

Cash Basis

Version 21.5.5.2

Countries: US and CA

Setup and User Manual

For Microsoft Dynamics 365 Business Central

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Description

SimCrest Cash Basis allows you to calculate your General Ledger using Accrual (earned) and Cash Basis Accounting principles (cash flow).

Features

- The Cash Basis App adds Cash Basis accounting to your General Ledger.
- Report Income Statement and Balance Sheet on Cash basis or Accrual Basis.
- Automatically handle overpayments and closing of the income statement on a Cash Basis.
- Cash Basis eliminates accounts receivables and payables and distributes revenue and expenses to all the relevant accounts in your income statement based on posted sales and purchase documents. Finance Charges and Reminders are also supported.
- General Journal entries can be excluded from a cash basis, so they only affect the accrual ledger.
- Cash Basis adjustments that only affect cash basis can be done through a cash adjustment journal.
- The Cash basis accounting year can be separate from the accrual accounting year.
- Cash Basis supports Financial reports and analysis views.

Cash Basis versus Accrual Basis Accounting

Cash Basis and Accrual Basis differ in the way they deal with the issue of when to recognize revenues and expenses.

Cash Basis

As its name implies, the Cash Basis focuses on the cash flow. Whenever Cash is collected, revenue is recognized as having been earned. A similar basis for recognizing expenses is used: whenever Cash is disbursed, the related expense is recognized as having been incurred.

Accrual Basis

On Accrual Basis, revenue is recognized as it is earned. A business enters a contractual agreement to exchange performance for consideration, culminating in cash receipt. When it completes that performance, it is entitled to receive that Cash; it has earned it as revenue. At that time, revenue is recognized. The recognition of direct expenses (cost of sales) follows similarly. The matching concept in accounting makes it imperative that we match all direct expenses against the revenue that they help to generate. Direct expenses then follow a similar pattern to that of revenue. The expense is recognized simultaneously when the revenue it relates to is recognized. Indirect expenses are recognized at the time the benefit is received. This recognition is independent of the actual payment. Cash is not the criteria for recognition.

Cash Basis App - General Overview

Cash Basis will find all payments, credits, and refunds made to customers and vendors and the corresponding documents that were applied to or from the payments or refunds. Whenever a document is found, the product will calculate the percentage that has been applied and the cash basis for each line.

- If an invoice has been underpaid, the cash basis for each line will decrease accordingly.

- If a payment or refund is not applied or only partially applied, the unapplied amounts will go to an "overpayment" account based on the Cash Basis Setup.

Cash Basis is posted as of the refund or payment posting date, as this is the cash income or outlay date. Whether invoices or credits are posted before or after the payment or refund date, the cash date is still the posting date of the payment or refund.

If an invoice and credit are applied to each other, outside of any payments or refunds, the cash posting date is based on the application date. For instance, an invoice is posted in January, and a credit memo is posted in February. If both entries are unapplied, there is no cash effect, as there is no cash transaction. When these entries are applied against each other, the application date is used as the cash posting date, and the cash income and outlay can now be recognized.

Posted sales, purchase, finance charges, and reminder documents will be processed on a cash basis to know where to post the applied payments and refunds. It can also post invoices, credit memos, finance charges, and reminders in G/L journals. In addition, Cash Basis does not allow posted documents to be deleted because it uses the documents to determine the cash amounts for the lines on the documents.

All G/L journals (except vendor invoices and credits and customer invoices, credit memos, finance charges, and reminders) are posted to the cash basis as of the G/L posting date unless the "Exclude in Cash" field is checked. If there are G/L entries that are made on the accrual side that should not be reflected on the cash basis, then the cash adjustment journal should be used to make the reversing entry on the cash basis only.

Cash Basis License

Cash Basis can be acquired as an App in the Extension Market Place inside Dynamics 365 Business Central. Just click Free trial to install and try out the solution. The trial will last 30 days, and a subscription can be purchased from SimCrest. See a later section on how to subscribe.

Setup of Cash Basis

There are a few steps needed to get Cash Basis to work.

Permissions

A permission set for Cash Basis is created when the extension is installed. It's called 'SIMCREST CASH BASIS'.

PERMISSION SET LOOKUP			simcrest cash basis	
ROLE ID	NAME	EXTENSION NAME		
SIMC CASH BASIS SETU	SimCrest Cash Basis Setup	Cash Basis		
SIMCREST CASH BASIS	SimCrest Cash Basis All	Cash Basis		

Assign this permission set to all users with access to Cash Basis. The Setup permission set should be given to all other users without access to Cash Basis.

Cash Basis Setup

You must set up Cash Basis to enter the necessary information for the solution.

Search for Cash Basis Setup in the search bar:

TELL ME WHAT YOU WANT TO DO

cash basis

Go to Pages and Tasks

Show all (5)

> Cash Basis Setup

Administration

> Cash Basis Ledger Entries

Lists

> Cash Basis Adjustment Journal

Lists

Click Cash Basis Setup, and the following page is shown:

Cash Basis Setup

Actions

Automate

General

Retained Earnings

30200

Ignore Before Date

Overpayment Account

10450

Do Not Delete Before Date

License

Expiration Date

10/27/2035

Licensed Company Name

CRONUS USA, Inc.

Trial Period

Here is a description of each field:

General tab

- **Retained Earnings**
The Retained Earnings account allows Cash Basis generated entries to close the prior year's income statement to Retained Earnings when the cash basis is calculated and the prior year is not yet closed.
- **Overpayment Account**
This account is used to post overpayments. Overpayments are payments made to sales or purchase documents received but not fully applied. For instance, if a customer pays \$1,000 on a \$600 invoice, they overpaid \$400, which will be a non-applied payment. This amount will be posted to the overpayment account for Cash.
- **Ignore Before Date**
This date is used to ignore all posted customer, Vendor, and adjustment ledger entries before this date. This date should usually be blank, but all mentioned entries before this date are ignored if specified. The date must be the starting date of a new cash accounting year.
- **Do Not Delete Before Date**
This field is used in conjunction with the Ignore Before Date field. Cash Basis will not delete Cash Entries before the Ignore Before Date if checked. Please note that using this option can cause the cash ledger to be incorrect.
Note: If this field is checked, the year preceding the cash year starting at the "Ignore Before Date" must be closed. If not, the cash year will never calculate closing cash entries because it's ignored.

License Tab

- **Expiration Date**
This date is the expiration date of the App. After the expiration date, Cash Basis will no longer be calculated. The solution will warn you 15 days in advance unless "Don't show subscription notifications" is checked.
- **Trial Period**
If checked, this is a trial version. All features can be used.
- **Licensed Company Name**
This name is the company name used to activate the license, and it should be the same as the company's name in the system. If the company name is not the same as this field and the Trial Period is unchecked, the E-Bank system will stop working.

Actions

- **Activate Subscription**
Starts the activation of Cash Basis. See the last section of this manual for more information.
- **Initialize License and Setup**
Creates a trial license and Cash Basis setup for new companies created after installing the Cash Basis App.

General Journal Batches

On the General Journal Batch setup, the column "Exclude In Cash" column is unchecked by default to ensure that the default is for GL journals to post the Accrual and also be picked up by the cash basis calculations. You can set up a batch or batches for Accrual only entries and checkmark this field. Any

journal entries posted in these batches will post to the Accrual only. You can always override this setting on the general journal lines if needed. See the next section.

The recurring general journal batches can also be set up similarly. Also, if you use the fixed asset module with integration to the GL, set up the FA GL Journal based on the exclude in cash logic to record FA GL entries.

GENERAL JOURNAL BATCHES + New								
NAME		DESCRIPTION	EX... IN CA...	BAL. ACCOUNT TYPE	BAL. ACCOUNT NO.	NO. SERIES	POSTING NO. SERIES	REASON CODE
DEFAULT	:	Default Journal Batch	<input type="checkbox"/>	G/L Account				
MONTHLY		Monthly Journal Entries	<input type="checkbox"/>	G/L Account	10100	GJNL-GEN		

General Journal Lines

You can also specify “Exclude in Cash” on each General Journal Line, making it simple to adjust for each entry made in the journal. The default value would be taken from the General Journal Batch.

POSTING DATE	DOCUME... TYPE	DOCUME... NO.	ACCOUNT TYPE	ACCOUNT NO.	ACCOUNT NAME	DESCRIPTION	TAX LIA...	TAX AREA CODE	TAX GROUP CODE	AMOUNT	EX... IN CA...
12/31/2016		43545	G/L Account	10800	Equipment	Equipment	<input type="checkbox"/>		NONTAXABLE	171.00	<input type="checkbox"/>
12/31/2016		43545	G/L Account	61500	Miscellaneous Expense	Miscellaneous Expense	<input type="checkbox"/>		NONTAXABLE	38.00	<input type="checkbox"/>
12/31/2016	:	43545	G/L Account	60400	Bank Charges and Fees	Bank Charges and Fees	<input type="checkbox"/>		NONTAXABLE	22.00	<input type="checkbox"/>

Setup Cash Accounting Years

Cash Accounting years can be set up separately from Fiscal Accounting years. Columns have been added to the Accounting Periods page for the Cash Year. Cash Basis supports a different fiscal year on Cash Basis than on Accrual Basis if needed. The buttons to create a new cash year and close a cash year can be found in the Actions tab of the ribbon.

Accounting Periods					
<div> Search + New Edit List Delete Process Report Open in Excel Actions Report Less options </div> <div> Inventory Period Create Year... Close Year Cash Create year Cash Close year </div>					
STARTING DATE	NAME	NEW FISCAL YEAR	NEW CASH YEAR	CASH CLOSED	
10/1/2017	October	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
11/1/2017	November	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
12/1/2017	December	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
1/1/2018	January	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2/1/2018	February	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3/1/2018	March	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
4/1/2018	April	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5/1/2018	May	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6/1/2018	June	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7/1/2018	July	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
8/1/2018	August	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
9/1/2018	September	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
10/1/2018	October	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
11/1/2018	November	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
12/1/2018	December	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
1/1/2019	January	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2/1/2019	February	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3/1/2019	March	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

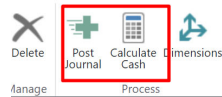
Setup Cash Basis to Ignore Past Transactions

Each time the calculate cash basis function runs, the system deletes the existing cash GL entries and recreates them. To setup, the system to ignore all transactions before a specified date, populate **Ignore Before Date** in **Cash Basis Setup**. When the Calculate Cash function is run, it will ignore all transactions before this date when creating Cash Ledger Entries.

Cash Basis Adjustment Journal and Ledger

In the Cash Adjustment Journal, adjusting the cash basis balance is possible. This adjustment is beneficial when the product is installed after entries have been made to the accrual system. The cash basis app may not work correctly in an old period (before installation). Thus, adjustments will be necessary to get the correct opening cash balance. Once the opening cash balance has been established, the only cash adjustments that should be needed are to reverse accrual journals that should not impact Cash or for Cash only adjustments.

The cash adjustment journal is like the G/L journal, where you will enter the G/L account, Posting Date, Document No., Amount, and Dimensions. Dimensions 1 and 2 are visible on the page, and all other dimensions are accessed via the Dimension button.



EDIT - CASH BASIS ADJUSTMENT JOURNAL

Batch Name

GENERAL

G/L ACCOUNT NO.	POSTING DATE	DOCUMENT NO.	DESCRIPTION	AMOUNT	DEPARTMENT CODE
65600	9/2/2019	OPEN	Open	1,000.00	ADM
13000	9/2/2019	OPEN	Open	1,500.00	

A page will appear to allow the selection of the dimension code and dimension values to be assigned to the cash journal line.

The following Actions are available:

- **Post Journal**
Posts the adjustment journal. All adjustments will post to the Cash Adjustment Ledger.
- **Calculate Cash**
Calculates the cash basis.

Cash Adjustment Ledger

Entry No.	G/L Account No.	Posting Date	Document No.	Description	Amount	Department Code	Project Code	User ID
19	65600	1/28/2016	G00001		20.00			SIMCREST\C/
20	65200	1/28/2016	G00001		-30.00			SIMCREST\C/
21	65200	1/28/2016	G00014	test	10.00			SIMCREST\C/
22	11200	1/28/2016	G00014	test	-5.00			SIMCREST\C/
23	11200	1/28/2016	G00014	test	-5.00			SIMCREST\C/
24	65200	1/28/2016	G00015		500.00			SIMCREST\C/
25	11200	1/28/2016	G00015		-500.00			SIMCREST\C/
26	65200	1/28/2016	G00016		20.00			SIMCREST\C/
27	11200	1/28/2016	G00016		-20.00			SIMCREST\C/

Cash Basis Adjustment Journal Batches

Each Cash Adjustment Journal is assigned to a batch.

CASH BASIS ADJUSTMENT JOURNAL BATCHES + New



NAME	DESCRIPTION	REASON CODE	NO. SERIES	ALLOW JNL. OUT OF BALANCE
GENERAL	General Batch			<input type="checkbox"/>

Here is an explanation of each field:

- Name
Name of the journal batch
- Description
Use to describe the journal batch
- Reason Code
A default reason code may also be assigned at the batch level.
- No. Series
A No. series can be assigned to the batch for auto assignment of a document number.
- Allow Jnl. Out of Balance
Cash adjustments sometimes must be out of balance, especially for opening balances. This field specifies if the journal can be out of balance.

Cash Adjustment Journals must be posted to the Cash Adjustment Ledger. View posted Cash Adjustment Journals in the Cash Adjustment Ledger. Posted cash adjustments cannot be deleted or edited but may be corrected with a correcting Cash Adjustment Journal.

Calculate Cash – Manually and Automatically

Before viewing the account's cash balance chart, the Calculate Cash action must be run to update the balances per the cash basis value. Cash Basis is not updated automatically upon postings.

Calculate Cash will do the following when it's run:

- Find all payments, credit memos, finance charges, reminders, and refunds in the customer ledger and all the sales documents that have been applied. Partial applications and overpayments are handled automatically.
- Find all payments, credit memos, and refunds in the vendor ledger and all the purchase documents that have been applied. Partial applications and overpayments are handled automatically.
- Find all General Ledger Entries not excluded from Cash and not closing entries and post them to the Cash ledger.
- Find all Cash Adjustments and post them to the cash ledger.
- Close all cash years that are marked as closed.

If "Ignore Before Date" is specified in the Cash Basis setup, all entries before this date will be ignored.

Calculate Cash Basis can be accessed from multiple areas:

- Using Search
- Chart of Accounts
- Cash Basis Adjustment Journal
- Cash Basis Ledger Entries

Here we used the Search:

SEARCH FOR PAGE OR REPORT



Type page or report name to start search:

calculate cash

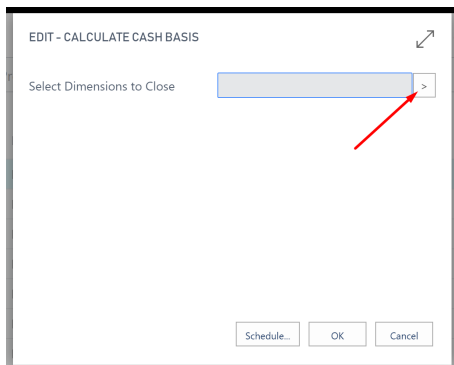
1 search results:

[All](#) [Reports and Analysis](#)

[Search the help for 'calculate cash' ?](#)

NAME	DEPARTMENT
 Calculate Cash Basis	Departments/Cash Basis Accounting

When the batch job runs, you get the following request page:



You can select the dimensions to close for closed cash years. Click the Assist Button above to select.

This function can also be set up to run automatically. Doing so is a good idea if the calculation takes a long time. As your general ledger entries and posted documents grow in number, this process can take several hours to run. Instead of having someone manually start this process, you can use the Job Queue to do it regularly.

Search for Job Queue

SEARCH FOR PAGE OR REPORT






Type page or report name to start search:

job que

3 search results:

[All](#) [Lists](#)

[Search the help for 'job que' ?](#)

NAME	DEPARTMENT
 Job Queue Entries	Administration/Application Setup/Job Queue
 Job Queue Log Entries	Administration/Application Setup/Job Queue
 Job Queue Category List	Administration/Application Setup/Job Queue

Click New.

Use Object Report 70163480 (Cloud solution) or 93480 (OnPrem) to Run. Here is an example of how it could be filled out:

Report · 70163480 · Calculate Cash Basis

General

[Show more](#)

Object Type to Run	Report	Description	Calculate Cash Basis
Object ID to Run	70163480	Earliest Start Date/Time	
Object Caption to Run	Calculate Cash Basis	Status	On Hold












Report Parameters

Report Request Page Options	
Report Output Type	None (Processing only)

Recurrence






Recurring Job	<input checked="" type="checkbox"/>	Run on Saturdays	<input checked="" type="checkbox"/>
Run on Mondays	<input checked="" type="checkbox"/>	Run on Sundays	<input checked="" type="checkbox"/>
Run on Tuesdays	<input checked="" type="checkbox"/>	Starting Time	9:00:00 PM
Run on Wednesdays	<input checked="" type="checkbox"/>	Ending Time	
Run on Thursdays	<input checked="" type="checkbox"/>	No. of Minutes between Runs	1440
Run on Fridays	<input checked="" type="checkbox"/>	Inactivity Timeout Period	0

This will run the calculation every 24 hours at 9:00 PM. Adjust according to your needs. Use the Report Request Page Options to select dimensions to close. Once set up, click Set Status to ready.


HOME	ACTIONS	NAVIGATE
 Edit Manage	 New  Delete  Set Status to Ready  Set On Hold  Restart  Log Entries	 Show Error  Report Request Page  Previous  Next

Cash Basis Reporting

Several reports will print statements on Cash Basis. They are under Search and available from the Chart of Accounts, Cash Ledger, and Cash Adjustment Ledger.

NAME	DEPARTMENT
 Cash Basis Trial Balance Detail/Summary	Departments/Cash Basis
 Cash Basis Trial Balance	Departments/Cash Basis
 Cash Basis Trial Balance, Spread Periods	Departments/Cash Basis
 Cash Basis Trial Balance, Spread Global Dimension	Departments/Cash Basis
 Cash Basis Trial Balance, per Global Dimension	Departments/Cash Basis

These reports will only allow the use of the two global dimensions. If you need access to all eight dimensions defined in General Ledger Setup, you can export the Cash Basis Export to a comma-separated file (CSV file).

NAME	DEPARTMENT
 Cash Basis Export Ledger	Departments/Cash Basis


You can import this file into Microsoft Excel and use the analysis tools in Excel to provide advanced reports for Cash Basis based on up to twelve dimensions.

Financial Reports

Financial Reports (formerly Account Schedules) can be used for Cash Basis reporting. Column Definitions for financial reports can be used to report on a cash basis instead of an accrual basis. Search for column definition:

Tell me what you want to do
↗ ✕

On current page (Financial Reports)

 [Edit Column Definition...](#)
Create or change the column definition of this financial report.

Go to Pages and Tasks

> [Column Definition](#)
Administration

Click to show all definitions:

← Column Definition
✓ Saved 🔖 📄 ↗

Name: → ...

Manage 📄 Copy Column Layout | Automate ▼ Fewer options 🔗 🔍

Column Definitions

Name ↑	Description	Cash Basis	Analysis View Name
→ ACT/BUD	Actual / Budget Comparison	<input type="checkbox"/>	
BAL ONLY	Balance Only	<input type="checkbox"/>	
BUDGANALYS	Budget Analysis	<input type="checkbox"/>	
CASHFLOW	Comparison month - year	<input type="checkbox"/>	
C-NETCHANG	Cash Basis Net Change	<input checked="" type="checkbox"/>	
C-PTD+YTD	Cash Basis Period and YTD	<input checked="" type="checkbox"/>	
DEFAULT	Standard Column Layout	<input type="checkbox"/>	
DEGREE	Key Cash Flow Ratio	<input type="checkbox"/>	
M-BALANCE	Balance	<input type="checkbox"/>	
M-NETCHANG	Net Change	<input type="checkbox"/>	
PERIODS	Periods Definition for Mini Charts	<input type="checkbox"/>	
PTD + YTD	Period and Year to Date	<input type="checkbox"/>	
PTD+YTD+%	Period and Year to Date with Percent of Total Reve...	<input type="checkbox"/>	
YTDCOMPARE	This Year to Date vs. Prior Year to Date	<input type="checkbox"/>	

Analysis view names are also supported (see below). All financial reports using column definitions with cash basis checked will use the cash ledger to calculate all values in the financial report instead of the general ledger. G/L Budget entries used on Cash Basis will pull numbers from the standard G/L Budgets used for the General Ledger.

Important note about the use of financial reports on a Cash Basis:

- Additional G/L currency is not supported
- Only column layouts with Cash Basis checked, and Ledger Entry Type = Entries will pull numbers from the cash basis ledger (see below). Budget Entries will pull for standard G/L Budgets.





Column definition example for Cash Basis:



Column No.	Column Header	Column Type	Ledger Entry Type	Amount Type	Formula	Opp... Sign	
PTD	Current Period	Net Change	Entries	Net Amount		<input type="checkbox"/>	
		Net Change	Budget Entr...	Net Amount		<input type="checkbox"/>	
YTD	Year to Date	Year to Date	Entries	Net Amount		<input type="checkbox"/>	
		Year to Date	Budget Entr...	Net Amount		<input type="checkbox"/>	

Analysis View Cash Basis






Cash Basis supports the use of Analysis views. Here is an example.

Analysis View Card

✓ Saved



GEN_LEDGER · General Ledger

 Update
 Filter
 Enable Update on Posting
 Disable Update on Posting
 Reset
Automate ▾ ⋮

General

Code	<input type="text" value="GEN_LEDGER"/>	Last Date Updated	<input type="text" value="2/14/2023"/>
Name	<input type="text" value="General Ledger"/>	Last Entry No.	<input type="text" value="1125"/>
Account Source	<input type="text" value="G/L Account"/>	Last Budget Entry No.	<input type="text" value="0"/>
Cash Basis	<input checked="" type="checkbox"/>	Update on Posting	<input type="checkbox"/>
Account Filter	<input type="text"/>	Update on Calculate ...	<input checked="" type="checkbox"/>
Date Compression	<input type="text" value="Day"/>	Include Budgets	<input type="checkbox"/>
Starting Date	<input type="text" value="1/1/2020"/>	Blocked	<input type="checkbox"/>

Dimensions

Dimension 1 Code	<input type="text" value="AREA"/>	Dimension 3 Code	<input type="text" value="SALESCAMPAIGN"/>
Dimension 2 Code	<input type="text" value="DEPARTMENT"/>	Dimension 4 Code	<input type="text" value="PURCHASER"/>

You must enable the Cash Basis field (like above). When Cash Basis is enabled, the system will look at the cash ledger entries instead of the general ledger entries. Notice that the Cash basis only supports G/L Account as the Account Source. Cash Basis does not support Cash Flow Accounts.

An additional field is used by cash basis called “Update on Calculate Cash”. If enabled, the analysis view will be updated when you run at the end of the Calculate Cash batch job.

Important notices about analysis views and cash basis: Since the cash ledger is regenerated each time the calculated cash batch job is run, analysis views using cash basis will also be regenerated each time they are updated. The Last Entry No. does not affect the update, as all analysis view entries are deleted and recreated each time, the analysis view is updated.

You cannot have “Update on Posting” enabled for Cash Basis analysis views, and it will give unpredicted results when used with Cash Basis.

Cash Basis Examples

Let’s look at how Cash Basis works in different situations. If you want to follow these examples, make sure the accounts you are using have no existing entries, or the balances shown in the examples below will be different than those below.

Posting of Sales Invoice

A new invoice for customer 20000 is created:

NEW - SALES INVOICE - S-INV102222 - TREY RESEARCH



S-INV102222 · Trey Research

General

Show more

Customer Name	Trey Research	...	Posting Date	10/10/2018	...
Contact	Helen Ray	...	Due Date	10/24/2018	...

Lines

TYPE	NO.	DESCRIPTION	LOCATION CODE	QUANTITY	UNIT OF MEASURE CODE	UNIT PRICE EXCL. TAX	TAX GROUP CODE
G/L Account	... 40450	Job Sales Applied		1		500.00	NONTAXABLE
G/L Account	... 40500	Interest Income		1		1,000.00	NONTAXABLE

We use G/L accounts for simplicity. We are posting \$500 to account 40450 and \$1,000 to account 40500 and calculating the Cash.

Here are the resulting balances:

NO.	NAME	NET CHANGE	NET CHANGE CASH	BALANCE AT DATE CASH	BALANCE
40450	... Job Sales Applied	-500.00	-	-	-500.00
40500	Interest Income	-1,000.00	-	-	-1,000.00

Since the customer has not paid yet, there is no cash recognition.

Short Payment of Sales Invoice

Let's post \$750 as a short payment (50%) in the cash receipt journal and apply it to this invoice.

POSTING DATE	DESCRIPTION	AMOUNT	AMOUNT (\$)	BAL. ACCOUNT TYPE	BAL. ACCOUNT NO.	AP... (YE...	APPLIES- TO DOC. TYPE	APPLIES-TO DOC. NO.
11/10/2018	... Trey Research	-750.00	-750.00	G/L Account	10100	<input checked="" type="checkbox"/>	Invoice	PS-INV103216
						<input type="checkbox"/>		

We calculate the Cash again. Here are the new balances:

NO.	NAME	NET CHANGE	NET CHANGE CASH
40450	... Job Sales Applied	-500.00	-250.00
40500	Interest Income	-1,000.00	-500.00

Cash Basis posts the recognition of the 50% short payment and distributes the amount over the G/L accounts (50% each). If we had paid the total amount, the accrual and Cash net changes would have been the same.

Overpayment of Sales Invoice

Now we overpay the invoice by posting a payment in the cash journal of \$1,000 (\$250 overpayment).

POSTING DATE	DESCRIPTION	AMOUNT	AMOUNT (\$)	BAL. ACCOUNT TYPE	BAL. ACCOUNT NO.	AP... (YE...	APPLIES- TO DOC. TYPE	APPLIES-TO DOC. NO.
10/10/2018	Trey Research	-1,000.00	-1,000.00	G/L Account	10100	<input checked="" type="checkbox"/>	Invoice	PS-INV103216
						<input type="checkbox"/>		

After posting, the balances look like this:

NO.	NAME	NET CHANGE	NET CHANGE CASH
10600	Overpayments Cash Basis	-	-250.00
40450	Job Sales Applied	-500.00	-500.00
40500	Interest Income	-1,000.00	-1,000.00

Cash Basis posted the overpayment to the overpayment account.

If we look at the ledger entries on the customer, we can see the payment is open with a remaining amount equal to the overpayment (\$250):

POSTING DATE	DESCRIPTION	CURRENCY CODE	ORIGINAL AMOUNT	AMOUNT	REMAINING AMOUNT
10/10/2018	Trey Research		-1,000.00	-1,000.00	-250.00
11/10/2018	Trey Research		-750.00	-750.00	0.00
10/10/2018	Invoice S-INV102223		1,500.00	1,500.00	0.00

As soon as this payment is fully applied to other invoices or refunded, the overpayment account will no longer show an overpayment.

Refund of Overpayment for Sales Invoice

Let's do a refund to the customer in the payment journal as a manual check:

POSTING DATE	DOCUME... DATE	DOCUME... TYPE	DOCUME... NO.	ACCOUNT TYPE	ACCOUNT NO.	DESCRIPTION	AMOUNT	BAL. ACCOUNT TYPE	BAL. ACCOUNT NO.	A
11/10/2018	11/10/2018	Refund	G04001	Customer	20000	Trey Research	250.00	Bank Account	CHECKING	...

We post the check and rerun the cash basis. Here are the resulting balances:

NO.	NAME	TOTALING	NET CHANGE	NET CHANGE CASH
10600	Overpayments Cash Basis	-	-	-
40450	Job Sales Applied	-500.00	-500.00	-500.00
40500	Interest Income	-1,000.00	-1,000.00	-1,000.00

Notice that the overpayment is gone.

Un-applying Payment(s) of Sales Invoice

If we un-apply the payments we have done for the Sales invoice we posted above, all the payments will be considered overpayments (non-applied payments), and the cash revenue is no longer recognized.

Let's un-apply the payments we did above. We go to the customer ledger for customer 20000:

POSTING DATE		DOCUME... TYPE	DOCUMENT NO.	CUSTOMER NO. ▼	DESCRIPTION	ORIGINAL AMOUNT	AMOUNT	REMAINING AMOUNT
11/10/2018	...	Refund	G04001	20000	Trey Research	250.00	250.00	0.00
10/10/2018	...	Payment	G02002	20000	Trey Research	-1,000.00	-1,000.00	0.00
11/10/2018	...	Payment	G02001	20000	Trey Research	-750.00	-750.00	0.00
10/10/2018	...	Invoice	PS-INV103215	20000	Invoice S-INV102222	1,500.00	1,500.00	0.00

If we un-apply the last three entries, we get the following ledger.

POSTING DATE	DOCUMENT NO.	CUSTOMER NO. ▼	DESCRIPTION	ORIGINAL AMOUNT	AMOUNT	REMAINING AMOUNT	
11/10/2018	...	G04001	20000	Trey Research	250.00	250.00	0.00
10/10/2018	...	G02002	20000	Trey Research	-1,000.00	-1,000.00	-750.00
11/10/2018	...	G02001	20000	Trey Research	-750.00	-750.00	-750.00
10/10/2018	...	PS-INV103215	20000	Invoice S-INV102222	1,500.00	1,500.00	1,500.00

After rerunning the cash basis, we have these net changes:

NO.	NAME		NET CHANGE	NET CHANGE CASH
10600	...	Overpayments Cash Basis	—	<u>-1,500.00</u>
40450		Job Sales Applied	<u>-500.00</u>	—
40500		Interest Income	-1,000.00	—

Notice we have no cash basis revenue anymore since we unapplied all payments, and the overpayment account now holds the entire total payment (\$1,500).

Purchase Documents

Purchase documents work the same way sales documents work when calculating cash basis.

Posting of Items, Resources, and Fixed Assets on a Cash Basis

All line types will be posted using the G/L accounts defined in the General Posting Setup and depend on the Customer/Vendor and the Item/Fixed Assets/Resources.

Posting General Journals

General Journal will usually post straight to the cash ledger since no accrual is happening.

Here are two journal entries:

POSTING DATE	DOCUME... TYPE	DOCUME... NO.	ACCOUNT TYPE	ACCOUNT NO.	DESCRIPTION	GEN. POSTING TYPE	TAX GROUP CODE	AMOUNT	EX... IN CA...	AMOUNT (\$)	BAL. ACCOUNT TYPE	BAL. ACCOUNT NO.
11/10/2018	...	0001	G/L Account	60400	Bank Charges and Fees	Purchase	NONTAXABLE	250.00	<input checked="" type="checkbox"/>	250.00	Bank Account	CHECKING
11/10/2018	...	0002	G/L Account	60800	Payroll Tax Expense	Purchase	NONTAXABLE	1,233.00	<input type="checkbox"/>	1,233.00	Bank Account	CHECKING

The “Exclude in Cash” checkmark will ensure only the accrual ledger is affected, not the cash basis ledger. If not checked, the cash basis will also include this entry. The default value of this field is populated from the General Journal Batch.

Setup Cash Sales and Cost of Goods Sold accounts for Items

The accrual setup allows multiple posting accounts for reconciling purchases (invoices and returns). Cash Basis will post the purchase cost directly to the cost of goods sold account, as set up per the Vendor Gen. Bus. Posting Group and Item Gen. Prod. Posting group combinations.

However, sales invoices or credit memo accounts can be captured based on the setup per the Customer Gen. Bus. Posting Group and Item Gen. Prod. Posting group combinations.

Inventory is not calculated, as the cash basis logic reports the expense when the Cash is paid and the income when the Cash is received. This also extends to G/L entries made by the accrual system for item journal entries; nothing is captured on a cash basis, as this is an accrual revaluation.

Setup for Payment terms, discounts, and tolerances

A few setup areas need to be discussed along with the impacts on Cash Basis.

General Ledger Setup

Application	
Appln. Rounding Precision	0.00
Pmt. Disc. Tolerance Warning	<input type="checkbox"/>
Pmt. Disc. Tolerance Posting	Payment Tolerance Accounts
Payment Discount Grace Period	
Payment Tolerance Warning	<input type="checkbox"/>
Payment Tolerance Posting	Payment Tolerance Accounts
Payment Tolerance %	0.1
Max. Payment Tolerance Amo...	1.00

The G/L setup allows for Posting of payment discounts and tolerance to go to the same accounts, or separate accounts. It is recommended that the setup be to the Payment Tolerance Accounts here.

Customer and Vendor posting setups are where you specify the GL accounts. Below are the Customer Posting Groups shown:

EDIT - CUSTOMER POSTING GROUPS + New									
CODE	SERVICE CHARGE ACC.	PAYMENT DISC. DEBIT ACC.	PAYMENT DISC. CREDIT ACC.	INTEREST ACCOUNT	ADDITIONAL FEE ACCOUNT	DEBIT CURR. APPLN. RNDG. ACC.	DEBIT ROUNDING ACCOUNT	PAYMENT TOLERANCE DEBIT ACC.	PAYMENT TOLERANCE CREDIT ACC.
DOMESTIC	...	40300	40300	40500	40500	61900	61900	40500	40500

Debit and Credit G/L for discount and tolerance for the cash basis should be set to the same accounts (like above). The cash basis will only examine the customer debit and vendor credit accounts, and Accrual and Cash will be out of synch if you have different accounts.

Notes on Initial Implementation

Initial document posting of open AR and AP

On initial data conversion for implementation, journals are often used to create open AR and AP balances. The offset GL is usually a clearing account instead of the actual Sales and/or expense accounts. The offset of the clearing account is usually because the opening GL balances are brought over; thus, a clearing account is used to not overstate sales or expenses by posting open AR and AP to the actual GL accounts. These open balance entries must have manual entries entered to adjust the opening balance and the payments since the calculate Cash cannot find the posted document related to the payment and invoice to make the other half of the entries.

It is recommended that actual invoices and credit memos to the actual GL accounts be used if possible. By posting the actual sales and purchase invoices and credits, the calculate Cash will find the applied entries as they are paid, and no manual entries will be required.

If journals must be used for open AR and AP, then it is recommended that:

- Use document numbers in the opening AR and AP journals to make entries easy to identify, such as "Open Bal XX".
- An excel file be kept of the opening balance entries for AR and AP, and their corresponding actual GL accounts for sales and expenses
- Use the excel file to keep track of the amounts that need manual entries as the invoices and credits are paid and or applied.

For example, a journal is created for an open invoice to a vendor with an offset to a GL clearing account or the actual expense.

- While the invoice is open (not paid), Calculate Cash will only find the entry to the GL account
 - Your cash basis will be out of balance as only half of the transaction is found.
 - A manual entry will need to be made to reverse the GL entry on a Cash basis, as the invoice is still open and should not be recognized as an expense yet.
- When the invoice is paid, Calculate Cash will enter the payment to the bank, but as it cannot find the related applied document, the entry to the expense is not picked up.
 - Your cash basis will be out of balance as only half of the transaction is found.
 - A manual entry to the actual expense account is needed
- Take the scenario of posting to a clearing account
 - If the invoice is posted and paid in the same month
 - Then the balance shows in the clearing account, not the actual expense.
 - At a minimum, a month-end entry is required to move the amount from suspense to the actual expense.
 - If the invoice is posted in one month and paid in a different month
 - Then the Cash for each month is off, and the actual expense needs to be recorded.
 - manual entries are needed.
 - In the invoice posting month to zero, the entry to the suspense account,
 - In the invoice payment month to the actual expense account to recognize the expense.
- Take the scenario of posting to the actual expense account.
 - If the invoice is posted and paid in the same month

- Then the Cash for the month is OK with no manual entry needed
- But per day will still be off
- If the invoice is posted in one month and paid in a different month
 - then the Cash for each month is off but is back in balance at the end of the 2nd month
 - If you need to balance per month, a manual entry is needed.
 - In the invoice posting month to zero, the entry to the expense account,
 - In the invoice payment month to the expense account to recognize the expense.
- In either scenario, it is a very manual task to keep track of the needed cash entries if the payments span over a few months.
 - This is why posting sales and purchase invoices and credit memos are recommended.
 - After posting the actual documents, one GL journal will be needed to move the duplication of the expense and sales amounts. This entry will be captured in the Accrual and cash balances, and no further manual reviews are required.
-

The first time you run the calculate cash basis after installation of Cash Basis, Cash Adjustment Journal Entries must be posted to get your beginning cash basis into balance.

Run the calculate cash batch job. Afterward, run the Cash Trial Balance report to review your balance sheet and income statement. Post Adjusting Journal Entries as needed, then run the calculate Cash again to review. You may want to involve your CPA in this process.

Below are some reasons manual adjustments may be needed:

- Cash Basis calculates based on the application of the document type. Transactions to customers or vendors with a blank document type are skipped as Cash Basis does not know how to calculate the applications.

If manual postings have been done to the accounts payable and/or accounts receivable accounts, you may have to adjust these accounts to zero, as Cash Basis shouldn't have any balance.

Limitations and Notes on General Functionality

Each time the calculate cash basis function runs, the system deletes the existing cash ledger entries and recreates them. It looks at the entries in the Cash Adjustment Ledger, the customer and vendor entries and applications, and the manual G/L entries. The function must do this to review all posted entries and applications since Dynamics 365 Business Central allows users to change allowed posting dates and allows applications as of prior dates. Since the entries are deleted and recreated, there are a few things to note.

- No posted sales or purchase documents can be deleted.
- Suppose changes are made to the General Posting Setup, General Business Posting Groups, General Product Posting Groups, or the FA Posting setups. In that case, the product will calculate the Cash based on the new setup and entries made before the new change.
- This product calculates based on the document type for applied entries,
 - therefore, postings with a blank document type to customers and vendors are not allowed.
 - voiding and un-applying of entries into the past impact the cash basis in the past.

- There is a setup that allows Cash Basis to ignore entries before a specified date. If a date is entered in the **Ignore Before Date** field (Cash Basis Setup), then when Calculate Cash is run, the system will calculate Cash from this date forward and ignore transactions before this date. You can also check the Do Not Delete Before Date field to avoid deleting cash entries before the Ignore Before Date. This option will only work if all customer and vendor entries before this date stay closed and fully applied.

Voiding and Un-Applying of Checks / Payments

As the calculate cash logic finds the application entries related to the vendor checks/payment entries, if a payment is made and then voided and or voided and unapplied, this will impact the cash basis entries.

- Un-apply and void
 - Posts new application entries to reverse the original payment and invoice.
 - The invoice is now “open” again, so it is like the application never happened.
 - The check and void check entries are applied.
 - The cash basis net effect is
 - Cash out as of the posting date of the check.
 - Cash in as of the posting date of the void.
 - No expense entries as no application to the invoice.
 - Posting date impacts GL posting timing
 - If the check date and void date are the same, Cash in and out on the same day.
 - If the check date and void date are DIFFERENT, then Cash in and out are on those days.
- Void Only
 - Posts new application entry for the void check only.
 - Original payment and invoice are still reported as of the original check date.
 - The “void check” entry is the open entry on the vendor ledger.
 - While the void check is open, the offset is to the unapplied account.
 - Once the void check is applied to the payment, the cash entries show the void and new payment in the Cash to the bank account(s) used.
 - The posting date and Potential timing impact
 - If the check is voided on a different date/month than the original check
 - The actual Cash was not used as of the Posting of the check, however as the applications are left to the original check, the expense is reported.
 - This may be acceptable if prior cash basis reports were submitted and cannot be changed.
 - However, it should be noted that the expense is potentially being recognized in a different period than the actual cash outlay.
- Overall note for implementation and process decision
 - Each company will have its rules and processes/procedures, which should be reviewed and tested to determine the correct approach.
 - See the white paper for some testing notes and details.
 - It may be that as part of the implementation, some rules for what kind of options can be selected by the user should be made to enforce your business processes.
 - Note also that the cash adjustment journal can manually adjust these scenarios as needed.

Sales and Purchase Tax

Cash Basis is not designed to calculate sales and purchase tax on a cash basis.

- As rules for sales and purchase tax and Cash vs. accrual rules can differ from state to state, clients should contact their CPA or State regarding the legal rules for reporting sales tax on a cash basis and make adjusting entries as required by law.
- Explanation of how the system posts sales and purchase tax on cash basis entries
 - No posting to the cash basis is done until the invoice/credit is paid and applied.
 - If the invoice is paid in full, the total amount for sales and tax will be recorded.
 - If the invoice is partially paid, % of the amount including tax vs. payment amount, will be calculated. This % will be applied to each GL account for sales and the sales tax amounts.
 - The cash basis will remain in balance per cash receipts but may not comply with specific state laws on cash-basis sales tax.
 - Clients should still check with their CPA or State regarding how sales tax will be reported on a cash basis, and adjustment journals may still be needed based on state sales tax laws.
- Use Tax and Cash basis are currently not allowed together.
 - Dynamics 365 Business Central functionality allows the Accrual of Use Tax.
 - The A/P Accrual and later cash outlay of payment against the invoice are for the invoice amount only,
 - no cash outlay is made for the Use Tax payable at the purchase invoice posting.
 - Thus, there is no cash basis to recognize.
 - If a user tries to select use tax on a purchase line, you will have to make manual adjustments to the cash ledger.

Invoice and Line Discounts

Dynamics 365 Business Central allows for invoice discounts (a discount off of the entire invoice or order value) and line discounts (discounts related to the specific sales or purchase line). Setup and Posting of the document on an accrual basis allows the pre-discounted amount to be captured as the sales or purchase value, and the discount amount can be captured into a separate discount account.

The AR or AP and future cash income or outlay are recorded as discounted amounts.

Since the cash basis captures the cash basis at the time of cash income or outlay, the related “net” sales or purchase amount is captured, but the discount is not.

Example

- Sales order or invoice entered for \$100, with a 5% discount.
- Accrual will post \$100 sales, \$5 discount, and 95 A/R
- Cash receipt of the payment from the customer
 - Accrual records decrease AR \$95, increase Cash \$95
 - Cash basis finds the cash receipt of \$95, the applied invoice, and records \$95 cash and \$95 sales.
- If it is OK for the cash basis to show the “net” sales or purchase amounts, not the gross purchase or sales and the discounts, no action is required.
- Manual adjustments are needed if the intent is to record the \$100 sales and \$5 discount on a cash basis.

The outage for the discount account is easy to find simply by comparing the Cash vs. accrual balance on the discount accounts. The cash adjustment amount per discount account can then be noted. The offset of this entry will be to “sales”.

The offset is also easy to calculate if only one sales account is used. If multiple sales accounts are used, a custom report can be created. The data can be copied/pasted into excel to find the amount per general posting group combination setup for allocation to the correct sales accounts.

Trial Period and Activating/Renewing a Subscription

When you have installed the Cash Basis App, it will automatically run for 30 days. During that time, you are free to evaluate the solution, and there are no restrictions to the version running under the trial period.

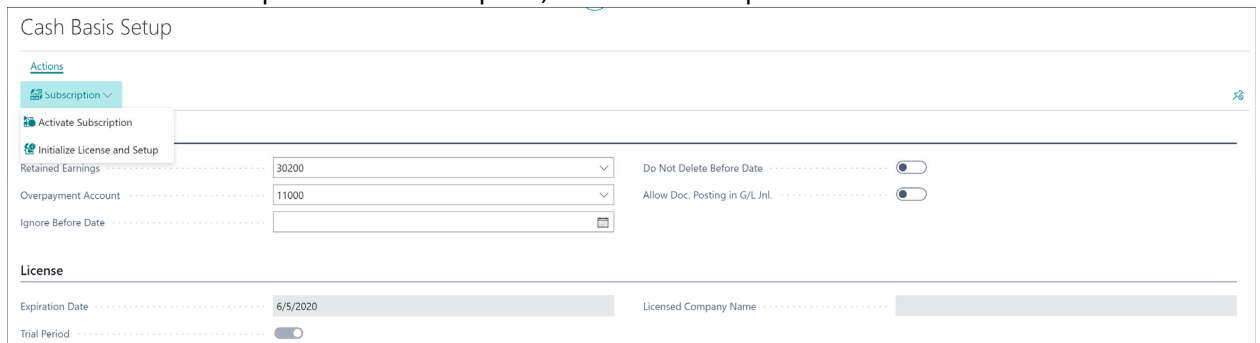
Once the trial period has expired, the Cash Basis system will stop working. To avoid that, you need to subscribe to Cash Basis. Contact SimCrest to purchase a subscription. You can send us a message using this link (<http://simcrest.com/ContactUs>).

Cash Basis is licensed per company and is tied to the company name. See below how to get the exact name of the company you are in.

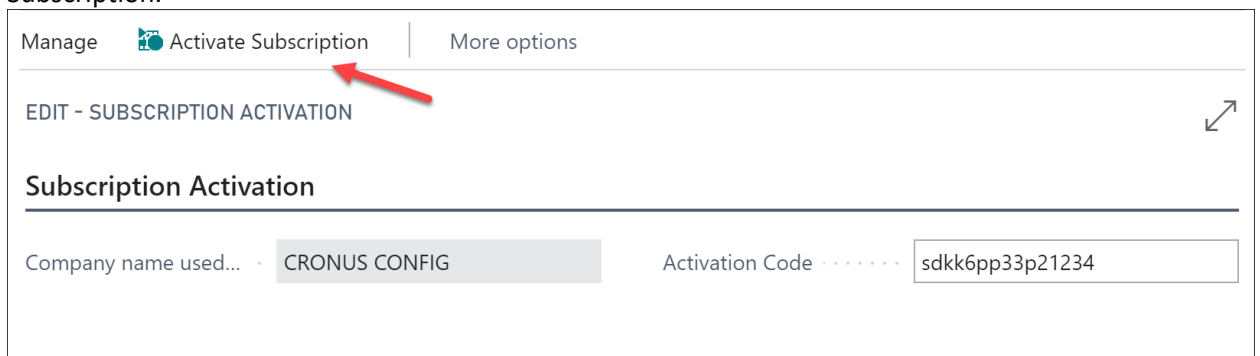
Send the company name to SimCrest together with the request for a subscription. Subscriptions usually run for one year at a time but can be customized to your specific needs.

Once purchased, SimCrest will issue you an activation code. Here is how to activate the subscription:

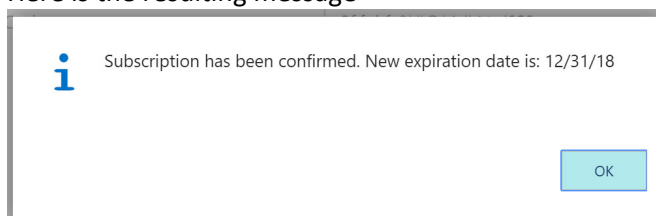
- Go to Cash Basis Setup and click Subscription, Activate Subscription



- The company name is shown. SimCrest needs the exact company name shown here to activate the license. Paste the activation code given by SimCrest into the field and click Activate Subscription.



- Here is the resulting message

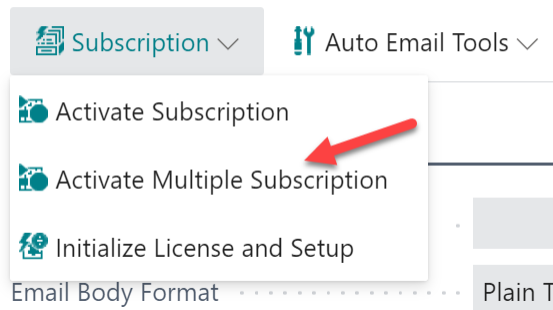


Activating multiple companies at the same time

If you have multiple companies using Cash Basis, activating all the companies using a license import file is possible. SimCrest will usually send these license files upon request and on each renewal. Once you receive the file, activate all licenses like this:

- Click Activate Multiple Subscriptions

 Email Attachments  Email Log 



- Click Import Licenses and pick the license file that was provided.
- All companies that have a license will show an activation code.
- Click Activate Licenses, and all eligible companies will be activated.

There is no need to do this for each company. The above process must only run once and in any company you choose.

Subscription Expiration

If the Cash Basis subscription expires, the solution will no longer work, and you won't be able to access any Cash Basis features. We suggest you uninstall the extension if you are no longer using it.

Customer Support and Requests for new features

If you have questions about how to use Cash Basis or have issues to report, we would love to hear from you. Please go to <http://simcrest.com/ContactUs> and send us a message. Use the same link to request new features for Cash Basis.