Microsoft Dynamics 365

Planning and Configuring Your Chart of Accounts Part 1: Main Accounts

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Objectives of this TechTalk

1. Introduce terminology for your chart of accounts in Dynamics 365 Finance.
2. Describe the recommended practices for configuring your main accounts.
3. Discuss and demonstrate how to create legal entity overrides.
4. Describe and create main account categories.

What it doesn't cover

1. Financial dimensions
2. Account structures or advanced rules
3. Calendars and the ledger

Agenda:

1. Terminology
2. Subledger Reporting
3. Main Accounts
4. Legal Entity Overrides
5. Main Account Categories
6. DO's and DON'Ts for Configuration
7. Checklist and Resources

Terminology

Chart of accounts	A list of main accounts that is not legal entity specific.
Main account	Used to record financial transactions, balances, or totals that pertain to assets, liabilities, revenues, expenses, and owner equity.
Financial dimension	A financial data classifier created from the parties, locations, products, and activities in an organization and used for management reporting.
Ledger account	A combination of a main account and financial dimension values to classify a financial transaction.
Ledger	Used to select the chart of accounts, account structures, fiscal calendar and currencies that will be used for the selected legal entity.

Terminology

General ledger (module)	A module in Dynamics 365 Finance that is used to define and manage the legal entity's financial records.
General ledger	A register of debit and credit entries. These entries are classified using the accounts that are listed in a chart of accounts.
Sub-ledger	A ledger containing a sub-set of ledger transactions that is centered on another item such as a customer, vendor, or item.
Journal	A group of transactions used to record an accounting event.
Voucher	A unique number assigned to each balanced transaction in a journal.

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Sub Ledger at a Glance

Sub ledgers store detailed information about transactions that is otherwise summarized in the general ledger

General Ledger Compared to Sub Ledger	
Set of master accounts	Intermediary set of accounts that are linked to the general ledger
Nature of the Ledger	
A single general ledger is maintained	Many sub ledgers are linked to the general ledger
Volume of Transactions	
Limited transaction volume in summarized format	Large volume of detailed reporting data

Financial Dimensions at a Glance

Types

- Custom
- Entity backed
  - Customer/Vendor
  - Items/Projects
- Organization units
  - Cost center
  - Business unit
  - Department

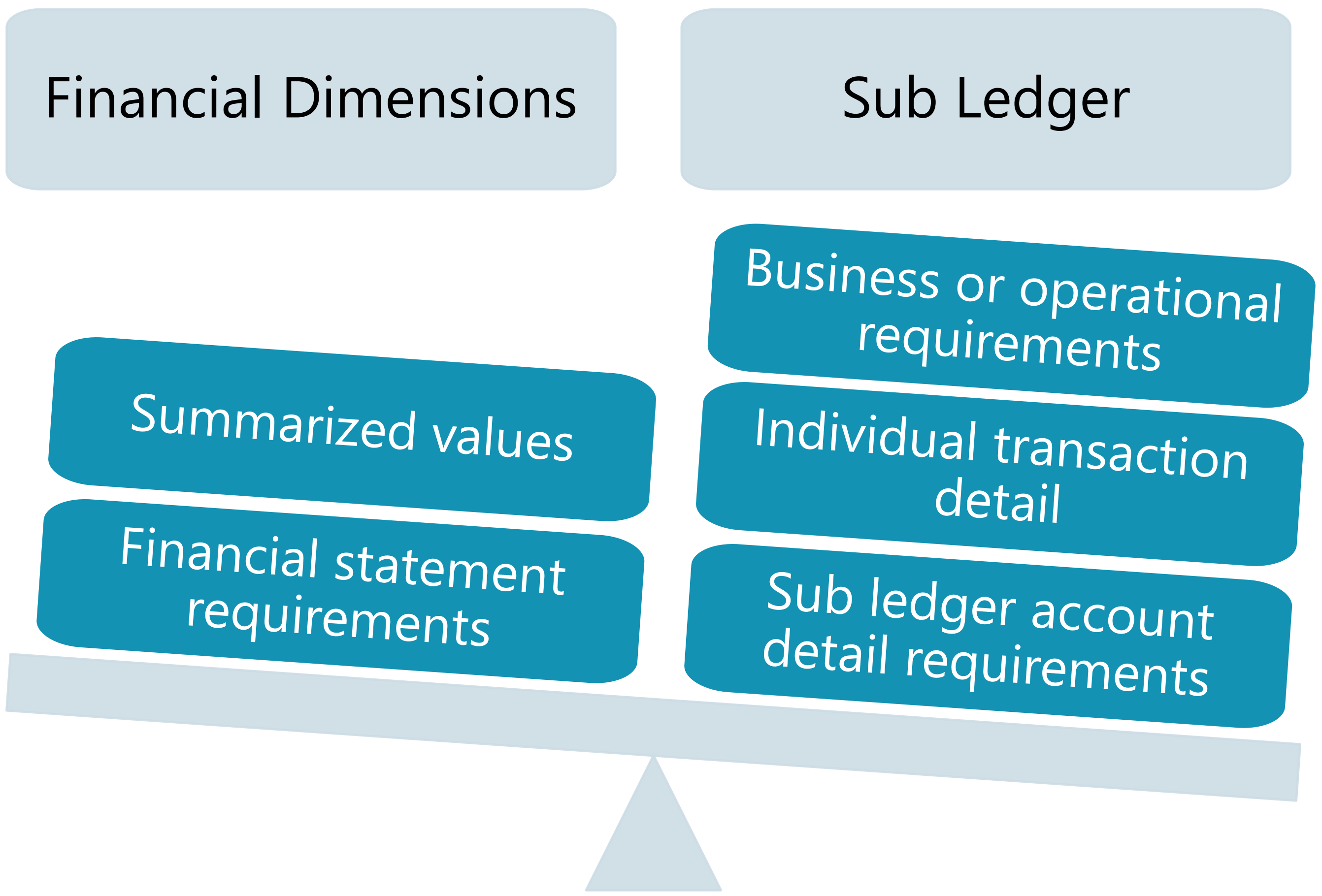
Behavior

- Custom values and some entity backed are shared across legal entities
- Legal entity overrides
- Must be activated
- Can be translated
- Limited ability to be deleted

Limitations

- Not designed for operational or business requirements
- Tax functionality is legal entity specific
- Not available in all reports
- Interunit accounting only addresses the accounting entries

When to use a sub-ledger instead of a financial dimension



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Main account numbering strategies

Length

- 3 is too few
- 4-6 is reasonable
- 7 is too many

Format

- Stick to numbers
- Try to avoid letters
- Use the account mask

Structure

- Consider using the Harvard Standard
- Document the structure
- Create templates for each account type or range

Main account configuration strategies

Sharing

- Always share when possible
- Define requirements for not sharing
- Manage exceptions

Managing Exceptions

- Use legal entity overrides
- Disable to remove access to accounts
- Use additional consolidation accounts

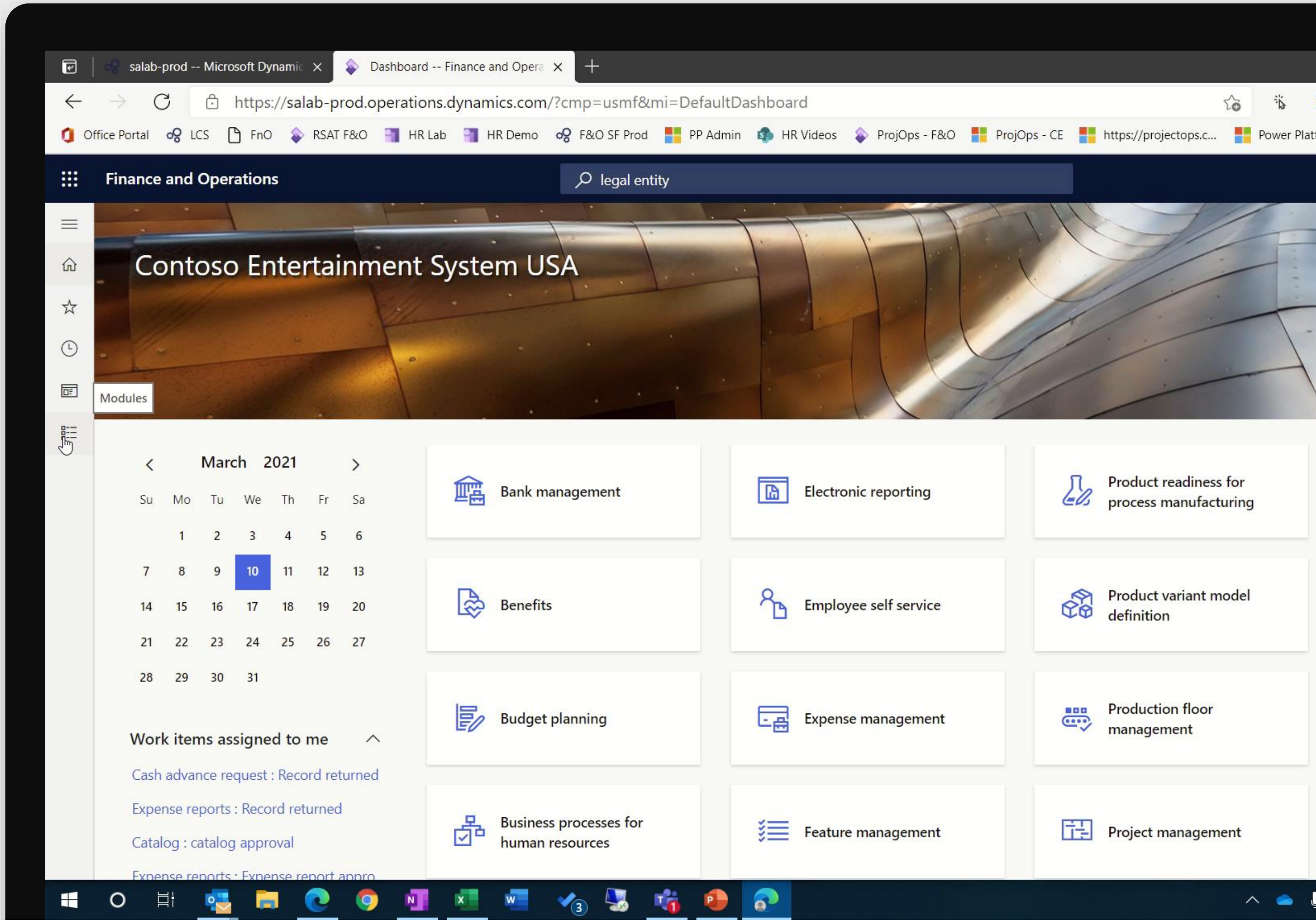
Governance

- Configure security for main account maintenance
- Use templates to create consistency
- Configure posting validation

Chart of accounts facts

- Each chart of accounts is a distinct list of main accounts
- Each legal entity can have one chart of accounts
- Cannot change the chart of accounts after transactions exist
- Can add new main accounts to existing chart of accounts
- Many legal entities can have the same chart of accounts

Sharing Main Accounts



The Chart of Accounts

1. Go to **General Ledger > Chart of accounts > Accounts > Chart of accounts**.
2. Click **New** to create a new chart.
3. Click **New** on the **Main accounts** FastTab to add a main account.

Ledger Configuration

1. Select the Legal entity you want to configure.
2. Go to **General ledger > Ledger setup > Ledger.**
3. Select the **Chart of accounts** for legal entity.

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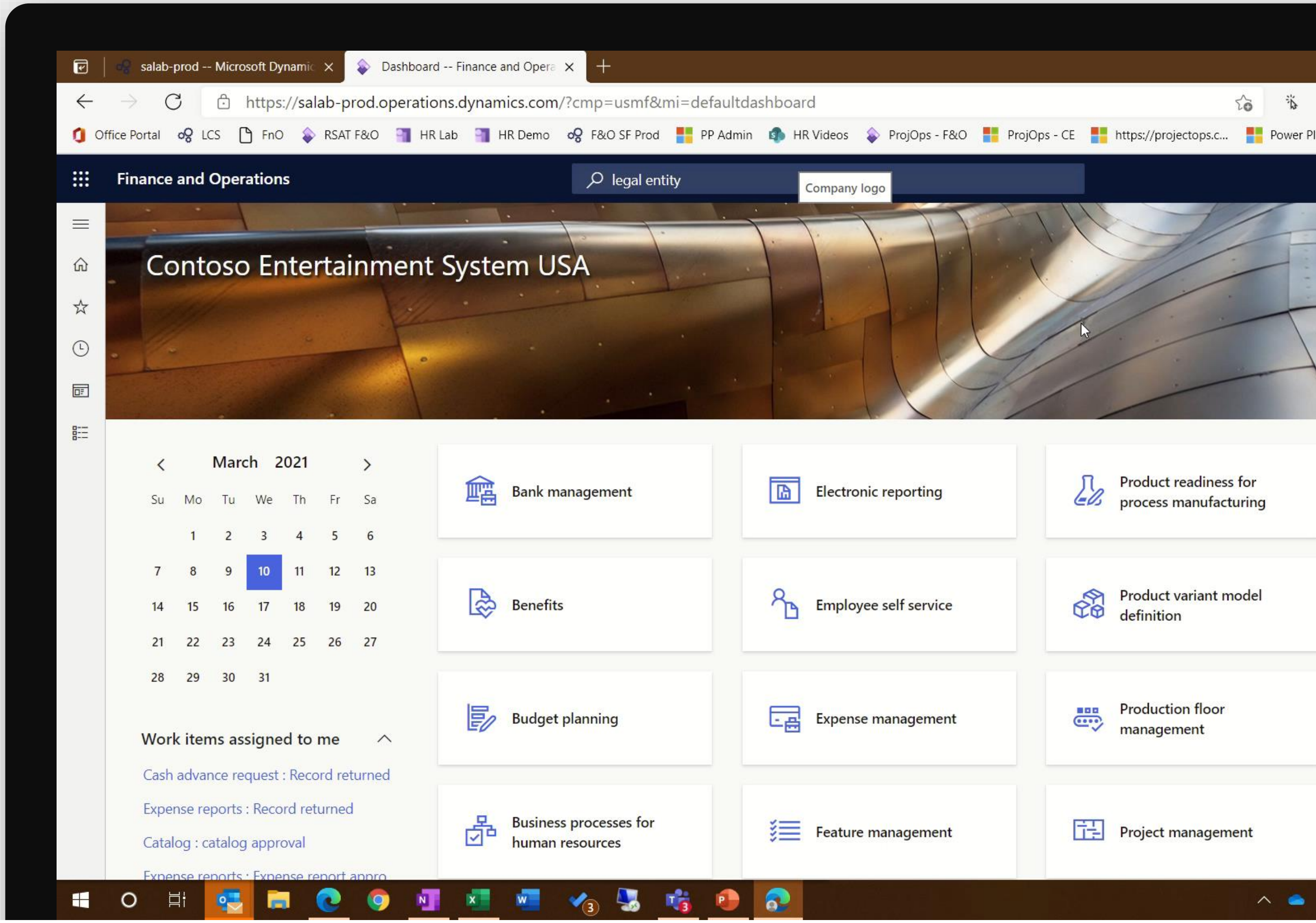
Types of legal entity override

Global or Legal Entity Specific	Legal Entity Specific
• Suspend • Active from/to • Exchange rate type • Reporting currency exchange rate type	• Default dimensions • Sales tax • Allocation • Allocation terms • Cash flow forecast

Define a Legal Entity Override



Main Account

1. Go to **General Ledger > Chart of accounts > Accounts > Main accounts**.
2. Select the main account.
3. Click **Add** on the **Legal entity overrides** FastTab.

Legal Entity Override

1. Select the **Legal entity** you want to configure.
2. Click **Add**.
3. Select options in the grid for the legal entity.
4. Configure additional options using the buttons if required.

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Main Account Categories

What
- Used for financial reporting
- Restricts main account types

Where
- Power BI Reports
- Financial reporting

Why
- Group similar accounts
- Reporting purposes

[Set up main account categories - Finance | Dynamics 365 | Microsoft Docs]

Main account category best practices

Use existing main accounts

Do not change the meaning when renaming main account categories

New categories must be manually added to reports

Update and test the Power BI reports after changing main account categories

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Tips for Designing your Chart of Accounts

- Design with flexibility
- Keep the design simple
- Define a singular meaning for dimensions
- Use consistent numbering
- Carefully consider alphanumeric values
- Leave room for growth
- Use ranges where possible
- Align dimensions and management structures
- Implement strong controls
- Review and revise regularly

DO's and DON'Ts for Main Accounts

DO

- ✓ Use a main account mask.
- ✓ Use the standard main account categories.
- ✓ Share the chart of accounts when possible.
- ✓ Manage exceptions with legal entity overrides.
- ✓ Use main account templates to create consistency.

DON'T

- × Make main account numbers too short or too long.
- × Make main account numbers that have different lengths.
- × Use alpha characters in main account numbers.
- × Change the meaning of standard main account categories.
- × Give excessive security for maintaining the chart of accounts.

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RECAP

Your checklist for the chart of accounts and ledger

Use and adjust this baseline checklist

- Create Main account templates
- Create Main account categories
- Create Exchange rate types
- Define Sales tax groups and Item sales tax groups
- Define Sales tax codes
- Define the Chart of accounts
- Create Main accounts
- Define Legal entity overrides on Main accounts
- Create Financial dimension
- Define values for financial dimensions
- Define default and fixed dimensions on main accounts
- Create Financial dimension sets
- Configure Financial dimensions sets to update periodically
- Create Financial dimension default templates
- Create Ledger account aliases

RECAP

Your checklist for the chart of accounts and ledger continued

Use and adjust this baseline checklist

- Create a Fiscal calendar
- Create an Organization hierarchy
- Create an Account structure
- Create a relationship from the Organization hierarchy to the Account structure
- Create an Advanced rule
- Activate Advanced rules
- Activate Account structures
- Configure the Ledger

Resources

[GENERAL LEDGER DOCS]

[FINANCE LEARNING CATALOG]

QUESTIONS

Dankie Faleminderit **Shukran** Chnorakaloutioun Hvala Blagodaria

Děkuji **Tak** Dank u Tänan Kiitos **Merci** Danke Ευχαριστώ A dank

Mahalo תודה. **Dhanyavād** Köszönöm Takk Terima kasih **Grazie** Grazzi

Thank you!

감사합니다 Paldies Choukrane Ačiū **Благодарам** ありがとうございました

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