Accounting Structures in ADempiere

DOCUMENT SUMMARY SHEET

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1.1 The 'Account'

We refer to Account as the fully qualified valid combination of information structure segments:

In the Information Structure of your Accounting Schema you selected segments you want to report on. The mandatory elements are: Company and Natural Account, optional elements are for example, Business Partner, Product, Project, etc.

If an element is mandatory, it must be specified for the combination to be fully qualified.

1.2 Elements with Account Information

The objective is to generate all accounting transaction entries. Consequently, all accounts are predefined. For example, if you sell a product, the revenue account defined with the product is used. This allows you to define just once what accounts should be used and not worry about accounting while entering transactions. To ease the data entry for accounts, all accounts have defaults defined at the Accounting Schema. The defaults for Products come from their Product Category - the defaults for Business Partners come from their Group.

Then the accounting rules determine based on the transaction context and rule set, what accounts (and amounts) to use:

Element	Account	Default
Business Partner - Customer	Receivables Customer Prepayment	Business Partner Group
Business Partner - Vendor	Liability Liability (Services) Vendor Prepayment	Business Partner Group
Business Partner Group	Receivables Customer Prepayment Payment Discount Exp Receivables Write-Off Liability Liability (Services) Vendor Prepayment Payment Discount Rev Unrealized Currency Gain Unrealized Currency Loss Realized Currency Gain	Accounting Schema

	Realized Currency Loss Withholding Not invoiced Receipts Unearned Revenue Not invoiced Receivables Not invoiced Revenue	
Business Partner - Employee	Expense Prepayment	Accounting Schema
Product	Revenue Product Inventory Product Cost Difference Expense Cost of Goods Sold	Product Category
Product Category	Revenue Product Inventory Product Cost Difference Expense Cost of Goods Sold	Accounting Schema
Warehouse	Inventory (Asset) Inventory Differences Inventory Revaluation	Accounting Schema
Project	Project Asset Work in Progress	Accounting Schema
Tax	Tax Due Tax Liability Tax Credit Tax Receivables Tax Expense	Accounting Schema
Bank	Cash In Transit Bank Asset Bank Expense Interest Expense Interest Revenue Unallocated Cash Unidentified Cash Settlement Currency Gain Settlement Currency Loss Revaluation Gain Revaluation Loss Payment Selection	Accounting Schema

Cash Book	Cash Asset Cash Transfer Cash Difference Cash Expense Cash Receipt	Accounting Schema
Withholding	Withholding	Accounting Schema
Charge	Expense Revenue	Accounting Schema
Company... Company	Due To Due From	GL Defaults

You can reset or overwrite the account settings from the default screen, Example: from the Account Schema Default screen, you can overwrite the accounts used in the Product Categories, from there you can overwrite the Product Account settings. This is useful, if you change your accounting structure, but overwrites individual settings.

1.3 Accounting Schema Accounts

In addition to default accounts, the following General Ledger accounts are defined for every accounting Schema:

Account	Description	Comment
Suspense Balancing	Source Currency differences in documents	used only when enabled - if not, the document is not posted
Suspense Error	Accounts are not valid	used only when enables - if not, the document is not posted
Currency Balancing	Accounting Currency (rounding) differences in documents after conversion	used only when enabled - if not, the biggest line amount is corrected
Retained Earning Income Summary	Year End Processing	

1.4 Accounting Rules

Accounting rules allow creation of "natural" accounting entries - in the way you see them in accounting text books. Compared with most applications, this reduces the number of accounting lines and makes the accounting easier to understand, check and audit.

ADempiere can have different accounting rules. Advanced users can change the rules to reflect country or company specific procedures.

1.5 Account Masking

The actual account used in the transaction depends often on the context. There are several situations, that the Company segment is overwritten:

Product Inventory - Company segment from warehouse, remainder from product

Liability/Receivables - Company segment from transacting organization, remainder from business partner

As ADempiere maintains the information on detail level, the available context information is filled in (e.g. business partner, project, etc.).

1.6 Base Rules

Base Rules cannot be modified or overwritten and protect the integrity of the system. They basically ensure balanced accounting entries.

Rule	Description
rejectUnbalanced createSuspenseBalancing	Reject, if the entry is not balanced and suspense balancing is not enabled. If suspense balancing is enabled, an additional source line is created
rejectError createSuspenseError	Reject, if the account is invalid and suspense error is not enabled. If suspense error is enabled, the account in error is replaced
rejectUnconvertible	Reject, if the document currency cannot be converted to the accounting currency
rejectPeriodClosed	Reject, if the accounting date is in a closed period.
balanceCurrency	The accounting entry is balanced either via posting the difference to the Currency Balancing account or correcting the largest balance sheet account amount.
multiOrg	Transaction entries for multiple organizations: due to - due from

1.7 Tax Rules

Most tax entries are created by the transaction. Tax rules create correcting tax entries for Sales Tax and VAT systems. The main areas are prorating tax entries for payment discounts and write-offs as well as tax treatment of prepayments.

1.8 Costing Rules

Different Costing Methods post to different accounts using different amounts. For details see ADempiere Costing.

2.1 Base Rule Set

This describes the generated accounting entries using the basic accounting rule set. All entries are **actual** balance type posting entries for **accrual** based accounting. All reversal entries are on the same side (i.e. Dr/Cr), but with reversed sign (this ensures correct Cr/Dr totals).

2.1.1 Sales related Transactions

Transaction	Account	Dr	Cr
Customer Invoice	Receivables	Invoice Total	
	Tax Due (per rate)		Tax Amt
	Product Revenue (per line)		Line Amt
Customer Credit Memo	Receivables		Total
	Tax Due (per rate)	Tax Amt	
	Product Revenue (per line)	Line Amt	
Payment Receipt	Bank In Transit	Receipt Amt	
	Unallocated Cash		Receipt Amt
Payment Allocation	Unallocated Cash or Cash Transfer	Receipt Amt	
	Discount Exp	Discount Part	
	Write-off	Write-off Part	

	Tax Due (per tax rate)	Tax Part	
	Realized Gain/Loss	Loss	Gain
	Receivables		Assigned Amt
Bank Statement	Bank Asset	Stmt Amt	
	Bank Charge	Charge Part	
	Tax Credit/Expense	Tax Part	
	Bank Interest	Interest Exp	Interest Rev
	Bank In Transit		Receipt Amt

2.1.2   Material related Transactions

Transaction	Account	Dr	Cr
Vendor Receipt	Product Inventory	Product Cost	
	Not Invoiced Receipts		Product Cost
Customer Shipment	Product Cost of Good Sold	Product Cost	
	Product Inventory		Product Cost
Invoice Matching	Not Invoiced Receipts	Product Cost	
	Invoice Price Variation	Difference	
	Product Expense		Invoice Price
PO Matching	Purchase Price Variance	Difference	

	PPV Offset		Difference
Inventory Move	Product Inventory	Product Cost	
	Product Inventory		Product Cost
Inventory Count	Product Inventory	Product Cost	- or -Cost
	Inventory Differences	- or - Cost	Product Cost
Inventory Revaluation	Product Inventory	Lower Cost or Price difference	
	Inventory Revaluation		Lower Cost or Price difference

2.1.3   Purchase related Transactions

Transaction	Account	Dr	Cr
Vendor Invoice	Tax Credit/Exp (per rate)	Tax Amt	
	Product Exp (per line)	Line Amt	
	Payables		Invoice Total
Vendor Credit Memo	Payables	Total Amt	
	Product Expense		Line Amt
	Tax Credit/Exp (per rate)		Tax Amt
Payment	Payment Select	Pay Amt	

	Bank In Transit		Pay Amt

Transaction	Account	Dr	Cr
Payment Allocation	Unallocated Cash or Cash Transfer		Paid Amt
	Discount Revenue		Discount Part
	Tax Credit (per tax rate)		Tax Part
	Realized Gain/Loss	Loss	Gain
	Liability	Assigned Amt	
Bank Statement	Bank Charge	Charge Part	
	Tax Credit/Exp	Tax Part	
	Bank Interest	Interest Exp	Interest Rev
	Bank In Transit	Payment Amt	
	Bank Asset		Stmt Amt

2.2 Enhanced Accounting Rule Set

The enhanced accounting rule set replaces certain basic accounting rules. They usually provide more detailed accounting allowing advanced financial reporting.

Transaction	Account	Dr	Cr
Customer Invoice	Receivables Tax Due (per tax rate) Product Revenue (per line)	Invoice Total Discount	Tax Amt List Amt
Revenue Recognition			

2.3 Optional Accounting Rule Set

This describes the generated accounting entries using the optional accounting rule set. In contrast to the standard rules, these rules have to start explicitly in period end procedures or need to be enabled. The balance type of these posting entries is either actual, budget or commitment (encumbrance).

Transaction	Account	Dr	Cr
Order Commitment (commitment) Order Entered			
Order Commitment (commitment) Invoice Generated			
Purchase (COMMITMENT) Requisition created			
Purchase (commitment) Purchase Order created			
Purchase (commitment) Invoice created			
Not Invoiced Revenue (actual)			
Unearned Revenue (actual)			
Unrealized Gain/Loss (actual)			

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