
LINKING PROJECT RELATED COSTS TO GENERAL LEDGER ACCOUNTS

SUMMARY

Linking components and/or formulas to General Ledger accounts allows a user to track expenses for specific items that need to be reported across all projects. For example, a user may wish to know how much they have spent in a financial year on Sales Commission. By linking all sales commission related components to a GL expense account or link the Sales Commission cost centre to a GL expense account you can then report on sales commission over any specific date period via one of several General Ledger reports.

There are two ways to link these costs. You can use 'component links', 'cost centre links' or both links in tandem to achieve the results we are after.

To successfully create these links we will need to;

- Firstly decide which links you will require. 'Component' or 'Cost Centre' links or both
- Create the required GL accounts to help us track our costs properly
- Link the required components or cost centres to the appropriate GL expense account
- Set all projects to use component or cost centre accounting links
- Set the same setting as a company default so all future projects will use the same links

Once transactions begin to be posted to the expense accounts, reports can be run against these against using a date range. For example, you may wish to know how much the company has spent on sales commission this financial year. You could simply run a G/L Account Movement report for the financial year on the sales commission expense account.

Try to remember when using these links that not all components or cost centres need to be linked to GL accounts. Only those you wish to report on need to be linked.

EXAMPLE

Component or Cost Centre links or both?

When it comes to the choice between linking cost centres and linking components, it is important to fully understand how all of the pieces fit together so you make the right decision for your business and most importantly, your results in the end are accurate ones. This is a complex subject a difficult to explain so I will keep it as simple as possible.

When using Cost Centre GL links only, every invoice detail line linked to a specific cost centre will be expended to the linked expense account. If the cost centre has no link, the costs will be posted to the default expense account. Only cost centres that you wish to report on require a cost centre link. When using cost centre GL links only, both 'S' and 'C' type transaction lines in invoices that have links will be posted to the appropriate linked expense account.

When using Component GL links only, only 'S' type transaction lines in invoices will be posted to the appropriate linked expense account. Any components not requiring separating for reporting purposes will not require a GL expense account linked which will then default to the projects default expense account.

When using both Cost Centre and Component GL links, the same rules as above apply except that **cost centre links will override component links**. With this in mind, it is imperative that you do not have any overlap of component and cost centre links if you wish for everything to post correctly to the right expense accounts.

Create expense accounts to track costs

When creating expense accounts to track specific costs, it is recommended to keep them under a 'cost of sales' related non-postable header in the chart of accounts so you still have the ability to track total project expenditures and report on them.

Example;

Expenses->

Cost of Sales ->

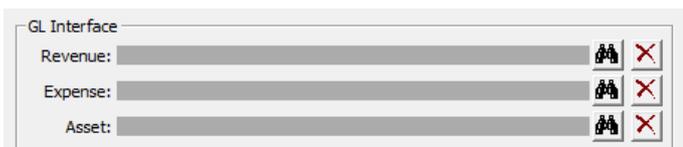
- Construction Materials (default project G/L account)
- Sales Commission
- Employee Wages
- Fees and Permits

In the above scenario, the default project account (Construction Materials) receives all project related transactions except for the transactions using cost centres or components containing GL links.

LINKING COMPONENTS AND/OR COST CENTRES TO EXPENSE ACCOUNTS

Components

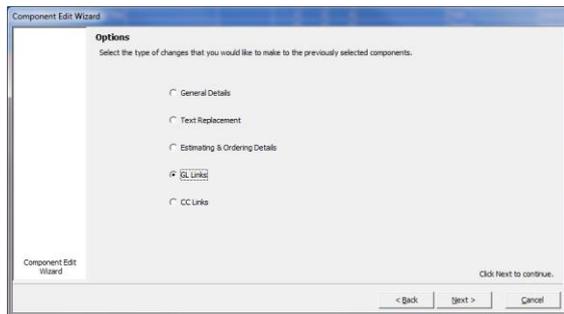
To link a GL account to a component, open the desired component. On the 'General' tab there is a section titled 'GL Interface'.



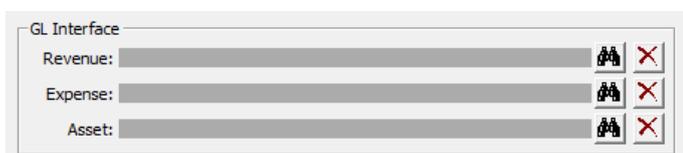
Using the lookup, navigate to the Chart of Accounts and select the expense account you wish to link the component to.

GL links can also be added to groups of components by using the Component Edit Wizard. To add a GL link to a group of components, open the component summary, filter and then highlight the

group of components you wish to set a GL link for. Once highlighted, click the 'Component Edit Wizard' button.



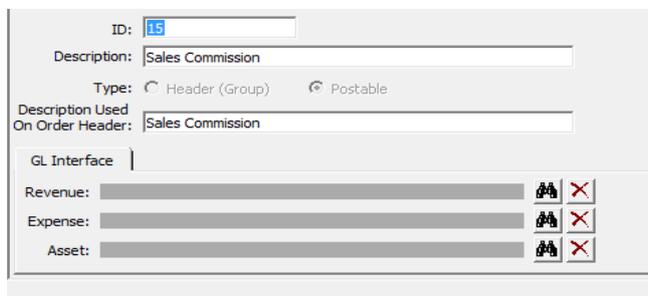
Select the option 'GL Links'. Click 'Next'.



Select the expense account using the lookup, then click 'next' and 'finish' and the selected links will be set to that group of components.

Cost Centres

To link certain cost centres to GL expense accounts, go to Estimating>Administration>Cost Centre Layout and open the required cost centre.



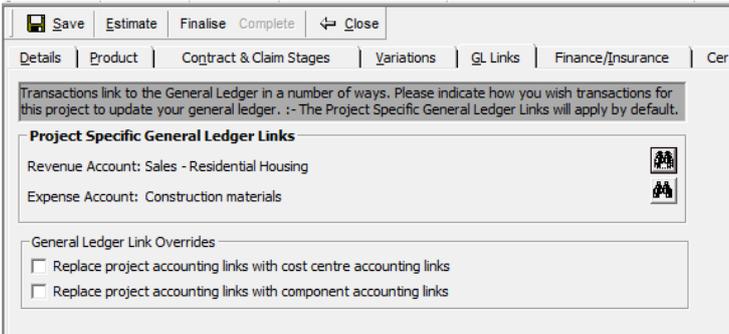
Using the lookup, select the required expense account from the Chart of Accounts.

Save and close and the required links will be set.

When setting links for components or cost centres, it is only transactions from this point on that will be affected. All previous transactions will retain their original links.

SET UP PROJECTS TO USE COMPONENT AND/OR COST CENTRE LINKS

Once your components or cost centres have GL links set, the required existing projects will also need to be set to use those links. To set a project, open the project to the 'Project Details' screen and navigate to the 'GL Links' tab.



On this tab, information such as the project default expense and revenue account will be displayed. These accounts are company set defaults which are inherited by the project when created. All transactions with no set GL links will be posted to these accounts.

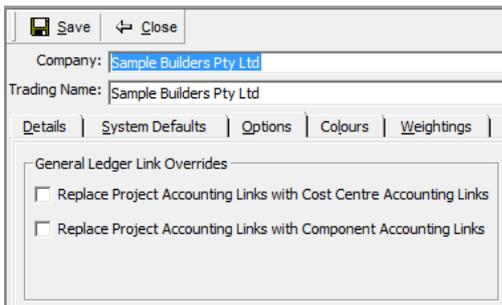
The two settings under 'General Ledger Link Overrides' allow you to set the project to use either Component, Cost Centre links or both.

All projects that you want to use these set GL links will need to be checked and saved.

Set project GL Links as company default

So you don't have to remember to set GL links on a project each time one is created, you can set the 'General Ledger Link Overrides' as default in your company settings.

Open your company and navigate to the 'Options' tab (System>Company Details>Options).



Once the required setting is set in this screen, each project that is created from this point on, will inherit these settings.

You are now ready to start creating AP invoices in Constructor and be sure that your General Ledger will provide you with the financial information you will be after down the track. It is always important to understand what information you wish to track during a financial period so you will know which items to set links on. Links are only applicable to future transactions and will not affect any previously existing transactions.