AccountMate®
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Article # 1329

Technical Note: Understanding the Expense Amortization Feature

Difficulty Level: Beginner Level AccountMate User

Version(s) Affected: AccountMate 9 for SQL and Express
AccountMate 8 for SQL and Express (AM8.3 and higher)

Module(s) Affected: AP

Posting Date: 03/25/2015

DESCRIPTION

It is inappropriate to fully expense certain costs in the year of its acquisition. One particular example is the insurance cost. The insurance cost should not be recognized as an expense in the accounting period in which it is incurred but should be capitalized as an asset and gradually amortized over its term.

AccountMate 8.3 for SQL/Express introduces the Expense Amortization feature that can handle the expense amortization transactions involving relatively easy and simple steps. This Technical Note discusses how to activate and set up the Expense Amortization feature. This document also discusses how to use the feature and lists the reports that show the expense amortization transactions.

SOLUTION

A. Expense Amortization Feature Activation and Setup

Perform the following procedures necessary for activating and setting up the feature:

1. **Activate the feature in AP Module Setup.**

   a. Access the **AP Module Setup** function.
   b. Click the **General (2)** tab; then, mark the **Enable Expense Amortization** checkbox.
   c. Click the **GL Accounts** tab; then, enter the **Deferred Expense GL Account ID** to which the deferred expense transactions will be posted.
   d. Click **OK**.
   e. In the dialog box, click **Yes** if you want to assign the same Deferred Expense GL Account ID to all existing vendor records; otherwise, click **No**.

   Note: If you clicked No, you need to assign the Deferred Expense GL Account ID to each vendor record after the feature is activated.

2. **Set up the Group and User access rights.**

    a. Launch the **AccountMate Administrator** program.
    b. Go to the **Security** function; then, click **Group/User Setup**.
    c. Highlight the **Group** for which you want to grant access rights; then, click **Edit**.
    d. Highlight the **Company ID**; then, mark the following checkboxes:
        1) AP Schedule Expense Amortization
        2) AP Amortize Expense
        3) AP Expense Amortization Schedule Report
        4) AP Amortized Expense Report
        5) AP Expense Amortization Transaction Listing
        6) AP Void Amortization Expense Report
        7) AP Void Amortized Expense
    e. Click **OK**.
    f. Highlight the **User** for which you want to grant access rights; then, click **Edit**.
    g. Highlight the **Company ID**; then, mark the **Amend Deferred Invoice** checkbox.
    h. Click **OK**; then, click **Close**.

3. **Exit the AccountMate Administrator program.**

4. **Re-access the company or re-launch the AccountMate main application.**

B. Getting Started with the Feature

1. Record a Deferred Expense Invoice

a. Access the **Accounts Payable** module.
b. Go to the **Transactions** menu; and, access the **Deferred Expense Invoice** function.
c. Enter values in the required fields (e.g. Vendor #, AP Invoice #, Dates, etc.) similar to recording a regular AP invoice
d. Review the GL Distribution Accounts in the **GL Distribution** tab. By default, the GL Account ID in the grid is the vendor reference account in Vendor Maintenance ► GL Accounts (1) ► Reference Accounts grid. Amend if necessary.
e. Click the **Details** tab; then, perform the following:
    1) Highlight the GL Account ID for which you want to set up amortization details in the **GL Distribution Accounts** grid.
    2) Mark the **Amortize** checkbox.
    3) Enter the amortization details (e.g. Amortization Method, Recurring Cycle, No. of Cycles, etc.)
    4) Click **Save**.

The journal entry that will be created once the Deferred Expense Invoice transaction is saved is as follows:

1. Positive Invoice Amount

DR: GL Distribution Account*	XX	
CR: Accounts Payable		XX

2. Negative Invoice Amount

   DR: Accounts Payable XX
   CR: GL Distribution Account* XX

   ** By default, this GL Account ID is the Deferred Expense GL Account ID assigned in Vendor Maintenance ► GL Accounts (1) ► Deferred Expense field.*

When a deferred expense invoice needs to be amended, you can access the same function (Deferred Expense Invoice); and, select the **Amend Deferred Inv** option. Enter the **Vendor #** and **AP Invoice #**; then, you can proceed to amend the deferred expense invoice details.

When at least one amortization transaction record is posted for the deferred expense invoice, note of the following:

- You can no longer void the deferred expense invoice unless the amortization expense record is voided.
- The deferred expense invoice Post Date cannot be later than the first amortized record amortization date.
- Only the unamortized record's amortization amount and amortization details can be changed.

2. Schedule Expense Amortization

Before an expense amortization can be posted for a deferred expense invoice, you need to access the **Schedule Expense Amortization** function to specify the time frame and manner in which the deferred expenses will be amortized.

To schedule the expense amortization, perform the following:

a. Go to the **Transactions** menu; and, access the **Schedule Expense Amortization** function.
b. Enter the criteria and the amortization method to filter the deferred expense invoices for which you will set up the amortization schedule.
c. Mark the **Include Fully Amortized Invoices** checkbox if you want to display the deferred expense invoices that have been amortized in full.
d. Click **OK**.
e. Review each deferred expense invoice amortization details.
f. Click **Save**.

3. Amortize Expense

After scheduling the expense amortization, you need to post the amortized expense. To do this, perform the following steps:

a. Access the **Amortize Expense** function.
b. Enter the criteria and **Posting Date Cut-off** to filter the deferred expense invoices for which amortization will be posted.
c. Click **OK**.
d. AccountMate will then display a message box which displays information about the number of records amortized and the total amortized expense amount. Click **OK** to close the message.

The journal entry that will be created is as follows:

1. Positive Amortized Amount

DR: Amortized Expense Account*	XX	
CR: GL Distribution Account		XX

2. Negative Amortized Amount

DR: GL Distribution Account	XX	
CR: Amortized Expense Account*		XX

** By default, this GL Account ID is the vendor reference account in Vendor Maintenance ► GL Accounts (1) ► Reference Accounts grid.*

4. Void Amortized Expense

Mistakes are inevitable. In the event that you need to void an amortized expense record, perform the following:

a. Access the **Void Amortized Expense** function.
b. Enter the **Vendor #**.
c. In the **Invoice # Full Search** or **Invoice # Leading Search** window, select the invoice number assigned to the amortized expense transaction that you need to void; then, click **OK**.
d. Select from the upper grid the amortized expense record that you need to void.
e. Mark the **Void** checkbox on the lower grid. You must mark the record with the oldest **Post Date** before you can mark the records with earlier post dates.
f. Click the **Void** button in the Maintenance toolbar; then, click **Yes** in the dialog box that appears.

The journal entry that will be created is as follows:

1. Voided Positive Amortized Amount

DR: GL Distribution Account	XX	
CR: Amortized Expense Account		XX

2. Voided Negative Amortized Amount

DR: Amortized Expense Account	XX	
CR: GL Distribution Account		XX

C. Generate the Reports

AccountMate updated some existing reports and created new ones that can help you verify the expense amortization transactions.

1. Existing Reports

a. AP Invoice Detail Report
This report is enhanced to provide the option to generate only the deferred expense invoices. The Amortized Expense GL Account ID and the Account Description information are also shown on the report when the **Show GL Distribution** checkbox is marked.

b. AP Invoice Summary Report
This report is enhanced to provide the option to generate only the deferred expense invoices.

2. New Reports

a. Expense Amortization Schedule Report
This report shows the time frame and manner in which the deferred expenses will be amortized.

b. Amortized Expense Report
You can generate this report to view the deferred expense invoices which GL distribution accounts have been amortized.

c. Expense Amortization Transaction Listing
This report can help you verify the amortized expenses and voided amortized expense transactions.

d. Voided Amortization Expense Report
As the report name suggests, this report displays the voided amortized expense transactions.

Understanding how the Expense Amortization feature works will greatly help you in properly handling the expense amortization transactions.
