GENERAL LEDGER SET UP
LESSON 3

LEARNING OUTCOME

The purpose of this lesson is to successfully set up the General Ledger Module’s defaults and master files.

LEARNING OBJECTIVES

On completion of this lesson, you will be able to:

A. Set General Ledger defaults.
B. Perform General Ledger Maintenance.
C. Set your Common settings.

Requirements: Carry on working in the Mikes Photo Shop Company you created.
LESSON OVERVIEW

Lesson 3: Section A
General Ledger defaults.

Lesson 3: Section A
Maintaining General Ledger Accounts.

Lesson 3: Section B
Process take on balances.

A • GENERAL LEDGER DEFAULTS

Before commencing with any module, it is always advisable to first make sure that the defaults for that module are set up to suit your business structure. Let us look at the default settings for the General Ledger (commonly abbreviated as GL) Module:

1. From the system tree select the General Ledger Module and select Maintenance.

2. Click on the Defaults Dialog.
3. The **General Ledger Defaults** screen will display:

![General Ledger Defaults Screen]

4. This screen will list two options, namely:

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Show Inactive Accounts in Lookups</td>
<td>This option will allow any inactive accounts to display when retrieving history, reports etc.</td>
</tr>
<tr>
<td>Show Inactive Projects in Lookups</td>
<td>This option will allow any inactive projects to display when retrieving history, reports etc.</td>
</tr>
<tr>
<td>Supplier Document Budget Validation</td>
<td>You can optionally link the general ledger budget to supplier purchasing, which enables you to monitor your purchases against the budget.</td>
</tr>
<tr>
<td>Use Annual Budget</td>
<td>The system validates against the annual budget</td>
</tr>
<tr>
<td>Journal Batch Options</td>
<td>You use this option to force the project field to be entered/completed when processing journal entries.</td>
</tr>
<tr>
<td>Cashbook Batch Options</td>
<td>You use these options to force projects and sales rep fields to be completed during processing.</td>
</tr>
</tbody>
</table>

It is advisable to select both options.

5. Select the **Journal Batches** tab. This tab will allow you to set up your journal preferences according to the business needs.

**Reflection:** In traditional accounting the journal entry is a record of a transaction in which the total amount in the Debit column equals the total amount in the Credit column and each line is assigned to an account on the chart of accounts.

**Reflection:** Journals are created automatically in the back end of Evolution, thus, it is of extreme importance that the journal defaults are set up correctly.
The following screen displays the defaulted journal settings of Evolution. You can leave these defaults as is or change them according to your business’s needs.

The following table describes the purpose of each option available on this screen. This table aids as a guide to ensure that you set up your journals correctly.

<table>
<thead>
<tr>
<th>Options:</th>
<th>Purpose:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automatic Numbering</td>
<td>You can select whether to have a manual input Batch Number or a where the system automatically generates Batch Numbers. If you select to use automatic Batch Numbers or you can configure how the batch code must be generated.</td>
</tr>
<tr>
<td>Next Automatic Number</td>
<td>You would enter the number for the next batch.</td>
</tr>
<tr>
<td>Pad Length field</td>
<td>Enter the number of digits you would like to use for the numeric part of the Batch Number. This should be small enough to be manageable, but not too small that you would run out of numbers. If you enter three here you are making provision for 1000 batches.</td>
</tr>
<tr>
<td>Prefix field</td>
<td>Enter a prefix for the Batch Numbers. This is usually one or more letters, for example JB. If you entered three in the previous field, the first batch number would be JB001. When working with the databases of multiple companies, you might want to use a different Prefix for each Company e.g. ABJ for AB Stores Journal</td>
</tr>
</tbody>
</table>

Continued on the next page...
Options: | Purpose:
--- | ---
**Batch Reference** | You can configure the system to generate Batch Reference numbers automatically, or agents can enter Batch Numbers at the time of processing.
If you use automatic Batch Reference number generation, you need to configure how the Batch Reference should look.
**Next Number** | Enter the number of digits you would like to use for the numeric part of the Batch Reference number. This should be small enough to be manageable, but not too small that you could run out of numbers. If you enter five here you are making provision for 100000 batches.
**Pad Length** | Enter a prefix for the Batch Reference numbers. This is usually one or more letters, for example JBR. If you entered five in the previous field, the first batch number would be JBR00001.
**Force Batch Reference Number** | If you wish to always have a Batch Reference number, select the check box. If you deselect the check box, Agents can leave this reference number blank.
**Default Line Tax** | Select the default GL accounts to be used for the VAT part of the transactions (where applicable) when creating a new journal batch. It is advisable to leave the defaulted settings.
**Transaction Code** | Select a default transactions code to be used for the journal batches e.g. JNL.

For this training session, leave the defaulted journal settings as displayed on the screen.

6. Select the **Cashbook Batches** tab. This tab allows you to set up your cashbook preferences.
**Reflection:** A Cashbook is a journal in which all cash receipts and payments (including bank deposits and withdrawals) are recorded for General Ledger processing purposes.

**ACTIVITY 3 - 1**

The objective of this activity is to know what the purposes are of options available on the default screens.

Complete the table below:

*(Tip: Refer to the previous tables discussed thus far)*

<table>
<thead>
<tr>
<th>Options:</th>
<th>Purpose:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Batch Numbers</td>
<td></td>
</tr>
<tr>
<td>Automatic Batch Number</td>
<td></td>
</tr>
<tr>
<td>Next Number</td>
<td></td>
</tr>
<tr>
<td>Pad Length</td>
<td></td>
</tr>
<tr>
<td>Prefix field</td>
<td></td>
</tr>
<tr>
<td>Automatic Numbering</td>
<td></td>
</tr>
<tr>
<td>Next Number</td>
<td></td>
</tr>
<tr>
<td>Pad Length</td>
<td></td>
</tr>
<tr>
<td>Prefix field</td>
<td></td>
</tr>
<tr>
<td>Force Batch Reference Number</td>
<td></td>
</tr>
<tr>
<td>Default Line Tax</td>
<td></td>
</tr>
</tbody>
</table>
For this training session, leave the defaulted cashbook settings as they are.

7. Click on the **Cashbook Integration** tab. This tab outlines the integration of the bank, receipts and payments accounts for processing purposes.

These are the accounts that the system will default to when creating a new cashbook batch.

8. Click **OK** and the settings you have amended will be saved.

Remember to click **OK**, to save your settings otherwise it will be lost and revert to the system’s defaults.
B GENERAL LEDGER MAINTENANCE

Now that you have successfully set your General Ledger Defaults, it is time to maintain the different General Ledger Accounts.

1. From the system tree, select General Ledger… Maintenance and from the work area select Accounts.

2. The following General Ledger Accounts screen will appear, listing all the accounts available in the General Ledger.

   ![General Ledger Accounts Screen]

   The accounts will either be sorted alphabetically or numerically *(depending on which option was selected in the installation process)*. By clicking on the column headers the system will automatically sort in an ascending or descending order.

   Accounts are also sorted according to the Transactions Type, namely, Income or Expenses.

   If you prefer to have the numerical listing and selected the alphabetical option during the installation process, you cannot change this setting. You would have to consult a Pastel Evolution Specialist to amend your SQL tables in order to change this option.

   Before you create a new account you need to look at which account number to use and also to ensure that it falls into sequence with the rest of the accounts that are on your system.
CREATE A NEW GENERAL LEDGER ACCOUNT

Follow the next procedure when creating new General Ledger Accounts:

1. Click Add on the General Ledger Account screen.
2. The following screen will display:

![Add New Ledger Account](image)

3. Complete the options on the screen applicable to the account. In the Ledger Account box, complete all the account details.
4. Indicate whether it is a main account or sub account by making a tick in the box and selecting the account from the drop down list.
5. The Next Cheque Number option is only for cashbook accounts and will determine the next cheque/s number/s that will be printed from the cashbook batch.
6. The following table explains the purposes of the options contained in the Additional Information block:

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch</td>
<td>This option allows you to link the General Ledger account to a particular branch.</td>
</tr>
<tr>
<td>Department</td>
<td>This option allows you to link the General Ledger account to a specific Department within the business.</td>
</tr>
<tr>
<td>Report Category</td>
<td>This ensures that the General Ledger account information is disbursed to the correct Report category.</td>
</tr>
<tr>
<td>Active Account</td>
<td>Tick this box to indicate that this account is an active account, meaning that transactions will and can be processed.</td>
</tr>
<tr>
<td>Allow Journals</td>
<td>This option is automatically selected but you may want to stop the agents from posting journals to a certain account. You will be able to prevent this by deselecting the journal option.</td>
</tr>
</tbody>
</table>
7. Click on the **Inventory** tab, which lists two options to choose from, namely:

<table>
<thead>
<tr>
<th>Allow Sales Transactions.</th>
<th>Allow Purchases Transactions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Here you are able to specify whether general ledger account postings from the inventory module are allowed to the account.</td>
<td>These options are important to activate in order to process transactions successfully.</td>
</tr>
<tr>
<td>You must also specify the particular tax code for each transaction type.</td>
<td></td>
</tr>
</tbody>
</table>

8. Select the option/s and click **OK**.

**ACTIVITY 3 - 2**

The objective of this activity is to add a new General Ledger Main Account.

Follow the next steps:

1. Open the **General Ledger Account** screen.
2. Click on **Add**.
3. Type in the account code 4865 in the **Account** box.
4. Enter the description of the account in the **Description** box – **Web Site Hosting**.
5. Select the expense account type from the drop down menu that appears.
6. Tick the **Active** box and click **OK**.
7. View the account.

**Tip:** If you create new General Ledger Accounts, it is recommended that you copy an existing account that is similar to the account that you would like to create and then amend it accordingly. This will ensure that the account is created correctly and will feed information to the correct accounts.

**ACTIVITY 3 - 3**

The objective of this activity is to create a sub account on a main account.

1. Firstly let us create another main account called **Loan Account**.
2. Complete your screen as shown below:

![Edit Ledger Account](image1)

3. No click **OK** to save the new account.
4. Now, let us create a sub accounts for the Loan Account we just created. The sub accounts must be for a) Shareholder and b) CEO.
5. Open the **General Ledger Account** screen again.
6. Click on **Add**.
7. Complete the screen as shown below for the sub account **Shareholders (010)**:

![Add New Ledger Account](image2)

8. When you ticked the **Sub-Account of** field you need to specify which main account this sub account links to. For this activity select the **Loan Account (9700)** we just created.
9. Click **OK** to save.
10. Create the second sub account **CEO (020)** now.
11. Remember to allocate the 020 number to it in the **Account** field.
12. Link it to the **Loan Account (9700)** main account.
13. Click **OK** to save.
14. To check that these accounts were successfully created, go to **Maintenance…General Ledger…Accounts**.
15. Scroll down the list of accounts that displays and you should find the accounts displayed as shown below:

![Account list screenshot]

**C** **COMMON SETTINGS**

The Common settings within Pastel Evolution include the following:

- Banks
- EFTS File Layout
- EU Countries
- Foreign Currency
- Notes
- Priorities
- Projects and sub-projects
- States
- Tax Types
- Company Details

ℹ Some of these options are reliant on Pastel Evolution’s Add on Modules, such as Foreign Currency and Contact Management.
CREATE MULTIPLE BANK ACCOUNTS

It is important to create your bank accounts before you start processing transactions. Your cashbook processing is dependent on your bank account/s.

ℹ️ You can have numerous bank accounts in Evolution. Just remember whilst processing to select the correct bank account, otherwise you will not reconcile.

Let us work through the following activity:

ACTIVITY 3 – 4

The objective of this activity is to create a bank account.

1. Go to Maintenance...Common in the main menu or Common...Maintenance from the topic tree.
2. Select Banks from the list that displays.
3. The following screen displays:

4. Click on Add.
5. The following screen displays:

![Edit Bank “ABC Bank”](image)

6. Mike’s Photo Shop banks with **ABC Bank**.
7. Complete the screen as displayed above and click **OK**.

**OTHER FUNCTIONS**

Study the following table about the rest of the functions in your Common settings.

<table>
<thead>
<tr>
<th>Option</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFTS File Layout</td>
<td>You use this function to set up EFTS parameters for electronic funds transfers. You can also use this function to customize the EFTS layout to a limited extent.</td>
</tr>
<tr>
<td>EU Countries</td>
<td>If you use European Union (EU) processing, you need to define your own country code, and the country codes of your customer and suppliers.</td>
</tr>
<tr>
<td>Foreign Currency</td>
<td>You need to create a currency record before you can use the currency. You use this function maintain currencies and enter exchange rates.</td>
</tr>
<tr>
<td>Notes</td>
<td>You can view all notes for all records at once.</td>
</tr>
<tr>
<td>Priorities</td>
<td>When you create an incident you assign a priority to it, and you can report and see incidents in priority sequence. You can change the priority of an open incident at any time. You can create as many priorities as you wish.</td>
</tr>
<tr>
<td>Projects</td>
<td>You use project codes to group transactions together and then report on them. You can use this to analyze projects, jobs, cost centers, and so on. You can produce a profit and loss report per project. The use of projects is optional.</td>
</tr>
<tr>
<td>States</td>
<td>You use this option to list your different states or provinces you do business with.</td>
</tr>
<tr>
<td>Tax Types</td>
<td>Here you can view all the default tax types of the system as well as create new tax types that are applicable to your business.</td>
</tr>
</tbody>
</table>

Here is a generic procedure to access and create the abovementioned options:

1. You will access all of the above option under **Maintenance…Common** in the main menu or **Common…Maintenance** from the topic tree.
2. Click on **Add** to create a new option or **Edit** to amend information on existing options.
3. Complete the screen with the necessary information.
4. Click on **Delete** if you want to delete options. Remember you can only delete inactive options.

5. Click **OK**.

For more information about these options, refer to the Evolution Help (F1).

**COMPANY DETAILS**

You will notice that this option is not available from the topic tree. This function is only available from the main menu.

Let us complete the following activity:

**ACTIVITY 3 – 5**

The objective of this activity is to record company details.

1. Open the **Company Details** screen by going to **Maintenance…Common…Company Details**.

2. The following screen displays:

![Company Details Screen](image)

3. Complete the missing fields on your screen by using the information contained in the screen above.

4. Click on the tabs **Accounting Periods**, **Payroll Periods** and **Payroll Details**. Check and complete the screen with information required for your business. You will notice because of the Payroll Split the Payroll tabs will not display anymore.
5. Click on the **Bank Details** tab and complete the screen as shown below:

![Bank Details Screen](image1)

This screen allows you to record detailed information about your default bank account. This screen does not allow multiple bank accounts. Thus, during your company planning phase, ensure that you open a bank account that will be the core account for income and expense activity.

6. Click on the **Employment Equity** tab. The following screen displays:

![Employment Equity Screen](image2)

This is a very handy function that Pastel Evolution has. This screen allows you to detail your employment equity details, SETA information and managing members’ details.
In this lesson we emphasise the importance of setting up your General Ledger Module correctly. It is of extreme importance that the General Ledger Defaults are set according to the business’s needs and outputs, because the defaults have a direct impact on the Evolution reporting system as well as processing procedures.

Some learning points to reflect on:

- Setting up General Ledger defaults.
- Creating new General Ledger Main Accounts.
- Creating sub-accounts.

This lesson also details some Common settings you need to take care of before you start processing. The most important is to record your company details and ensure that all the information recorded is correct and up to date. You can go and amend these details at any time.

You can also set up budgets per project and/or sub-projects. Press F1 for more information on this function.
## FORMATIVE ASSESSMENT

Indicate whether the following statements are true or false:

<table>
<thead>
<tr>
<th>Statement</th>
<th>True</th>
<th>False</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  It is essential to set up your General Ledger defaults prior to processing.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2  Journals are created automatically in the back end of Evolution, thus, it is of extreme importance that the journal defaults are set up correctly in the General Ledger Defaults.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3  If you prefer to have the numerical listing and selected the alphabetical option during the installation process, you cannot change this setting. You would have to consult a Pastel Specialist to amend your SQL tables in order to change this option.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4  When adding a new General Ledger Account the <strong>Next Cheque Number</strong> options is only for banking purposes and will determine the cheque/s that will be printed from the cashbook batch.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5  A business’s General Ledger are commonly abbreviated as GL.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6  Pastel Evolution allows you to create multiple bank accounts.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

[6 marks]

The solution is available on the data disc.