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Better Financial Management With Sage Accpac ERP Version 5.5

In the last issue of this newsletter we gave an overview of many of the new features and functionality Sage Accpac ERP Version 5.5. In this article, we will cover enhancements to multicurrency processing, General Ledger, and Bank Services in more depth.

New Currency Translation

With the 5.5 release, Sage Accpac ERP adds a new Recognized Gain/Loss foreign currency translation method. If you're new to managing transactions in multiple currencies, we suggest you review our Multicurrency Primer on page 2.

Version 5.5 supports the Realized And Unrealized Gain/Loss method, and adds a new method, Recognized Gain/Loss. You can choose the method with a new drop-down selection in the Common Services/Company Profile. Your selection will affect the General Ledger, Accounts Payable, and Accounts Receivable transactions. When upgrading, this option is automatically set to the Realized And Unrealized Gain/Loss selection. Note that if you change to the new Recognized Gain/Loss method it is permanent.

Revaluation of foreign currency transactions occurs through a revaluation batch process. Before creating a batch, you must set up revaluation codes and assign income statement General Ledger accounts to them. When you run the revaluation process, it will calculate new functional or home currency values for each source currency using the



exchange rate you specify. The resulting batch will adjust the original functional currency values to new functional currency values and will not be reversed. You can run a revaluation calculation for a single period or a range of periods.

To support the new valuation method in version 5.5, some changes have been made to Accounts Receivable. In Account Sets, the General Ledger accounts for Unrealized Gain and Loss are disabled. A new description for revaluation adjustments will appear in Customer Activity, and a new field *Earliest Backdated Activity Date* is added for use with the Recognized Gain/Loss method. A new *History* button provides access to the *Revaluation History* log of previously performed revaluations for a specified currency.

General Ledger Enhancements

To make financial reports more meaningful and concise, roll up codes have been added to General Ledger (Sage Accpac 500 only). Now you can specify multiple levels of roll up for your inquiries and reports. You simply

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designate an account as a roll up account and assign multiple *Member Accounts* that roll up to it.

For better segregation of duties, there are now separate security rights for entering and posting journals. Now you can give a staff member the ability to enter journals, but not post them. For larger organizations, multiple users can simultaneously add transactions to the same batch, and the controller now can post multiple batches all at the same time. The *Create Recurring Entries Batch* option will allow you to choose whether you want to create a new batch or add to an existing batch.

To increase flexibility and simplicity in creating financial reports, 10 new sample report specifications have been added to the General Ledger financial report writer, including Performance Analysis reports, and Income Statement and Balance Sheet forecast reports.

A Multicurrency Primer

The exchange rate between currencies is in a constant state of flux; organizations doing business internationally need to adjust or revalue business transactions, such as Accounts Receivable invoices, to reflect the current exchange rate. This requirement mainly arises from the fact that the exchange rate will typically be different on the date that you invoice a customer than on the date you receive payment. Companies must reflect these exchange rate fluctuations in their accounting records.

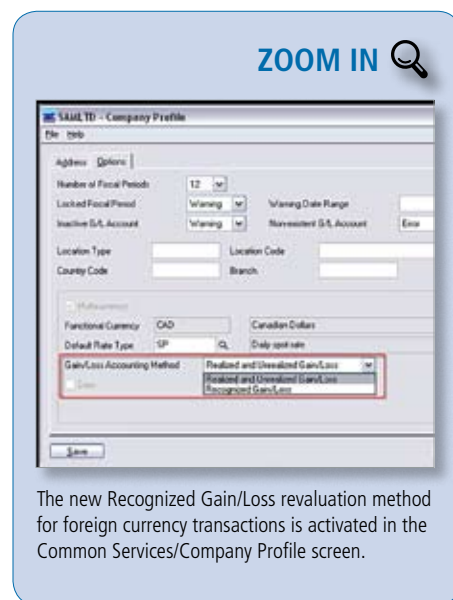
Accounting Standards established for accounting for foreign currency translation include FASB 52 in the United States, CICA Handbook section 1650 in Canada, FRS 21, and the International Accounting Standards Board IAS 21 guidelines. While terminology differs, these standards all describe the currency revaluation requirements.

Bank Services

In Version 5.5, several new features are added to Bank Services to make it easier to reconcile the bank statement and make appropriate adjusting entries.

- » A reconciliation posting date field, *Post on Date*, is added to reconcile statements and bank transfer forms.
- » To remove reconciled transactions there is a new *Bank Clear History* screen.
- » An option is added allowing you to reverse miscellaneous payments and receipts, and reverse the associated invoice.
- » The Payment Register report lists withdrawals made from a specified bank for a particular period and source application. You can grant security access to just the Payment Register for personnel who do not otherwise have access to Bank Services.
- » The ability to add taxes to entries and include them on the reconciliation posting report.

We are happy to assist you with determining the best method of currency revaluation or to help you implement the new features; please give us a call. ✧



The new Recognized Gain/Loss revaluation method for foreign currency transactions is activated in the Common Services/Company Profile screen.

In Sage Accpac ERP, Version 5.5, there are now two methods of handling currency revaluation, Realized/Unrealized and Recognized.

Realized/Unrealized Method

With the Realized/Unrealized method, at the transaction date each foreign currency transaction is translated into the functional, or home currency at the current exchange rate, and gains or losses are reflected in the income statement for the period.

At the period end or balance sheet date, all foreign currency transactions are revalued at the current exchange rate, sometimes referred to as the Spot Exchange Rate. This method assumes that, for the most part, fluctuations in exchange rates are temporary, and the amounts of unrealized gains and losses are deferred until settlement (when the invoice is paid).

Recognized Method

The Recognized method conforms more completely with international standards, and assumes that currency fluctuations are ongoing, and the gains or losses are considered to be permanent. The translation into the home currency at current rates works the same way as the Realized/Unrealized method, and at the transaction date, each foreign currency transaction is translated into functional currency by use of the exchange rate in effect at that date. At the balance sheet date, monetary assets and liabilities that are denominated in a foreign currency are adjusted to reflect the current exchange rate, and the resulting gains and losses are included in the net income for the current period. ✧

Sage Accpac ERP Alerts Server

Imagine if you had an assistant to monitor the situations you deem important, notify the appropriate people of issues for review and action, and help to get at the root of each problem by providing access to the relevant Sage Accpac reports and inquiries. Imagine further that this assistant never makes a mistake, and works 24 hours a day, seven days a week! That is the type of assistance you can obtain using Sage Accpac Alerts. This powerful database monitoring tool reviews your data and alerts the appropriate persons by e-mail when items needing attention are identified. The Alerts Server can even run a script to update your data automatically based on criteria you set. Let's learn more.

Resolve To Stay Alert

The Alerts Library and Server monitors the activity in your system and automatically notifies you, your staff, your business partners, or even your customers when important events take place. Alerts use your existing e-mail system to notify you of significant events transpiring within your database. Notifications enable you and your staff to avoid missed deadlines, steer clear of problem situations, and to capitalize on opportunities. Here are some examples of the types of issues alerts can handle:

- » Alert the purchasing manager when an item is below its minimum stock level.
- » E-mail the account manager when a customer has an invoice past due by 30 days.
- » Communicate to the sales staff when an inventory item price changes.
- » Notify the sales manager when an order does not ship by the due date.

Alerts can even act as a complete receivables collections tool by sending your customers an e-mail when invoices become past due while simultaneously adding them to a

list for internal follow up.

Scheduled Or On Demand

You will want to schedule most tasks to run automatically at specified intervals, such as daily or even hourly. However, you also may run alerts on demand to run a quick check or to update the list of items meeting the criteria.

Alerts Lite Included

If you are running Sage Accpac Version 5.4 or above, the Alerts Lite version is included with your software. You can activate it and start using the five included alerts at any time. Once you have experienced the power of a proactive alerts system you will likely want to upgrade to the full Alerts Server version. The following alert titles are included with the Lite version:

- » New Customer Welcome
- » G/L Account Balance Exceeds Budgeted Amount
- » Open Order Amount Exceeds 'N' Amount
- » Past Due Receivables Over 'N' Amount
- » AP Checks Over 'N' Amount

Full Alerts Server

The full version of Alerts Library and Server gives you a greatly expanded list of predefined alerts (over 20), along with the ability to create your own new, custom alerts. The system has been designed to make it easy to configure alerts without programming. From the list of predefined processes, you simply choose to activate a process, set your criteria, and that's it. Creating a new process is made easy with the ability to copy one of the predefined processes and modify it.

You have the powerful ability to save a value in a data field before it is changed. For example, if you increase a customer's credit limit, you can show both the old and new credit

limit in the e-mail to the customer or sales manager. You also can add attachments, such as a log file to an e-mail for certain events.

Workflow Automation

The Alerts capability can be extended to automate workflow in your organization by building scripts to run when certain conditions are met—such as downloading new orders from your online ordering system or forwarding new purchase orders over a certain amount for approval.

Here we have provided a brief overview, please give us a call to discuss how the power of Alerts Library and Server can be put to work in your organization. ✨

((Tips & Tricks))

When The Account Permission Icon Does Not Display

After activating the Use G/L Security option in the G/L Options window, you may expect the Account Permissions icon to display under the G/L Accounts area. However, this does not happen automatically; you must first refresh the view in order to see the icon. To do this, you can:

- » Exit the company and reopen it again.
- » Restore defaults by going under the Object menu and select Restore Defaults.

Note: Using the Restore Defaults option may affect other customizations within your software.



IN THE SPOTLIGHT: Accurate Sales Tax Collection

There are more than 8,000 taxing jurisdictions across the United States. State, county, and municipal jurisdictions typically overlap, making it very difficult to determine what taxes to collect for a particular street address. Add to this the fact that in a typical year there are more than 3,000 changes to the tax rules and you have an enormous number of variables—and an enormous compliance burden.

Substantial Penalties

Incorrectly charging sales tax can result in fines, audit penalties, or even class-action lawsuits. Penalties of thirty percent and higher are not uncommon, and when interest is factored in the total can be significant.

The ZIP Code Myth

Do you rely on ZIP Codes for sales tax collection? Unfortunately, ZIP codes were created by the United States Postal Service (USPS), while sales tax rate boundaries are set at the state, county, and municipal level—they are not the same thing. For example, in the state of Washington, the Department of Revenue reports that 40 percent of ZIP codes cross up to five different jurisdictional boundaries. To make matters worse, the USPS reports that one out of every four ZIP codes change each year.

Use of ZIP codes to determine a sales tax rate may result in a potential error rate of 10 percent. And while the use of ZIP plus 4 can result in greater accuracy, it is still not a fool-proof method.

Expanding Scope

This complexity makes sales tax collection for the nation's businesses exceedingly difficult. To date, many businesses found a reprieve in the fact that they were not required to collect sales tax when selling to customers outside of their home state. Those days may soon be over.

As states and local tax jurisdictions experience sales tax revenue decrease and their revenue expectations shrink, they will aggressively look for non payers through enforcement of the nexus concept. Nexus is the legal term whereby a taxing jurisdiction can claim the right to tax your business activity based on the level of activity or presence within their borders.

Increasingly, states are adopting a series of rules to establish nexus for companies that are doing business in the state without having a physical presence.

More than 40 states have now joined the Streamlined Sales Tax (SST) consortium. Its goal is to streamline tax collection and encourage compliance across states. The incentive is an offer of amnesty for past violations. Businesses reporting through this group also will avoid future sales tax audits by member states in full compliance.

The Solution

The only way to accurately apply a correct tax rate is by knowing the real geographic location (or geocode), as well as the corresponding tax jurisdictions.

The average business cannot hope to keep on top of this information—there is just too much data and no centralized place to gather it. This is why we recommend you consider a sales tax management system like Sage Sales Tax, Powered by AvaTax. It is a sophisticated Web-based solution that works behind the scenes, supplying the correct sales tax rate to orders and invoices in Sage Accpac ERP. Call us to learn more about Sage Sales Tax. ✨

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