

## Cash Basis

Version 1.0.3.0

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 both Accrual (earned) and Cash Basis Accounting principles (cash flow).

## Features

- Cash Basis App adds Cash Basis accounting to your General Ledger in Business Central.
- Report Income Statement and Balance Sheet in Cash basis or Accrual Basis.
- Automatically handle overpayments and closing of income statement for Cash Basis.
- Cash Basis don't not only eliminate accounts receivables and payables, but also distributes revenue and expenses to all the relevant accounts in your income statement based on posted sales and purchase documents.
- General Journal entries can be excluded from 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.
- Cash Basis accounting year can be separate from the accrual accounting year.

## 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

The Cash Basis focus is, as its name implies, on the flow of cash. Whenever cash is collected, revenue is recognized as having been earned. A similar basis for the recognition of expenses is used, namely whenever cash is disbursed the related expense is recognized as having been incurred.

### Accrual Basis

In Accrual Basis, revenue is recognized as it is earned. A business enters into a contractual agreement to exchange a performance for a consideration, which will culminate in the receipt of cash. 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 in a similar manner. 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 at the same time 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 find the corresponding documents that were applied to or from the payments or refund. Whenever a document is found, the product will calculate the percentage that has been applied and calculate the cash basis for each line on the document.

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

- If a payment or refund is not applied, or only partially applied, the un-applied 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. No matter if 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, then the cash posting date is based on the application date. For instance, an invoice is posted in January. A credit memo is posted in February. If both entries are unapplied, there is no cash effect, as there is not a cash transaction. When these entries are applied against each other, then the application date is used as the cash posting date, and the cash income and outlay are now both able to be recognized.

Posted sales and purchase documents are required for the cash basis to know where to post the applied payments and refunds. For this reason, only payments and refunds can be posted via the journals. All invoices and credits must be posted through the documents. (See section on Initial Implementation for more information on initial data conversion issue for journal entries for open AR/ and A/P). In addition, since the cash basis requires the posted documents to make the application entries, posted documents are not allowed to be deleted.

All G/L journals are posted to the cash basis as of the G/L posting date unless “Exclude in Cash” field is checked. If there are G/L entries that are made on the accrual side that for some reason should not be reflected on the cash basis, then the cash adjustment journal should be used to make the reversing entry in the cash basis only.

## Cash Basis License

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

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 the users that should have access to Cash Basis. The Setup permission set should be given to all other users with no access to Cash Basis.

### Cash Basis Setup

You will need to set up Cash Basis to enter necessary information for the solution to work.

Search for Cash Basis Setup in the search bar:

TELL ME WHAT YOU WANT TO DO ↗ ✕

**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

[Process](#) | [Actions](#) | [Less options](#)

Subscription

---

**General**

Retained Earnings ..... 30200  Do Not Delete Before Date .....

Overpayment Account ..... 10600  Allow Doc. Posting in G/L Jnl. ....

Ignore Before Date .....

---

**License**

Expiration Date ..... 11/24/2018  Licensed Company Name .....

Trial Period .....  Don't show subscription notifications .....

Here is a description of each field:

### General tab

- **Retained Earnings**  
The Retained Earnings account is used to allow Cash Basis generated entries to close the prior year 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 over payments to. Overpayments are payments made to sales or purchase documents that have been received but not fully applied. For instance, if a customer pays \$1,000 on a \$600 invoice, they overpaid \$400 on the invoice that will be sitting as a non-applied payment in Business Central. 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 if specified, all mentioned entries before this date are ignored. 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. If checked, Cash Basis will not delete Cash Entries before the Ignore Before Date. 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.
- **Allow Doc. Posting in G/L Jnl.**  
Cash Basis will only allow document types of Payment and Refund for Customer and Vendors in General Journals. Any other document type will cause an error. By checking this field, you will bypass this error. This should always be unchecked unless special circumstances require this to be checked. See Notes on Initial Implementation later for more information.

### License Tab

- **Expiration Date**  
This 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 is the company name used to activate the license. It should be the same as the name of the company in Business Central. If the company name is not the same as this field and the Trial Period is unchecked, the E-Bank system will stop working.
- **Don’t show subscription notifications**  
This will turn off all notifications from the subscription system like the message below.

× Thank you for trying out the Cash Basis Accounting app. Your trial period expires in 29 days. Contact SimCrest, Inc. for a subscription. [Contact us](#)

## 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 setup a batch or batches for accrual only entries and check mark 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 next section.

The recurring general journal batches can also be setup in the same manner. Also, if you use the fixed asset module with integration to the GL, make sure to setup the FA GL Journal based on the exclude in cash logic to be used for recording 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. This makes 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 setup 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 for Cash Basis than for Accrual Basis if needed. The buttons to create a new cash year and to close a cash year can be found in the Actions tab of the ribbon.

Accounting Periods

Search + New Edit List Delete Process Report Open in Excel Actions Report Less options

Inventory Period Create Year... Close Year Cash Create year Cash Close year

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, it is possible to make adjustments to the cash basis balance. This is particularly useful when the product is installed after entries have been made to the accrual system. Cash Basis will not work properly in an old period (prior to installation), thus adjustments will be necessary to get 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 have an impact on cash, or for cash only adjustments.

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

Delete  
 Post Journal  
 Calculate Cash  
 Dimensions  
 Manage Process

EDIT - CASH BASIS ADJUSTMENT JOURNAL

Batch Name

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 also be assigned to the cash journal line.

The following Actions are available:

- **Post Journal**  
This will post the journal. All adjustments will post to the Cash Adjustment Ledger
- **Calculate Cash**  
This will calculate 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 to 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 chart of accounts cash balance, or account schedules, the calculate cash 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 and refunds in the customer ledger and find 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 find all the purchase documents that have been applied. Partial applications and overpayments are handled automatically.
- Find all General Ledger Entries that are not excluded from cash and that are 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 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 search:

SEARCH FOR PAGE OR REPORT



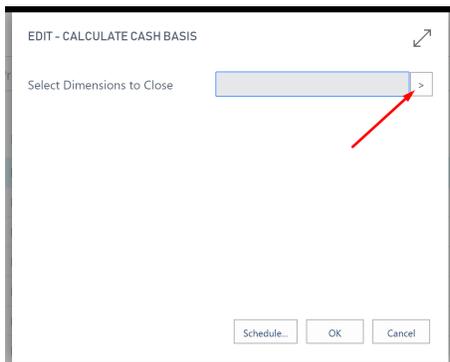
Type page or report name to start search:

1 search results: [All Reports and Analysis](#)

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

NAME	DEPARTMENT
<a href="#">Calculate Cash Basis</a>	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 setup to run automatically. This is a particular good idea if the calculation takes a long time. As your general ledger entries and posted document grow in number, this process can take several hours to run. Instead of having someone manually starting this process, you can use the Job Queue to do it for you on a regular basis.

### Search for Job Queue

SEARCH FOR PAGE OR REPORT



Type page or report name to start search:

3 search results: [All Lists](#)

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

NAME	DEPARTMENT
<a href="#">Job Queue Entries</a>	Administration/Application Setup/Job Queue
<a href="#">Job Queue Log Entries</a>	Administration/Application Setup/Job Queue
<a href="#">Job Queue Category List</a>	Administration/Application Setup/Job Queue

Click New.

Use Object Report 70163480 (Cloud solution) or 93480 (OnPrem) to Run. Here is an example 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	<a href="#">Calculate Cash Basis</a>	Status	On Hold

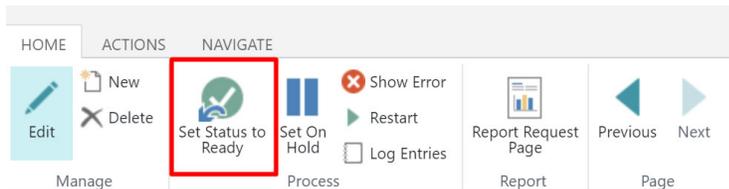
**Report Parameters**

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 setup, click Set Status to ready.



## Cash Basis Reporting

There are several reports that will print statements in Cash Basis. They can be found under Search and are also available from the Chart of Accounts, Cash Ledger and Cash Adjustment Ledger.

NAME	DEPARTMENT
 <a href="#">Cash Basis Trial Balance Detail/Summary</a>	Departments/Cash Basis
 <a href="#">Cash Basis Trial Balance</a>	Departments/Cash Basis
 <a href="#">Cash Basis Trial Balance, Spread Periods</a>	Departments/Cash Basis
 <a href="#">Cash Basis Trial Balance, Spread Global Dimension</a>	Departments/Cash Basis
 <a href="#">Cash Basis Trial Balance, per Global Dimension</a>	Departments/Cash Basis

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

NAME	DEPARTMENT
 <a href="#">Cash Basis Export Ledger</a>	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.

## Cash Basis Examples

Let's look 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 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 calculate 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 yet.

### 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 full 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 run the cash basis again. 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
40500	... Interest Income		-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	... <i>Payment</i>	<i>G02002</i>	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	... <i>G02002</i>	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 running the cash basis again, we have these net changes:

NO.	NAME	NET CHANGE	NET CHANGE CASH
10600	... Overpayments Cash Basis	-	-1,500.00
40450	Job Sales Applied	-500.00	-
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 Item, Resources, Fixed Assets in Cash Basis

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

## Posting General Journals

General Journal will usually just 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 check mark in “Exclude in Cash” will make sure only the accrual ledger is affected and not the cash basis ledger. If not checked, 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 to use for reconciling purchases (invoices and returns), however Cash Basis will simply post the purchase cost directly to the cost of goods sold account, as setup per the Vendor Gen. Bus. Posting Group and Item Gen. Prod. Posting group combinations.

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

Note, inventory is not calculated, as the cash basis logic is to report 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 in the cash basis, as this is an accrual revaluation.

## Setup for Payment terms discounts and tolerances

There are a few setup areas that 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, is where you specify the GL accounts. Below is 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 look at the customer debit accounts and the vendor credit accounts. If you have different accounts, accrual and cash will be out of synch.

## Notes on Initial Implementation

### Setup Initial document imports

It is possible to post invoices and credits to vendors and customers via the journals if the field “Allow Doc. Posting in G/L Jnl.” is checked in Cash Basis Setup. Please note, the default setup is NO and should only be set to yes during initial data conversion if there is a need to import open AR and open AP via journals instead of through posting of individual invoices and credit memos. It is recommended that invoices and credit memos to the actual GL accounts be used if possible.

If “Allow Doc. Posting in G/L Jnl.” is allowed, the calculate cash will only be able to pick up half of the entry, the GL offset, and not the application of the invoice or credit as there is no posted document for the application. (See section below for more information on initial data conversion issue for journal entries for open AR and AP).

### Initial document posting of open AR and AP

Many times, on initial data conversion for implementation, journals are used to create open AR and AP balances, and the offset GL is normally a clearing account instead of the actual Sales and or Expense accounts. The offset of the clearing account is normally because the opening GL balances are brought over, thus a clearing account is used so as not to overstated 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 of the excel file to keep track of the amounts that need manual entries as the invoices and credits are paid and or applied.

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) the calculate cash will only find the entry to the GL account
  - This means that 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 in cash basis as the invoice is still open and should not be recognized as an expense yet.
- When the invoice is paid, the calculate cash will make the entry of the payment to the bank, but as it cannot find the related applied document, the entry to the expense is not picked up.
  - This means that 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 is showing in the clearing account and not the actual expense.
    - At a minimum, a month end entry to move the amount from suspense to the actual expense is required.
  - 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 2<sup>nd</sup> 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 cash entries that are needed if the payments will span over a few months.
  - This is why it is recommended to post the actual sales and purchase invoices and credit memo.
  - After posting of the actual documents, one GL journal will be needed to move the duplication of the expense and or 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. Afterwards, 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.
- Cash Basis will not be able to calculate applications if transactions (invoice, credit memo, finance charge or reminder charges) are posted to a customer or vendor via the general journals. If entries have been made via journal directly to the customer ledger, you may need to adjust the G/L account affected by these postings.

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

## Notes on Posting Sales and Purchases

All posting to the accounts receivable and payable MUST be done via sales or purchase documents. Posting sales and purchase using journal will NOT work for Cash Basis. Cash Basis is using posted sales and purchase invoices and credit memos to determine the cash basis value for each document. This also means that Cash Basis will not allow posted sales and purchase documents to be deleted, even after they have been printed (like normal standard functionality allows).

## 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 to 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 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.
- If changes are made to the General Posting Setup, General Business Posting Groups or General Product Posting Groups, or the FA Posting setups, the product will calculate the cash based on the new setup, also on entries made prior to the new change.
- The product is only able to calculate on entries made after the installation of the product.
- 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
- The product will not be able to calculate applications if transactions (invoice, credit memo, finance charge or reminder charges) are posted to a customer or vendor via the journals, therefore only payments and refunds can be posted to customers and vendors via journals.
- 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 field Do Not Delete Before Date to avoid deleting cash entries before the Ignore Before Date. Using this option will only work if all customer and vendor entries before this date stays close 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 check date and void date are the same, cash in and out on same day
  - If check date and voice 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 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
  - 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 really 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
  - As each company will have their own rules and process / procedures, this should be reviewed and testing in detail to determine the correct approach.
  - See the white paper for some testing notes and details
  - It may be that as part of 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 be used for manual adjustments for 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 are done until invoice/credit is paid and applied
    - If invoice paid in full, full amount for sales and tax will be recorded
    - If invoice is a partial pay, % of amount including tax vs. payment amount to be calculated. This % will be applied to each GL account for sales and the sales tax amounts.
  - Overall effect is that 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 is to be reported for 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 time of 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 the entry of invoice discounts (a discount off of the entire invoice or order value) and line discounts (discount related the specific sales or purchase line). Setup and posting of the document on the 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 the discounted amount.

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.

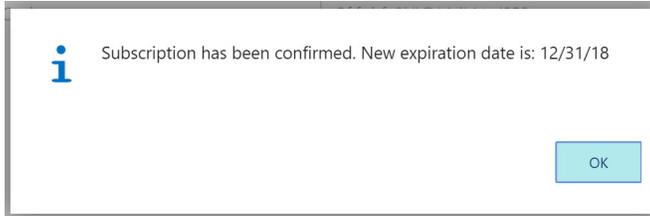
#### Example

- 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 and not the gross purchase or sales and the discounts, no action is required.
- If the intent is to record the \$100 sales and \$5 discount on the cash basis, manual adjustments are needed.

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”.

If only one sales account is used, the offset is also easy to calculate. If multiple sales accounts are used, a custom report can be created, or 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.





### Subscription Expiration

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

### Customer Support and Request for new features

If you have questions 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 if you like to request new features for Cash Basis.