscal name.

- Invoicing information: It includes posting groups, price and discount rates, and so on. You may still not know what a posting group is, since this is the first time those words are mentioned in this book. At this moment, we can only tell you that posting groups are important. But it's not time to go through them yet. We will talk about posting groups in *Chapter 6, Financial Management Setup*.

- Payments information: It includes when and how will we receive payments from the customer.

- Shipping information: It explains how do we ship items to the customer.

Besides the information you see on the card, there is much other information we can introduce about customers. Take a look at the **Navigate** tab found on the ribbon.
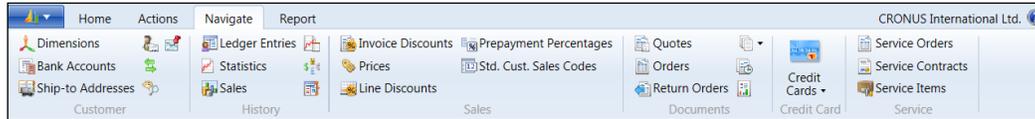
Other information that can be entered is as follows:

- Information about bank accounts so that we can know where can we request the payments. Multiple bank accounts can be set up for each customer.

- Credit card information, in case customers pay using this procedure.

- Prepayment information, in case you require your customers to pay in advance, either totally or partially.

- Additional addresses where goods can be shipped (**Ship-to Addresses**).

- Contacts: You may deal with different departments or individuals from your customers.

- Relation between our items and the customer's items (**Cross References**).

- Prices and discounts, which will be discussed in the *Pricing* section.

But customers, just as any other master data record, do not only have information that users inform manually. They have a bunch of other information that is filled in automatically by the system as actions are performed:

- **History**: You can see it on the right side of the card and it holds information such as how many quotes or orders are currently being processed or how many invoices and credit memos have been issued.

- **Entries**: You can access the ledger entries of a customer through the **Navigate** tab. They hold the details of every single monetary transaction done (invoices, credit memos, payments, and so on).

- **Statistics**: You can see them on the right side and they hold monetary information such as the amount in orders or what is the amount of goods or services that have been shipped but not yet invoiced.

- The **Balance**: This is a sum of all invoices issued to the customer minus all payments received from the customer.

Not all the information we have seen on the customer card is mandatory. Actually, the only information that is required if you want to create a transaction is to give it a **No.** (its identification) and to fill in the posting group's fields (**Gen. Bus. Posting Group** and **Customer Posting Group**). All other information can be understood as default information and setup that will be used in transactions so that you don't have to write it down every single time. You don't want to write the customer's address in every single order or invoice, do you?

Items

Let's take a look now at an item card to see which kind of information is stored in Dynamics NAV about items. To open an item card, follow these steps:

1. Navigate to `Departments/Sales & Marketing/Inventory & Pricing/Items`.

2. You will see a list of items, find item `1000 Bicycle`.

3. Double-click on it to open its card.

The following screenshot shows the item card for item `1000 Bicycle`:

As you can see in the screenshot, items first have a **No.**, which is a code that identifies them. For an item, we can enter the following information:

- **Description**: It's the item's description. A **Search Description** can also be provided if you better identify an item using a different name.

- **Base Unit of Measure**: This is the unit of measure in which most quantities and other information such as Unit Cost or Unit Price for the item will be expressed. We will see later that other units of measure can be used as well, but the Base is the most important one and should be the smallest measure in which the item can be referred.

- Classification: **Item Category Code** and **Product Group Code** fields offer a hierarchical classification to group items. The classification can fill in the invoicing information we will see in the next point.

- Invoicing information: This includes posting groups, costing method used for the item, and so on. Posting groups are explained in *Chapter 6*, *Financial Management Setup*, and costing methods are explained in *Chapter 3*, *Accounting Processes*.

- Pricing information: This is the item's unit price and other pricing configuration, which we will cover in more detail in the *Pricing* section.

- Foreign trade information: This is needed if you have to do Instrastat reporting.

- Replenishment, planning, item tracking, and warehouse information: These fast-tabs are not explained in detail because they are out of the scope of this book. They are used to determine how to store the stock and how to replenish it.

Besides the information you see on the item card, there is much other information we can introduce about items through the **Navigate** tab found on the ribbon.
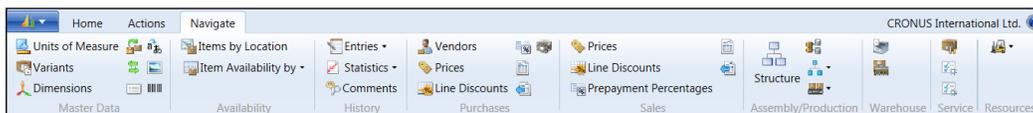
As you can see, other information that can be entered is as follows:

- **Units of Measure**: These is useful when you can sell your item either in units, boxes, or other units of measure at the same time.

- **Variants**: These is useful when you have multiple items that are actually the same one (thus, they share most of the information) but with some slight differences. You can use variants to differentiate colors, sizes, or any other small difference you can think of.

- Extended Texts: These is useful when you need long descriptions or technical info to be shown on documents.
- Translations: These is used so that you can show an item's descriptions in other languages, depending on the language used by your customers.
- Prices and discounts: These will be discussed in the *Pricing* section.

As with customers, not all the information in the item card is mandatory.

Vendors, resources, and locations

We will start with third-parties: customers and vendors. They work exactly the same way. We will just look at customers, but everything we will explain about them can be applied to vendors as well. Then, we will look at items, and finally we will take a brief look at locations and resources.

You can apply to vendors the same concepts learned with customers, as they work exactly the same way. You can also apply to resources the concepts learned with items.

We have seen in detail how customers and items work as master data. You can apply the same concepts to other master data. For instance, vendors work exactly the same way as customers. The concepts learned can be used in resources and locations, and also to other master data such as G/L accounts, Fixed Assets, Employees, Service Items, and so on.

Pricing

Pricing is the combination of prices for items and resources, and the discounts that can be applied to individual document lines or to the whole document.

Prices can be defined for items and resources and can be assigned to customers. Discounts can be defined for items and documents and can also be assigned to customers.

Both prices and discounts can be defined at different levels and can cover multiple pricing policies. The following diagram illustrates different pricing policies that can be established in Dynamics NAV:
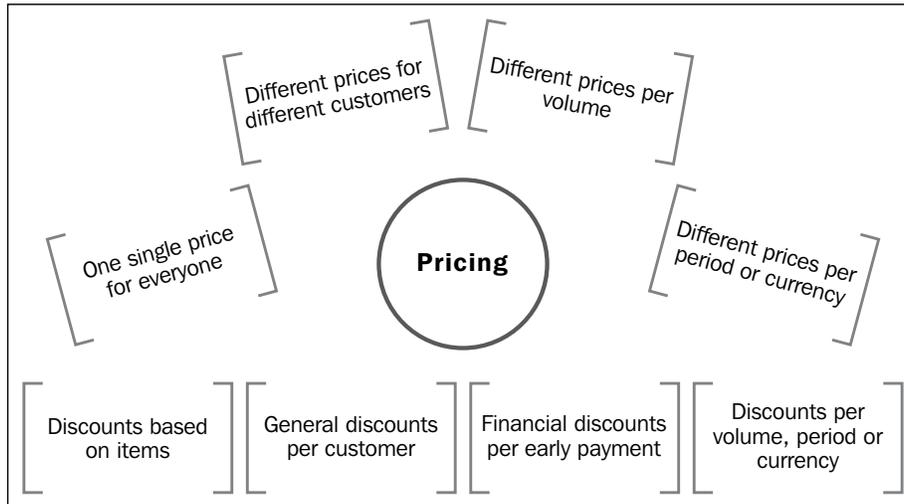
Defining sales prices

Sales prices can be defined at different levels to target different pricing policies.

The easiest scenario is when we have a single price per item or resource, that is, the **One single price for everyone** policy. In that case, the sales price can be specified on the Item card or on the Resource card, in a field called **Unit Price**.

In a more complex scenario, where prices depend on different conditions, we will have to define the possible combinations and the resulting prices.

We will explain how prices can be configured for items. Prices for resources can be defined in a similar way, although they offer fewer possibilities.

To define sales prices for an Item, follow these steps:

1. Navigate to `Departments/Sales & Marketing/Inventory & Pricing/ Items`.
2. You will see a list of items, find item `1936-S BERLIN Guest Chair, yellow`.
3. Double-click on it to open its card.
4. On the **Navigate** tab, click on the **Prices** icon found under the **Sales** group.

5. The **Edit – Sales Prices** page will open.

Sales Type	Sales Code	Item No.	Variant Code	Unit of Measure Code	Minimum Quantity	Unit Price	Currency Code	Starting Date	Ending Date	Allow Line Disc.	Allow Invoice Disc.	Price Includes VAT
Customer	10000	1936-S			0,00	130,20		17/01/2014		☑	☑	☐
Customer Price Group	RETAIL	1936-S			0,00	137,30		17/01/2014		☑	☑	☐
Customer Price Group	WHOLESALE	1936-S			0,00	132,40		17/01/2014		☑	☑	☐
All Customers		1936-S			0,00	143,90		17/01/2014		☑	☑	☐
All Customers		1936-S			11,00	131,00		17/01/2014		☑	☑	☐
All Customers		1936-S		BOX10	0,00	1.400,00		17/01/2014		☑	☑	☐

Sales Type Filter: None
Sales Code Filter:
Item No. Filter: 1936-S
Starting Date Filter:
Currency Code Filter:

As you can see in the screenshot, multiple prices have been defined for the same item. A specific price will only be used when all the conditions are met. For example, a `Unit Price` of `131` will be used for any customer that buys item `1936-S` after `17/01/2014` but only if the customer buys a minimum of `11` units.

Different fields can be used to address each of the pricing policies:

- The combination of **Sales Type** and **Sales Code fields** enable the different prices for different customers policy
- Fields **Unit of Measure Code** and **Minimum Quantity** are used for the different prices per volume policy
- Fields **Starting Date**, **Ending Date**, and **Currency Code** are used for the different prices per period or currency policy

They can all be used at the same time to enable mixed policies.

> When multiple pricing conditions are met, the price that is used is the one that is most favorable to the customer (the cheapest one).
>
> Imagine `Customer 10000` belongs to the `RETAIL` price group. On `20/01/2014` he buys 20 units of item `1936-S`. There are three different prices that could be used: the one defined for him, the one defined for its price group and the one defined to all customers when they buy at least `11` units. Among the three prices, `130.20` is the cheapest one, so this is the one that will be used.

> Prices can be defined including or excluding VAT

Defining sales discounts

Sales Discounts can be defined in different levels to target different pricing policies.

We can also define item discounts based on conditions. This addresses the **Discounts based on items** policy and also the **Discounts per volume, period, or currency** policy, depending on which fields are used to establish the conditions.

In the following screenshot, we can see some examples of item discounts based on conditions, which are called **Line Discounts** because they will be applied to individual document lines.
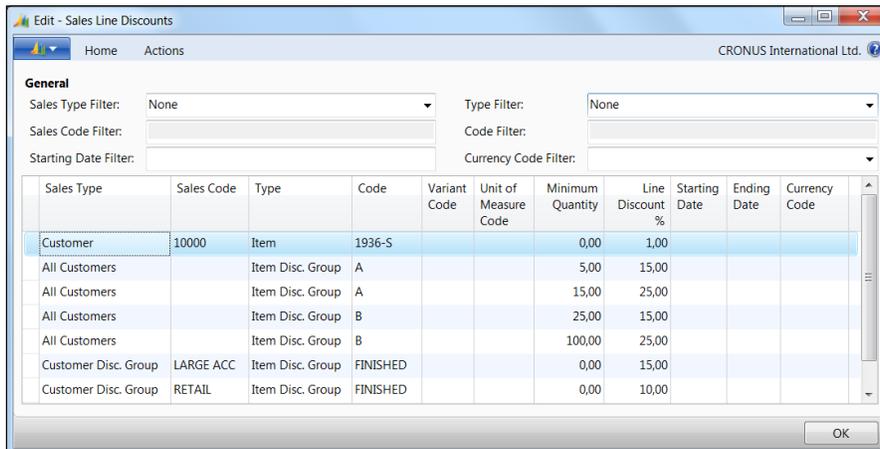
Sales Type	Sales Code	Type	Code	Variant Code	Unit of Measure Code	Minimum Quantity	Line Discount %	Starting Date	Ending Date	Currency Code
Customer	10000	Item	1936-S			0,00	1,00			
All Customers		Item Disc. Group	A			5,00	15,00			
All Customers		Item Disc. Group	A			15,00	25,00			
All Customers		Item Disc. Group	B			25,00	15,00			
All Customers		Item Disc. Group	B			100,00	25,00			
Customer Disc. Group	LARGE ACC	Item Disc. Group	FINISHED			0,00	15,00			
Customer Disc. Group	RETAIL	Item Disc. Group	FINISHED			0,00	10,00			

> In some cases, items or customers may already have a very low profit for the company and we may want to prevent the use of line discounts, even if the conditions are met.
>
> A field called **Allow Line Disc**, can be found on the customer card and on sales prices. By unchecking it, we will prevent line discounts from being applied to a certain customer or when a specific sales price is used.

Besides the line discounts, invoice discounts can be defined to use the **General discounts per customer** policy. Invoice discounts apply to the whole document and they depend only on the customer.

Follow these steps to see and define invoice discounts for a specific customer:

1. Open the customer card for customer `10000, The Cannon Group PLC`.
2. On the **Navigate** tab, click on **Invoice Discounts**.

The following screenshot shows that customer `10000` has an invoice discount of `5` percent.
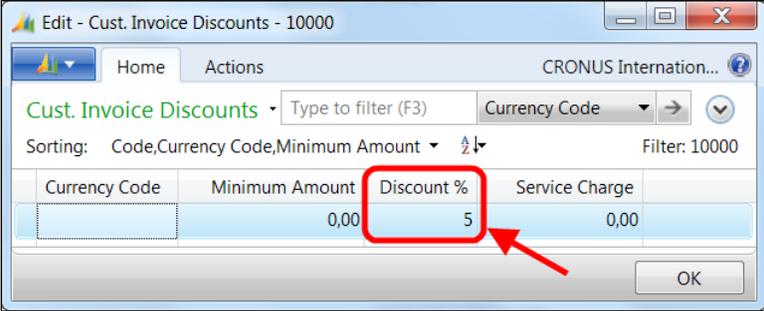
> Just as with line discounts, invoice discounts can also be disabled, using a field called **Allow Invoice disc.** that can be found on the item card and on sales prices.

There is a third kind of discount, payment discount, which can be defined to use the **Financial discounts per early payments** policy. This kind of discount applies to the whole document and depends on when the payment is done. Payment discounts are bound to a Payment Term and are to be applied if the payment is received within a specific number of days.

The following screenshot shows the Payment Terms that can be found by navigating to Departments/Sales & Marketing/Administration/Payment Terms:
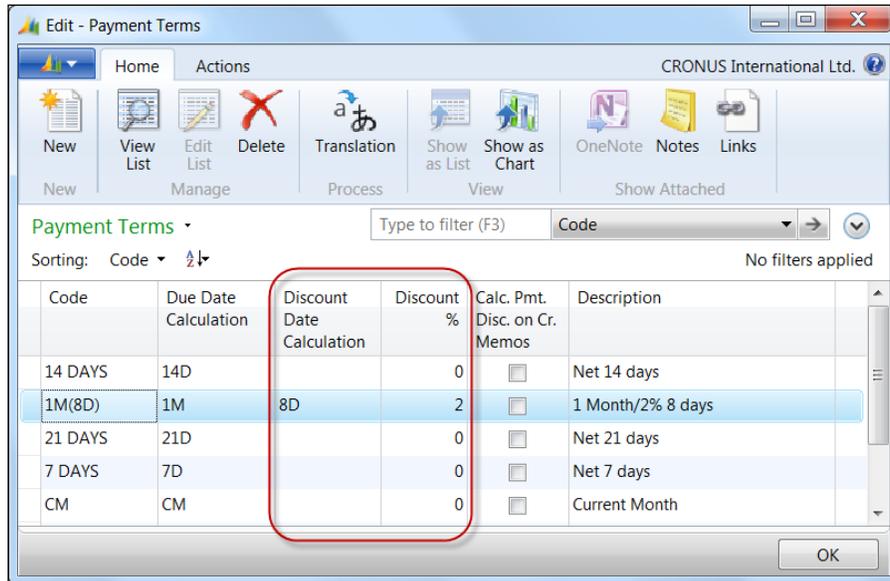
As you can see, a 2 percent payment discount has been established when the 1M(8D) Payment Term is used and the payment is received within the first eight days.

Purchase pricing

Purchase prices and discounts can also be defined in Dynamics NAV. The way they are defined is exactly the same as defining sales prices and discounts. There are some slight differences:

- When defining single purchase pricing on the item card, instead of using the **Unit Price** field, we will use the **Last Direct Cost** field. This field gets automatically updated as purchase invoices are posted.

- Purchase prices and discounts can only be defined per single vendors and not per group of vendors as we could do in sales prices and discounts.

- Purchase discounts can only be defined per single items and not per group of items as we could do in sales discounts.

- We cannot prevent purchase discounts from being applied.

- Purchase prices can only be defined excluding VAT.

Documents

Dynamics NAV is not an accountancy system, but an Enterprise Management system. Invoices are not the general ledger entries that resume them, but the document that you ship to your customer. The ledger entries are just a result of posting the document.

Documents are used to create transactions bound to one customer (or vendor) and to one or many items or resources.

Let's see how documents work by creating a sales invoice. There are other types of documents. They will be explained in the next section.

To create an invoice such as the one in the previous screenshot, perform the following steps:

1. Navigate to `Sales & Marketing/Order Processing/Sales Invoices`.
2. Click on the **New** button found on the ribbon bar.
3. A new blank invoice opens. Press the *Enter* key to get a Number.

> This is just a temporary number. You will get a definitive number for the invoice once you post it.

4. On the **Sell-to Customer No.** field, start typing the code 20. As you type, a drop-down list shows all the results that match the **No.** typed so far.

> You can change the default field used as a filter. To do so, check the heading of the column you want to set as default. The little funnel icon will move to the new column. Now, click on the **Set as default filter column** option.

5. A message will tell us that the customer has an overdue balance and will ask us for confirmation to proceed. Click on **Yes**.

6. On the **Lines** tab, create lines by filling in the fields of the following table.

Type	No.	Quantity	Unit Price Excl. VAT
Item	1908-S	50	
Charge (Item)	S-FREIGHT	1	100
Resource	MARK	8	
G/L Account	6610	1	15

Let's explain the different type of lines that can be used:

- **Item**: This is used when you need to sell an inventory item. When the invoice is posted, it will create an item entry to reduce its stock.

- **Charge (Item)**: This is used to adjust the costs of items. In our example, the freight charges will count as sales amount for the items, and therefore it might adjust the benefit of this particular sale. Charges can be used either in the sales and purchase area, on the same document, or in a different document. You have charged your customer for the freight; your carrier will charge you. When you get your vendor's invoice you will need to use charges, to adjust the cost of the sale.

- ◦ **Resource**: This can be employees, machinery, or other company resources.
- ◦ **G/L Account**: Yes, you can also use G/L accounts in documents. In an ideal scenario you will try to avoid them for two reasons: you need accountant knowledge to select the correct account, and you cannot define prices and other commercial info.
- ◦ **Fixed Asset**: This is used to buy or sell fixed assets.

> A blank type is used for comments. You can enter text in the Description field.

Item Charges require one extra step to be performed before the invoice is ready to post:

7. Select the freight charge line, and click on the **Line** icon and then choose the **Item Charge Assignment** option. Write 1 in the **Qty. to Assign** field and close the page.

> The **Get Shipment Lines** and **Get Return Receipt Lines** process are used to select lines from other documents to be charged.

8. To get an overview of the invoice before it is posted, use the **Statistics** option found on the ribbon bar. You can also press *F7* to access this option.

General			
Amount Excl. VAT:	6.712,00	Adjusted Profit %:	24,6
Inv. Discount Amount:	0,00	Quantity:	60
Total Excl. VAT:	6.712,00	Parcels:	0
VAT Amount:	1.613,20	Net Weight:	695
Total Incl. VAT:	8.325,20	Gross Weight:	799,5
Sales (LCY):	6.712,00	Volume:	12,5
Original Profit (LCY):	1.651,80	Original Cost (LCY):	5.060,20
Adjusted Profit (LCY):	1.651,80	Adjusted Cost (LCY):	5.060,20
Original Profit %:	24,6	Cost Adjmt. Amount (LCY):	0,00

Lines				
🔍 Find				
VAT %	Line Amount	VAT Base	VAT Amount	Amount Including VAT
10	432,00	432,00	43,20	475,20
25	6.280,00	6.280,00	1.570,00	7.850,00

On this page you can change the two fields shown in the previous screenshot.

9. Go back to the Invoice. Choose **Post** from the ribbon bar or press *F9*.

10. The invoice is already posted. It has been moved from the Sales Invoices list to the Posted Sales Invoice list. You can access it writing `Posted Documents/ Posted Sales Invoices` on the navigation bar.

11. The posted invoice has created multiple entries on the different areas of the application. Let's see them:

- **General ledger entries**: The system has translated the invoice to accounting language. We selected the customer, so it knew what account from group 23 to use. We sold an Item, so the system knew which income account to use, and so on. Dynamics NAV is capable to choose the right accounts, thanks to some setup tables called Posting Groups. They are covered in detail in *Chapter 6*, *Financial Management Setup*.

Posting Date	Docu... Type	Document No.	G/L Account No.	Description	Gen. Posting Type	Gen. Bus. Posting Group	Gen. Prod. Posting Group	Amount
23/01/2014	Invoice	103022	6410	Invoice 1005	Sale	NATIONAL	SERVICES	-100,00
23/01/2014	Invoice	103022	5610	Invoice 1005				-25,00
23/01/2014	Invoice	103022	6410	Invoice 1005	Sale	NATIONAL	SERVICES	-432,00
23/01/2014	Invoice	103022	5611	Invoice 1005				-43,20
23/01/2014	Invoice	103022	6110	Invoice 1005	Sale	NATIONAL	RETAIL	-6.165,00
23/01/2014	Invoice	103022	5610	Invoice 1005				-1.541,25
23/01/2014	Invoice	103022	6610	Invoice 1005	Sale	NATIONAL	MISC	-15,00
23/01/2014	Invoice	103022	5610	Invoice 1005				-3,75
23/01/2014	Invoice	103022	2310	Invoice 1005				8.325,20

> For this book we used a demonstration company called **CRONUS International Ltd.** that uses the British chart of accounts. You can use the general chart of accounts of your country, or you can define a customized one.

- **VAT entries**: These are created when invoices are posted. They will be used later on, to post the VAT Settlement and to report VAT to the authorities.

VAT Bus. Posting Group	VAT Prod. Posting Group	Posting Date	Document No.	Document Type	Type	Base	Amount
NATIONAL	VAT25	23/01/2014	103022	Invoice	Sale	-100,00	-25,00
NATIONAL	VAT10	23/01/2014	103022	Invoice	Sale	-432,00	-43,20
NATIONAL	VAT25	23/01/2014	103022	Invoice	Sale	-6.165,00	-1.541,25
NATIONAL	VAT25	23/01/2014	103022	Invoice	Sale	-15,00	-3,75

- **Customer ledger entries**: These are used to keep track of all the transactions posted to one customer. Customer ledger entries are also used to manage receivables. The **Remaining Amount** field tells us how much money the customer owes us for this invoice. It will be zero when the invoice is completely paid.

Posting Date	Docu... Type	Docum... No.	Custo... No.	Description	Currency Code	Original Amount	Amount	Remaini... Amount	Due Date
23/01/2014	Invoice	103022	20000	Invoice 1005		8.325,20	8.325,20	8.325,20	06/02/2014

- **Item ledger entries**: Since we sold 50 units, we need to decrease the item stock. Item ledger entries help us keep track of the company stock. They also keep track of the Sales and Cost Amount of this particular entry.

Posting Date	Entry Type	Document Type	Document No.	Item No.	Quantity	Invoiced Quantity	Remaini... Quantity	Sales Amount (Actual)	Cost Amount (Actual)
23/01/2014	Sale	Sales Shipment	102033	1908-S	-50	-50	-50	6.265,00	-4.805,00

- **Value entries**: The Sales and Cost Amounts shown in each item ledger entry are the sum of their value entries. In future, the cost of this particular item entry might change if we post new item charges or the item gets revaluated. If any of this happens, new value entries will be created.

Posting Date	Item Ledger Entry Type	Entry Type	Document Type	Document No.	Item Charge No.	Sales Amount (Actual)	Cost Amount (Actual)	Valued Quantity	Invoiced Quantity	Cost per Unit	Item No.
23/01/2014	Sale	Direct Cost	Sales Invoice	103022		6.165,00	-4.805,00	-50	-50	96,10	1908-S
23/01/2014	Sale	Direct Cost	Sales Invoice	103022	S-FREIGHT	100,00	0,00	-50	0	0,00	1908-S

> Values entries will be used later on to know the changes in inventory in a period and post it in the General Ledger Entry.

- **Resource ledger entries**: The resource called MARK worked 8 hours to assemble the item we sold. We keep track of resources, thanks to their ledger entries. We also know the cost and total price for each entry.

Posting Date	Entry Type	Document No.	Resource No.	Description	Quantity	Unit of Measure Code	Total Cost	Total Price	Chargeable
23/01/2014	Sale	103022	MARK	Assembly tasks	-8	HOUR	-255,20	-432,00	✓

As you can see, one single invoice has generated eighteen different entries in different ledgers. A financer will mainly focus on general ledger and VAT entries, while the warehouse guy will focus on item ledger entries, and the resource manager will focus on resource entries. One single invoice impacts all areas of the company. So we have demonstrated what was told in the introduction: "An ERP system is meant to handle all the organization areas on a single software system. This way the output of an area can be used as input of another area."

Document workflows

In the previous section we have seen what a document is. In this section, we will see how many documents exist in Dynamics NAV, how they are related to each other, and which are the commonly used workflows to create them. We will see sales documents, but the exact same purchase documents exist in Dynamics NAV.

There are two kinds of documents in Dynamics NAV:

- **Open documents**: These hold the information that we will use to start an action or a transaction. An order, for instance, is the beginning of the action of shipping items to our customers. Open documents can be modified.

- **Posted documents**: These hold the result of a transaction that has been posted. They can be understood as historical documents and they cannot be modified. A shipment, for instance, is the result of shipping items to our customers.

The following diagram shows the available documents that exist in Dynamics NAV. There are other warehouse specific documents that could be used on the sales and purchase processes, but we have skipped them because they are out of the scope of this book.
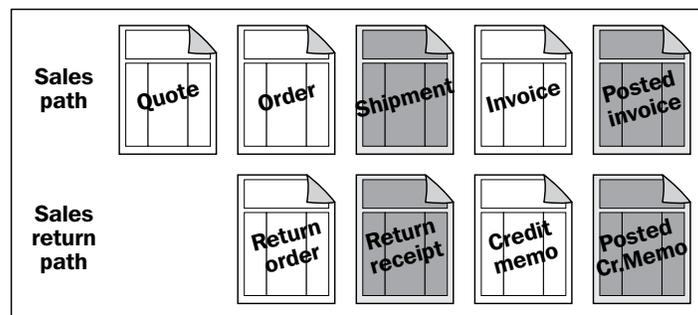

Documents in white are open documents, while those in grey are posted documents.

Not all documents have to be used. Some can be skipped and some may appear multiple times. For example, you could not use quotes, orders, shipments, return orders, and return receipts, and thus only use invoices, posted invoices, credit memos, and posted cr.memos. You can also use orders, which may lead to multiple shipments (when the order is shipped partially) and then use a single invoice to group all shipments and end up having a single posted invoice. This scenario is shown in the following diagram:
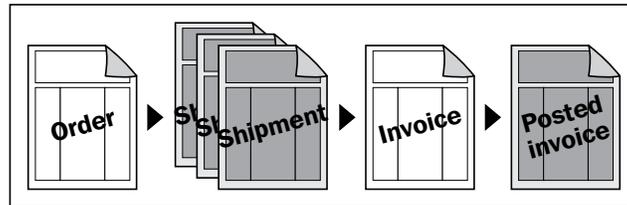
Actually, in an invoice we can group multiple shipments, no matter if they are shipments from the same order or from different orders. There is still another possible workflow, not using invoices and generating the posted invoice from the order.
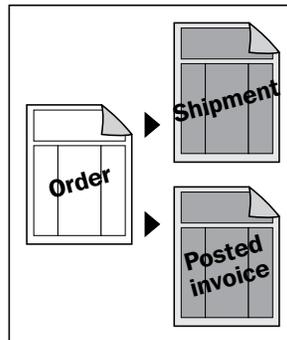
There are many other possible combinations, since all the workflows we have seen could start with a quote document, for instance. We have not seen different workflows for the sales return path, but the same workflows can be used.

Document approval

Dynamics NAV has a document approval functionality that can be applied over open documents to prevent users from posting them (and thus reaching the next document, a posted document) while they have not been approved.

Document approval can be set up in different ways so that not all documents have to go through an approval process. Only the documents that meet certain conditions will actually require someone to approve them. We can decide:

- Which kind of open documents will require approval.
- The hierarchy of approvers. The hierarchy is based on the maximum amount each approver can approve.
- The conditions that should be met to require approval for a specific document. All possible conditions are based on document amounts.

Summary

In this chapter, we have learned that Dynamics NAV is an ERP system meant to handle all the organization areas on a single software system.

The sales and purchases processes can be used by anyone without the need of having accountancy knowledge, because the system is capable of translating all the transactions to accountant language on the fly.

Customers, Vendors, and Items are the master data of these areas. Its information is used in documents to post transactions. There are multiple options to define your pricing policy: from one single price for everyone to different prices and discounts per groups of customers, per volumes, or per period or currency. You can also define financial discounts per early payment.

In the next chapter, we will learn how to manage cash by showing how to handle receivables, payables, and bank accounts.

2

Managing Payments and Banks

The sales and purchase cycle does not finish after the goods are shipped or the services provided and the invoice has been issued. After that, the company has to charge for the items delivered and has to pay for the services received.

The management of advanced payments, cash payments, or deferred payments is of vital importance for the company. In this chapter we will learn how to

- Manage different payment terms and payment methods
- Analyze customer and vendor extracts and their outstanding balances
- Check bank statements and reconcile them

Managing due dates

When you start working with a new customer or vendor, you reach an agreement with him on when invoices are due. On the **Payments** tab of the Customer and Vendor card, you select the **Payment Term** that suits the agreement. After that, the program will automatically calculate the due date when you create an invoice.

Payment terms

The **Payment Terms** page contains one line per set of payment terms the company uses. You can create as many payment terms as you need. Navigate to `Departments/Financial Management/Receivables/Setup/Payment Terms` to see the full list, which is shown in the following screenshot:

Code	Due Date Calculation	Discount Date Calculation	Discount %	Calc. Pmt. Disc. on Cr. Memos	Description
14 DAYS	14D		0	☐	Net 14 days
1M(8D)	1M	8D	2	☐	1 Month/2% 8 days
21 DAYS	21D		0	☐	Net 21 days
7 DAYS	7D		0	☐	Net 7 days
CM	CM		0	☐	Current Month
COD	0D		0	☐	Cash on delivery

Every set of payment terms must contain a **Due Date Calculation** formula that the program uses together with the document date of the invoice to calculate the due date. In addition, you can also specify a **Discount Date Calculation** formula and a **Discount %** that will be used to calculate discounts on the basis of early payments.

The payment term code is assigned to each customer by filling in a field called **Payment Terms Code**. When a customer is used in an invoice, the payment term is copied to it, and the due date gets calculated based on the document date of the invoice. When the invoice is posted, a Customer Ledger Entry is created with its corresponding **Due Date**. You can see the flow of data in the following diagram:
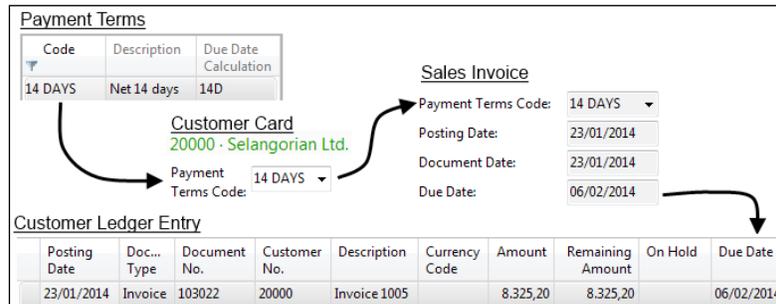
You can change the payment term in a particular invoice if you have reached a different agreement with the customer for this sale. You can also change the due date on the ledger entry if needed. At the end of the process, the system checks for due dates on ledger entries to claim charges to customers and to propose payments to vendors.

The **On Hold** field of the Customer Ledger Entry is used to indicate that the invoice should wait for approval before the payment can be reclaimed or interest added to it.

You can fill the field with your initials or any other code. The same field can be found on the vendor ledger entry, to indicate that an invoice cannot be paid yet. Actually, everything explained in this section also applies to vendors.

Prepayments

A prepayment is an advanced payment you may require from your customers in order to process their sales orders. They are handled in a different manner. The invoice has not been issued yet, so we do not have a ledger entry to base the payments on. Prepayments can be set up for customers or vendors, regardless of the items or services included in the document. You can also specify different prepayment rates for certain items. Use a 100 percent rate if you need to pay it all in advance.

- **Customer and Vendor prepayments**: You specify a prepayment percent on the customer or vendor card, in a field called **Prepayment %** that will apply to all orders. Leave the field blank if you want to use prepayments for individual items.
- **Item prepayments**: Similar to how you set up prices, you can specify prepayment rates for items. You do it in the **Sales Prepayment Percentages** page and the **Purchase Prepayment Percentages** page that can be accessed from the ribbon bar of the customer and vendor list, respectively. You can also access both from the Item list.

Using credit cards and other payment methods

Different payment methods, used both with customers and vendors, can be defined at `Departments/Financial Management/Receivables/Setup/Payment Methods`.
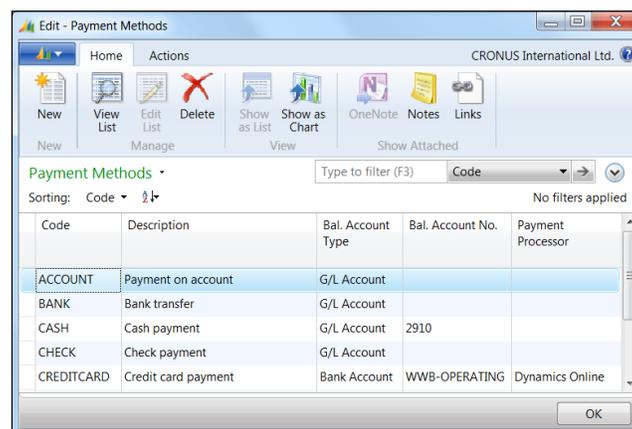
Notice that both `CASH` and `CREDITCARD` have a `Bal. Account No.` defined. When you post an invoice with one of those payment methods selected, the system will create and post the payment against the invoice, so you don't have to manually do it later on. This is useful when the payment is done at the same time the invoice is raised.

When you use a credit card payment method in a sales order or invoice, you have to specify which credit card will be used. Credit cards are created on the customer card, through the **Credit Cards – Credit Cards** action found on the ribbon. The common information required for credit cards has to be filled in such as the card type, the holder name, the card number, and the expiry date. Once the credit card is selected, an authorization against the total invoice amount is needed. This can either occur manually or automatically. When the invoice is posted, the actual payment is sent to the payment service. The payment is then captured and posted in Dynamics NAV. If it cannot be processed, an error message is displayed. In this case, the invoice is posted anyway, but the payment is not posted. It can be captured and posted later on using the Cash Receipt Journal.

Posting payments

When you pay or are being paid, you need to register the transaction in your system, no matter what method have you used. To do so, you use the Cash Receipt Journal or the Payment Journal. Both work the same way, but the Payment Journal can also be used to print checks. To post a payment, you need to inform

- The customer that is paying you
- The bank account that he used to pay
- The invoice that is being paid

For example, imagine that customer `20000`, `Selangorian Ltd.` has paid us the invoice `103022` that was due on `06/02/2014`. Let's follow the steps needed to post the payment:

1. Access the Cash Receipt Journal from `Departments/Financial Management/Cash Management/Cash Receipt Journals`.
2. Select the **BANK** section and double-click on it.

3. Create a new line on the journal with the following information:

Posting Date	Document Type	Document No.
06/02/2014	Payment	This gets filled by a Series Number.

4. To indicate the customer that is paying:

Account Type	Account No.	Description
Customer	20000	This gets filled with the customer name. You can change it.

5. To indicate the bank account that the customer used to pay us:

Bal. Account Type	Bal. Account No.
Bank Account	WWB-OPERATING. This is the code that identifies the bank

6. To indicate the invoice that is being paid:

Applies-to Doc. No.	
103022	When you click on this field, a page opens showing you all the pending entries for the customer. Select one.

7. Once you select a pending entry in the **Applies-to Doc. No.** field, the rest of the fields of the journal line get filled automatically: **Amount** and **Applies-to Doc. Type**. After completion, you will end up with a screenshot similar to the following:

Posting Date	Document Type	Document No.	Account Type	Account No.	Description	Amount	Bal. Account Type	Bal. Account No.	Applied (Yes/No)	Applies-to Doc. Type	Applies-to Doc. No.
06/02/2014	Payment	G02001	Customer	20000	Selangorian Ltd.	-8.325,20	Bank Account	WWB-OPERATING	✓	Invoice	103022

8. Post the transaction.

If you do not know which invoice is being paid, you can leave the **Applies-to Doc. No.** field blank and apply the payment to the invoice later on.

Suggesting vendor payments

The Payment Journal has a nice feature called **Suggest vendor payments**. This process creates the payment lines for you according to certain conditions such as:

- It only includes invoices due until a date of your choice
- You can specify a maximum available amount for payments, so it will only suggest payments up to that amount
- You can prioritize vendors when you have a specific available amount, so that the most important vendors are always paid first
- It will not process invoices that are on hold

But this process only suggests, which means that you can modify whatever is needed before actually posting the payments.

Creating and printing checks

On the Payment Journal, you can also print checks to use as a payment method for your vendors.
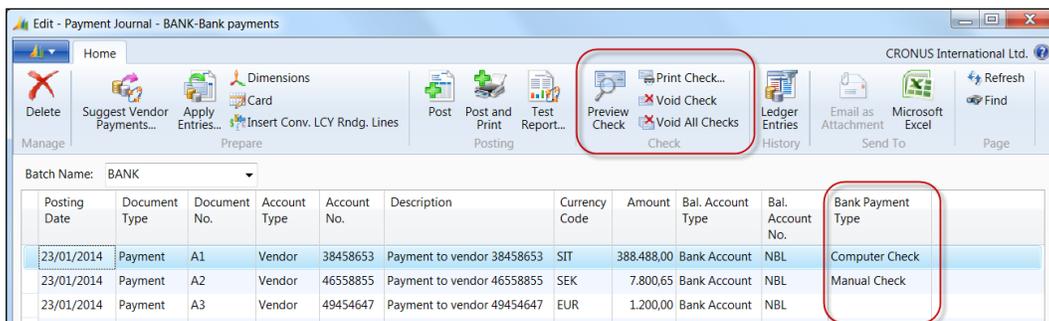
When there is one or more `Computer Checks` in your Payment Journal, you have to print them using the corresponding actions on the ribbon. The system will not allow you to post the payment if the checks have not been printed. However, you do not have to print anything if you have selected `Manual Check`, which means that you have created your check manually and just want Dynamics NAV to keep track of it. The posting of the journal will create check ledger entries.

Checking customer and vendor balances

The balance is the total amount a customer owes you or you owe a vendor. The Customer and Vendor balances can be seen on their card through a field called **Balance (LCY)**. LCY stands for local currency. This means that regardless of the currency used, amounts are always translated to your local currency.

To know the details that composes the balance amount, you can click on the amount and the corresponding ledger entries will be shown. This can be seen in the following screenshot:

As you can see, customer `20000`, `Selangorian Ltd.` has eight pending invoices. Two of them are already due (they are shown in red) and invoice `00-8` has been partially paid (notice that **Remaining Amount** is lower than the **Original Amount**).

Which invoice has been paid?

Customer `20000`, `Selangorian Ltd.` has had many other transactions in the past. In the previous screenshot, we were just seeing the open transactions, but we can see them all going back to the card and clicking on **Ledger Entries** on the **Navigate** tab.

There are two key fields in this page: **Remaining Amount** and **Open**. Notice that many transactions are not open and have zero remaining amounts. This means that those invoices have already been paid, or the credit memos and payments have been applied to an invoice to reduce its remaining amount.

Select a ledger entry and click on **Applied Entries** on the ribbon to know how a certain transaction has been applied. You can also unapply entries and apply them again.

Bank reconciliation

The purpose of the bank reconciliation feature is to check whether the statements your bank provides you agree with the bank account ledger entries that you have been creating while posting payments. It helps you see if there is any cash movement that you have not posted into the system yet. At the end of a given period, the **Statement Ending Balance** must equal the Balance of the bank account in Dynamics NAV.

To create a new bank account reconciliation, follow these steps:

1. Navigate to `Departments/Financial Management/Cash Management/Bank Account Reconciliations` and click on **New**.
2. Select the `WWB-OPERATING` code in the **Bank Account No.** field.

3. Select `31/01/2014` as the **Statement Date** and write `119.306,96` as the **Statement Ending Balance**.

4. Click on the **Suggest Lines...** option from the ribbon bar and click on **OK**.

5. New reconciliation lines are created as copies of open bank ledger entries.

6. Check the reconciliation lines against the bank statement lines.

In the example, most of the bank statement entries have been posted in the system, but the first and the last one are missing. You can manually create them in the bank reconciliation and use the **Transfer to General Journal...** action to transfer them to the corresponding journal, complete the transaction there, and post them.

Once the missing statement lines are posted, on the bank reconciliation page use the **Line – Apply Entries** actions to select the new bank ledger entries to be applied against the manually created bank reconciliation lines.

And finally, post the bank reconciliation using the **Post** action found on the ribbon. Once a reconciliation is posted, its ending balance will become the initial balance of the next statement.

Summary

In this chapter we have learned how to manage payments using different payment methods both for customers and vendors. We have also learned how to create and post those payments in the system and how they affect the balance of customers and vendors. Finally, we have seen how to reconcile banks ledger entries in Dynamics NAV with the actual bank statement.

In the next chapter, we will see how different accounting processes are managed.

3
Accounting Processes

So far we have seen the accounting tasks that require most of the time of an accountant, because they are the bulkiest tasks: posting sales, purchases, and payments. But there are many other accounting tasks that have to be performed. In this chapter we will see the following accounting processes:

- Payroll accrual entries, provisions, and others
- Taxes
- Fixed assets
- Inventory valuation
- Annual accounting close
- Consolidation with other companies

Posting accounting transactions

The system can automatically create and post many accounting transactions such as the ones regarding sales and purchase invoices, for instance. There are many other transactions that end up in an accounting entry automatically created by the system. We will actually see these in this chapter: taxes, fixed assets, inventory valuation, and so on.

You will probably need to post many other accounting transactions that are not managed by the system, such as payroll accrual entries, provisions, or others. You can post all those transactions using the General Journal.

The general journal can be accessed by navigating to `Departments/Financial Management/General Ledger` and clicking on **General Journals**.

On the general journal, you manually create the necessary transaction lines, indicating the **Account No.**, **Bal. Account No.**, and **Amount** as shown in the following screenshot. There are many other fields that could be filled in, actually, but we will start with an easy example.
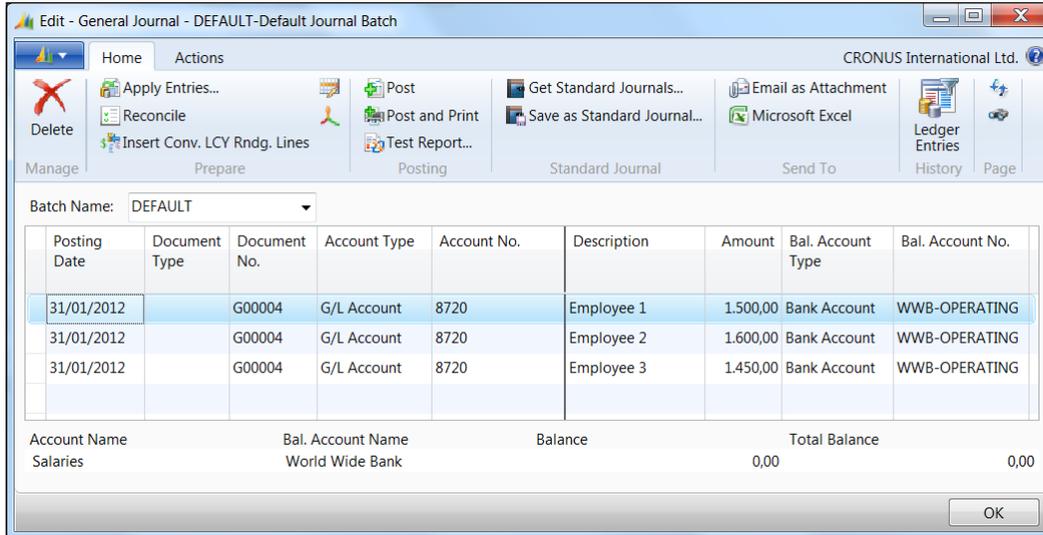
When posting this journal, the system will create six G/L Entries: three on account `8720` with a debit amount, three on the account corresponding to the bank `WWB-OPERATING` with a credit amount.

Instead of indicating a balancing account on every single journal line, you can leave the **Bal. Account No.** field empty and create a fourth journal line where you will indicate the balancing account and amount, as shown in the following screenshot:

When posting this journal, the system will create four G/L Entries: three on account 8720 with a debit amount, one on the account corresponding to the bank `WWB-OPERATING` with a credit amount.

On the general journal, you can create and post all the accounting transactions you need. There is no limit. Just keep in mind that when the accounting transaction you want to post involves customers, vendors, banks, or fixed assets, you should use the appropriate **Account Type** rather than directly using the final G/L account to which the transaction has to be posted. That way, the transaction will also be reflected on the customer, vendor, bank, or fixed asset card.

Standard journals

Transactions in a general journal are usually created manually by a user every time they have to post a new transaction. Some accounting transactions are used over and over, because they have to be posted once a week or once a month for instance.

For those transactions, you can use the standard journals. A **standard journal** is a transaction template that you create and can use as many times as needed.

To create a standard journal, perform the following steps:

1. Open the general journal.
2. Create the general journal lines you want to save as a standard journal.
3. Click on **Save as Standard Journal**.
4. Enter **Code** and **Description** for the standard journal.
5. You can choose whether you want to save the amount on the standard journal.
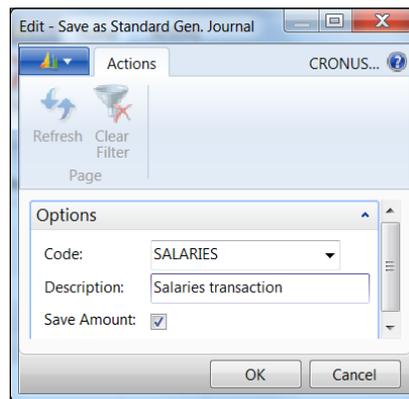
6. Click on **OK**.

To use a standard journal, perform the following steps:

1. Open the general journal.
2. Click on **Get Standard Journals**.
3. Select the appropriate standard journal.
4. Journal lines will be created on the general journal.
5. Complete the general journal lines by inputting the posting date and other information you may require for the actual transaction.
6. Post the general journal.

Recurring journals

Recurring journals are useful for transactions that are posted frequently with few or no changes. The journal lines are preserved after posting, so when you open the journal it already contains journal lines that can be reviewed, adjusted, and posted on a recurring basis.

When using the recurring journals with the reversing option, the system posts the transaction and it also posts the reversing entries on the following day. Another usage of recurring journals is to post allocations based on amounts or percentages.

You can find recurring journals for the following journals:

- Each general journal type (general, assets, cash receipts, payments, intercompany, jobs, sales, and purchase)
- Fixed asset journals
- Item journals
- Resource journals

You create and post recurring journal lines just like you do with standard journals. Additionally the recurring journals have the following extra fields.

Field Name	Usage
Recurring Method	This determines how the amount on the journal is treated after posting. With this field you also determine whether the reversing entries should be posted or not.
Recurring Frequency	This contains a formula that determines how frequently the entry in the journal will be posted. For example, if the formula 1M is entered, after the journal is posted the date is changed by adding one month.
	There are many other date formula possibilities. To learn more about them, check the "How to: Enter Dates and Times" topic in the Dynamics NAV Help menu.
Expiration Date	This is used to limit the posting period by specifying the last date that an entry can be repeated.

Allocations

Allocations are used to allocate the amount on the recurring journal line to several G/L accounts and dimensions. When you use allocations you do not have to introduce a balancing line, as the allocation is in itself a balancing account line to the recurring journal line.

1. Navigate to `Departments/Financial Management/Fixed Assets/ Periodic Activities/Recurring General Journal`.

2. To open the **Allocations** page, double-click on the **Allocated Amt. (LCY)** field.

3. Allocate the amount from the original line by percentage to different `CustomerGroup` dimension values, as shown in the following screenshot:

| Account No.	Account Name	Gen. Posting Type	Gen. Bus. Posting Group	Gen. Prod. Posting Group	Allocation Quantity	Allocation %	Amount	Customergroup Code
2340	Other Receivables				0	20,00	-2.000,00	LARGE
2340	Other Receivables				0	30,00	-3.000,00	MEDIUM
2340	Other Receivables				0	50,00	-5.000,00	SMALL

4. Close the page to go back to the recurring journal. Note that the **Allocated Amt. (LCY)** field is now filled. It should match the **Amount** field but with the opposite sign.

In the example we have allocated by percentage by filling the **Allocation %** field. The different methods to allocate amounts are as follows:

- **Allocation Quantity**: This allocates the amounts by quantities. An example is allocating by the number of people in each department.

- **Allocation %**: This allocates the amounts by percentage.

- **Amount**: If you use one of the previous methods, the program calculates the allocated amount. You can also manually enter an allocation amount.

Reporting taxes – VAT

Value-Added Tax (**VAT**) is a tax on consumption that is paid by the end consumer. VAT is calculated on sales and purchases and reported to the tax authorities periodically.
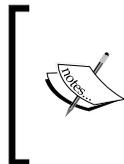
> The general concepts of VAT are same in all the countries where VAT applies. Statement and VAT rates differ from country to country. This book is based on the Dynamics NAV 2013 worldwide (W1) database. Most Dynamics NAV country versions include localizations on VAT.

In Dynamics NAV, VAT is calculated on sales and purchases invoices and credit memos. When the documents are posted, new VAT entries are created that will be used later on to report VAT to the authorities.

VAT is calculated based on the combination of **VAT Business Posting Groups** (customers and vendor fix it) and **VAT Product Posting Groups** (items and services fix it).

In *Chapter 1*, *The Sales and Purchase Processes* we have posted the sales invoice number as `103022`. Let's take a look at the VAT entries that were created while posting the invoice:

1. Navigate to `Posted Documents/Posted Sales Invoices`.
2. Locate the invoice number `103022` and click on the **Navigate** option.
3. Select the `VAT Entry` table, and click on the **Show** icon from the ribbon bar.
4. The **VAT Entries** page will show all the VAT entries created for the invoice.

The customer fixed the `NATIONAL` as **VAT Bus. Posting Group**. The invoice included an Item, a Charge, a Resource, and a G/L Account, each fixed by its own **VAT Prod. Posting Group**.

Now, let's see how we can calculate the VAT Settlement, based on these VAT entries and the rest of the VAT entries created with each invoice and credit memo.

VAT Settlement

The **VAT Settlement** batch job is used to calculate and post to the general journal, the net VAT amount that must be remitted to the tax authorities. Once a VAT entry has been used to post the VAT settlement amount, the system closes the entry so that you don't include it again in a new calculation.

To run the **Calc. and Post VAT Settlement** catch job, follow these steps:

1. Navigate to `Departments/Financial Management/Periodic Activities/VAT/Calc. and Post VAT Settlement.` Run the report with the following options:

Options			^
Starting Date:	01/01/2014	▼	
Ending Date:	31/01/2014	▼	
Posting Date:	31/01/2014	▼	
Document No.:	VAT14JAN		
Settlement Account:	5780		▼
Show VAT Entries:	✓		
Post:	✓		
Show Amounts in Add. Reporting Currency:	☐		

The **Starting Date** and **Ending Date** define the range of dates for the VAT entries to be settled. The **Posting Date** will be used to post the settlement amount in the general journal. For the **Document No.** write a unique number that identifies the transaction.

In the **Settlement Account** field, select the G/L Account that the net amount will be transferred to. Usually it will be a credit amount, however if the purchase VAT amount is larger, it will be a debit amount.

> **Show VAT Entries**
>
> Leave it unchecked to display only the total settlement for each VAT Posting Group. Otherwise all VAT entries used to calculate the settlement will be shown.
>
> **Post**
>
> Leave it unchecked to print a test report. Otherwise, the settlement amount will be posted into the general journal and the VAT entries will be closed. You will not be able to reopen them, but you will be able to run VAT statements anyway.

VAT Statements

The VAT statement is used to specify the basis for calculating the VAT that is payable to the tax authorities. You will usually define it once when you initially set up your company and then preview or print it periodically. To run a VAT statement, follow these steps:

1. Navigate to `Departments/Financial Management/Periodic Activities/ VAT/VAT Statements`. Select the DEFAULT statement and double-click on it.

2. Click on the **Print** option from the ribbon bar and run the report with the options shown in the following screenshot:

3. The VAT statement will look as follows:

As you can see, the purpose of the VAT statement is to resume all the posted VAT entries in a manner that it is useful for you, to report VAT to the authorities. VAT Statements are fully customizable and you can create as many statements as needed to match different authority formats or VAT internal reporting formats.

Managing fixed assets

Dynamics NAV provides a fully integrated fixed asset management functionality that allows you to track depreciation expenses reliably in multiple depreciation books. This is useful to have one depreciation book integrated with the general ledger, and another one for internal fixes asset calculations that do not have to be reflected in the general ledger. You can also keep track of other information relevant to fixed assets, such as maintenance cost and schedules, acquisition costs, and related insurance information.

Creating a fixed asset and posting its acquisition cost

Each fixed asset has a card, which contains all the information about the asset. To create a new one you can follow these steps:

1. Navigate to `Departments/Financial Management/Fixed Assets/Fixed Assets` and click on the **New** icon from the ribbon bar.

2. A blank card opens. Press *Enter* to get a **No.** and give it a description. If the asset has a serial number, write it on the **Serial No.** field.

3. On the **Lines** FastTab, create one line with the following information:

Field	Value
Depreciation Book Code	COMPANY
FA Posting Group	CAR
Depreciation Method	Straight-Line
Depreciation Starting Date	15/01/2014
No. of depreciation years	5

> The information in this line will be used when calculating depreciation. You can create one line per each Depreciation Book defined in the company.
>
> The FA Posting Group specifies the accounts to which the program will post transactions involving fixed assets.

So far the fixed asset card looks similar to the following screenshot:

> Note that the **Book Value** field is zero. This is because we haven't posted the acquisition cost yet. After that the **Book Value** will decrease month to month as we depreciate the asset, and it will be zero again once completely depreciated.

To post the acquisition cost of the asset through a purchase invoice, use the following steps:

1. Create a new purchase invoice. Select the vendor, and use `15/01/2014` as the **Posting Date**.

2. Create a line in the purchase invoice with the following values:

Field	Value
Type	Fixed Asset
No.	FA000100
Quantity	1
Direct Unit Cost Excl. VAT	13500

3. Post the purchase invoice.

4. Go back to the fixed asset card and note that the **Book Value** is now `13500`.

If no purchase invoice exists for the fixed asset, you can also post its acquisition cost using the Fixed Assets G/L Journal in the same manner that you revaluate a fixed asset. In the next section we will explain how to do so.

Revaluating fixed assets

In some cases the fixed asset already exists and its acquisition cost has already been posted using a purchase invoice. Later on you need to increase the cost of the asset, because the company has invested additional costs into it, or for any other reason. To do so, you can use the Fixed Assets G/L Journal, by using the following steps:

> You can use the journal even if no cost was posted earlier.

1. Navigate to `Departments/Financial Management/Fixed Assets/FA G/L Journals`. Open the Default section by double-clicking on it.

2. Create a new line, similar to the one shown in the following screenshot. In this example we are going to add `1000` to the cost of the asset. This includes taxes, which means that once posted, only 800 will be added to the asset cost.

Posting Date	Account Type	Account No.	Depreciation Book Code	FA Posting Type	Description	Gen. Posting Type	Gen. Bus. Posting Group	Gen. Prod. Posting Group	Amount	Bal. Account Type	Bal. Account No.
15/01/2014	Fixed Asset	FA000100	COMPANY	Acquisition Cost	KIA CEED	Purchase	NATIONAL	MISC	1.000,00	G/L Account	2910

3. Post the journal lines, by selecting the **Post** option from the ribbon bar.

4. Go back to the fixed asset card and note that the Book Value is now 14300.

Calculating depreciation

Fixed Assets reduce their value over time. We need to account for this fact by calculating and posting the fixed asset depreciation. Follow these steps to do so:

1. Run the **Calculate Depreciation** batch job by navigating to `Departments/ Financial Management/Fixed Assets/Periodic Activities`.

2. Select the options as shown in the following screenshot:

This job will calculate the depreciation for all the assets. In the example we have filtered the job to only calculate the amounts for the fixed asset no. `FA0001000`. The system creates journal lines. You have to check and post that manually.

3. Navigate to `Departments/Financial Management/Fixed Assets/FA G/L Journals`. Open the Default section by double-clicking on it. The program has created the following lines:

Posting Date	Account Type	Account No.	Depreciation Book Code	FA Posting Type	Description	Gen. Posting Type	Gen. Bus. Posting Group	Gen. Prod. Posting Group	Amount
31/01/2014	Fixed Asset	FA000100	COMPANY	Depreciation	January 2014 - Depreciation				-127,00
31/01/2014	G/L Account	8830			January 2014 - Depreciation				127,00

4. Post the lines.

5. Go back to the fixed asset card and note that the **Book Value** is now `14173`.

6. Double-click on the **Book Value** to see the **FA Ledger Entries** for the asset.

For the asset we have created in this chapter, we selected the Straight-Line depreciation method. Dynamics NAV allows us to select one of the following depreciation methods:

Method	Definition
Straight-Line	The same amount is depreciated each year.
Declining-Balance 1	The largest portion of the cost is allocated to the early years of its useful lifetime. If you depreciate monthly, the same amount is depreciated for all the months of one year.
Declining-Balance 2	Similar to DB1, but if you depreciate monthly the depreciation amounts will decline for each period.
DB1/SL	DB1/SL stands for Declining-Balance 1 and Straight-Line. Per each period, the greater of the two amounts is used to post the depreciation.
DB2/SL	This uses the same principle as DB1/SL, but the amounts are calculated according to the Declining-Balance 2 method.
User-defined	This allows you to define your own method.
Manual	You must enter the depreciation value manually.
Half-Year Convention	When Half-Year Convention is applied, a fixed asset will have six months depreciation in the fiscal year. It can be used in conjunction with the Straight-Line, Declining-Balance 1, or DB1/SL methods.

Manually create depreciation lines

To manually create depreciation lines, access the journal and create one line similar to the ones that the **Calculate Depreciation** batch job has created.

Dynamics NAV uses a standard year of 360 days and a standard month of 30 days for all the calculations.

Selling or disposing a fixed asset

Disposing or selling a fixed asset is the last step in the typical life cycle of an asset. When you do so, you must post the disposal value together with any related gain or loss.

To sell the asset using a Sales Invoice, just create the invoice and select the Fixed Asset in one of the lines of the invoice, just like we did when purchasing the asset. Enter the selling price and post the invoice. The program will do the rest.

You can also post disposals using the Fixed Assets G/L Journals.

Canceling fixed asset entries

A batch job called **Cancel FA entries** is used to cancel an incorrectly posted FA entry for one or more fixed assets. This task creates the new FA journal lines. When you post them the system creates entries to null the incorrect ones, both on the general ledger and the FA ledger.

The depreciation for the asset `FA00090` Switchboard has already been calculated until December 2013. You have just realized that in October you had to add cost to the asset. Therefore you need to cancel the depreciation until October, add cost to the asset and calculate the depreciation again. Let's see how you can cancel the depreciation entries:

1. Open the card of the asset `FA00090` Switchboard and click on the **Ledger Entries** option from the ribbon bar. The **FA Ledger Entries** page will open.

2. Select the entries you want to cancel. In the example, we are selecting the last three entries. That is the depreciation from October to December.

3. Click on the **Cancel Entries** option found on the ribbon bar. Click on **OK** on the emerging page.

4. Navigate to `Departments/Financial Management/Fixed Assets/ FA G/L Journals`. Open the Default section by double-clicking on it. The process has created journal lines, that once posted will cancel the original depreciation entries.

5. Select all the journal lines and click on the **Insert FA Bal. Account** option. New lines will be inserted into the journal to balance the transaction.

6. Post the journal lines.

7. Go back to the **FA Ledger Entries** page and note that depreciation entries corresponding to October to December are not there anymore.

> Dynamics NAV does not delete any posted entry. The original depreciation entries have not been deleted, but unassigned. From the fixed asset card, click on **Error Ledger Entries** on the **Navigate** tab of the ribbon bar, to see the original entries.

Inventory valuation

The valuation of your inventory must appear on your balance sheet accounts at the end of a fiscal year. The system can calculate the inventory valuation using different costing methods and can post it to the general ledger automatically, so that you do not have to worry about it. Due to performance issues, though, the inventory valuation is usually set up, so that the posting to the general ledger is done manually.

Choosing a costing method

Dynamics NAV can calculate the valuation of your inventory according to five different costing methods. They are as follows:

- **FIFO (First-In-First-Out)**: This assumes that the first units to be received in your stock will also be the first ones that will leave it. The inventory valuation will be based on the cost of the last received units.

- **LIFO (Last-In-Last-Out)**: This assumes that the last units to be received in your stock will be the first ones that will leave it. The inventory valuation will be based on the cost of the first received units.

- **Average**: The inventory valuation will be based on the average cost of all received units.

- **Specific**: This costing method can only be used when a specific serial number tracking is done over the stock of the items. The inventory valuation will be based on the exact units that are in stock.

- **Standard**: This costing method does a FIFO calculation. The difference with FIFO is the way it takes incoming costs, which are based on an estimated cost that you set up on the item. This costing method is usually used for items that are manufactured.

The costing method is chosen at item level, so different items may use different costing methods.
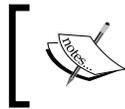
> Study carefully which costing method you want to use. Once it is set and items have had any kind of movement, it cannot be changed.

Calculating item entries costs

Actually, you don't have to calculate anything. The system will do it for you. However, it is important to understand how costs are assigned to item entries.

The system assigns a cost to every single item entry. This is how different entry types get their cost:

Inbound entries

- Purchases: These first get an expected cost when the purchase receipt is posted. The expected cost is taken from the purchase order. When the invoice is posted, they get their real cost from the invoice.

- Positive adjustments: These have the cost that was specified on the item journal. By default, they get the actual average cost of the item, but can be changed by the user if needed.
- Outputs of a manufacturing process:
    - Standard costing method: This gets the estimated cost defined on the item card
    - Other costing methods: Their costs are calculated as the sum of the costs of their components plus cost of manufacturing the item

This is not a complete list. There are other possibilities (such as an inbound entry as the result of a sales return) and different choices that can be made when manufacturing, for instance. We have just taken a look at the most common entries.

Outbound entries

The costing method used determines how costs are assigned to outbound entries. They are always based on the cost of inbound entries for the same item, though.

The costs in outbound entries are always based on the costs of inbound entries. What happens if the cost of the inbound entry changes after the cost has been assigned to the outbound entry? No problem, the cost in the outbound entry will be updated later on. This is actually done by a batch process called **Adjust Cost – Item Entries** that can be found by navigating to `Departments/Financial Management/Inventory`. You should run this process periodically to have your item costs up-to-date.

Posting inventory valuation to the general ledger

Posting the inventory valuation to the general ledger will transfer the calculated item costs to the corresponding balance sheet account. To do so, we use the following steps:

1. Navigate to `Departments/Financial Management/Inventory` **Post Inventory Cost to G/L**.

2. Choose **Posting Method**, **Document No.,** and place a checkmark in the box next to **Post**.
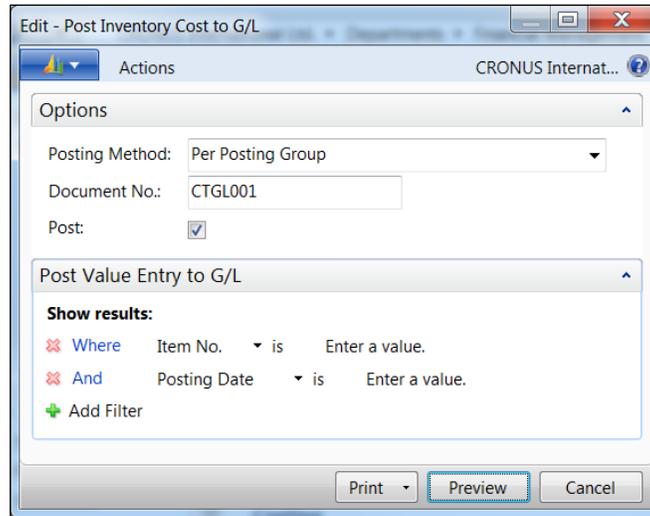
3. Click on **Preview**.
4. A report containing the posted costs will be shown.

Inventory valuation report

If you want to know your inventory valuation at a certain date, you have to run the **Inventory Valuation** report that can be found by navigating to Departments/ Financial Management/Inventory. On this report, you can choose whether you want to include expected costs or not. Expected costs are those for item entries that have not yet been invoiced.

The printed report groups entries by inventory posting groups. The **Inventory Valuation** for January 2014 looks similar to the following screenshot:

Per each item the report prints five groups of columns that show the following information:

Column	Description
`As of` (beginning of period)	This shows the quantity and value of the stock the day before the selected starting date when running the period.
`Increases (LCY)`	This shows the quantity and value of the increases of stock for the given period. This includes purchases, positive adjustments, sale returns, manufactured items, and so on.
`Decreases (LCY)`	This shows the quantity and value of the decreases of stock for the given period. This includes sales, negative adjustments, purchase returns, consumed items, and so on.
`As of` (end of period)	This shows the quantity and value of the stock at the end of the period.
`Cost Posted to G/L`	This shows the cost that has already been posted to the general ledger.

Closing the accounting year

When a fiscal year reaches its end and accountants have finished posting all the needed transactions, it is time to perform the required tasks to close the year.

In Dynamics NAV, this can be accomplished in just a couple of steps: closing the accounting periods and running the Close Income Statement batch process. After that, it is recommended that you restrict allowed posting dates to prevent users from posting any transaction in a closed year. If needed, though, further transactions can be posted.

Closing accounting periods

To close the accounting periods, we perform the following steps:

1. Navigate to `Departments/Financial Management/Periodic Activities/ Fiscal Year/Accounting Periods`.

2. Run the **Close Year** process found on the ribbon.

3. You will be prompted to confirm that you want to close the fiscal year. You cannot choose which fiscal year to close. The system will close the first open fiscal year. Click on **Yes**.
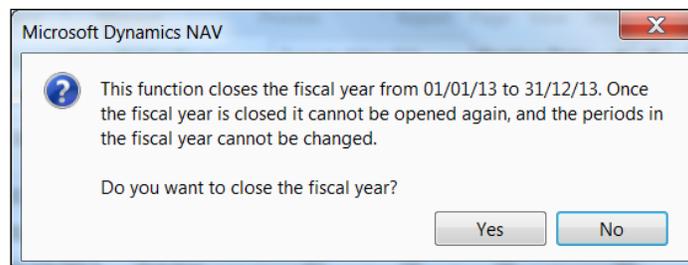
4. The fiscal year has been closed. Notice that all the accounting periods (which usually correspond to months) that have been closed now have checkmarks on the **Closed** and **Date Locked** fields.

Running the Close Income Statement batch process

At the end of each fiscal year, the accounting rules specify that income account balances must be transferred to a balance sheet account. The Close Income Statement batch process is used to accomplish this task by calculating and creating the transaction that will transfer those balances. This process leaves the transaction on a general journal so that you can review and post it afterwards.

To run the Close Income Statement batch process, perform the following steps:

1. Navigate to `Departments/Financial Management/Periodic Activities/ Fiscal Year` and click on **Close Income Statement**.

2. Choose which general journal and section you want to use (fields **Gen. Journal Template** and **Gen. Journal Batch**). This is where the transaction will be created.

3. Choose to which account the income account balances will be transferred. You do that by selecting an account on the **Retained Earnings Acc.** field.

> Even if not mandatory, if you use dimensions, it is highly recommended to select them all when running the Close Income Statement batch process. If you choose not to do it, when running financial reports by dimensions, you will be carrying balances from one year to another because the closing transaction will not be posted using dimensions.

4. Click on **OK**.
5. Navigate to the journal you have chosen when running the process.
6. Notice that a special date is used on the Close Income Statement. It has the C letter in front of it and it is a closing date. It is a fictitious date between the last day of the old fiscal year and the first day of the new fiscal year. Using this kind of date, balances for the ordinary dates of the fiscal year are maintained.

7. Post the journal.

Restricting the allowed posting dates

It is highly recommended to restrict allowed posting dates after a period has been closed. That way, you prevent users from accidentally posting transactions in an incorrect date.

Posting dates can be restricted at the company level or at the user level.

> When both company and user restrictions exist, the ones that apply are the allowed posting dates defined at the user level.

To restrict allowed posting dates at the company level, navigate to `Departments/ Financial Management/Administration` and click on **General Ledger Setup**. Use fields **Allow Posting From** and **Allow Posting To** to specify the period in which it is allowed to post transactions.

To restrict allowed posting dates at the user level, navigate to `Departments/ Administration/Application Setup/Users` and click on **User Setup**. Use fields **Allow Posting From** and **Allow Posting To** to specify the period in which it is allowed to post transactions.

Posting transactions on a closed year

If the allowed posting dates allow you to, you can post transactions on a closed year. You will have to run again the Close Income Statement batch process, though. This process can be run as many times as needed.

Consolidating financial statements

When you have a group of companies you may need to aggregate their financial statements into a single one to know how the holding company is doing as a group.

Such a task can be performed consolidating different companies that are in the same database, companies in different databases (even in older Dynamics NAV versions), or using data coming from other business management programs.

Regarding data, consolidation can be performed when the different subsidiary companies or Business Units have different charts of accounts, fiscal years, or currencies.

Performing consolidation

Performing a consolidation is as easy as executing a batch process. There are different scenarios, though, depending on where the data is. The easiest scenario is when all the companies, including both the consolidated and the subsidiary companies, are in the same database. Another scenario includes Dynamics NAV companies in different databases. And a third scenario would include financial data from other applications. No matter which scenario you use, the consolidation process does the following actions:

- Transactions for each account in the subsidiary are totaled
- The net amounts are transferred to the corresponding accounts on the consolidated company
- Residual amounts are posted in the consolidated company due to rounding differences that may occur when a subsidiary is partially consolidated (only the percentage in which the holding company participates in the subsidiary company is consolidated)

> The consolidation can be performed as many times as needed. If a transaction for the same subsidiary and period already exists in the consolidated database, the existing transaction is voided (its amount is set to zero). This way, the consolidated company will only take into account the information from the last executed consolidation.

Consolidating on single database

To consolidate multiple subsidiaries that are on the same database, we perform the following steps:

1. Open the consolidated company.
2. Navigate to `Departments/Financial Management/Periodic Activities/ Consolidation/Business Units`.
3. On the **Actions** tab, click on **Import Database**.

4. Specify the consolidation period and a document number for the consolidated transactions.
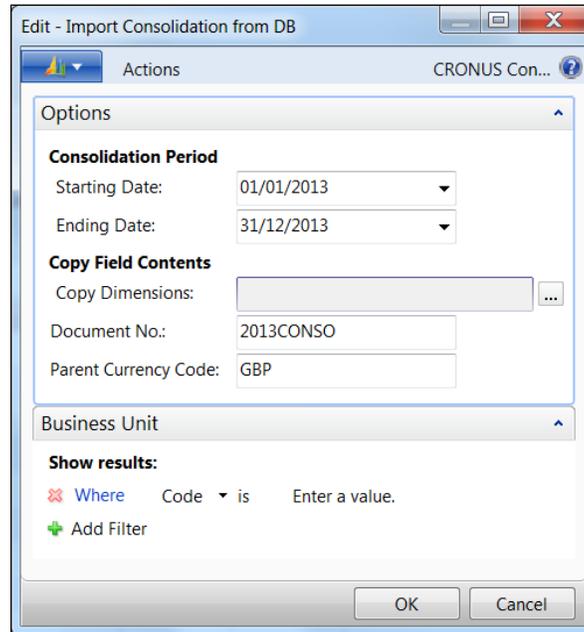
5. Click on **OK**.

Consolidating with different databases

When you consolidate subsidiary companies that are in different databases, you have to first export the financial data of each subsidiary and then import it into the consolidated company.

To export the financial data from each subsidiary, perform the following actions on every single subsidiary company:

1. Open the subsidiary company.

2. Navigate to `Departments/Financial Management/Periodic Activities/Consolidation` and click on **Export Consolidation**.

3. Select the consolidation period and the file format. The file format depends on the version of Dynamics NAV that the consolidated company uses.
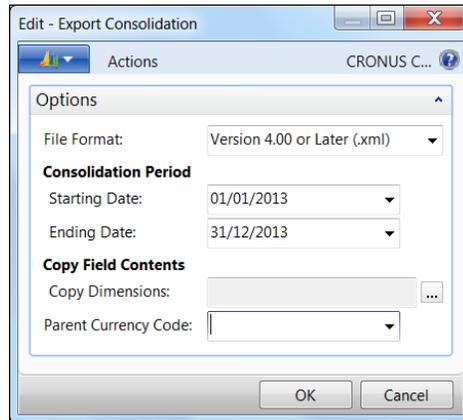
4. Click on **OK.**

5. Save the file. You will need this file later on.

To import the data into the consolidated company perform the following actions for each file exported previously:

1. Open the consolidated company.

2. Navigate to `Departments/Financial Management/Periodic Activities/ Consolidation/Business Units`.

3. On the **Actions** tab, click on **Import Database**.

4. Specify the file format you have used when exporting data from a subsidiary and the document number for the consolidated transactions.

5. Click on **OK**.

6. Select the file you have exported previously.

Consolidating with other applications

To consolidate subsidiaries that use other business management applications, you have to first export data from the business management application and then import it in the consolidated company in Dynamics NAV, just as is done when consolidating subsidiaries that are in different databases.

Those other applications should be able to export data in the same format as Dynamics NAV, which can be either a `.txt` or an `.xml` file.

Reporting over a consolidated company

Any of the existing financial reports can be used to report over a consolidated company. Additionally, though, there is a **Consolidated Trial Balance** that shows the individual amounts of each subsidiary company and the total, taking them all into account. The consolidated trial balance is shown on the following figure:

This report can be executed from any business unit card.

Setting it up

Setting everything up is the tough part about the consolidation. But this is something that has to be done just once, so it's worth the effort.

Financial consolidation is usually done into a company that is created and configured for this single purpose. This company will not hold normal business transactions.

To set up financial consolidation you have to perform the following tasks:

1. Create a new empty company. It will be the consolidated company.
2. Create the chart of accounts on that company. The consolidated chart of accounts can be different than the one used in subsidiary companies. Subsidiary companies can each have their own different charts of accounts.
3. For the consolidated company, specify the Business Units (subsidiary companies) that will be consolidated.
4. For each subsidiary company, define the translation between its chart of accounts and the consolidated chart of accounts.

Dimensions can be used when consolidating. We haven't yet explained what dimensions are, so we will skip this part for now.

Defining business units

The business units are the subsidiary companies that will be used in a consolidated company. They can be found by navigating to `Departments/Financial Management/ Periodic Activities/Consolidation/Business Units`. The following figure shows a business unit card:

When defining a business unit, you have to specify a **Code** and a **Name** and also

- The **Company Name**, as it is created in Dynamics NAV or in other business management applications.

- The **Currency Code**, if the subsidiary company uses a different currency than the consolidated company. Also which exchange rate to use (the one defined on the subsidiary or the one defined on the consolidated company).

- **Consolidation** %: This number represents the participation, the holding, the group has over the subsidiary company. When the % is 50, for instance, only half of the balance of that subsidiary will be consolidated.

- **G/L Accounts** where transactions will be posted on the consolidated company because of currency differences or residual amounts that may occur because of the percentage used in the consolidation.

Translating a chart of accounts

For each subsidiary, we have to specify the translation between the chart of accounts of that company and the chart of accounts defined for the consolidated company. The translation is done on each G/L Account card, on the **Consolidation** fast-tab. You can define different destiny accounts for debit and credit balances.

Summary

In this chapter, we have learned how to post any accountancy transaction using journals. We have seen how VAT entries are created when taxes are involved and how we can use them to report taxes to the authorities. We saw how to create a fixed asset and post its acquisition cost, revaluate it, calculate its depreciation, sell it, or cancel wrong entries.

In the annual accounting close section, we have learned the steps we need to perform in order to close the fiscal year, and in the inventory valuation section we came across different costing methods and how to reflect item costs in the general ledger. Finally we have seen how to perform the consolidation of different subsidiary companies.

In the next chapter, we will take a look at the reporting tools available in Dynamics NAV. This way we will be able to analyze all the data collected in the system.

4
Reporting and Business Intelligence

So far we have seen the data entry and data process side of Dynamics NAV. Once the data is introduced into the system, you should be able to analyze it.

Are our departments generating value for the company? Which items or services are the most profitable? What area is experiencing a bigger sales growth? Analysis and reporting can help you to answer these questions.

In this chapter we will see the tools available to analyze the Dynamics NAV data, both inside and outside the application. This chapter covers the following topics:

- Dimensions
- Filters, charts, and statistics
- Reports
- Account schedules
- Analysis views
- Business Intelligence with Excel and PowerPivot

Understanding dimensions

The term dimension is used to describe how analysis occurs. A two-dimensional analysis, for example, would be sales per area. In a more complex scenario we could also analyze sales per sales campaign per customer group per area.

In order to be able to analyze on those dimensions you have to make sure that each and every single entry contains the information needed. In Dynamics NAV, a dimension can be seen as information linked to an entry, such as a tag or a characteristic. The purpose of dimensions is to group entries with similar characteristics so that you can report on the data in a way that is meaningful to the company.

You can define your own dimensions according to how you need to analyze your data. Each dimension can have unlimited dimension values that are subunits of the dimension. For example, a dimension called `Department` can have subunits called `Sales`, `Administration`, and so on. These departments are dimension values.

In Dynamics NAV you can create unlimited dimensions. However, there are some restrictions on how to access their information. We can group dimensions in three categories, according to their access level (how easy is to access them):

- **Global dimensions**: It is very easy to access and filter them. We can use up to two global dimensions.
- **Shortcut dimensions**: You need to open a separate page to access them. On some occasions they are shown on journal pages and document pages to make it easier to introduce them. We can use up to eight shortcut dimensions. Two of them correspond to global dimensions.
- **The rest of the dimensions**: You always need to open a separate page to introduce or to see them.

Defining default dimensions on master data

Imagine you want to analyze your sales depending on the volume of your customers. You create a dimension called `CustomerGroup` and you define different dimension values such as `Large`, `Medium`, and `Small`.

One customer might only be a part of one of those groups, so you input it as a default dimension for the customer. You can do it using the following steps:

1. Navigate to `Departments/Sales & Marketing/Sales/Customers`.
2. Select customer `01905902`, `London Candoxy Storage Campus`, and click on the **Dimensions | Dimensions-single** icon on the ribbon bar. The **Default Dimensions** page opens.
3. Create a new line for the `CustomerGroup` dimension, as shown in the following screenshot:

Dimension Code	Dimension Value Code	Value Posting
DEPARTMENT	SALES	
CUSTOMERGROUP	MEDIUM	

Now, every time you post a new invoice for the customer, or you use the customer in documents or journals, the default dimensions defined will be used.

> Default dimensions can be defined in all master data such as customers, vendors, G/L accounts, Items, Resources, Fixed Assets, and so on

Using dimensions on documents and journals

In some occasions default dimensions are not enough and you need to inform about dimensions on single documents or on single journal lines. Let's see it with an example:

1. Create a new sales invoice for the customer `01905902, London Candoxy Storage Campus`.

2. Click on the **Dimensions** icon found on the ribbon bar. The **Dimension Set Entries** page opens.

3. The default dimensions defined for the customer and the salesperson have already been transferred to the document. Create a new line for the `SalesCampaign` dimension, as shown in the following screenshot:

Dimension Code	Dimension Value Code	Dimension Value Name
CUSTOMERGROUP	MEDIUM	Medium Business
DEPARTMENT	SALES	Sales
SALESPERSON	JR	John Roberts
SALESCAMPAIGN	SUMMER	Summer

Once you post the invoice, all the resulting entries will have the four dimensions associated.

> In the example we have added a new dimension, but you can also delete one of the default dimensions transferred or change its value for this single invoice.

In the example, we have set dimension values for the entire document, but it is also possible to set dimension values at the document line level.

Using filters and flowfilters

A good and powerful way to view and analyze data is to use filters and flowfilters inside the application. Both of them are used to narrow down the information seen on screen or the information a report produces. Filters can be applied on all pages and on most of the reports. In this section we will see how to apply filters and flowfilters on pages. In the *Using reports* section we will see how to apply them on reports.

Applying filters on pages

The filtering pane on pages can be found on the upper part of a page, as shown on the following screenshot:
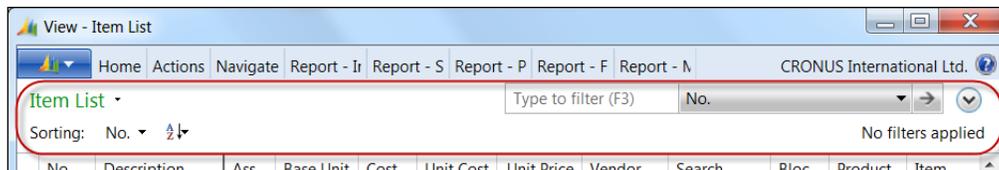
There is a quick filter section in the upper right corner where filters can be applied over any of the fields that are shown on screen. Filters can also be applied over two or more fields at a time, or over fields that are not shown on screen. To do so, the advanced filter section should be shown by clicking on the down arrow found to the right of the quick filter section. A **Show results:** subsection should be shown on screen, similar to the following screenshot:

In the advanced filter section you can select any field to filter, and you can also add new filters.

Imagine that on the Item list we want to see all items that have a unit cost greater than `100` and whose vendor is vendor `20000` or vendor `30000`. We can see only those items by applying filters to the **Unit Cost** and the **Vendor No.** fields, as shown in the following screenshot:
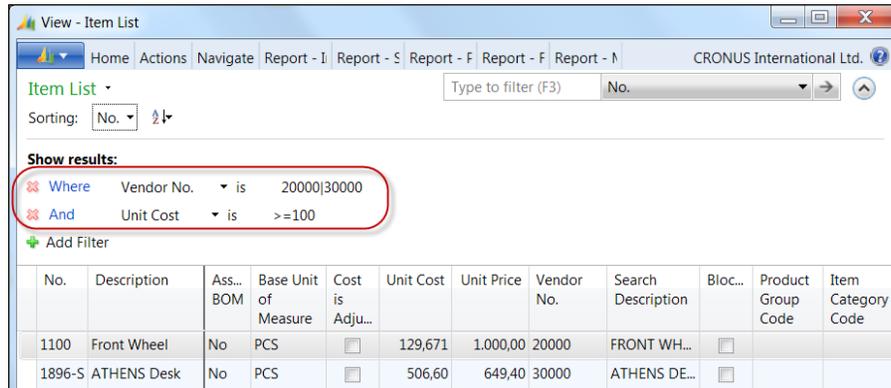
There are multiple filtering expressions that can be used, including operators (>, <, =), statements (| , &), intervals, compound expressions, and so on.

For a complete list of available filtering expressions, refer to the online documentation found at `http://msdn.microsoft.com/en-us/library/hh879066(v=nav.70).aspx`.

Applying flowfilters on pages

Flowfilters are a special type of filter that is not used to narrow down results but to narrow down calculations. Some of the information you see in the application is actually a calculation based on other information. For instance, the balance for customers and vendors is actually a calculation based on their ledger entries. So is the inventory on items or the balance on the general ledger accounts.

Let's see how to apply a flowfilter on the chart of accounts and the result it produces. We use the following steps:

1. Open the chart of accounts by navigating to `Departments/Financial Management/General Ledger/Chart of Accounts`.
2. On this page, fields **Net Change** and **Balance** are calculations that show the sum of general ledger entry amounts for the different accounts.
3. Click on **Chart of Accounts** and select **Limit totals**.
4. Add a filter for **Date filter** and set it as `01/01/13..31/12/13`.

5. The **Net Change** field will be updated. When no flowfilter was applied, both **Net Change** and **Balance** were showing the same amounts.

Not all flowfilters apply to all flowfields. In the example, we have seen that, after applying a date flowfilter, the **Net Change** field gets updated and shows only the sum of G/L entry amounts on the specified period, while the **Balance** field has remained the same. This is because of the definition of the fields. The definition of the **Net Change** field states that the calculation of this field will take into account a date filter, while the **Balance** field does not.

Creating views

We have seen how to apply filters and flowfilters on pages. But if we leave a page and open it again later on, the filter is gone. We have to apply the same filter or flowfilter over and over again if we want to see the same results. Wouldn't it be great if we could save the filters so that we could apply them as many times as we wish without having to select again the fields we want to filter and writing the filter expression? That is possible by saving views.

To save a view, perform the following steps:

1. Follow the steps on the previous section to apply filters on the item list page.
2. Click on **Item List** and select **Save View As**.

3. Specify a **Name** for the view and select the **Activity Group** in which you want to save your view.
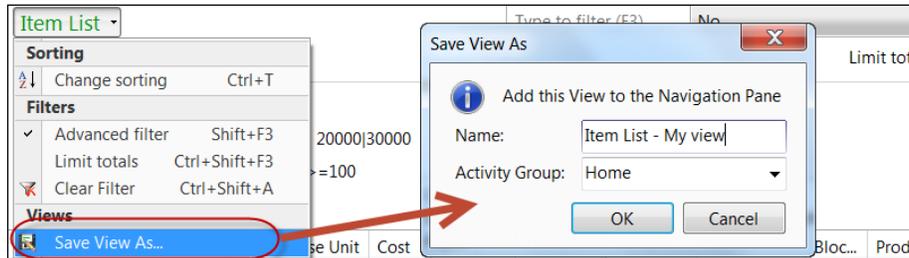
Every time you want to see your saved view, follow the given steps.

1. Click on **Home** (or on the activity group in which you have saved your view).

2. Click on your saved view.

Using reports

Dynamics NAV has a bunch of reports that can be used out of the box. Some other reports may have been added by a partner and can also be used.

Most of the reports can be found under the **Reports and Analysis** category on all functional areas. They can also be found in many application pages, where only the reports that are valuable for the data shown on the page will be found.

When running a report, the request page for the report will usually be shown. On the request page, you can usually specify different options. You can apply filters to narrow down the information that will be shown or processed and you can choose whether to preview the report or print it to different devices or applications (use a printer or print to PDF, Excel, or Word).

In the following screenshot you can see the request page for report `Customer - Top 10 List`:
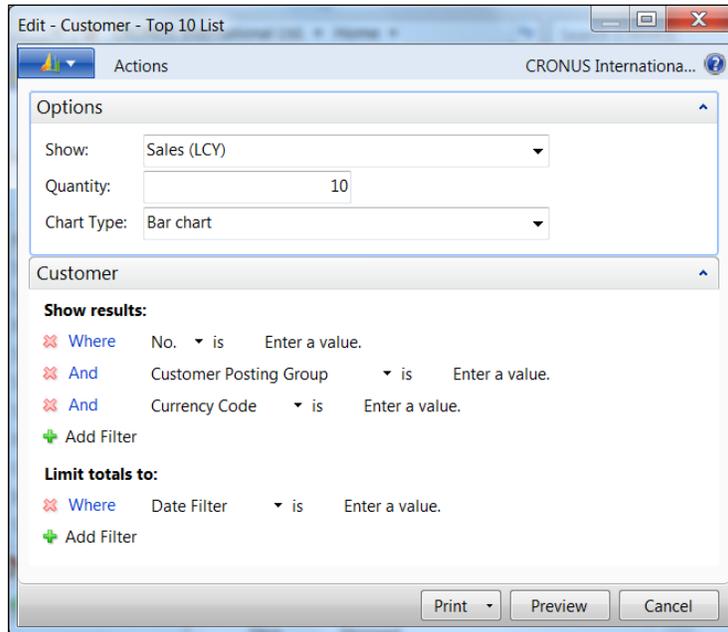
Not all the reports have an options section and not all reports allow filters to be applied. Whenever this happens, the corresponding sections will not be shown.

Displaying charts

Graphical information is always useful when analyzing data. Dynamics NAV offers various ways of viewing data in a graphical way.

Show as a chart option

Whenever the information shown on the screen can be viewed as a chart, on the **Home** tab of the ribbon you will see a section called **View** where users can switch the view of the information from List to Chart and vice-versa.
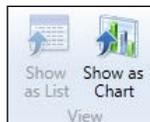
When you switch to chart view, you can select which fields you want to use as measures and which ones you want to use as dimensions.

Adding charts to the role center page

Dynamics NAV has a set of predefined charts that can be added to the **Role Center** page. To add a chart to the home page, perform the following steps:

1. Click on **Home**.
2. On the Application icon ![icon], click on **Customize** and then click on **Customize This Page**.
3. Select **Chart Part** from the **Available parts** column and click on the **Add** button.
4. A **Blank Chart** will appear in the **Role Center layout** column.
5. Select the **Blank Chart** and click on the **Customize Part** button.
6. Select one of the available charts.
7. Click on **OK** to close the **Customize the Role Center** window.

Back at the **Role Center** page, you will see the chosen chart displayed on it.

If the predefined generic charts are not enough for you, you can define your own generic charts and make them available to all users. To do so, navigate to `Departments/Administration/Application Setup/RoleTailored Client/ Generic Charts` and create your chart by specifying the information it should display.

Using account schedules

The account schedules functionality is part of the **Analysis & Reporting** section of the **Financial Management** area. It is meant to create customized financial reports based on the General Ledger information, the Budget information, or the Analysis Views information. Account schedules can group data from various accounts and perform calculations that are not possible directly on Chart of Accounts.

When defining account schedules, both the information that will be displayed on rows and columns can be defined.

Just to see how it works, we will create a simple account schedule that will compare budgeted amounts versus real amounts. To do so, we perform the following steps:

1. Navigate to `Departments/Financial Management/Reports and Analysis` and choose **Account Schedules**.

2. Click on **New** to create a new account schedule. For the new account schedule, select EXAMPLE as **Name**, Comparing budget versus reality as **Description**, and ACT/BUD as **Default Column Layout**.

3. Click on **Edit Account Schedule**.

4. Define the account schedule as shown in the following screenshot:

Name: EXAMPLE

Row No.	Description	Totaling Type	Totaling	Row Type	Amount Type	Show	New Page
1	Total Operating Expenses	Total Accounts	8695	Net Change	Net Amount	Yes	☐
2	Other expenses	Formula	3+4	Net Change	Net Amount	Yes	☐
3	Other expenses posting	Posting Accounts	8910|9420	Net Change	Net Amount	No	☐
4	Other expenses total	Total Accounts	8790|8890|9290	Net Change	Net Amount	No	☐

- The first row gets the net amount of account 8695, a totaling account that summarizes all operating expenses.

- On the second row, a formula sums the results of rows 3 and 4.

- The third row gets the net amount of other expenses from the posting accounts 8910 and 9420. As this row is only used for calculation purposes and it is not intended to be shown on the report, the **Show** field has been set to No.

- The fourth row gets the net amount of other expenses from totaling accounts. The totaling accounts used are 8790, 8890, and 9290. The **Show** field has been set to No.

The account schedule is fully defined now. The account schedule defines the rows that will be shown on the report. Columns are defined in the Column Layout page. In the example, we have used an existent column layout called ACT/BUD. Let's see what the following column layout will show:

1. On the **Edit – Account Schedule** page where we were defining our account schedule, click on the **Actions** tab and then click on **Edit Colum Layout Setup**.

2. Select ACT/BUD for the **Name** field. The ACT/BUD column layout definition will be shown as follows:

Name: ACT/BUD

Column No.	Column Header	Column Type	Ledger Entry Type	Amount Type	Formula	Show Opposite Sign	Comparison Date Formula	Show	Rounding Factor
A	Net Change	Net Change	Entries	Net Amount		☐		Always	None
B	Budget	Net Change	Budget Entries	Net Amount		☐		Always	None
C	Variance	Formula	Entries	Net Amount	A-B	☐		Always	None
D	A-B	Formula	Entries	Net Amount	A / B * 100	☐		Always	None

° The column layout defines that the report will have four columns called **Net Change**, **Budget**, **Variance**, and **A-B**

° The **Net Change** column will show the net amount for G/L entries

° The **Budget** column will show the net amount for budget entries

° The **Variance** column will show the difference between the first and the second column

° The **A-B** column calculates the percentage that the first column represents versus the second column

Now that we have both the account schedule and the column layout defined, it is time to see the results of our account schedule.

1. Navigate to `Departments/Financial Management/Reports and Analysis` and choose **Account Schedules**. Select the one we have just created.

2. Click on **Overview**. The report will be shown on screen, similar to the following screenshot:

General					
Account Schedule Name:	EXAMPLE ▼		View by:	Year ▼	
Column Layout Name:	ACT/BUD ▼		Date Filter:	01/01/14..31/12/14	
Show Amounts in Add. Reporting Currency:	☐				

Row No.	Description	Net Change	Budget	Variance	A-B
1	Total Operating Expenses	1.043,76	1.010,00	33,76	103,34
2	Other expenses	1.112,60	1.080,00	32,60	103,02

Dimension Filters				
Department Filter:	▼	Cost Object Filter:	▼	
Project Filter:	▼	Cash Flow Filter:	▼	
Dimension 3 Filter:		G/L Budget Filter:	▼	
Dimension 4 Filter:		Cost Budget Filter:	▼	
Cost Center Filter:	▼			

> Results can be seen in different time periods and filters can be applied over the calculation to get more accurate results. The results can be exported to Excel and can also be printed.

Analysis views

Analysis views are used to analyze the information about dimensions from general ledger entries, budgets, and cash flow forecast entries. As we have seen, not all dimensions are easily accessed. Analysis views are meant to access all the dimensions in the same easy way, in groups of a maximum of four dimensions at the same time. The four dimension groups may seem a limitation, but it is not, since we can create as many analysis views as needed combining all the dimensions we want.

Creating analysis views

Follow the given steps to create an analysis views:

1. Navigate to `Departments/Administration/Application Setup/ Financial Management/Dimensions/Analysis Views`. The **Analysis Views** page will open, showing the existing analysis views.

2. Click on **New** to create a new Analysis View. Fill up the analysis view card with the data shown in the following screenshot:

3. Click on the **Update** option found on the ribbon bar to create analysis view entries based on the criteria that you set up on the card.

> The system will create one summarized analysis view entry for each G/L account, period, and dimension combination.
>
> In the example, we will get one entry for each G/L account from account number `6100` to `6995`, for each month and also for each combination of dimension values of the `CUSTOMERGROUP`, `DEPARTMENT`, and `SALESPERSON` dimensions.

4. Navigate to `Departments/Financial Management/General Ledger/ History/Analysis View Entries` to see the entries created by the system.

An analysis view is a fixed photo of the posted G/L entries grouped with specific criteria. Therefore, if you change any of the fields of the card (that is, the criteria is changed), the system will prompt you to delete the analysis entries and update them again.

You will also have to use the **Update** action to include new general ledger entries posted after you last updated the analysis view, although you can also let the system update it automatically when new G/L entries are posted, by checking the **Update on Posting** field found on the analysis view card.

> It is not recommended to use the **Update on Posting** option because it penalizes performance when posting.
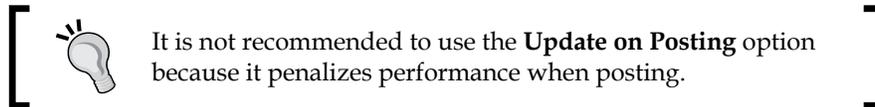
Using analysis views

Analysis views can be used in the Analysis by Dimensions functionality or as source for account schedules. In this section we are going to follow an example of each.

Analysis by dimensions

The analysis by dimensions functionality is used to display and analyze the amount derived from the existing analysis views. To set an example, perform the following steps:

1. Navigate to `Departments/Financial Management/General Ledger/ Analysis & Reporting/Analysis by Dimensions`.

2. Locate the `CUST.REVEN` analysis view that we have created earlier in this chapter. Then click on the **Edit Analysis View** from the ribbon bar.

3. A new page opens. Write `LARGE` in the **Customergroup Filter** field.

4. Click on the **Show Matrix** icon found on the ribbon bar. The **Analysis by Dimensions Matrix** page is now showing the amounts posted on the general ledger under the LARGE value of the CustomerGroup dimension.

5. Close the current page and go back to the Analysis by Dimensions page.
6. Select different values for the following fields, and click on **Show Matrix** to see the results. The main fields you can change to analyze data are **Show as Lines**, **Show as Columns**, **Dimension Filters**, **Show**, **Show Amount Field**, **View by**, and **View as**.

Analysis views as a source for account schedules

If analysis views are selected as a source for account schedules, the amounts in the account schedules are calculated based on analysis views entries. Since analysis views entries are based on the general ledger entries, the result should be the same.

The difference is that when analyzing account schedules, you can only filter the amounts based on global dimensions. But if you use analysis views as a source, then you can filter on any of the four dimensions selected on the analysis view card. Those dimensions can be global dimensions, shortcut dimensions, or any other dimensions. To use analysis views as a source for account schedules, perform the following steps:

1. Navigate to Departments/Financial Management/General Ledger/ Analysis & Reporting/Account Schedules.

2. Locate the REVENUE account schedule. Notice that an analysis view is selected in the **Analysis View Name** field. This is what makes it possible to use the analysis view as a source for the account schedule.

3. Click on the **Overview** option found on the ribbon bar. The **Acc. Schedule Overview** page opens. Notice that you can now filter any of the three dimensions that were set up on the analysis view. Select different values on those fields to see the results.

Business Intelligence with Excel and PowerPivot

With Dynamics NAV we can easily create our own report in Microsoft Excel using **BI** (**Business Intelligence**) tools. Let's create a report to analyze the total sales and profits, grouped per customer or per item:

1. Open Excel. On the **PowerPivot** tab, click the **PowerPivot Window** option.

2. A new page opens. Navigate to **From database | SQL database**. Write the server and database name of your Dynamics NAV. Click on **Next**.

3. Choose the **Select in the table and views list to choose data to import** option.

4. From the table and views list, select the following tables:

Table Name	Comments
CRONUS International Ltd_$Value Entry	Click on **Preview & Filters**. Filter the **Item Ledg. Entry Type** field to only show lines with the value 1.
CRONUS International Ltd_$Item	
CRONUS International Ltd_$Customer	

5. Click on **Finish**. Then click on **Close**. Close the PowerPivot window to go back to the Excel sheet.

6. Now that we have selected the data source, let's create a Pivot table. To do so click on the **Pivot table** option of Excel. Select **New Sheet** and click on **OK**.

7. On the PowerPivot fields list, select the fields as shown in the following screenshot. If the message **A relation may be needed** appears, click on **Create**.

The power pivot table will show the sales grouped by customer and item, as shown in the following screenshot:

Now, we can use the pivot table options and add more fields on the rows, filters, segmentation, and so on.

Once we create our Excel file, we can save it and open it again later. We will have to refresh the PowerPivot source to get the latest data, but we will not have to create the report all over again.

> Using PowerPivot, the source of data is always Dynamics NAV. Data does not get copied from the database to Excel, so no duplication exists.

Summary

In this chapter, we have learned what dimensions are and we have seen that they are a tool to tag all our ledger entries. This allows you to analyze the data saved in the system in a manner that is useful to your company. We have learned to analyze data on screen, using filters, flowfilters, and displaying charts. We have also learned about reports, an out of the box way of analyzing data. Account Schedules are a tool that helps us analyze data from the ledger entry, so do Analysis Views. The last are also useful to analyze financials grouped by dimensions. Finally, we saw how to link Excel with our Dynamics NAV database to be able to use the Business Intelligence tools included in Excel.

In the next chapter we are going to take a look at different foretelling tools included in Dynamics NAV, such as budgets or cash flow foretelling.

5

Foretelling – Budgeting and Cash Flow Management

Accounting rules are based on *faits accomplis* but companies need to anticipate and predict events. Dynamics NAV offers some tools that can help to accomplish this:

- Budgets are used to plan costs, revenues, and resources and can be used to set up goals and measure performance of the different areas inside a company.

- The cash flow management functionality helps companies to predict future cash needs and this is vital for a company to be able to meet its financial commitments.

Budgets

Budgets are an overview of planned costs, revenues, and resources over a specified period of time. Dynamics NAV allows you to create budgets for fixed assets, items, sales and purchases, and projects. But we are going to focus on general ledger budgets in this section.

With the General Ledger Budget feature you can create multiple budgets for the same time periods, simple or complex budgets by selecting combinations of G/L accounts, periods, and dimensions. You can also copy budgets from previous periods, or create your budgets outside the application, with Excel, and then import them into Dynamics NAV.

Creating budgets

Let's create a new budget for the first quarter of 2014. Perform the following steps:

1. In the search box, type `G/L Budgets`, and select the related link.

2. In the **G/L Budgets** page, click on **New** on the ribbon bar. Create a new budget with the values shown in the following screenshot:

Name	Description	Budget Dimension 1 Code	Budget Dimension 2 Code	Budget Dimension 3 Code	Budget Dimension 4 Code	Blocked
2014Q1	2014 budget - Q1	CUSTOMERGROUP	AREA			☐

3. Click on the **Edit Budget** option found on the ribbon bar.

4. On the **View by** field, select **Month**.

5. On the **Data Filter** field, write `01/01/14..31/03/14`.

6. We are going to enter the sales budget for the `'SMALL'` customers from the Europe South area, so add these dimensions as filters.

7. On the **Budget Matrix** tab, type in the budget amounts for each period, as shown in the following screenshot:

> When you type in the amounts in the **Budget Matrix** tab, the system creates G/L Budget Entries with the given information. You can see them by double-clicking on the **Budgeted Amount** field for account number 6110.

8. Leave the **Customergroup Filter** field empty. Then double-click on the **Budgeted Amount** field for the account 6120.

9. On the **G/L Budget Entries** page, create the following lines:

G/L Budget Entries ▾

Show results:

✖ Where   Budget Name   ▾ is   2014Q1

✖ And   G/L Account No.   ▾ is   6120

✖ And   GetCaptionClass(2)   ▾ is   30

✖ And   Date   ▾ is   01/01/14..31/03/14

Budget Name	Date	G/L Account No.	Description	Customergroup Code	Area Code	Amount	Entry No.
2014Q1	01/01/2014	6120		MEDIUM	50	-10.000,00	1023
2014Q1	01/01/2014	6120		LARGE	50	-21.000,00	1026
2014Q1	01/02/2014	6120		MEDIUM	50	-12.000,00	1024
2014Q1	01/02/2014	6120		LARGE	50	-23.000,00	1027
2014Q1	01/03/2014	6120		MEDIUM	50	-14.000,00	1025
2014Q1	01/03/2014	6120		LARGE	50	-25.000,00	1028

10. Back at the budget page, you will see that the created lines are summarized in the corresponding periods.

So far we have created the budget for the sales of retail concept for the Europe South region (the area coded 50). We have done it by manually typing the budgeted amounts.

In the following steps we are going to create the budget amounts for the Europe North region (the area coded `30`) by copying the amounts from the real sales of the same period of year 2013. Perform the following steps:

1. Remove the filter from the **Area Filter** field.

2. Click on the **Copy Budget** option from the ribbon bar. To run the Copy G/L Budget job, select the following options as shown in the following screenshot:
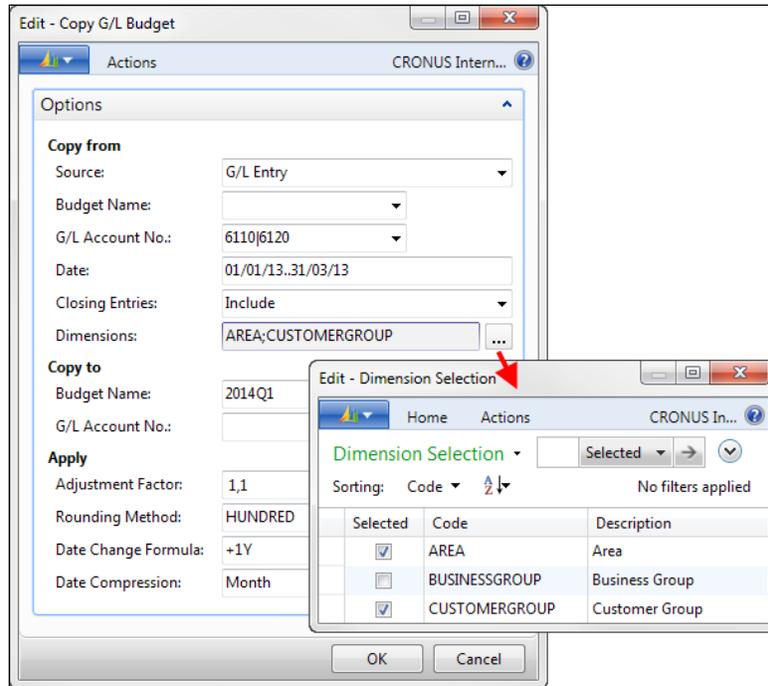
3. We have filtered the **G/L Account No.** field to only include the two accounts we were working on. In the **Date** field we have selected the same period from the previous year. Therefore, in the **Data Change Formula** we need to tell the system to add one year to the dates. We are creating budgets for the CUSTOMERGROUP and AREA dimensions, so we have selected them in the **Dimensions** field.

4. Finally, we want to apply a 10% of sales increment, so we choose `1.1` AS **Adjustment Factor**. We choose to compress movements on a monthly basis and to round amounts to hundreds.

5. Click on **OK**. The system will create new budget entries based on real general ledger entries from previous periods.

We have already created the budget for two different Areas. For the rest of the Areas we are going to create an Excel template and ask the area director to fill in the budget for us. Then we are going to import the Excel sheets to complete our budget.

1. Click on the **Export to Excel** option from the ribbon bar. Run the report with the following options:

Field	Value
Start Date	01/01/2014
No. of Periods	3
Period Length	1M
Column Dimensions	AREA;CUSTOMERGROUP
G/L Account No.	6130

2. The director of the America area has filled in the following Excel sheet:

	A	B	C	D	E	F	G
1	Export Filters						
2	Budget Name	2014Q1					
3							
4	G/L Account No.	Name	Area Code	Customergroup Code	01/01/2014	01/02/2014	01/03/2014
5	6130	Sales, Retail - Export	60	SMALL	-8000	-8500	-9000
6	6130	Sales, Retail - Export	60	MEDIUM	-16000	-16500	-17000
7	6130	Sales, Retail - Export	60	LARGE	-32000	-32500	-33000

3. On the budget page, select the **Import from Excel** option from the ribbon bar and select the Excel file.

4. Select **Add entries** on the **Option** field and click on **OK**.

5. The system will create new budget entries based on the amounts introduced in the Excel template.

Using budgets

You have already seen three methods to create budgets. Now we are going to see when budgets can be used. Budgets are mainly to compare reality versus budgeted amounts to measure performance. Budget entries can be also used as a source for cash flow management. This will be explained in the next section.

The `Trial Balance/Budget` report, found under `Departments/Financial Management/General Ledger/Reports/Financial Statement,` compares the balance of each account in the charts of accounts with its budgeted amount for a given period.

You can also use budgets on Account Schedules to measure performance in an aggregate way. In the Column Layout definition, in the field **Ledger Entry type**, you can select the `Budget Entries` value to base the calculation on budget entries. To see an example, navigate to `Departments/Financial Management/Setup/General/ Column Layouts` and analyze the definition of the `ACT/BUD` column layout.

Cash flow management

Understanding the flow of incoming and outstanding cash is vital for any company. We need to know if we will have enough money to pay creditors and expenses when they are due. This is actually what the cash flow management functionality will tell us. We will see how in this section.

The cash flow management functionalities analyze several sources of information to be able to predict cash needs. The sources that this functionality uses are

- **General Ledger**: This uses information about the liquid funds and also about the budgets we have seen on the previous section.
- **Purchases**: This uses information about the current payables and also forecasted information taken from open purchase orders.
- **Sales**: This uses information about the current receivables and also forecasted information taken from open sales orders.
- **Service**: This uses information about open service orders.
- **Fixed Assets**: This uses information about planned disposal and budgeted purchases of fixed assets.
- **Manual revenues and expenses**: This can also use information that we can set up manually such as salaries, interest on credits, private consumptions, and so on.

Let's see how it works by creating a cash flow forecast:

1. Navigate to `Departments/Financial Management/Cash Flow/Cash Flow Forecasts.`
2. Click on **New** to create a new cash flow forecast.
3. Press the *Enter* key. The system will give a **No.** to the new forecast.
4. Enter the information shown in the following screenshot:

5. Close the cash flow forecast card.

We have created a forecast and we have set up basic information about it. The next step is to obtain cash information from the system and bring it to our forecast. To do so, perform the following steps:

1. Navigate to `Departments/Financial Management/Cash Flow` and then to `Cash Flow Worksheet`.

2. Click on **Suggest Worksheet Lines**.

3. On the **Cash Flow Forecast** field select the forecast you have just created.

4. Specify which sources you want to take information from, to do your cash flow prediction. For example, we have selected all of the available sources:

5. Click on **OK**. The system will look at all the specified sources and will create lines on the Cash Flow Worksheet. On those lines you will see the **Source Type**, the **Source No.**, the **Cash Flow Date**, and the **Amount** in local currency.

6. You can modify the suggested lines, delete them, or create new ones. This will allow you to adjust the suggestion in order to have a better forecast.

7. Click on **Register**.

At this point we have created our cash flow forecast and we have brought to it all the information about incoming and outgoing cash movements. Now it's time to analyze all this information to be able to detect any liquidity problem.

Open the cash flow forecast card and click on **CF Availability by Periods**. In this window, which is shown in the following screenshot, we can observe a liquidity problem for week 3. The liquidity problem will be over on the fourth week. We could reschedule some of the purchase orders or negotiate a longer payment term with our vendors, for instance.

By double-clicking on the Purchase Order value for week 3, we will see which Purchase Orders are due this week. Actually, there is only one Purchase Order, which is due 13/01/2014. We have talked to our vendor and we have agreed to move the payment date to the 21/01/2014. After updating the payment information on the purchase order, we have suggested and registered new lines for the forecast on the cash flow worksheet. As we can see on the **CF Availability by Periods** window now, the cash problem doesn't exist anymore.

Creating manual expenses and revenues

Manual expenses and revenues can be created to complete the cash information that will be used to analyze the evolution of the company's liquidity. There is a lot of cash information that is already in the system (such as receivables and payables), but there is much other cash information that is not in the system and that we will have to input manually.

To create a cash flow manual expense perform the following steps:

1. Navigate to `Departments/Financial Management/Cash Flow` and click on **Cash Flow Manual Expenses**.

2. Click on the **New** icon and create a new manual expense with the information shown in the following screenshot:

Code	Cash Flow Account No.	Description	Starting Date	Ending Date	Recurring Frequency	Amount
SALARIES	1030	Salaries	01/01/2014	31/12/2014	1M	200.000,00

This is a manual expense of `200.000` every month from `01/01/2014` to `31/12/2014`. From now on, this expense will be taken into account when suggesting worksheet lines for our forecasts.

Manual revenues are created in a similar way at `Departments/Financial Management/Cash Flow/Cash Flow Manual Revenues`.

Cash flow management setup

The cash flow management functionality uses its own chart of accounts: the **Chart of Cash Flow Accounts**. You can define the chart of accounts you need. For those cash flow accounts that will get its information from the general ledger or from the budget, you will have to specify a **G/L Account Filter** and the type of **G/L Integration** (Balance, Budget, or Both).

No.	Name	Account Type	Totaling	Amount	G/L Account Filter	G/L Integration	Source Type
1000	**Cash disbursement**	Begin-Total		0,00			
1010	Payables	Entry		-413.227,99			Payables
1020	Open Purchase Orders	Entry		-519.641,32			Purchase Orders
1030	Personnel costs	Entry		-1.560.000,00			Cash Flow Manual Expense
1040	Running costs	Entry		-900.000,00			Cash Flow Manual Expense
1050	Finance Costs	Entry		-180.000,00			Cash Flow Manual Expense
1060	Building Occupancy Costs	Entry		-440,00	8110..8130	Budget	G/L Budget
1070	Investments	Entry		0,00			Fixed Assets Budget
1080	Encashment of Bills	Entry		0,00			Cash Flow Manual Expense
1090	Private Consumptions	Entry		0,00			Cash Flow Manual Expense
1100	VAT Due	Entry		0,00			Cash Flow Manual Expense
1110	Other expenses	Entry		-180,00	8410..8430|8450	Budget	G/L Budget
1999	**Total of Cash Disbursements**	End-Total	1000..1999	-3.573.489,31			
2000	**Total of Surplus**	End-Total	0002..2000	1.452.335,70			
2100	CashFlow Funds	Entry		256.196,96	2910..2940	Balance	Liquid Funds
9999	**Total Cash Flow**	End-Total	0001..9999	1.708.532,66			

Once the chart of cash flow accounts is complete, we will have to complete the setup by navigating to `Departments/Financial Management/Cash Flow/Cash Flow Setup` and defining the cash flow account where the suggested lines will be posted from the different areas. In the following screenshot you can see which information you will have to provide:

Cash Flow Setup

General

Receivables CF Account No.:	0010	Purch. Order CF Account No.:	1020
Payables CF Account No.:	1010	FA Budget CF Account No.:	1070
Sales Order CF Account No.:	0020	FA Disposal CF Account No.:	0050
Service CF Account No.:	0080		

Numbering

Cash Flow Forecast No. Series:	CASHFLOW

Summary

In this chapter we have seen the tools that can help companies in the task of predicting and anticipating financial events. We have learned to create new budgets using different sources of information. You can manually introduce budgeted amounts, copy them from real general ledger entries with an adjustment factor, or import them from Excel. We have also learned how to predict cash needs analyzing several sources of information, such as liquid funds, receivables and payables, outstanding orders, or budgets.

So far, we came across sales and purchases, bank account management, and different accounting processes. In Dynamics NAV everything leads to accounting, but most of the operations inside the Financial Management area can be done with little accountancy knowledge. In the next chapter we are going to learn the setup options that allow this to happen.

6

Financial Management Setup

In Dynamics NAV everything leads to accounting, but as we have seen in the previous chapters most of the operations inside the Financial Management area can be done with a little accountancy knowledge. In this chapter, we are going to learn the setup options that allow this to happen.

The topics that are going to be covered in this chapter are as follows:

- Posting groups
- Dimensions
- Number series
- General setup

Understanding posting groups

Posting groups are the linking bridge between the G/L accounts and the accounts used on all the application areas, such as items, customers, vendors, or fixed assets. Posting groups are used to tell the system which accounts to use for each transaction. There are three main types of posting groups:

- **Specific posting groups**: These are used to link the subsidiary ledgers (namely the vendor ledger entries) to the general ledger. They are used to specify the Balance sheet accounts.

- **General posting groups**: Typically these are used to specify the Income statement accounts that should be used in transactions. They are used to specify to whom and what we sell or buy.

- **VAT posting groups**: You use them to specify the VAT rates, calculation types, and accounts.

Specific posting groups

Specific posting groups are mainly used to tell the system which balance sheet account to use for each subsidiary ledger. For example, the sum of balances of all customers must be equal to the balances of the accounts receivable in the balance sheet.
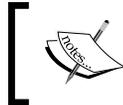
> To avoid differences between general and subsidiary ledgers, the balance accounts used in posting groups are usually set up so that they do not allow direct posting.

In Dynamics NAV you can find the following specific posting groups:

Posting Group Name	Description
Customer posting group	This specifies the accounts for transaction such as receivables, payment discounts, roundings, and interest and fees that relate to customers.
Vendor posting group	This maps the payable accounts, payment discount amounts, rounding accounts, and interest and fee accounts that relate to vendors.
Inventory posting group/ Inventory posting setup	This maps the inventory accounts, WIP accounts, and other accounts that relate to inventory.
	Inventory posting groups define the type of inventory, while accounts are specified in the Inventory posting setup page in combination with locations.
Bank Account posting group	This links a bank G/L account to a bank account.
Fixed Asset posting groups	This specifies the accounts used in FA transactions such as posting its acquisition costs, or depreciations.
Job posting groups	This maps the accounts used in transactions involving jobs.

To access each posting group, type its name in the Search box and select the corresponding link. The following screenshot shows the **Customer Posting Groups** defined in the Cronus International Ltd. demo company.

Code	Receivables Account	Service Charge Acc.	Payment Disc. Debit A...	Payment Disc. Credit ...	Interest Account	Additional Fee Account	Invoice Rounding Account	Debit Curr. Appln. Rndg. Acc.	Credit Curr. Appln. Rndg. Acc.	Debit Rounding Account	Credit Rounding Account	Payment Tolerance Debit Acc.	Payment Tolerance Credit Acc.
DOMESTIC	2310	6810	9250	9255	9120	9120	9140	9150	9150	9150	9150	9260	9270
EU	2320	6810	9250	9255	9120	9120	9140	9150	9150	9150	9150	9260	9270
FOREIGN	2320	6810	9250	9255	9120	9120	9140	9150	9150	9150	9150	9260	9270

As an example, when you post an invoice, and thus a customer ledger is created, the account specified in the **Receivables Account** field is used to post the corresponding amount in the general ledger.

Specific posting groups are assigned to their corresponding cards in fields that have the same names. In the customer card, for instance, you find a field called **Customer Posting Group** where you can assign each customer one of the defined posting groups. In the same manner you find the **Bank Acc. Posting Group** field in the bank account card, or the **FA Posting Group** field in the depreciation book lines of the FA card.

General posting groups

The main purpose for general posting groups is to bind subsidiary ledgers to income statement accounts. There are two different general posting groups:

- **General business posting group**: This specifies who are we selling to, and who are we buying from. You need to specify them on Customers, Vendors, and in some occasions to G/L Accounts.

> G/L Accounts require a business posting group if they are used in a transaction that requires VAT calculation.

- **General product posting group**: This specifies what is being sold or purchased. It is assigned to Items, Resources, G/L Accounts, and in Item charges.

As a general rule, create as many business groups as needed to analyze sales by customers or purchases by vendors. Also consider how many product groups are needed to analyze sales and purchases by products. As a rule, you create one General product posting groups per each major product group reflected in the chart of accounts.

Navigate to `Departments/Administration/Application Setup/Financial Management/Posting Groups` to access both posting groups.

Code	Description	Def. VAT Bus. Posting Group	Auto Insert Default
EU	Customers and vendors in EU	EU	☑
EXPORT	Other customers and vendors (not EU)	EXPORT	☑
INTERCOMP	Intercompany		☑
NATIONAL	Domestic customers and vendors	NATIONAL	☑

Code	Description	Def. VAT Prod. Posting Group	Auto Insert Default
MANUFACT	Capacities		☑
MISC	Miscellaneous with VAT	VAT25	☑
NO VAT	Miscellaneous without VAT	NO VAT	☑
RAW MAT	Raw Materials	VAT25	☑

So far we have defined groups, but we have not assigned them to G/L Accounts. It is the mix of a business and a product group that will define the account to be used. The following screenshot shows the **General Posting Setup** used in the CRONUS Company.

As an example, when you post an invoice with a customer in the EXPORT group and an item in the MANUFACT group, the account 6130 is used to post the corresponding amount in the general ledger, as specified in the **Sales Account** field.

VAT posting groups

VAT posting groups are used by the system to know how VAT is to be calculated and posted, depending on who buys the item or to who are we purchasing it, and what is sold or purchased. Just like the general posting groups, to define VAT you need to create

- VAT business posting groups that are assigned to customers and vendors
- VAT product posting groups that are assigned to items and resources
- Combinations of both are specified in the VAT Posting Setup page

The following screenshot shows the VAT posting setup for the NATIONAL VAT business group:

VAT Bus. Posting Group	VAT Prod. Posting Group	VAT Identifier	VAT %	VAT Calculation Type	Sales VAT Account	Purchase VAT Account	Reverse Chrg. VAT Acc.	EU Service
NATIONAL	NO VAT	NO VAT	0	Normal VAT	5610	5630		☐
NATIONAL	VAT10	VAT10	10	Normal VAT	5611	5631		☐
NATIONAL	VAT25	VAT25	25	Normal VAT	5610	5630		☐

For each combination you need to specify **VAT %**, **VAT Calculation Type**, and the general ledger accounts to use on sales and purchases. The accounts to use for unrealized VAT or to adjust VAT for payment discounts can be specified in additional fields.

You can select one of the following options for **VAT Calculation Type**:

- **Normal**: This option is used to calculate VAT.
- **Reverse Charge**: We use this option when doing business with other countries in the European Union where the purchaser must calculate and settle the VAT accounts with the tax authorities.
- **Full VAT**: This option is used when the entire amount is considered VAT.
- **No Taxable VAT**: When this option is selected, the system does not generate any VAT ledger entry. It is useful for concepts that are not subject to VAT.
- **Sales Tax**: This option is used only if the program has to calculate U.S. Sales Tax instead of VAT.

Setting up dimensions

In *Chapter 4*, *Reporting and Business Intelligence*, we learned about dimensions and how they can help to analyze the data registered into the system. To create dimensions, and dimensions values, we perform the following steps:

1. Navigate to `Administration/Dimensions` and click on **New**.
2. Give the new dimension a code such as `ITEMTYPE`.
3. Click on **Dimension Values** and create the following values:

Code	Name	Dimension Value Type	Totaling
00 CYCLING	**CYCLING**	Total	00*
00.01	Cicles	Standard	
00.02	Accessories	Standard	
01 FURNITURE	**FURNITURE**	Total	01*
01.01	Tables	Standard	
01.02	Chairs	Standard	

> You can create new dimension values on existing dimensions at any time.

Once the dimension is created, we have to tell the system if it is going to be used as a global dimension or as a shortcut dimension. This can be done in the General Ledger Setup window.

1. Navigate to `Departments/Financial Management/Setup/General Ledger Setup`.

2. In the **Dimensions** tab, select the ITEMTYPE dimension in the **Shortcut Dimension 7 code** field.

> **Change Global dimensions**
>
> Once the global dimensions are assigned, you can change them by using the **Change Global Dimensions** job found on the ribbon bar.

Number series

In Dynamics NAV every document, transaction, or card (such as the customer or vendor card) must have a unique identification number by which it can be organized and tracked. To let the system help you with this, you can set up number series using these steps:

1. Navigate to Departments/Administration/Application Setup/General/ No. Series.

2. Click on **New**. Give the new number series a **Code** such as MYCUST and a **Description** such as My Customers.

3. Check the **Default Nos.** field and the **Manual Nos.** field. This way, with the number series you can either use automatic or manual numbering.

> If you need to check that numbers are assigned chronologically, check the **Date Order** field.

4. Click the Lines option from the ribbon bar, and create the following line:

Starting Date	Starting No.	Ending No.	Last Date Used	Last No. Used	Warning No.	Increment-by No.	Open
	CUST00001	CUST99999			CUST99900	1	✓

> If you need to use a new number every month or every year, create as many lines as needed, indicating the **Starting Date** on each of them.

5. To tell the system to use this new number series when creating new customers, navigate to `Departments/Financial Management/ Receivables/Setup/Sales & Receivables Setup`.

6. On the **numbering** tab, select the `MYCUST` series in the **Customer Nos.** field.

7. Create a new customer, to check that the new series is being used.

Most setup pages contain a tab called **numbering** where you can tell the system which series to use on each document, card, or transaction.

Number series can also be assigned to journal batches, so that a correlative number is assigned every time you create or post new lines. The image below shows the batches of the general journal. To assign a number when creating the new journal lines, select a series in the **No. Series** field. If you select a series in the **Posting No. Series**, the number will be assigned when posting the transaction, not when creating the line.

Name	Description	Bal. Account Type	Bal. Account No.	No. Series	Posting No. Series	Reason Code	Copy VAT Setu...	Allow VAT Diff...
CASH	Cash receipts and payments	G/L Account	2910	GJNL-GEN			☑	☐
DEFAULT	Default Journal Batch	G/L Account		GJNL-GEN			☑	☐

General setup

Every Dynamics NAV functional area has its own setup options that will determine the behavior of the application on that area. We will take a look at the setup of the functional areas we have seen in this book: General ledger, Sales, Purchases, and Inventory.

Most of the available setup options can be found at the following path: `Departments/Administration/Application Setup/Financial Management/ Finance`, and choose among the different setups available.

The **General Ledger Setup** is shown in the following screenshot:
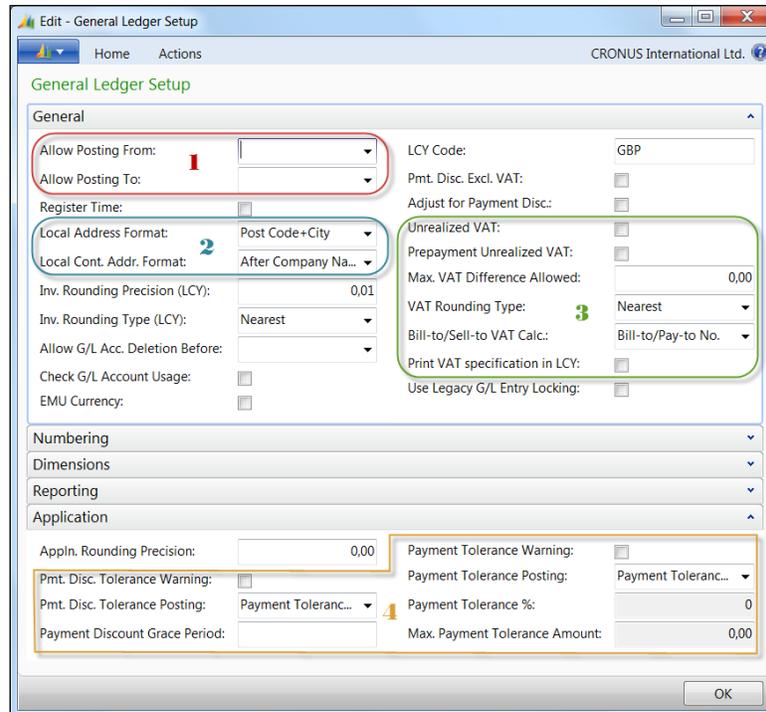
The general ledger setup allows you to determine general behaviors that will be used through the whole application. As an example, we have identified four setup groups:

- **Allowed posting dates**: We have explained the usage of this setup in *Chapter 3*, *Accounting Processes*.

- **Address format**: Different countries write the information of addresses in different orders. Here you specify how addresses will be written on printed documents such as invoices.

- **VAT setup**: With those options, you can determine different VAT calculation behaviors such as its rounding.

- **Payment tolerance**: If you have an invoice with an amount of 1001,53 and you receive a payment of 1000, you may consider that the invoice has been paid. If you don't want that amount of 1,53 to be forever pending, payment tolerance should be set up.

There are other setup options on the general ledger. On the **Dimensions** fast-tab the general dimensions are established and on the **Numbering** fast-tab you specify which number series will be used for banks.

The **Sales & Receivables Setup** and the **Purchases & Payables Setup** are very similar and you can use them to specify:

- The numbering to be used for the master data (customer and vendors) and for the different documents
- How to post discounts to the general ledger: together with the invoice amount or separately to be able to see the discounts on the general ledger
- The default posting date and default quantities to post on documents
- Whether external document numbers are mandatory

The **Inventory Setup** can be found by navigating to `Departments/Administration/ Application Setup/Warehouse/Inventory` and can be used to specify:

- The numbering to be used for the master data (items) and for the different warehouse specific documents
- Whether item costs should automatically posted to the general ledger or not
- How to calculate item's average cost

Summary

In this chapter, we have seen what posting groups are and how they are used in the application to post multiple accounting transactions with no accounting knowledge needed. We have also seen other important setups such as the dimensions or the number series. All those configurations are vital for the application to work the way we want.

In the next chapter we will see brief explanations of other areas that can be managed in Dynamics NAV regarding financial management.

7
Other Financial Functionalities

The book is almost over. We have covered the most important aspects of financial management with Dynamics NAV. But the application has a lot more possibilities regarding accounting and financial management. In this chapter we will briefly explain all those other possibilities, which include:

- Currencies
- Intercompany postings
- Accounting implications of other areas
- XBRL

Currencies

Different countries use different currencies. The application can post transactions such as invoices or payments in different currencies and translate them into the local currency (LCY) according to the corresponding exchange rate.

Imagine your local currency is the Euro (EUR) and you sell your products or services to the United States of America, where the currency used is the Dollar (USD).

You would first assign USD currency to all the customers that do use this currency. You do so in the **Currency Code** field found on the **Foreign Trade** fast-tab of the customer card.

> Always leave the **Currency Code** field blank when using the local currency.

Then, you would input the correct exchange rate by navigating to `Departments/ Financial Management/Periodic Activities/Currency/Currencies,` selecting the appropriate currency, and clicking on **Exch. Rates**.

> Exchange rates have to be frequently updated in Dynamics NAV because they change constantly.

Now, if you do an invoice for this customer, you will see that USD currency is used. This means that prices and amounts will be in dollars, although you can always see the conversions to your local currency on all those fields that have the LCY acronym.

On the general ledger, amounts will always be shown in local currency. In other places, such as the posted invoice or the customer ledger entry, amounts will be shown both in local currency and in the used currency.

Currencies are available in the following application areas:

- Customers, vendors, and banks
- All the transactions that can be done with a customer, a vendor, or a bank, such as invoices, payments, and so on
- Definition of item sales and purchase prices
- Definition of resources, sales prices, and so on

Intercompany postings

Intercompany postings are useful when you manage multiple companies at the same time and those companies do transactions between them (a subsidiary company buys or sells products or services to another subsidiary company).

The intercompany functionality allows you to define the mapping between the items and chart of accounts of company A, and the items and chart of accounts of company B. When company A wants to buy items from company B, company A creates a purchase order and then sends it electronically to company B. In company B, a sales order is automatically created with the appropriate items or G/L accounts. This way, the information is introduced only once and carried to the corresponding companies in the corresponding way.

Intercompany postings include sales and purchase documents, but also general journal postings such as payments or other general ledger transactions.

Accounting implications of other areas

In this book we have seen the financial management of Dynamics NAV and also the accounting implication of the sales and the purchase areas have. Other functional areas such as Jobs, Service, Warehouse, or Manufacturing also have some kind of accounting implication that will be briefly explained in this section.

Jobs

The Job functional area is meant to manage projects and perform tasks such as configuring the job, scheduling resources, monitoring progress, and so on.

This area has two kinds of accounting implications:

- It can create sales invoices. The accounting implication of those sales invoices is the same as regular sales invoices.

- **WIP** (**Work in Process**) can be calculated and posted to the general ledger. Multiple WIP methods can be configured to calculate WIP for a specific job.

Service

The Service functional area is meant to manage post-sale services and maintain a record of customers.

Within this area, service invoices can be created and posted, which will end up in postings to the general ledger and in customer ledger entries that will have to be paid later on.

Warehouse

The Warehouse functional area is meant to manage all warehouse-related processes such as receiving items from vendors, stocking them into the warehouse, picking and sending items to customers, and performing the necessary internal item movements.

This area is all about items. Items have a cost that has to be posted to the general ledger in order to be able to know our inventory valuation. We have already talked about inventory valuation earlier in this book.

Manufacturing

The Manufacturing functional area is meant to manage and plan the transformation of inputs into finished goods.

This area has two kinds of accounting implications:

- It works with items, which have a cost that has to be posted to the general ledger in order to be able to know our inventory valuation. We have already talked about inventory valuation earlier on this book.

- WIP can be calculated and posted to the general ledger.

XBRL

XBRL (**eXtensible Business Reporting Language**) is a global standard for exchanging business information such as financial statements or other such information. Dynamics NAV can export financial data using the XBRL standard.

The idea is that someone who wants to get financial information from you would provide you a taxonomy (an XML document), which would contain one or more schemas with lines you should fill out. You would import this taxonomy into the program and fill out the schema or schemas by entering which account or accounts correspond to each line in the schema and other required information. Once it is filled out, you would export it from the application and send it to the requester.

Summary

In this chapter, we have learned about other possibilities of the financial management area of Dynamics NAV, such as the use of multiple currencies, the intercompany postings, the accounting implications of other areas, or the XBRL standard for reporting business information.

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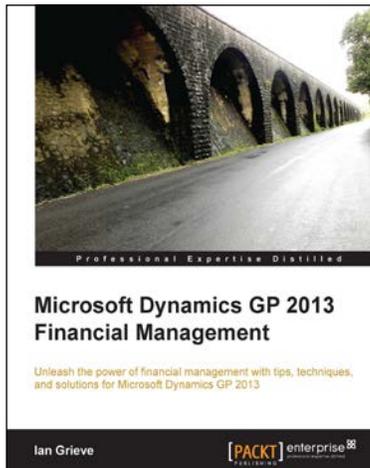
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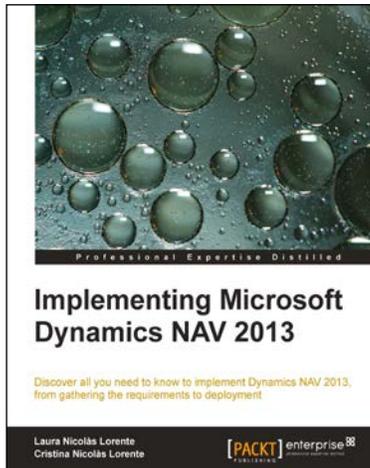
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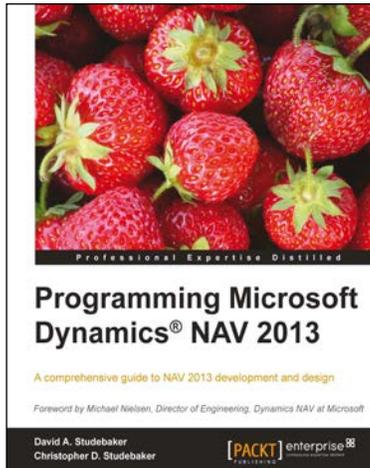
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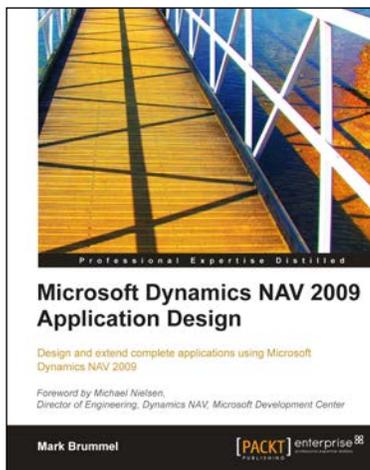
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