
WRITE-UP CS™

Automatic Journal Entries

version 2008.x.x

CS PROFESSIONAL SUITE®
ACCOUNTING
PRODUCTS



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Introduction

Write-Up CS™ enables you to define automatic journal entries for the selected client by entering them in the **Setup / Automatic Journal Entries** dialog. The program automatically calculates transactions each period based on your entries in this dialog.

Using this timesaving feature, you need to enter information for automatic journal entries just once per client even though the amount of the actual journal entry can vary each month based on the specified calculation.

This guide presents several examples for using automatic journal entries in Write-Up CS. Please note that, while each of the examples relates to a separate automatic journal entry that is specific to just one of the tabs in this dialog (Percentage, Inventory, Income Tax, or Overdraft), a single automatic journal entry could include information on all four tabs.

Automatic Journal Entries

Reference	Description
-----------	-------------

Add Edit Delete Enter Cancel

Reference: Description: Journal: Basis:

Percentage Inventory Income Tax Overdraft

Calculate from

From Account	To Account	YTD/Current

Debit Credit Compounding Reversing

Distribute to

Account	Percentage	Debit/Credit

Done

You can set up automatic journal entries for many different purposes, including the following:

- To calculate the estimated cost of goods sold based on a percentage of sales.
- To allocate expenses to various departments based on a percentage formula.
- To calculate the change in inventory based on an actual ending inventory amount.
- To make an accrual for corporate state and federal income tax.
- To create a cash overdraft account for financial statement presentation.

If **multiple** automatic journal entries have been set up for the client, the program completes the calculations in the following order: (1) percentage; (2) inventory; (3) state tax; (4) federal tax; (5) overdraft.

Each time transactions are posted, the program removes any automatic journal entries previously saved for the period and calculates new entries based on the current-period information.

Important! If you need to access a prior period but do **not** want the automatic journal entries to recalculate for that prior period, before moving back to the prior period choose the Options command from the Tasks / Transaction Entry window and mark the checkbox for the **Do not post automatic entries when in prior periods** option.

Special information

- To have percentage-type automatic journal entries calculate in a certain order, mark the **Compounding** checkbox for each entry and use the **Reference** field to specify the appropriate calculation sequence. The program completes each calculation based on a numeric or alphanumeric sort of the Reference field (for example, 4.1, 5, A1, A100, A11, A12, A2, A2.1, and so on).
- To have the program create a reversing entry for the automatic journal entry at the beginning of the next period, mark the **Reversing** checkbox. For the reversing entry, the period end date is used as the date and its reference is automatically incremented by **0.1**.
- To verify the calculations for automatic journal entries during data entry from Tasks / Transactions window, choose the **Automatic Journal Entries Diagnostics** command from the Edit menu or from the F3 or right-click context menu.
- To copy automatic journal entries that have already been set up for another client to the open client, choose **Utilities / Transfer Client Information** from the CSA main window.



Percentage Entries

Estimating the cost of goods sold

The **percentage** automatic journal entry is commonly used to calculate estimated expense for cost of goods sold (COGS).

Example

Assume the following information for this example:

- The client's COGS expense is typically close to 40% of sales.
 - The range of sales accounts relevant to the calculation starts with account 401 and proceeds through account 450.
 - For the COGS estimate calculation, the program should debit account 501 (Cost of Sales) and create an offsetting credit to account 130 (Inventory).
1. To set up the automatic journal entry, you would enter and save the information as shown in the following illustration. The program recalculates the journal entry automatically each time you post the transactions, based on the current-period's summarized dollar amount of sales.

Automatic Journal Entries

Reference: 77 Description: COGS adj Journal: Automatic Journal Entry

Basis: []

Percentage Inventory Income Tax Overdraft

Calculate from

From Account	To Account	YTD/Current
401	450	Current

Debit Compounding
 Credit Reversing

Distribute to

Account	Percentage	Debit/Credit
510	40.0000	Debit
130	40.0000	Credit

Done

Notes

- For the account range specified in the **Calculate from** grid, you may choose either **Current** for the current period's summary amount or **YTD** for the year-to-date summary amount.
- The **Debit** vs. **Credit** option specifies the type of balance the selected range of accounts would typically have, so that when the entry is created it will have the correct sign. (For example, you would choose Credit when selecting a range of revenue accounts. Selecting Debit instead of Credit in this case would create a journal entry with the opposite sign of what it should normally be.)
- The total credit percentage and the total debit percentage must equal one another, but the total percentages do not have to equal 100%.
- By default, each percentage journal entry is calculated independently. To instruct the program to calculate a percentage entry based on an amount from another percentage entry, mark the **Compounding** checkbox. When this checkbox is marked, the program completes each calculation based on a numeric or alphanumeric sort of the Reference field (for example, 4.1, 5, A1, A100, A11, A12, A2, A2.1, and so on).
- If you mark the **Reversing** checkbox, the exact opposite of the automatic journal entry that you record in this dialog will be made at the start of each new period. The reversing transaction uses the period end date as the transaction date and the reference is incremented by **.1**

Calculating sales commissions with compounding automatic journal entries

Compounding automatic journal entries can be used, for example, to back out the sales tax amount before calculating sales commissions.

Example

Assume the following information for this example:

- Transactions recorded by the company to its sales account (revenue account 400) include sales tax at 6%.
- Commissions to sales representatives are paid at a rate of 15% (expense account 500 and payable account 202).
- **Before** the amount for sales commission can be computed, the sales tax amount needs to be calculated and backed out of the sales account (400) to a tax payables account (200). Note that the percentage used to calculate the sales tax amount to back out is **not** equal to the sales tax rate:

Sales Tax = 6%

Total Sales + Sales Tax = \$106

Thus, the calculation of the sales tax percentage within the total sales amount would be $6 / 106 = 0.56606$.

To set up the compounding automatic journal entries, you would enter and save the information as shown in the following two illustrations — first to calculate the amount of sales tax to back out, and then to calculate the sales commission based on the resulting balance in the sales account.

Automatic Journal Entries

Reference	Description

Add Edit Delete Enter Cancel

Reference: A1 Description: Sales Tax Calculation Journal: General Basis:

Percentage Inventory Income Tax Overdraft

Calculate from

From Account	To Account	YTD/Current
400	400	Current

Debit Compounding
 Credit Reversing

Distribute to

Account	Percentage	Debit/Credit
200	5.6604	Credit
400	5.6604	Debit

Done

Automatic Journal Entries

Reference	Description
A1	Sales Tax Calculation
A2	Commission Calculation

Add Edit Delete Enter Cancel

Reference: A2 Description: Commission Calculation Journal: General Basis:

Percentage Inventory Income Tax Overdraft

Calculate from

From Account	To Account	YTD/Current
400	400	Current

Debit Compounding
 Credit Reversing

Distribute to

Account	Percentage	Debit/Credit
500	15.0000	Debit
202	15.0000	Credit

Done

Reclassifying client expenses for a department client

An automatic journal entry can be set up for a departmental client with numerous departments and for whom many of the bills are paid by a single check but need to be distributed to several or all of the departments.

Rather than having to key in eight or ten distributions for each check to a vendor, you can expense each distribution to Department 1 and then set up an automatic journal entry to allocate the expenses to the remaining departments to have the program automatically complete the bulk of the data entry. This might not work for all situations. However, for a client with several regular payments attributable to multiple departments, you could easily allocate the payments on a percentage basis to the other departments. Examples might be expenses for telephone, garbage, maintenance, or certain supplies paid from one central account.

Example

Assume the following information for this example:

- The client pays \$1,000.00 for maintenance each week to Gary Hansen Lawn Maintenance.
- The initial total debit would be expensed to Department 1 (account 1663).
- Because only 40% is actually attributable to that first department, in the **Distribute to** grid you would need to credit the original department (1663) for 60% of the total.
- The remainder of the allocation would be:

Department	2	3	4	5	6	7	8	9
Allocation	20%	10%	10%	5%	5%	5%	2.5%	2.5%

To set up the automatic journal entry, you would enter and save the information as shown in the following illustration.

Automatic Journal Entries

Reference	Description
AJE1	Lawn Maintenance Allocation

Add Edit Delete Enter Cancel

Reference: AJE1 Description: Lawn Maintenance Alloca Journal: Automatic Journal Entry Basis:

Percentage Inventory Income Tax Overdraft

Calculate from

From Account	To Account	YTD/ Current
1663	1663	Current

Debit Compounding
 Credit Reversing

Distribute to

Account	Percentage	Debit/Credit
1663	60.0000	Credit
2663	20.0000	Debit
3663	10.0000	Debit
4663	10.0000	Debit
5663	5.0000	Debit
6663	5.0000	Debit
7663	5.0000	Debit

Done

Adjusting California SUTA expense

Write-Up CS calculates the SUI rate and the ETT rate as separate rates but posts the lump sum amount to a single GL account. You can use an automatic journal entry to differentiate the SUI amount from the ETT amount and post to separate liability and expense accounts for each.

Example

Assume the following information for this example.

- Write-Up CS posts a lump sum amount equal to 1.0% for the combined SUI rate (0.9%) plus ETT rate (0.1%).
- The SUTA liability should go to account 235.
- The SUTA expense should go to account 521.
- The automatic calculation should pull out 10% from the above accounts to transfer to account 236 (ETT Tax Payable) and account 522 (ETT Tax Expense).

You would use the following procedure to set up the appropriate calculations.

1. Use the Other tab of the Setup / Employees window to specify the SUTA Tax Payable (account 235) for the liability and the SUTA Tax Expense (account 521) for the expense for each employee.
2. Set up an automatic journal entry as shown in the following illustration to transfer the appropriate amounts to the ETT Tax Payable and ETT Tax Expense accounts. (See the following illustration.)

Automatic Journal Entries

Reference	Description
CA	CA SUTA/ETT Split

Add Edit Delete Enter Cancel

Reference: CA Description: CA SUTA/ETT Split Journal: Automatic Journal Entry Basis:

Percentage Inventory Income Tax Overdraft

Calculate from

From Account	To Account	YTD/Current
521	521	Current

Debit Compounding
 Credit Reversing

Distribute to

Account	Percentage	Debit/Credit
521	10.0000	Credit
522	10.0000	Debit
235	10.0000	Debit
236	10.0000	Credit

Done



Inventory Entries

You can easily set up an automatic journal entry to calculate and record the **change** in the value of inventory. When using this feature, you manually enter the actual value of inventory at the period end or year end, and the program automatically creates the journal entry needed to increase or decrease the inventory account.

Calculating the change in value of inventory

Example

Assume the following information for this example:

- The Inventory account (130) has a beginning balance of \$36,000 and an ending balance of \$50,000.
- The change in inventory value should be recorded in account 599.

The following two illustrations show (a) the setup for the automatic journal entry for this example and (b) the transaction diagnostics, which can be viewed from the Transactions window by choosing **Edit / Automatic Journal Entries Diagnostics**.

Automatic Journal Entries

Reference	Description
91	Change in Inventory

Reference:
 Description:
 Journal:
 Basis:

Calculate from

From Account	To Account	YTD/ Current

Debit
 Credit
 Compounding
 Reversing

Distribute to

Account	Percentage	Debit/Credit

Automatic Journal Entries Diagnostics

Reference:
 Description:
 Journal:

Actual Inventory Entry:

Ending inventory amount entered = \$50,000.00

Year-to-date inventory (account 130) = \$36,000.00

Current period inventory adjustment = \$14,000.00 (\$50,000.00 - \$36,000.00)

Automatic journal entries are calculated in the order listed above.



Income Tax Entries

When entering income tax information, keep in mind that the program calculates state tax amounts first and then uses that information when calculating federal income tax amounts. To create automatic journal entries for both state and federal income taxes, you must create two separate entries — one each for state and federal. **Prior to performing the tax calculations, the program automatically annualizes the income.**

Included in the data for the **Write-Up Sample Client (CSWRI01)** is an excellent example of a Federal Income Tax automatic journal entry. The following sections illustrate how the program would calculate this automatic journal entry.

Automatic Journal Entries

Reference	Description
89	Federal Income Tax

Add Edit Delete Enter Cancel

Reference: 89 Description: Federal Income Tax Journal: Automatic Journal Entry

Basis:

Percentage Inventory **Income Tax** Overdraft

Type
 State Federal

Table: Federal

Profit/Loss accounts
401 to 899

Tax liability account: 250
Federal tax expense account: 740
State tax expense account: 733
Taxable income adjustment: 0.00
Tax amount adjustment: 0.00

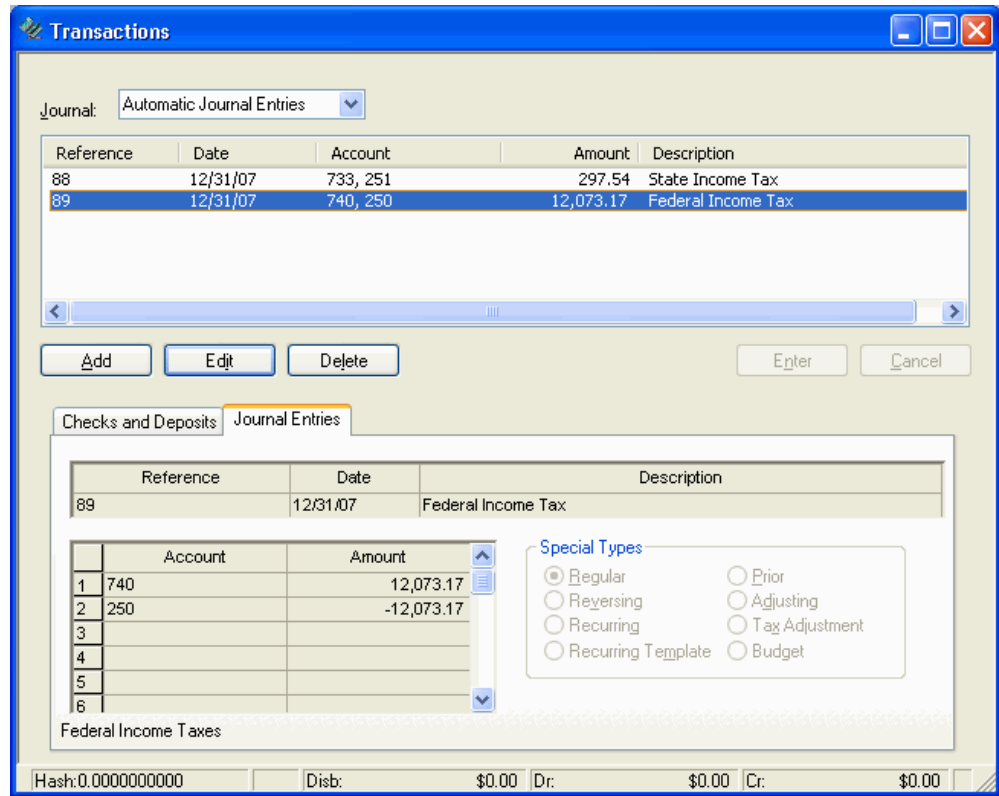
Reversing Tables...

Done

Note: To insure the automatic journal entry amounts are correct, you must include **all** Profit/Loss accounts in the range of accounts specified in the automatic journal entry setup — **including the GL accounts for both the federal and state income tax expenses.**

Automatic entry calculation of federal income tax

This section illustrates the Write-Up CS calculation of the automatic journal entry for federal income tax already set up in the **Write-Up Sample Client (CSWRI01)** and enables you to confirm the program's calculations.



Example

The end date for the current GL period for the **CSWRI01** client used in this example is 12/31/07. The program completes the calculations as shown in the following table. These calculations can also be viewed from the Transactions window by choosing **Edit / Automatic Journal Entries Diagnostics**.

Year-to-date net income prior to the current-period automatic journal entries	\$127,959.23 Note: To obtain this number, run a year-to-date general ledger without marking the option to include automatic entries within each account.
Subtract this period's state tax expense, including any amount generated from an automatic journal entry	\$1,691.90
Add the year-to-date federal tax expense as of the beginning of the period	\$33,477.20
Equals the net income before taxes	\$159,744.53
Annualize the net income	$\$159,774.53 * 12/12 = \$159,774.53$ Note: Because the current period is the 12th month, 12 is used in the calculation.
Calculate the tax based on the Federal Tax Table	50,000.00 * .15 = \$7,500.00 25,000.00 * .25 = \$6,250.00 25,000.00 * .34 = \$8,500.00 59,744.53 * .39 = \$23,300.37
Equals total annual tax	\$45,550.37
Prorate the tax	$\$45,550.37 * 12/12 = \$45,550.37$
Subtract the year-to-date federal tax expense as of the beginning of the period	\$33,477.20
Total federal tax expense for this automatic journal entry	\$12,073.17



Overdraft Entries

Creating a cash overdraft account for financial statement presentation

You can use automatic journal entries to affect the appearance of a multi-column, multi-period presentation on a balance sheet so that if an account has a debit balance it prints in one section of the statement, and if it has a credit balance it prints in a different section. One way to do this is to set up automatic journal entries based on account balances.

Example

Assume the following information for this example.

- Account 110 is a cash account (Cash - Savings), and an overdraft situation occurs if its balance is less than 0.00 for the period.
- Liability account 201 is designated as the overdraft account (intended just for the automatic journal entries and not for manual entries), and this account is included in the account group used for the liability section of the balance sheet.
- By definition, an overdraft automatic journal entry will be automatically reversed in the next period.

The automatic journal entry setup for this example is shown in the following illustration.

Automatic Journal Entries

Reference	Description
98	Overdraft

Add Edit Delete Enter Cancel

Reference: 98 Description: Overdraft Journal: Automatic Journal Entry Basis:

Percentage Inventory Income Tax **Overdraft**

Calculate from

From Account	To Account
110	110

Distribute to

Overdraft account: 201

Compare to

< 0.00 Reversing

Done

Note: If a range of accounts were to be entered in the Overdraft tab of the Setup / Automatic Journal Entries dialog, the calculation would use the total of all accounts in the range to determine an overdraft situation.

Effect on the Balance Sheet

In the Balance Sheet financial statement, account 110 (Cash - Savings) would be referenced in the Assets section, and account 201 (Overdraft Account) would be referenced in the Liability section.

If account 110 had a debit balance in the prior year and a credit balance in the current year, in the Assets section of the Balance Sheet you would see a zero balance in the current-year column and the last year's balance in the prior-year column. In the Liability section of the Balance Sheet, you would see account 201 with a balance in the current-year column and a zero in the prior-year column. (See the following page for excerpts from the Balance Sheet that illustrate an overdraft situation for this example.)

As of December 31, 2007 and 2006

ASSETS

	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Checking - General	\$ 18,236.21	\$ 81,252.44
Checking - Payroll	10,373.62	0.00
Petty Cash	1,000.00	1,000.00
Cash - Savings	0.00	110,643.21
Marketable Securities	5,000.00	0.00
Billed Receivables	46,931.40	63,442.73
Unbilled Receivables	31,054.66	27,556.78
Unbilled Expenses Receivable	4,960.05	5,884.56
Accounts Receivable - Employees	0.00	1,500.00
Allowance for Doubtful Accounts	(5,000.00)	(5,000.00)
Deposits & Prepaid Expenses	4,500.00	4,500.00
	117,055.94	290,779.72
Total Current Assets		

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2007</u>	<u>2006</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 15,309.31	\$ 17,654.98
Overdraft Account	637.59	0.00
Accrued Payroll	6,500.00	6,500.00
FICA Withholding Payable	9,788.88	464.75
Federal Withholding Payable	2,186.31	1,820.00
MI Withholding Payable	2,668.68	299.00
FUTA Payable	167.99	52.00
SUTA Payable	0.00	227.50
FIT Payable	(40,000.00)	20,000.00
MI SBT Payable	4,073.86	3,766.00
	1,332.62	50,784.23
Total Current Liabilities		

