Welcome to the course on the working process across branch companies.

Process Overview

The Working Process Across Branch Companies

- Topic 1: The Intercompany Trade Process
- Topic 2: Allocation of Amounts Across Branch Companies
- Topic 3: Centralized Payments

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- In this course we will review the major work processes across branch companies.
- We will start with the intercompany trade process.
- Then, we will allocate amounts across branch companies.
- And finally we will see how to work with centralized payments.
- During the course we will focus on the initial configuration needed for a proper working process.

Topic Objective

At the end of this topic, you will be able to:

- **Follow the workflow across companies:**
  - Run the intercompany trade process - post documents (AR/AP)
  - Allocate expense and income amounts
  - Post centralized payments
- **Work with the involved master data in the different companies.**

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- At the end of this topic, you will be able to:
- Follow the flow of marketing documents and transactions across head office and branch companies:
  - Run the intercompany trade process - post documents (AR/AP)
  - Allocate expense and income amounts
  - Post centralized payments
- We will demonstrate:
  - The business process
  - Involved documents, and
  - Replication of different master data in SAP Business One: Business Partners, Items, etc.
- Note!
- For more details on the process refer to the Admin guide and the User guide.

Process Overview

The Working Process Across Branch Companies

- Topic 1: The Intercompany Trade Process
- Topic 2: Allocation of Amounts Across Branch Companies
- Topic 3: Centralized Payments

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We start with the intercompany trade process.

The Intercompany Trade Process: Business Scenario

- OEC Computers has three branches in the US: The head office in New York and branches in California and Texas.
- All branches run SAP Business One.
- New York and California are **selling** the company products, while Texas **manufacturers** them.
- When one of the retail companies receives an order from a customer, they place a back-to-back purchase order to the manufacturing company.
- This initiates the **intercompany trade process** that allows an automatic document flow.

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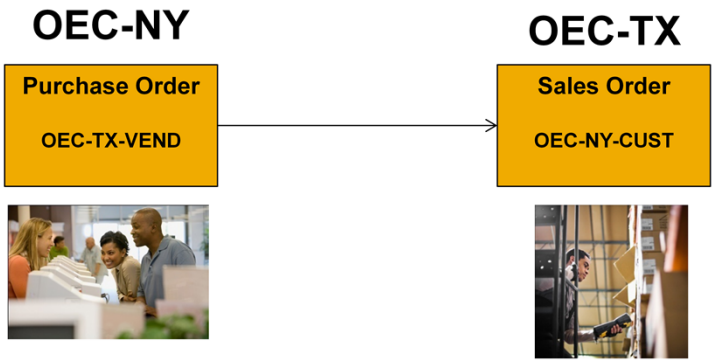
Let us discuss a business example:

- OEC Computers has three branches in the US: The head office in New York and branches in California and Texas.
- All branches run SAP Business One.
- New York and California are selling the company products, while Texas manufacturers them.
- When one of the retail companies receives an order from a customer, they place a back-to-back purchase order to the manufacturing company.
- This initiates the intercompany trade process that allows an automatic document flow.

The Intercompany Trade Process
Prerequisites - Branch Business Partner

- **For each branch** company define:
  - **Vendor**
  - **Customer**
- **Define** these master data records as ***Global***.
- Connect each **customer** and **vendor** record to the relevant **branch**.
- A **Purchase Order** for a vendor (Texas) in the retail branch (NY) will initiate a Sales Order in the manufacturer branch (Texas).

Branch	Customer Code	Vendor Code
OEC-NY	OEC-NY-CUST	OEC-NY-VEND
OEC-TX	OEC-TX-CUST	OEC-TX-VEND
OEC-CA	OEC-CA-CUST	OEC-CA-VEND



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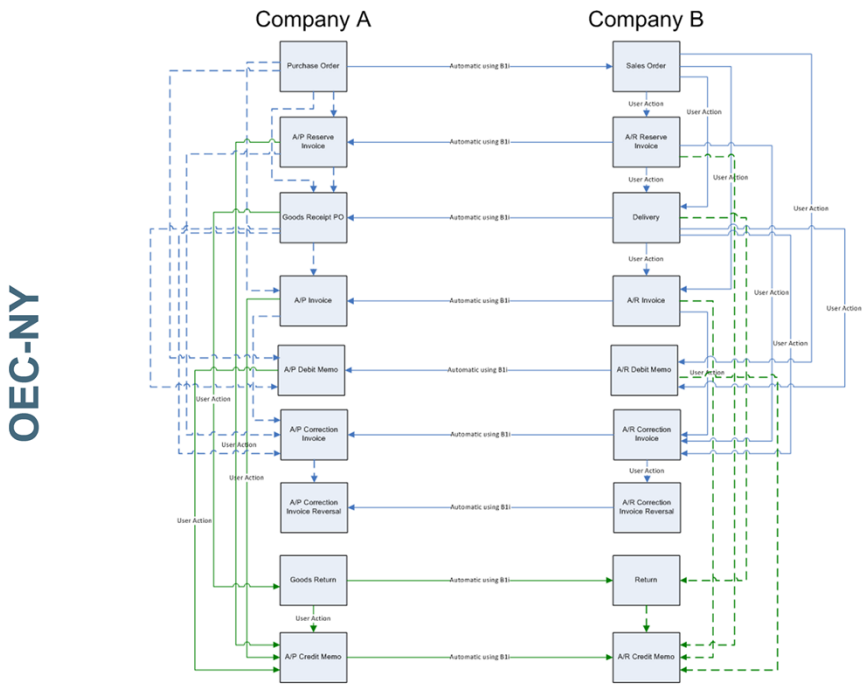
To allow a smooth trade process, there are some prerequisites you need to implement:

- For each **branch** company you should define one **vendor** and one **customer** master record representing that branch.
- We recommend you define all the master records representing the branches in the **head office** database.
- Define these master data records as ***Global***. This means the master records are replicated and appear in **all branches**. In our example, six master records will appear in all three branches.
- Connect each customer and vendor record to the relevant branch using the *Branch Partner Code* field. In our example, we will connect the New York **customer** and **vendor** records to the branch code **New York**. And perform the same step in the Texas and California branches.
- Those “internal” business partner records will hold the transactions between the legal entities.

- The connections between the business partner records and the relevant branch apply in all branches. So, when you create a purchase order in the retail branch company (New York) and choose the vendor BP that represents the manufacturer branch (Texas) it will initiate a sales order in the manufacturer branch (Texas) for the customer representing the retail company (New York).
- This is the first step in the trade process. In the following slides you will see the entire process with the document flow.

Intercompany Trade - Document Flow



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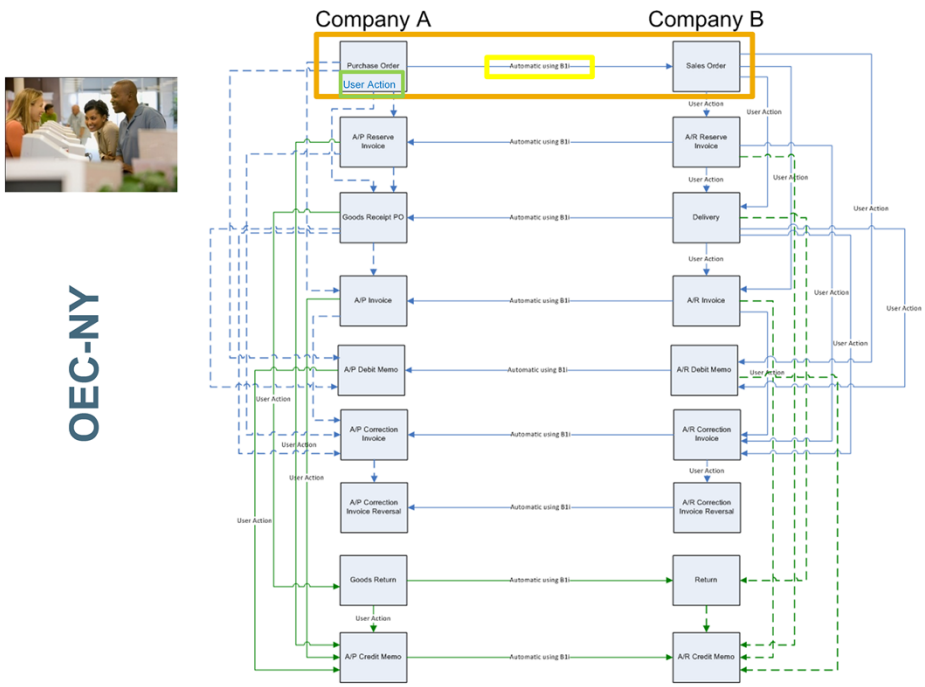
- The intercompany integration solution automates the flow of marketing documents across branch companies for the following documents:
  - Purchase order to sales order
  - A/R reserve invoice to A/P reserve invoice
  - Delivery to goods receipt PO
  - A/R invoice to A/P invoice
  - A/R debit memo to A/P debit memo
  - A/R correction invoice to A/P correction invoice
  - A/R correction invoice reversal to A/P correction invoice reversal
  - Goods return to return, and
  - A/P credit memo to A/R credit memo
- Note that the document flow is unidirectional and not bi-directional. For example, an A/R Invoice should trigger the creation of a draft A/P Invoice, and not vice versa.
- Also note that all inter-branch transactions should be executed in active periods of SAP Business One.
- Exchange rate values should be available in SAP Business One for foreign currency transactions.

Inter-Branch Transaction Scenario



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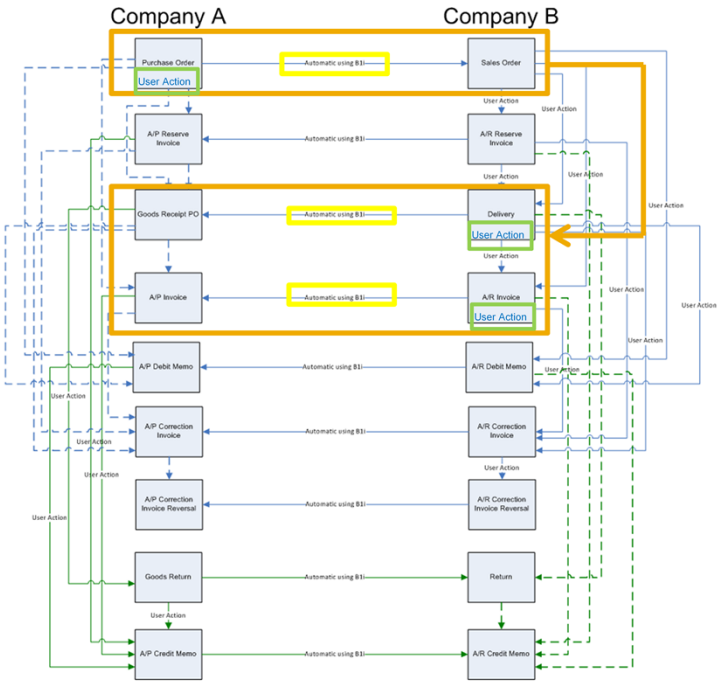
- Let us review a typical transaction scenario between two branches: New York and Texas:
- For this purpose, pay attention to the following issues:
  - All transactions in the process are generated for the business partner connected to the 2 branches (NY and Texas).
  - Automatic transactions created by B1i in the receiving branch will always generate a draft document that should be accepted by the user to turn into a permanent document.
  - To view the inter-branch draft documents, open the *Draft Documents* window and choose the B1i user.
  - For most draft documents you will get a system alert with a link to the relevant document.
- Now, let us go back to the scenario we started earlier:
  - A customer in the **New York** branch (the retail branch company) has just ordered 4 servers for his company. The sales representative in the NY branch creates a **purchase order** and chooses the vendor BP Texas (representing the manufacturer branch).
  - This action automatically creates a **draft sales order** in the manufacturer branch (**Texas**) for the customer representing the retail company (New York).
  - The warehouse manager in the Texas branch converts the draft Sales Order to a **sales order.**

Inter-Branch Transaction Scenario

OEC-NY



OEC-TX

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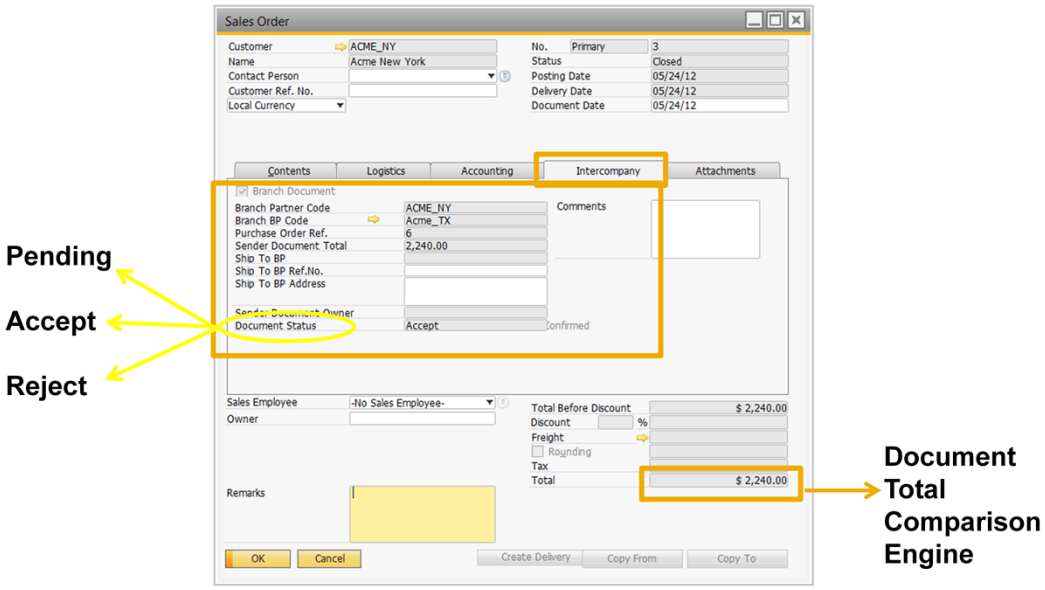
- The Texas branch starts to manufacture the 4 servers.
- When the production process ends, the warehouse manager creates a **delivery** based on the sales order and delivers the servers to the NY branch.
- A **draft goods receipt PO** is automatically created in the NY branch.
- The sales representative in the NY branch verifies that the servers arrived safely to the store and converts the draft goods receipt PO to a permanent **goods receipt PO**.
- After few days the accountant at the Texas branch issues an **A/R invoice** to reflect the manufacturing costs. He bases the invoice on the delivery issued for the NY branch earlier.
- A **draft A/P invoice** is automatically created in the NY branch.
- The sales manager in the NY branch converts the draft A/P invoice to a permanent **A/P invoice**. The A/P invoice is automatically based on the Good Receipt PO created in the previous step.
- Note that potentially, this process could include a **Goods Return** and an **A/P credit memo** generated by the NY branch and initiate a **Return** and an **A/R credit memo** in the Texas branch in case the servers are not provided to the customer or if they are damaged.

- Also note that the user can start the document flow from the middle. For example if the NY branch ordered goods from the Texas branch via mail without any order, the Texas branch could start with the delivery document that creates a draft Good Receipt PO in the receiving company (NY) and becomes to a Good Receipt PO. Then, the Texas branch can create an A/R invoice based on the Delivery (created in the previous step). This will issue a draft A/P invoice in the NY branch which will be based on the Good Receipt PO added in the previous stage.

Intercompany Trade - Document Status



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- The involved marketing documents contain the ***Intercompany* tab** including fields relevant to inter-branch transactions.
- The system automatically inserts data into these fields for:
  - Inter-branch transactions.
  - When you select a business partner that is connected to a branch.
- *Document Status* field - displays the document status of the receiving branch. This field is editable when the document is in draft mode. The user in the receiving company can choose the document desired status:
  - *Pending:* the default status.
  - *Accept:* mandatory for adding the document.
  - *Reject.*
- Two engines are triggered in this process to avoid discrepancies:
  - The Tax Comparison Engine (relevant only for **Brazil**).
  - The Document Total Comparison Engine
- The engines compare the tax amounts (and details) and the document total amounts of the sending and receiving documents and alert on any discrepancies.

- The engines are triggered when the user:
  - Adds the marketing documents – Sales Order, A/P Reserve Invoice, Goods Receipt PO, A/P invoice, Return, A/R Credit Memo.
  - Updates sales orders
- If the engine alerts you on a mismatch of a document total amount or a tax amount, you have the option to correct the amounts and add the document again.
- For the Tax Comparison Engine to function properly, enable the relevant fields at the marketing document row level in the *Form Settings* window.

More about Marketing Documents

The Intercompany Integration Solution:

- **Replicates serial numbers and batch numbers** as part of the document exchange cycles.
- **Blocks creation** of intercompany marketing document until the base document is confirmed.

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Here are some additional considerations regarding the working process with branch companies:

- The Intercompany Integration Solution replicates serial numbers and batch numbers as part of the document exchange cycles.
- If you want to use the service management feature you need to ensure that the *Unique Serial Numbers By* setup is the same for all companies in the landscape. To display the settings, choose the menu path: ***Administration*** → ***System Initialization*** → ***General Settings*** → ***Inventory*** → ***Unique Serial Numbers By***.
- You have the option to block creation of an intercompany marketing document until the base document is confirmed.
- If this setting is enabled, the user in the sending company cannot use *Copy To and Copy From* function in intercompany marketing documents until the base document is confirmed.
- To make this setting, use the menu path: ***Administration*** → ***Setup*** → ***Intercompany*** → ***General Settings*** and check the box: *Block Creation of Intercompany Marketing Documents Until Base Document is Confirmed.*

Cancelling Marketing Documents

You can cancel most sales and purchasing documents that trigger postings:

- A corresponding cancellation document is created.
- The base documents of the canceled documents are reopened.
- The application automatically cancels the reciprocal document.

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- You can cancel most sales and purchasing documents that trigger postings. When you cancel such a document, a corresponding cancellation document is created to reverse the associated accounting, tax, and inventory changes.
- The base documents of the canceled documents are reopened with the balances due restored.
- In the Intercompany document exchange cycle, when a user cancels a document, the application automatically cancels the reciprocal document.
- In the Intercompany document cancellation, the following four cases are handled:
  - When you reject the Intercompany type draft document in the receiving company, the application closes the draft document. This rejection creates the cancelation document in the sending company.
  - When you cancel the Intercompany document in the sending company, the application closes the draft document in the receiving company.
  - In the receiving company, when you add the draft document to the company document and then you cancel the document in the sending company, the firm document is canceled in the receiving company.
  - In the receiving company, when you cancel the company document, the company document is canceled in the sending company.

Branch Business Partner Dedicated Control Accounts

- Make sure you create **separate control accounts** for each of the business partners representing a **branch** company.
- In each branch you define the control accounts for the business partners representing the **other branches**.
- This is the **New York** branch account setup.

OEC-NY
Control Account Setup

Branch	Vendor Control Account	Customer Control Account
OEC-NY	—	—
OEC-TX	Payable **OEC-TX** Company	Receivable **OEC-TX** Company
OEC-CA	Payable **OEC-CA** Company	Receivable **OEC-CA** Company

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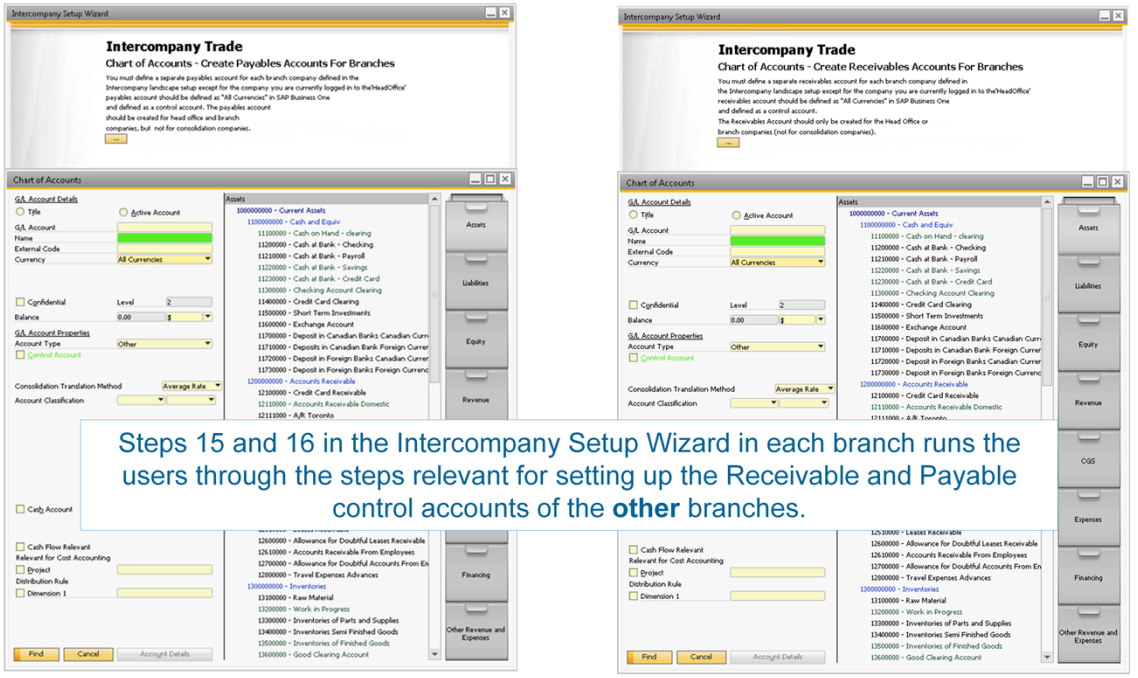
- The intercompany vendors and customers in each branch company will have dedicated control accounts for A/P and A/R.
- The control accounts for business partners who are representing branch companies should be setup as *All Currencies*.
- With such reciprocal and dedicated control accounts – the intercompany transactions are automatically balanced.
- Let us assume a three companies scenario.
- In each branch you should define the control accounts for the business partners representing the other branches.
- So for example, In the NY branch you will define the control accounts for the customer and vendor business partners representing the Texas and California branches.
- After defining the control accounts in the NY chart of accounts you should connect them to the customers and vendors representing the other branches (the Texas and the California branches in our example).

Branch Business Partner
Dedicated Control Accounts



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- Steps 15 and 16 in the Intercompany Setup Wizard in each branch runs the users through the steps relevant for setting up the Receivable and Payable control accounts of the other branches.
- Step 17 in the setup wizard highlights the relevant fields in the Business Partner Master Data window that should be defined for a vendor or a customer representing another branch (the *Branch Partner Code* and the *Accounts Receivable* fields).
- Locate the payable account in the *Liability* drawer and the receivable account in the *Asset*s drawer.
- Make sure you define these accounts for the head office and branch companies and not for the consolidation company.

Branch Business Partner Dedicated Control Accounts

- Let us look at the **Texas** control account setup.

OEC-TX
Control Account Setup

Branch	Vendor Control Account	Customer Control Account
OEC-NY	Payable **OEC-NY** Company	Receivable **OEC-NY** Company
OEC-TX	—	—
OEC-CA	Payable **OEC-CA** Company	Receivable **OEC-CA** Company

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- As we mentioned before, in each branch you should define the control accounts for the business partners representing the other branches.
- For example, in the Texas branch you will define the control accounts for the customer and vendor business partners representing the NY and California branches.

Branch Business Partner Dedicated Control Accounts

- Let us look at the **California** control account setup.

OEC-CA
Control Account Setup

Branch	Vendor Control Account	Customer Control Account
OEC-NY	Payable **OEC-NY** Company	Receivable **OEC-NY** Company
OEC-TX	Payable **OEC-TX** Company	Receivable **OEC-TX** Company
OEC-CA	—	—

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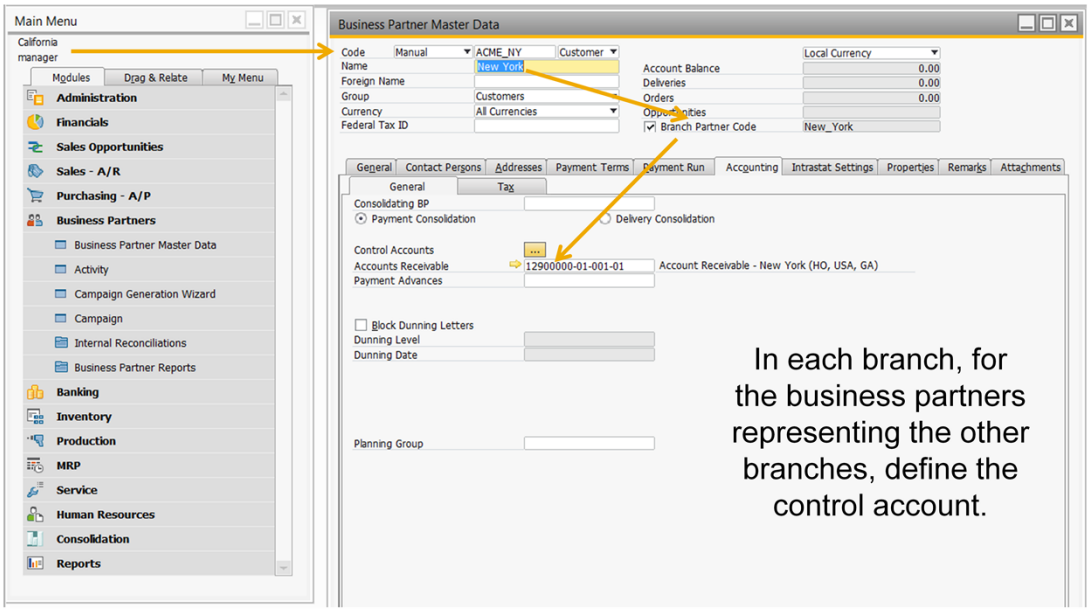
In the California branch you will define the control accounts for the customer and vendor business partners representing the NY and Texas branches.

Branch Business Partner
Dedicated Control Accounts



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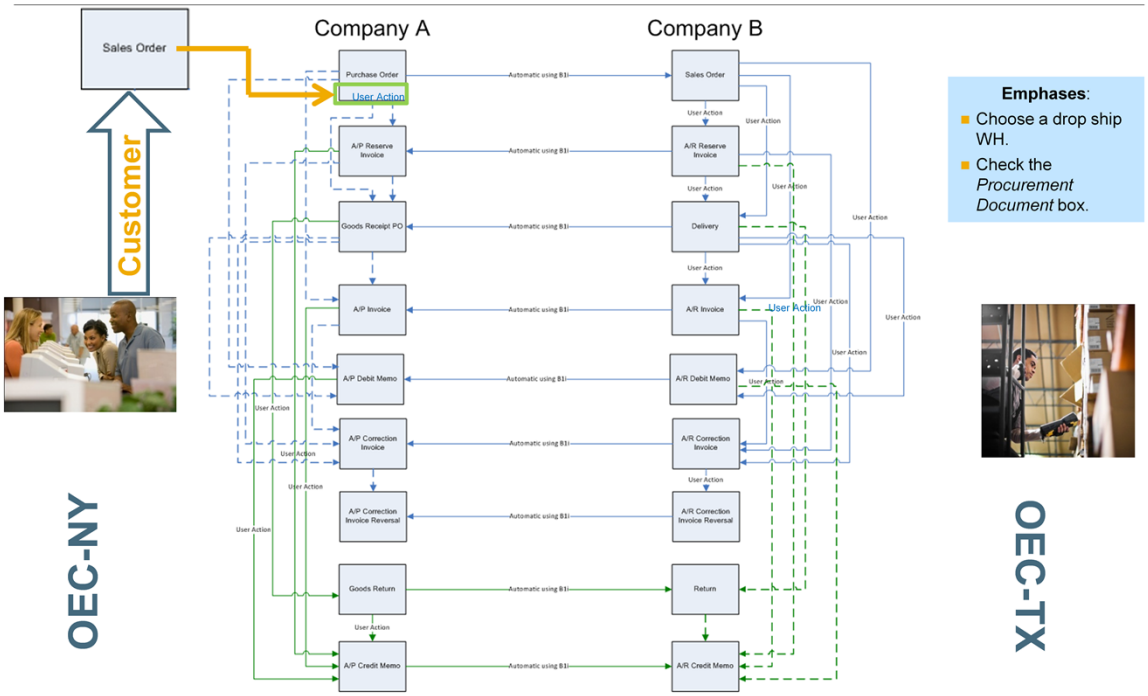
So after defining the New York control accounts in the California chart of accounts you should connect it to the customer and vendor representing the New York branch.

Inter-Branch Transaction Scenario Including an External Customer



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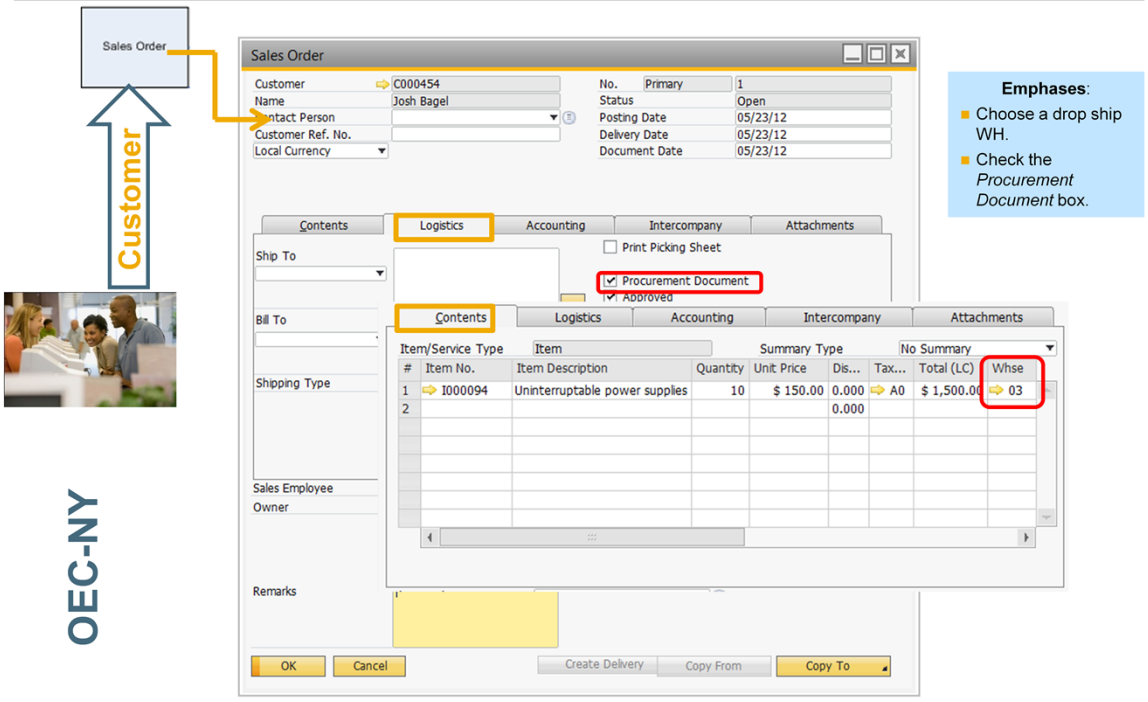
- Sometimes the retail branch will only trigger the sales process of the inter-branch transaction scenario but will not deliver the goods to the end customer.
- Instead, the manufacturer branch (Texas in our example) will ship the ordered goods directly to the customer address.
- Let us review a scenario between two branches, New York and Texas that aims to supply items to a certain customer.
- A customer has just mailed a sales order for 10 uninterruptable power supplies to the New York branch (the retailing branch company). The sales representative in the NY branch creates a **sales order** to document the mailed order from the customer.
- The customer wants to get the items urgently and so the sales representative decides to ask the Texas branch to deliver the products directly to the customer site.

Inter-Branch Transaction Scenario Including an External Customer



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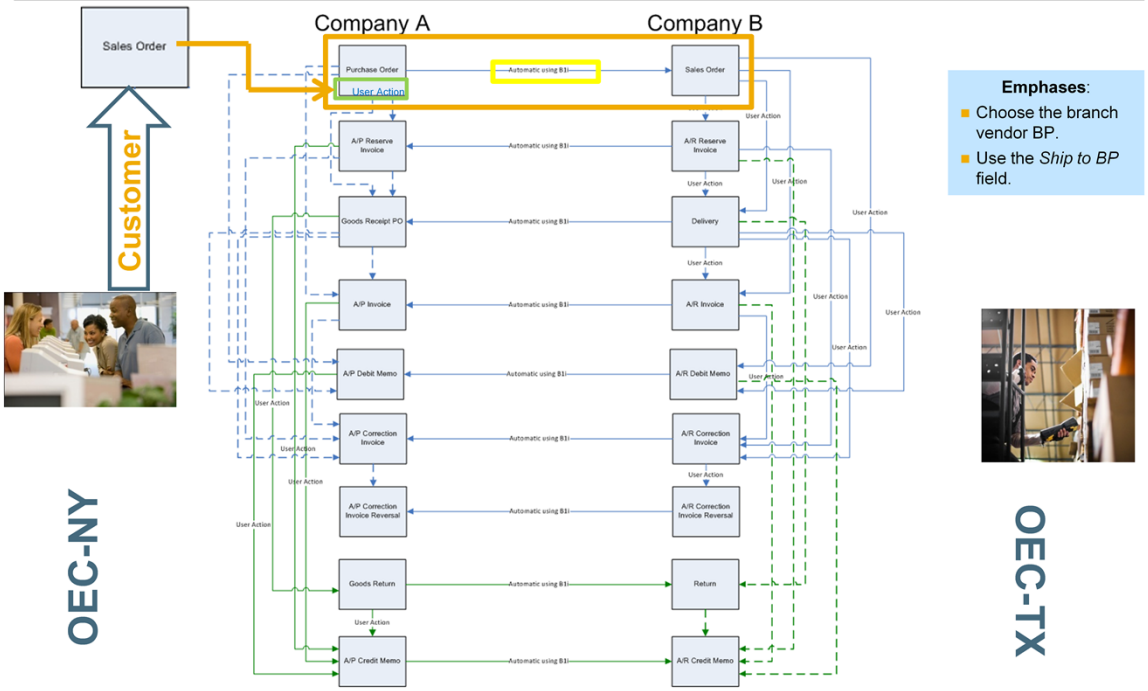
In the customer's **sales order,** the sales representative:

- Checks the ***Procurement Document*** box under the *Logistics* tab to automatically **initiate a purchase order** from the Texas branch.
- Chooses the **drop ship warehouse** defined for the NY branch to reflect the fact that the items will not be delivered from the NY branch warehouse.

Inter-Branch Transaction Scenario Including an External Customer



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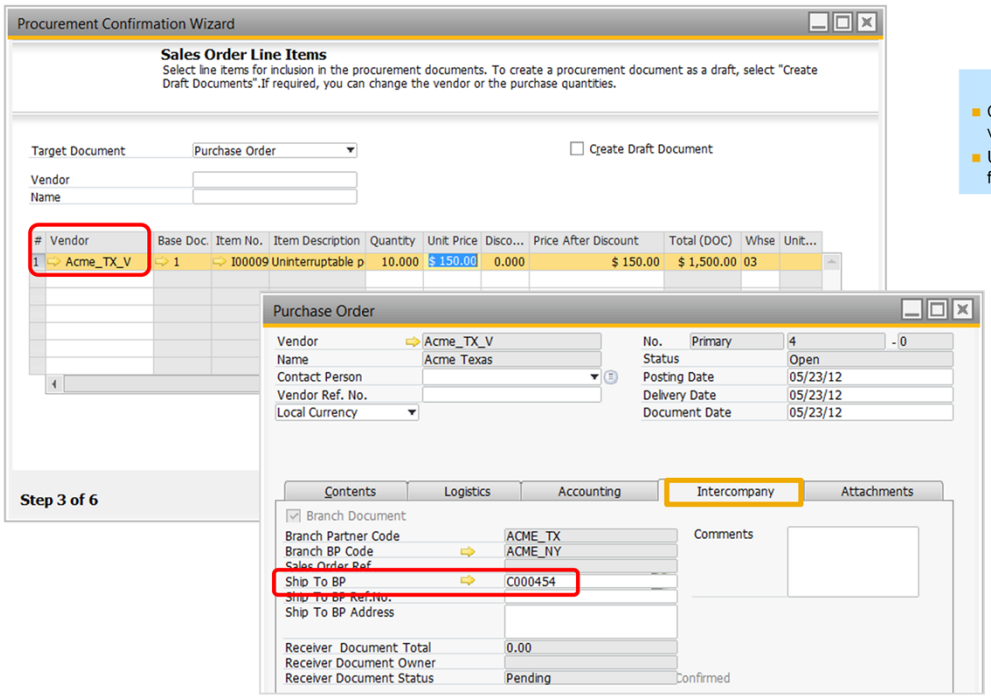
When adding the sales order for the customer, the ***Procurement Confirmation Wizard*** opens allowing the sales representative to create a purchase order.

Inter-Branch Transaction Scenario Including an External Customer



Emphases:
- Choose the branch vendor BP.
- Use the *Ship to BP* field.

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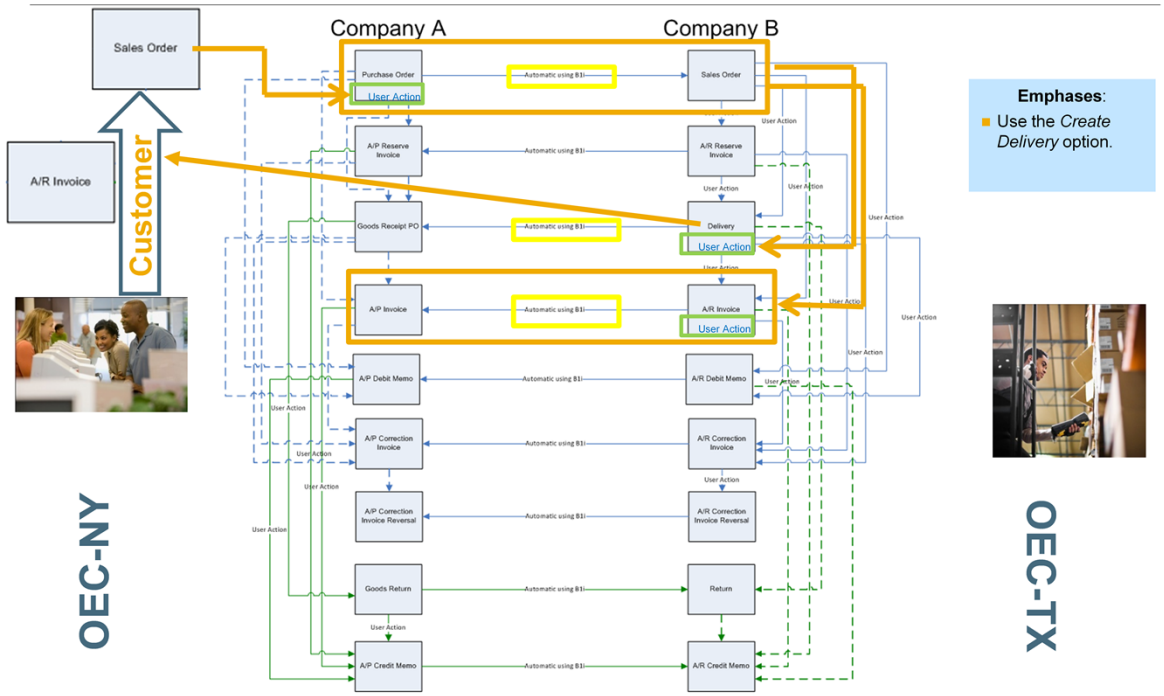
- In this **purchase order**, the sales representative:
  - Chooses the **vendor BP Texas** (representing the manufacturer branch).
  - Under the *Intercompany* tab in the ***Ship To BP*** field, he chooses the customer ordering the items.
  - He enters text in the *Remarks* field saying “Note: this is a back-to-back order!!!”
  - Adding the purchase order initiates the regular inter-branch transaction scenario.
- This action automatically creates a **draft sales order** in the manufacturer branch (**Texas**) for the customer representing the retail company (New York).
- The warehouse manager in the Texas branch reviews the draft sales order and notices the text in the *Remarks* field and verifies that the customer code appears in the ***Ship To BP*** field.
- Then the warehouse manager converts the draft sales order to a regular **sales order.**

Inter-Branch Transaction Scenario Including an External Customer



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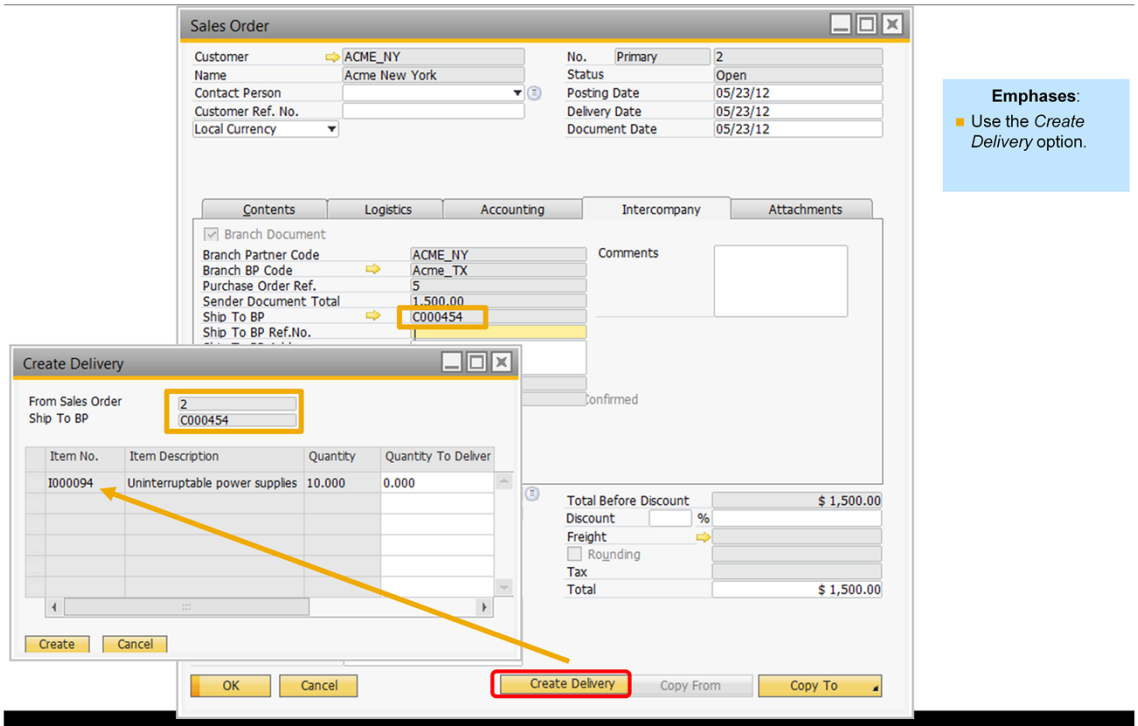
- The **Texas** branch starts to manufacture the 10 uninterruptable power supplies.
- When the production process ends, the warehouse manager creates a **delivery** for the **end customer** from the sales order:
  - He opens the sales order and click the ***Create Delivery*** button at the bottom of the screen.
  - A **draft delivery** document is created in the **Texas** branch for the customer that the NY branch specified in the ***Ship to BP*** field.
  - The dispatch department turns the draft delivery to a regular **delivery** and ships the uninterruptable power supplies to the end customer site.
  - The **delivery** document is **closed** automatically.
  - After few days the accountant at the Texas branch issues an **A/R invoice** to reflect the manufacture costs. She **bases** the invoice on the **sales order** issued for the NY branch earlier.
  - A **draft A/P invoice** is automatically created in the NY branch.
  - The sales manager in the NY branch converts the draft A/P invoice to a permanent **A/P invoice**.
  - The **A/P invoice** is automatically based on the **purchase order** created for the Texas branch.
  - The sales representative at the **NY branch** creates an **A/R invoice** for the **customer** to debit him for the items supplied by the Texas branch. This **A/R invoice** is **based** on the **sales order** he created for the mailed order.
- Note!

- Potentially this process could include a **Return** and an **A/R credit memo** generated by the Texas branch if the customer returns items.
- For more details on the inter-branch transaction scenario including an external **vendor** and for more details on this customer scenario, refer to the intercompany user guide.

Inter-Branch Transaction Scenario Including an External Customer



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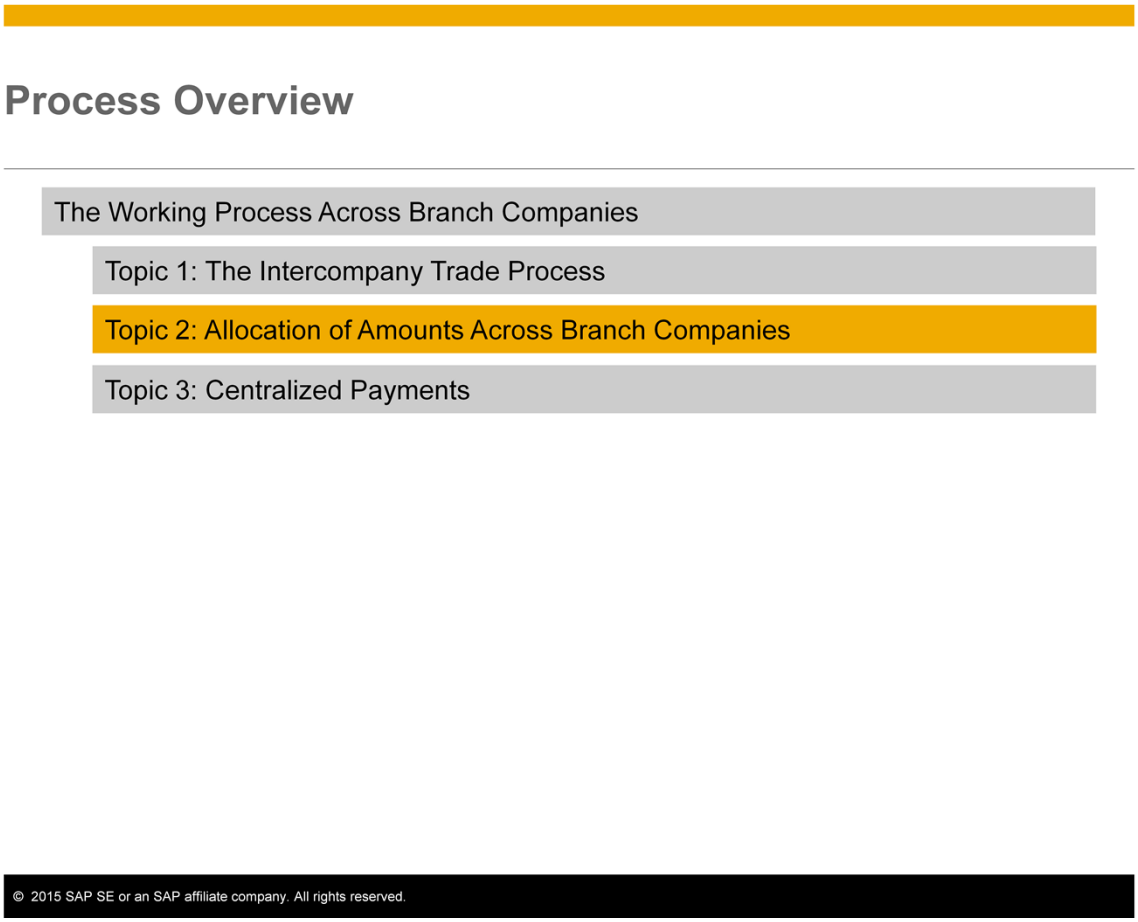
- Following the previous slide, note that:
- When the production ends in the **Texas** branch, the warehouse manager creates a **delivery** for the **end customer** from the sales order:
  - He opens the sales order and click the ***Create Delivery*** button at the bottom of the screen (he **should not** use the *Copy To* button).
  - Following this action, a **draft delivery** document is created in the **Texas** branch for the customer that the NY branch specified in the ***Ship to BP*** field.
  - The dispatch department turns the draft delivery to a regular **delivery** and ships the uninterruptable power supplies to the end customer site.
  - The **delivery** document is **closed** automatically.
  - The process continues as described in the previous slide.



The next topic will be allocation of Amounts Across Branch Companies.

Branch Allocation: Business Scenario

- At the end of each month the head office branch (NY) allocates expense and income amounts to the other branch companies (California and Texas).

- The head office branch allocates expenses such as travel, payroll, and audit.
- The head office also allocates income earned from Interest to the branch companies.

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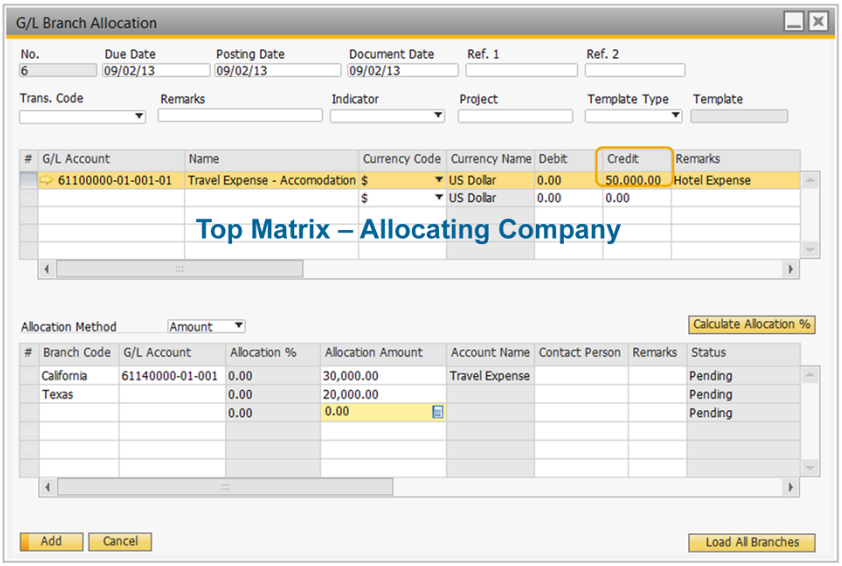
- The allocation process can work in the other direction too: the branch companies can allocate amounts to the head office branch.
- Let us look at a business example:
  - At the end of each month the head office branch (NY) allocates expense and income amounts to the other branch companies (California and Texas).
  - The head office branch allocates expenses such as travel, payroll, and audit.
  - The head office also allocates income earned from Interest to the branch companies.

G\L Branch Allocation Window

Financials → G/L Branch Allocation.

- You allocate expenses and income to other branch companies using the ***G/L Branch Allocation*** *window*.



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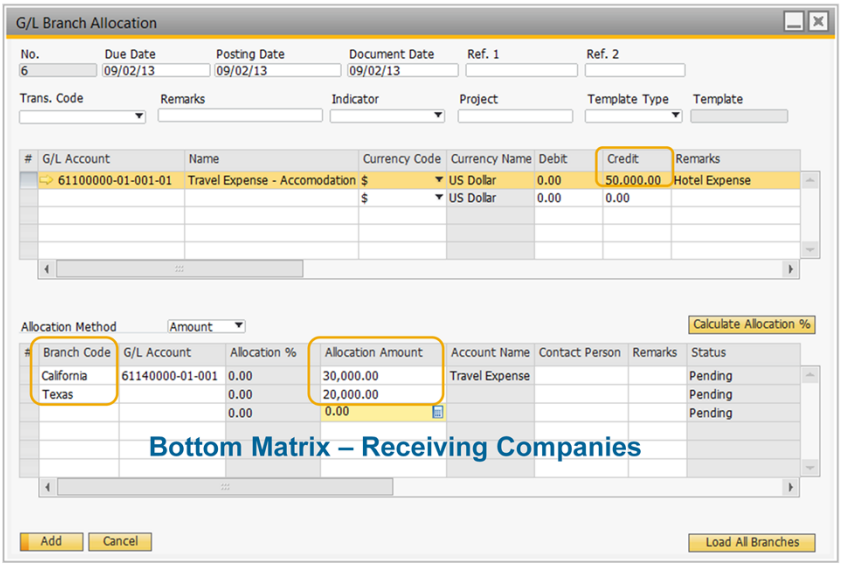
Let us look at an example in SAP Business One:

- You allocate expenses and income to other branch companies using the *G/L Branch Allocation window*.
- Choose the menu path: *Financials → G/L Branch Allocation.*
- In the top matrix, in the *G/L Account* field specify the G/L account from which the allocation is to be made.
- Choose the currency code for the allocation transaction.
- Depending on the nature of the allocation, specify an amount in either the *Debit* (income allocation) or *Credit* field (expense allocation) field.
- All other fields are optional.
- If required, add additional allocation lines in the top matrix.
- Each row in the top matrix can correspond to multiple rows in the bottom matrix.
- Highlight the individual rows in the top matrix to populate corresponding allocation information in the bottom matrix.
- Choose an option from *Allocation Method* dropdown list.

G\L Branch Allocation Window

Financials → G/L Branch Allocation.

- You allocate expenses and incomes to other branch companies using the ***G/L Branch Allocation*** *window*.



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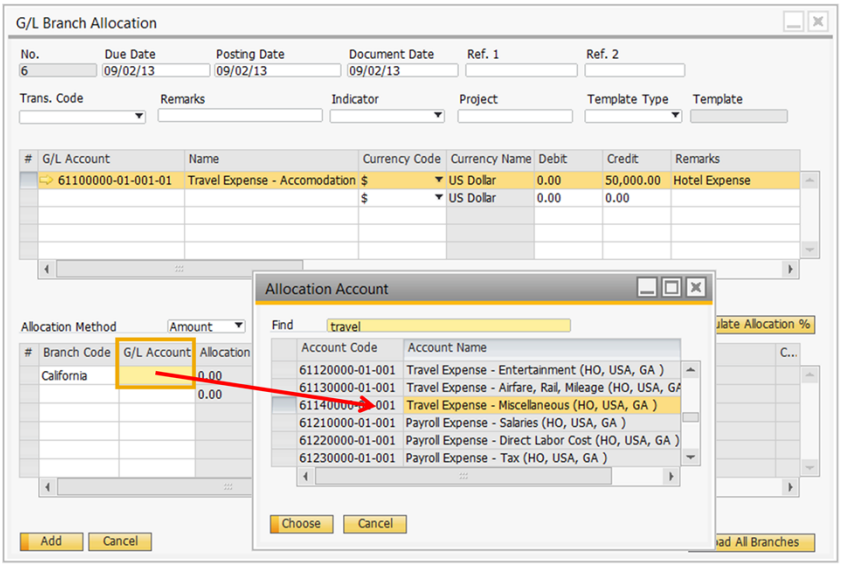
In the Bottom matrix:

- Specify the branch codes of the companies to which the allocation is to be made. To automatically populate the branch codes of all branch companies, you can choose the *Load All Branches* button.

G\L Branch Allocation - Target Company Allocation Account

Financials → G/L Branch Allocation.

- If you specify the target company allocation account for a branch code, then this allocation account will be used instead of the receiving company´s default expense account or default income account.



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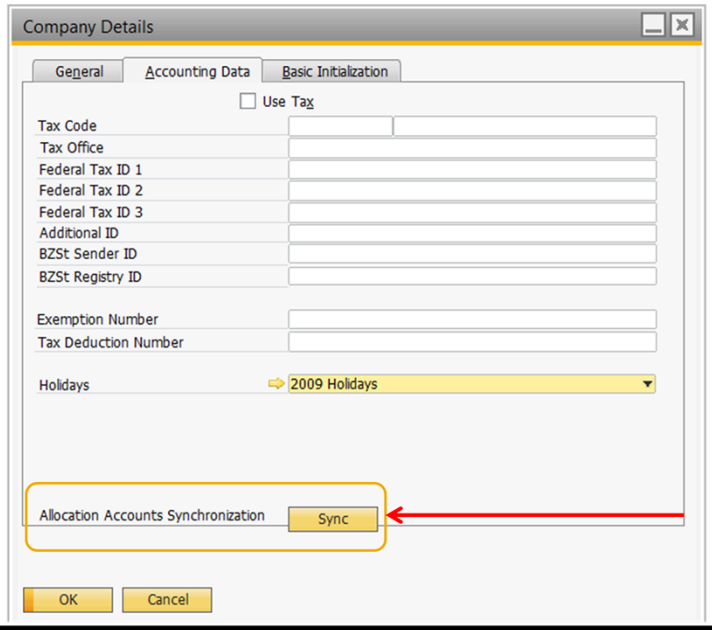
- If you specify the target company allocation account for a branch code in the *Alloc. Account Name* field, then this allocation account will be used instead of the receiving company´s default expense account or default income account.
- The due to and due from entries in the receiving company will not be impacted.
- Note that you can choose the same receiving company more than once. This is in case you want to split the amounts in the journal entry created in the allocated company.

G\L Branch Allocation - Target Company Allocation Account

***Administration → System Initialization → Company Details → Accounting Data* tab.**

- To be able to specify the target company allocation account for a branch code, run the *Allocation Accounts Synchronization* option.



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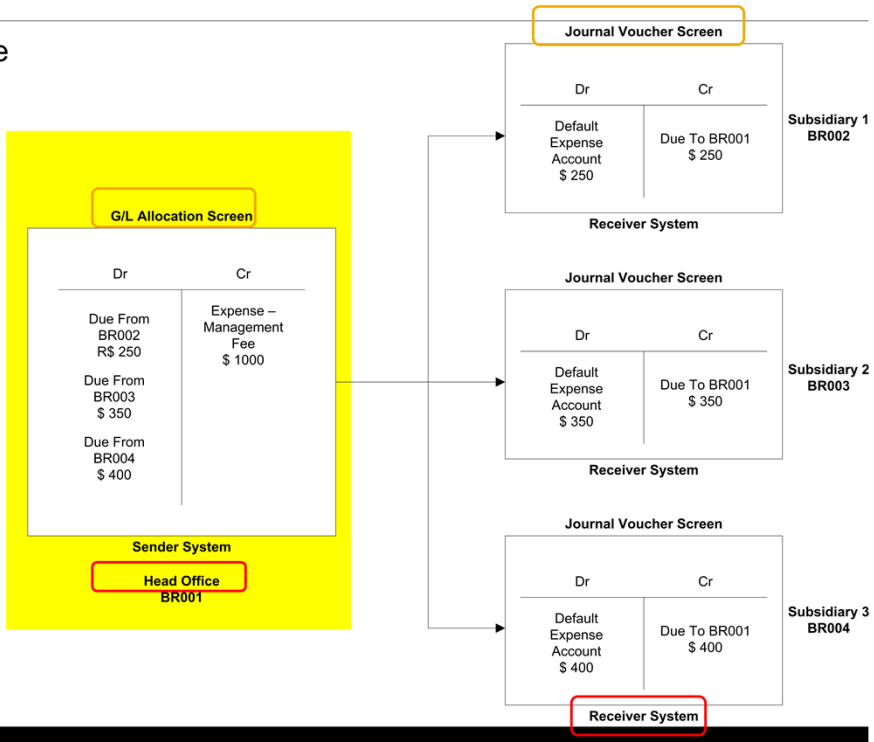
- To be able to specify the target company allocation account for a branch code, you should run the *Allocation Accounts Synchronization* option.
- This option will synchronize the active accounts of all the branches in the landscape.
- To synchronize the allocation accounts from SAP Business One, choose the menu path: ***Administration* → *System Initialization* → *Company Details* → *Accounting Data* tab**. In the *Allocation Accounts Synchronization* field, choose the *Sync* button.
- To set up the replication schedule for the allocation account, in the *Administration Console*, choose the *Preferences* option. In the left frame, choose *Allocation Acct Scheduling* and complete the setup. You can set the schedule to reoccur on a daily or weekly basis at a defined time. For more information, refer to the *Intercompany integration solution for SAP Business One Administrator's Guide.*

Expense Allocation to Branch Companies
The Journal Entry in the Allocating Company

- When you add the *G/L Branch Allocation* form, a **journal entry** is automatically created in the current company, the company that allocates the amounts (NY in our example).



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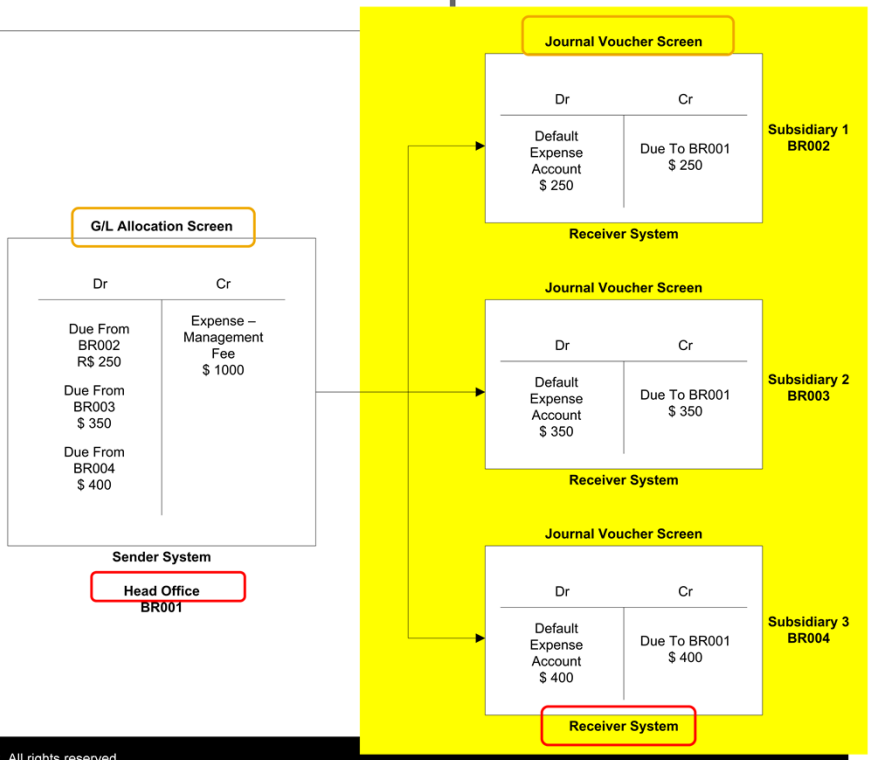
- When you add the *G/L Branch Allocation* form, a journal entry is automatically created in the current company, the company that allocates the amounts (NY in our example).
- The ***Intercompany Details*** button has been added to the Journal Entry window. Clicking this button will display the ***Branch Journal Entry Details*** window with all the fields that are relevant to the intercompany integration solution.
- This button will be enabled only for **allocations** and **centralized payment** transactions.
- Note that all fields in the ***Branch Journal Entry Details*** window are not editable and will be updated automatically by the system.

Expense Allocation to Branch Companies
Journal Voucher in the **Allocated** Companies

- When you add the G\L Allocation, a **journal voucher** is created in the allocated companies (Texas and California).



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- When you add the G\L Allocation, a journal voucher is created in the allocated companies (Texas and California).
- You need to accept and post the journal voucher for the G/L allocation transaction in the receiving branch company to where the expense amounts were allocated.
- New fields were added to the Journal Voucher window that are relevant to the intercompany integration solution.
- Note that if the allocation account was selected for a branch code in the bottom matrix in the sending system, then this allocation account will be used instead of the receiving company´s default expense account or default income account.
- The due to and due from entries in the receiving system will not be impacted. If the allocation account is selected, then it is always given posting priority in the receiving system.
- Also note that the system would use the Intercompany *General Settings* setups of the receiving company when creating the Receiving Document, that is – Journal Voucher or Journal Entry.
- The system would also use the Intercompany *General Settings* setups of the receiving company to set the default status for Journal Voucher as *Pending* or *Accept*.

- If you choose the status *Reject* and update the journal voucher the application automatically closes the journal voucher.
- An alert message is sent to the alert user (defined in the *Intercompany Alerts Administration* window) in the sending system, indicating that the journal voucher was updated.
- A reversal journal entry is automatically created for a receiving branch in the sending company. The reversal journal entry number will be displayed in the *Rejected Journal Entry* field in the bottom matrix of the *G/L Allocation* window in the sending company.

Allocate Amounts Across Branch Companies Prerequisites - Due To + Due From Accounts

- Make sure you define **due from and due to accounts** in each **branch** company.
- These accounts are used as the default accounts for the transactions:
  - G/L branch allocation
  - A/P service invoice allocation
  - Centralized payment

OEC-NY
Branch Account Setup

Branch	Due To Account	Due From Account
OEC-NY	—	—
OEC-TX	Due to **OEC-TX** Company	Due From **OEC-TX** Company
OEC-CA	Due to **OEC-CA** Company	Due From **OEC-CA** Company

- In each branch you define the due from and due to accounts for transactions representing the **other branches**.

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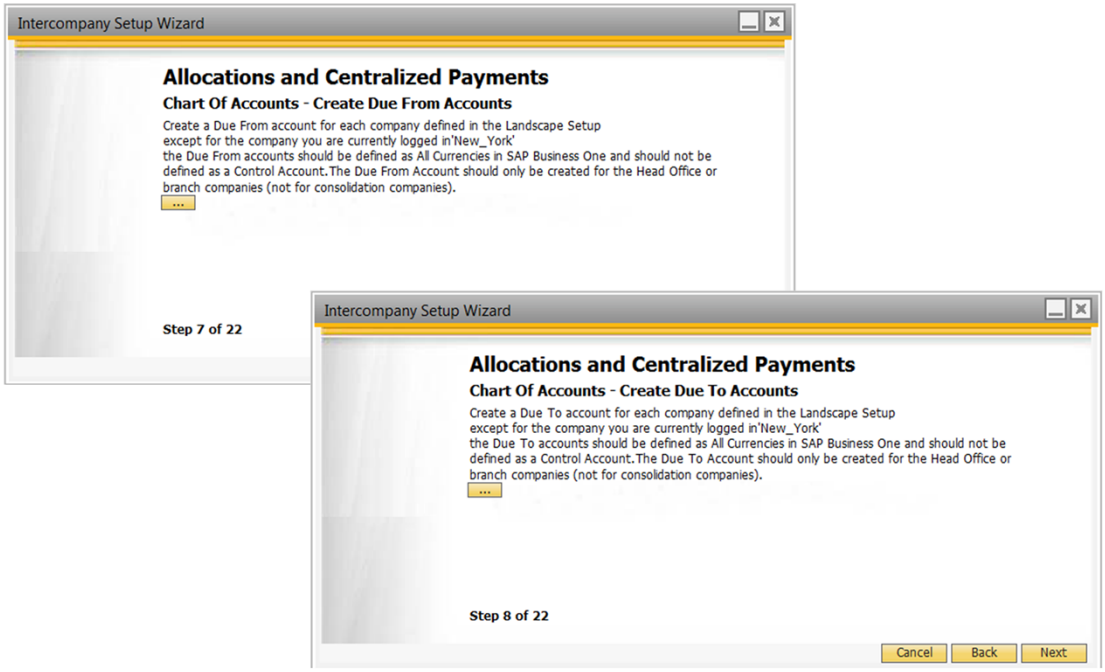
- Make sure you define due from and due to accounts in each branch company.
- These accounts are used as the default accounts for the transactions:
  - G/L branch allocation.
  - A/P service invoice allocation.
  - Centralized payment.
- In each branch you define the due from and due to accounts for transactions representing the other branches.
- The accounts should be defined as *All Currencies* in the Chart of Accounts to support multi-currency transactions.
- The account type of these accounts should be *Other* and should NOT be control accounts.
- Locate the Due From accounts in the *Assets* drawer.
- Locate the Due To Account accounts in the *Liabilities* drawer.
- With such reciprocal and dedicated accounts – the intercompany transactions are automatically created.
- Let us assumes a three companies scenario.

- In each branch you should define the due to and due from accounts for the other branches.
- So for example, in the NY branch you will define the accounts representing the Texas and California branches.
- Similarly, you will define the due from and due to accounts in the Texas and California branches.
- The Intercompany Setup Wizard runs the users through all these steps for setting up the relevant accounts.
- Make sure you define these accounts for the head office and branch companies and not in the consolidation company.
- For more details on the accounts definition refer to the intercompany user guide.

Due To + Due From Accounts Setup



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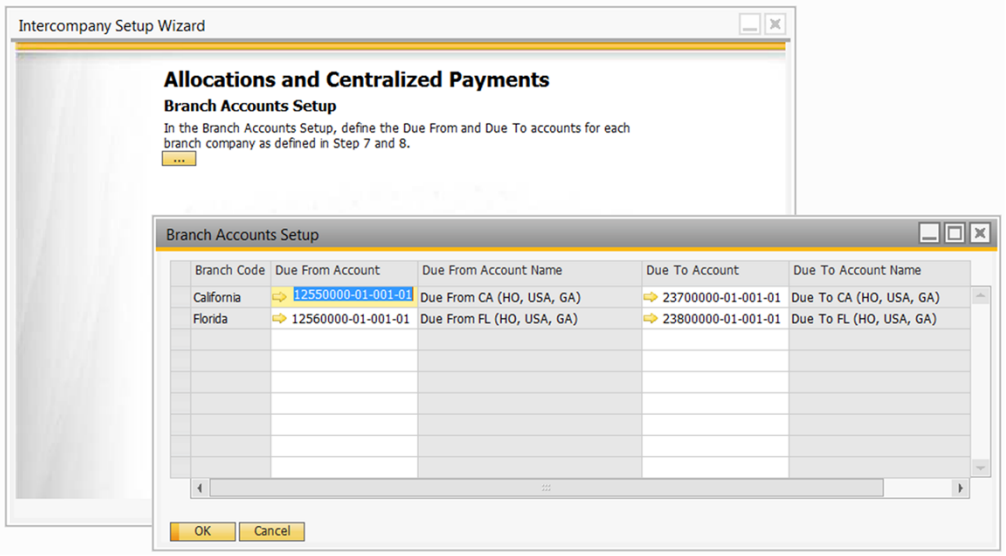
- The Intercompany Set up Wizard in each branch guides the users through the definition of the Due From and Due To accounts.
- The relevant steps: 7 and 8.
- In our example we are logged in to the New York branch and hence, in the chart of accounts, we will define the due from and due to accounts for the Texas, Florida and California branches.

Due To + Due From Accounts Setup



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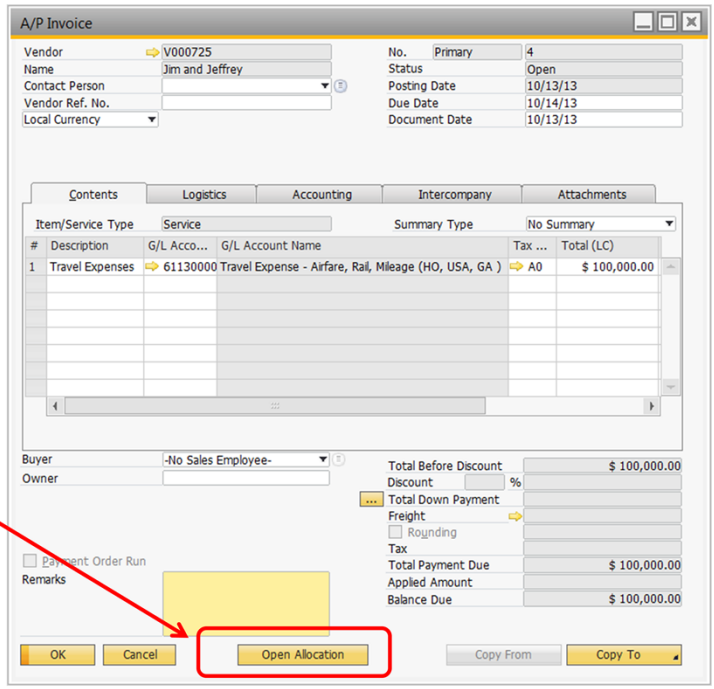
In step 9 of the Intercompany Set up Wizard, you attach the accounts defined in step 7 and 8 to the accounts representing the other branches. In our example we are logged in to the New York branch and hence we will define the due from and due to accounts for the Texas, Florida and California branches.

A/P Service Invoice Allocation

- Another way to allocate **expense amounts** to other branch companies is by using the ***Allocation window*** on the **A/P Service Invoice** document.



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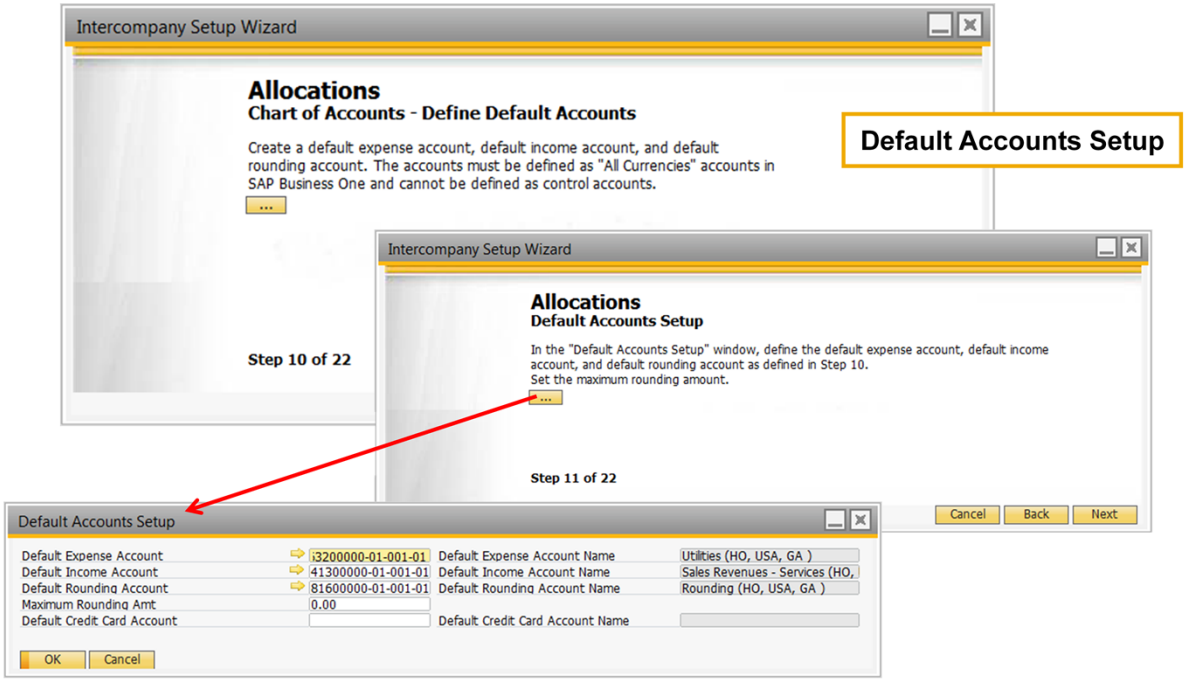
- Another way to allocate expense amounts to other branch companies is by using the *Allocation window* on the A/P Service Invoice document.
- The intercompany integration solution supports two methods for allocating expenses from an A/P Service Invoice:
  - **Allocation by Invoice –** In this method of allocation, the system creates a draft A/R invoice as a result of the allocation action in the sending company. After adding these draft A/R service invoices, the system will automatically create draft A/P service invoices in the receiving companies.
  - **Allocation by G/L –** This method of allocation is similar to the G/L branch allocation process we reviewed in the previous slides. The system creates a journal voucher in the receiving company as a result of the allocation in the sending company.
- For more details on the A/P service invoice allocation process refer to the intercompany user guide.

Additional Definitions for the G/L Allocation and the A/P Service Invoice Allocation



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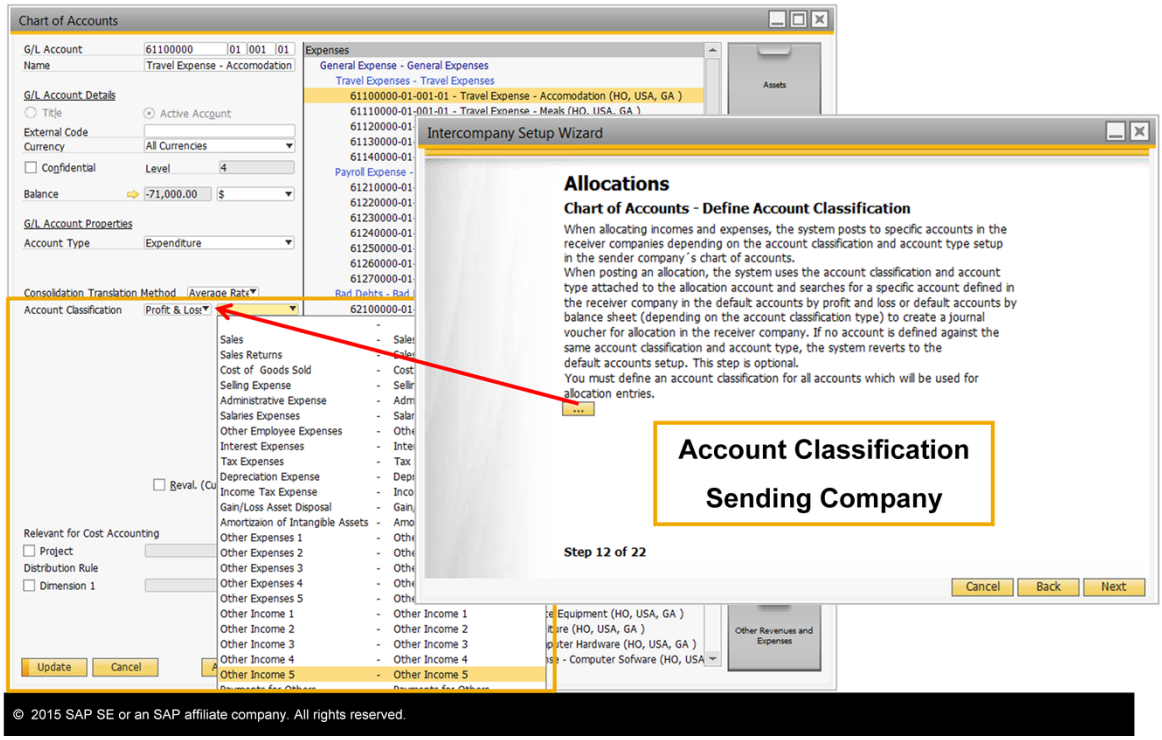
- Step 10 of the Intercompany Set up Wizard in each branch guides the users through the definition of **default expense income and rounding accounts**.
- In step 11 you define the accounts defined in step 10 as **default accounts** in this branch.
- This setup is used by the G/L Allocation and A/P Service Invoice Allocation features.
- The **expense account** will be used as the default account in the following scenario:
  - Let us assume that we are in the Texas branch.
  - When you post G/L allocations to an account that is being credited in another branch (let us say the New York branch), a reciprocal journal voucher is created in the receiving company (the Texas branch) that credits the Due To account and debits this default Expense account.
- Note that this Account should be set up as an *All Currencies* account in the Chart of Accounts.
- The **default expense account** is only used by the system in case where a specific account has not been defined in the *Default Account by Profit & Loss* or *Default Account by Balance Sheet.*
- And for the **default income account:**

- When you post G/L allocations to an account that is being debited in another branch (let us say the New York branch), a reciprocal journal voucher is created in the receiving company (the current company – Texas) that debits the Due From account and credits this default Income account.

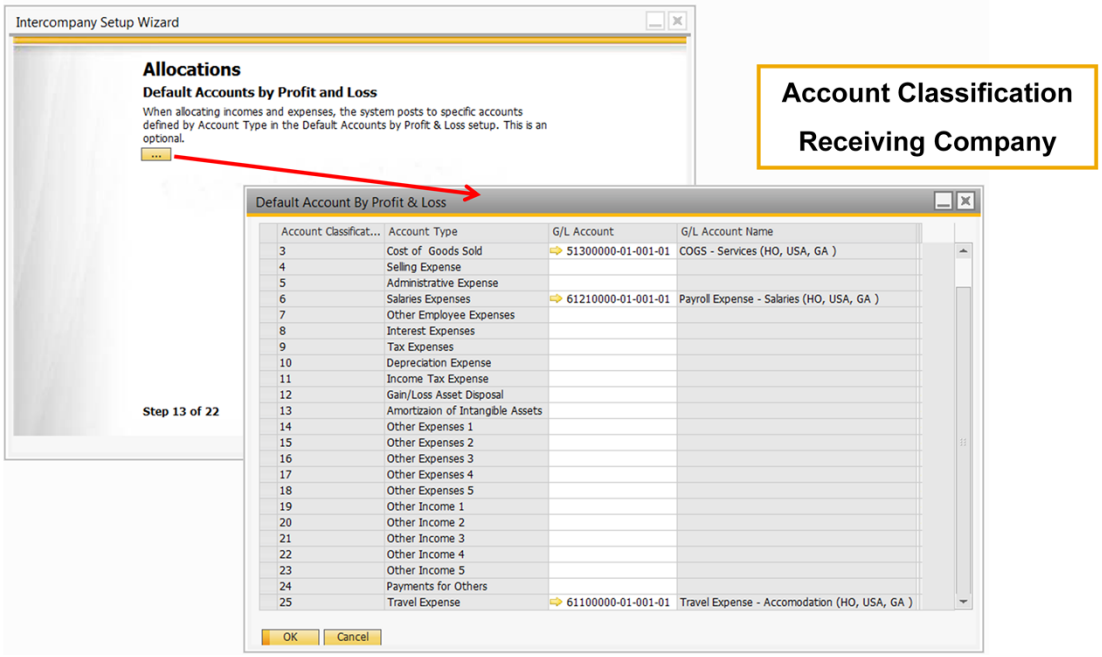
- The Default Income Account is only used by the system in case a specific account has not been defined in the *Default Account by Profit & Loss* or *Default Account by Balance Sheet*

Additional Definitions for the G/L Allocation and the A/P Service Invoice Allocation



- Step 12 of the Intercompany Setup Wizard guides you to define *Account Classification* and *Account Type* for accounts that are going to allocate amounts in the **sending company**.
- This setup is used by the *G/L Allocation* and *A/P Service Invoice Allocation* features.

Additional Definitions for the G/L Allocation and the A/P Service Invoice Allocation



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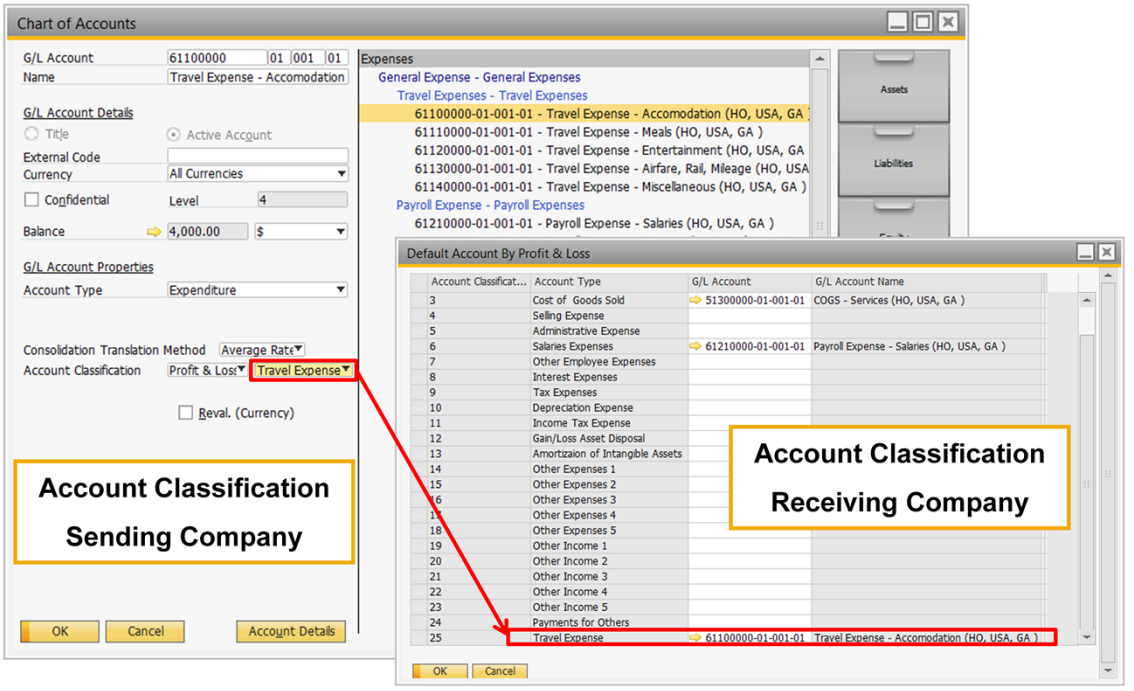
- Step 13 and 14 of the Intercompany Setup Wizard guides you to define specific accounts in the **receiving company.**
- These *Default Accounts by Profit & Loss* and *Default Accounts by Balance Sheet* will be used to create a Journal Voucher for the allocated amounts from the sending company.
- This setup is used by the *G/L Allocation* and *A/P Service Invoice Allocation* features.
- Note that these two steps are optional, but once defined you need to perform them in all branches

Additional Definitions for the G/L Allocation and the A/P Service Invoice Allocation



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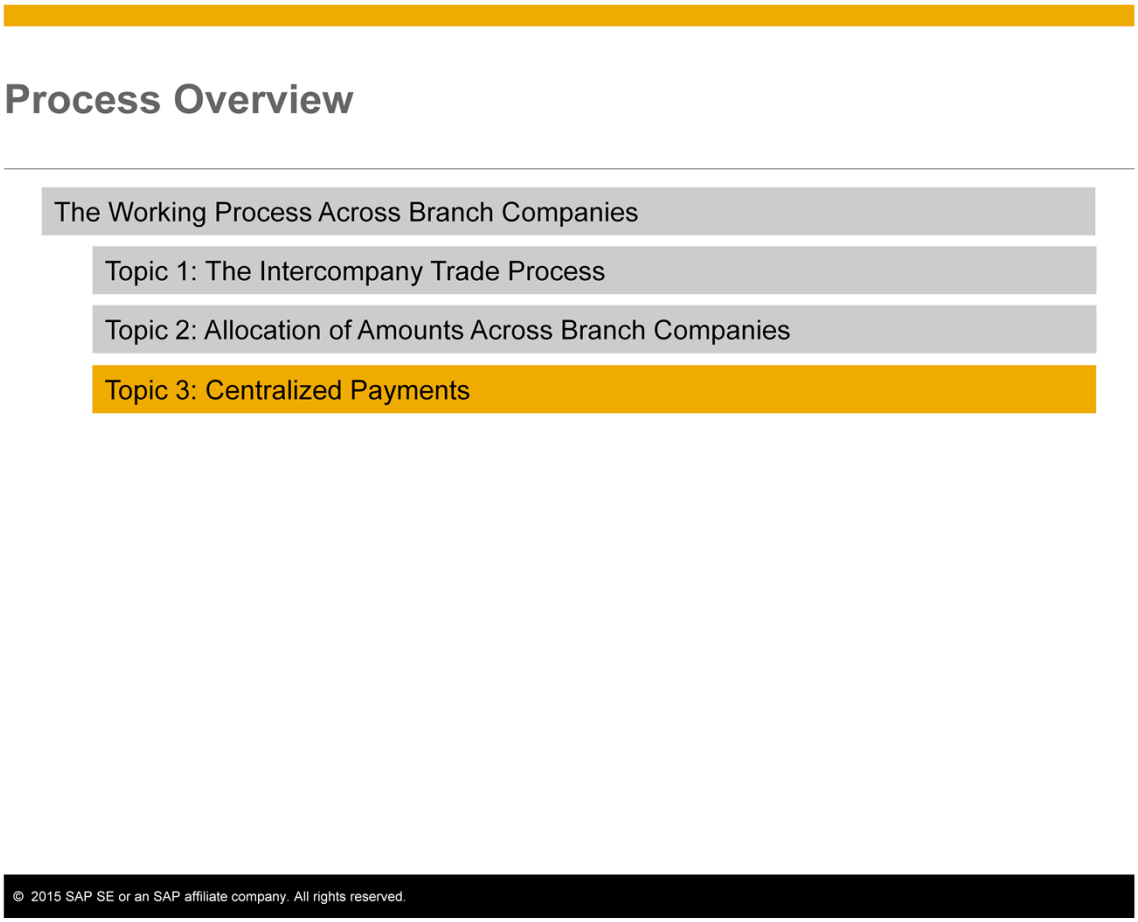
- When posting an allocation **from a company** (for example the head office NY), the system will use the *Account Classification* and ***Account Type*** attached to the allocation account (for example: travel expense).
- Using this account type the system will search for a specific account defined in **receiving branch** company (for example Texas) under the *Default Accounts by Profit & Loss* or *Default Accounts by Balance Sheet* with the same **account type**.
- This account will be used to create a Journal Voucher in the receiving branch for the allocated amount.
- If no account is defined against the same account classification and account type, the system will use the *Default Accounts Setup* of the receiving branch (step 11 in the Intercompany Setup Wizard).
- Ensure you attach account classification for all accounts which will be used for allocation entries.
- You can define your own categories for the *Default Accounts by Profit & Loss* and *Default Accounts by Balance Sheet* setups.
- Note that this window is only available in the Head Office company. Administration → Setup → Intercompany → User Defined Default Accounts.

- Here you can define *Account Classification* and *Account Type* entries.



The last topic will be centralized payments.

Centralized Payments: Business Scenario

- At the end of each month the head office branch (NY) centralizes the outgoing payments and pays the company vendors on behalf of the other branches (California and Texas)

- For this process, the branch companies (California and Texas) need to delegate outgoing payment lines to the paying branch (NY).

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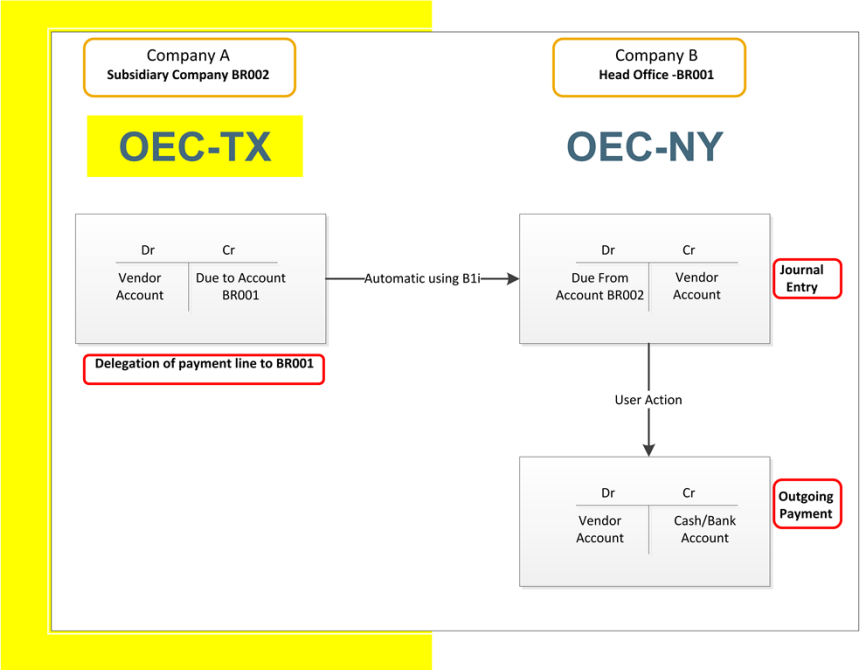
Let us look at a business scenario:

- At the end of each month the head office branch (NY) centralizes the outgoing payments and pays the company vendors on behalf of the other branches (California and Texas)
- For this process, the branch companies (California and Texas) need to delegate outgoing payment lines to the paying branch (NY).

Centralized Payments Transaction Flow



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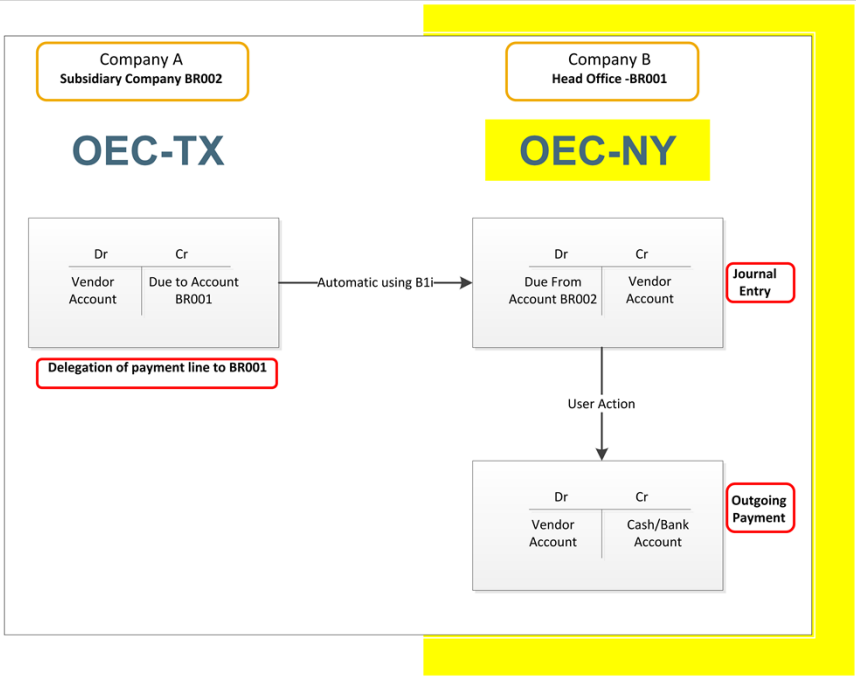
- Let us look at one example of the process.
- In the **Texas** branch the accountant opens the *Outgoing Payment* window.
- And chooses the vendor that the head office is going to pay for his open A/P invoices.
- She specifies the head office branch code to which she is going to delegate the payments (**NY**).
- Then, she chooses the payment lines to be delegated.
- And clicks the *Delegate* button.
- A journal entry is automatically created in the Texas branch that debits the vendor and credits the **Due To account** (that was defined in the branch account setup).

Centralized Payments Transaction Flow



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- In the head office branch (**NY**) a journal entry is automatically created that credits the vendor and debits the **Due From account.**
- The accountant at the head office account (NY) should open the ***Incoming Delegation*** window to display the incoming delegation details (*Banking → Outgoing Payments → Incoming Delegation)*.
- In this window the delegation is presented as a payment line for each A/P invoice.
- Then, she opens the *Outgoing Payment* window.
- And chooses the vendor code she saw at the incoming delegation window.
- She selects all delegation payment lines and posts the outgoing payment.
- In the **Texas** branch the accountant opens the *Outgoing Payment* window and locates the outgoing payment that was paid by the NY branch. She clicks the on ***Payment Detail*** button to view the receiving company payment details.
- Note!
- A few fields that are relevant to the intercompany integration solution have been added to the *Outgoing Payment* window.
- For details on those fields refer to the intercompany user guide.

- All fields in the ***Payment Detail*** window are not editable and will be updated automatically by the system.