CHAPTER 3: GENERAL JOURNALS

Objectives

The objectives are:

- Explain the General Journal entry and posting system.
- Create and post General Journal entries.
- Describe Recurring Journals, including fields and allocations.
- Demonstrate how to use Recurring Journals with allocations and to record accruals.
- Explain the processes of reversing and correcting journal entries.

Introduction

General Journals are used to post information into general ledger and other accounts, such as cost allocations and adjustments to ledger accounts. This section includes information on using General Journals in Microsoft Dynamics™ NAV 5.0.

In addition to an overview of the General Journal structure, this section explains the process of creating and posting journal entries and a description of recurring journals - including information on using allocations on recurring entry lines.

The final section explains how to use General Journals to reverse and correct erroneous entries.
Journal Overview

General journals are used to enter data into general ledger accounts and other accounts, such as customers, vendors, and banks.

The journal entry system has three layers:

- Journal templates
- Journal batches
- Journal lines

Figure 3.1 displays an illustration of the journal structure.

Although all three layers are always present, only the journal lines and batch name display in a journal window.

This section explains the three layers of the journal entry system and the journal posting process.
Journal Templates

Journals are used for different types or groups of entries and can be applied to other application areas, such as:

- Sales
- Purchase
- Cash Receipts
- Payment
- Fixed Asset

Each journal type is set up with its own journal template. Use the journal template to provide the basic journal structure and to specify default information for all batches.

**Figure 3.2 General Journal Templates Window**

In Microsoft Dynamics NAV 5.0, there are several standard general journal templates set up in the application areas. These templates cover the most common routines used in the program, and in all of these journal templates, entries can be posted to general ledger, customer, vendor, and fixed asset accounts. Some of the standard templates are also automatically set up with a default batch.

*NOTE: Journal templates are set up in the Application Setup content.*
Journal Batches

Journal Batches are created based on the journal templates. Batches that are created from a specific template have identical:

- Structure
- Default settings
- Information

These similarities are defaults that can be changed for each journal batch.

**Figure 3.3 General Journal Batches Window**

Journal Batches are often used to separate one user's entries from another. For example, the following people at CRONUS International Ltd. use general journals:

- Phyllis, the accounting manager
- Cassie, the accountant

Cassie makes entries and posts them later upon approval. To keep Phyllis's entries from becoming mixed with Cassie's entries, separate batches are assigned to the two users.

*Note: Journal batches are set up in the Application Setup content.*
Journal Lines

Journal lines are the entries that must be posted. Information entered in journal lines includes:

- Account numbers
- Posting dates
- Amounts
- Offsetting accounts

![Figure 3.4 General Journal Window](image)

The lines entered in a journal are temporary and can be changed as long as the journal has not been posted.

Journal Posting

Each journal has a series of posting routines called Codeunits. These codeunits are used during the posting process to post the information entered from the journal to one or more ledgers. For example, the sales journal uses Codeunits 11 through 15 to post the information entered into both the customer ledger and general ledger.
Because the program has a uniform data structure, the five Codeunits are also used to post the:

- General Journal
- Cash Receipts Journal
- Purchases Journal
- Payments Journal

The following journals, however, have their own posting routines due to their significant differences:

- Item Journal
- BOM Journal
- Job Journal
- Resource Journal

**Categorize: Journal Entry System Overview**

Task: The following categories list the elements of the Journal Entry System. Based on what you have learned in the Journal Overview section, match these elements with the listed attributes.

Categories

1. Templates
2. Batches
3. Lines
4. Posting

_____ - Item 1: Provide the basic journal structure.
_____ - Item 2: Use Codeunits.
_____ - Item 3: Default information can be changed.
_____ - Item 4: Specify default information.
_____ - Item 5: Are temporary and can be changed prior to posting.
_____ - Item 6: Separate one user's journal from another user.
_____ - Item 7: Standards are in the application areas.
_____ - Item 8: Only this and the Batch Name appear in journal windows.
Creating and Posting Journal Entries

In this section, journal entries are created and posted for:

- Single entry lines without a separate balancing account line
- Multiple entry lines using a balancing account line
- Entries with Dimensions

This section also contains a demonstration and an overview of the general journal posting results.

Create and Post a Journal Entry

To enter lines in a general journal, follow these steps:

2. In the Batch Name field, click the AssistButton and select the relevant batch.
3. Click OK.
4. In the Posting Date field, enter the date of this entry.
5. In the Document Type field, click the AssistButton and select the relevant document type for this entry.
6. In the Document No. field, leave the defaulted number or assign a unique number if this field is empty.
7. In the Account Type and Account No. fields, click the AssistButton and select the account this entry is to be posted to.
8. The Description field is automatically populated with the name of the account. Update this field as necessary.
10. In the Amount field, enter the amount of the entry. Positive and negative amounts in general journals are posted to the account specified in the Account No. field as follows:
   - A positive amount represents a debit to the account.
   - A negative amount represents a credit to the account.
11. In the Bal. Account Type and Bal. Account No. fields, click the AssistButton to select the balancing account for this entry.

13. Ensure that the cursor is no longer in the **Bal. Account No.** field. Notice that the **Balance** and **Total Balance** fields at the bottom of the window are zero (0). Since this line contains a balancing account, it is balanced and can be posted. Journal lines that do not balance cannot be posted.

14. Click **Posting > Post**.

15. Click **Yes** to post the journal lines.

16. Click **OK**.

17. Close the **General Journal** window.

There are additional fields that are hidden on the **General Journal** window. Use the Show Column function to display these fields and press **F1** to access online help for more information.

**Create and Post Journal Entries with a Balancing Line**

When a journal contains multiple entries that are all applied to the same balancing account, one final balancing line can be entered so that only one complete line is posted to the balancing account. This is beneficial, for example, in the Cash Receipt Journal to represent a deposit amount.

To create journal entries with a separate balancing line, follow these steps:


2. In the **Batch Name** field, click the **AssistButton** and select the relevant batch.

3. In the **Posting Date** field, enter the date of this entry.

4. In the **Document Type** field, click the **AssistButton** and select the relevant document type for this entry.

5. In the **Document No.** field, leave the defaulted number or assign a unique number if this field is empty.

6. In the **Account Type** and **Account No.** fields, click the **AssistButton** and select the account this entry is to be posted to.

7. The **Description** field is automatically populated with the name of the account. Update this description as necessary.

8. In the **Amount** field, enter the amount of the entry.

9. Press the **DOWN ARROW** key.
10. Notice that many of the fields on the new line are identical as those on the first line.
11. Repeat steps 6-8 for the second line.

To enter the balancing line and post the journal, follow these steps:

1. Press the **DOWN ARROW** key.
2. In the **Account No.** field, select the balancing account for these entries.
3. In the **Amount** field, enter the total amount of the first two fields, as an offsetting amount.
4. Verify that the **Total Balance** field is zero.
5. Click **Posting > Post.**
6. Click **Yes** to post the journal lines.
7. Click **OK.**
8. Close the **General Journal** window.

**Create and Post a Journal Entry with Dimensions**

Dimensions can be assigned to journal entries. A dimension first needs to be displayed on the **General Journal** window.

To display the dimension and assign to entries, follow these steps:

2. In the **Batch Name** field, click the **AssistButton** and select the relevant batch.
3. On the **View** menu, click **Show Column.**
4. Locate and click the dimension.
5. Repeat step 4 for all dimensions to add to the **General Journal** window.
6. Click **OK.** The dimension field(s) appears at the end of the journal line.
7. Fill in the journal line.
8. In the dimension field(s), click the **AssistButton** and select the dimension for the entry.
9. Once the journal is balanced, click **Posting > Post.**
10. Click **Yes** to post the journal lines.
11. Click **OK.**
Dimensions can also be added to lines without adding the fields to the window. Follow these steps to add dimensions using this method:

1. Fill in a line in the **General Journal** window. Do not fill in any dimensions (if dimensions were added to the window).
2. With the line selected, click **Line > Dimensions**.
3. In the **Dimension Code** field, click the **AssistButton** and select the relevant dimension.
4. In the **Dimension Value Code** field, click the **AssistButton** and select the relevant dimension.
5. Close the **Journal Line Dimensions** window.
6. If the dimension specified in steps 3-4 has been added to the window, notice that the dimension field is populated with the value entered in step 4.
7. Close the **General Journal** window.

### General Journal Posting Results

If a filter has been set, only those lines that are within the filter, and that are in balance, are posted. The entries hidden as a result of applying the filter are not posted, even if they balance.

**NOTE**: Several batches can be posted at once by clicking Posting > Post in the General Journal Batches window. All lines in all batches appearing in the General Journal Batches window are posted as a result.

The results of a journal posting can be viewed in the G/L register. To access the entries, follow these steps:

2. Press **CTRL+END** to go to the bottom of the **G/L Registers** window and select the relevant journal batch. Note that today's date is listed as the **Creation Date**.
3. Click **Register > General Ledger**.
4. Review the register and then close the open windows.
Preview a Test Report

A test report can also be printed prior to posting, to see the effect the journal will have on the accounts set up as reconciling accounts. To preview the test report from a general journal, follow these steps:

1. Fill in a line in the **General Journal** window.
2. Click **Posting > Test Report**.
3. Click **Preview**.
4. Review the report and then close the **Print Preview** and **General Journal** windows.

Demonstration: Post a Cash Payment for Cleaning Expenses

**Scenario**: On January 25, 2008, Cassie, the accountant for CRONUS International Ltd. needs to post a 60.00 payment for a cleaning expense. Since this is a single entry, a separate balancing line will not be used.

This expense needs to be posted to the Production department dimension. Note that the Department dimension has already been added to the **General Journal** window.

The entry is reviewed after posting.

Steps

To post the journal entry, follow these steps:

1. On the Navigation Pane, click **Financial Management > General Ledger > General Journals**.
2. In the **Batch Name** field, click the **AssistButton** and select the Default Journal Batch.
3. Delete existing lines, if any.
4. In the **Posting Date** field, enter 01/25/08.
5. Do not change the **Document No.** field.
6. In the **Account No.** field, enter 8110.
7. In the **Amount** field, enter 60.00.
8. In the **Account No.** field, enter 2910.
9. In the **Department** field, click the **AssistButton** and select Production.
10. Click **OK**.
11. Verify that the **Total Balance** is zero.
12. Click **Posting > Post**.
13. Click **Yes** to post the journal lines.
14. Click **OK**.
15. Close the **General Journal** window.
16. In the General Ledger folder, click History > Registers.
17. Press **CTRL+END** to go to the bottom of the **G/L Registers**
   window and select the DEFAULT journal batch.
18. Click **Register > General Ledger**.
19. Review the entries and close the open windows.
Lab 3.1: Create a Journal Entry

Scenario
As the accounting manager at CRONUS International Ltd., you need to create and post a debit journal entry that is divided between the Sales and Administration departments, but the credit entry must not be delineated by department. Use the following criteria to complete this journal entry:

- Default Journal Batch
- Posting Date January 1, 2008
- Debit to G/L account 8110
  - 100.00 to the Sales department
  - 60.00 to the Administration department
- Credit to G/L account 2910

After posting, review your entries in the G/L Register and then close all open windows.

Challenge Yourself!

1. In the General Journal window, enter the debit and credit lines.
2. Post the lines.
3. Review the entries in the G/L Register.
4. Close the open windows.
Lab 3.1: Create a Journal Entry

Scenario
As the accounting manager at CRONUS International Ltd., you need to create and post a debit journal entry that is divided between the Sales and Administration departments, but the credit entry must not be delineated by department. Use the following criteria to complete this journal entry:

- Default Journal Batch
- Posting Date January 1, 2008
- Debit to G/L account 8110
  - 100.00 to the Sales department
  - 60.00 to the Administration department
- Credit to G/L account 2910

After posting, review your entries in the G/L Register and then close all open windows.

Need a Little Help?

1. Open the General Journal window.
2. Select the Default journal batch.
3. Enter a line for the Sales department debit.
4. Enter a line for the Administration debit.
5. Enter a line for the credit posting.
6. Post the lines.
7. Close the open windows.
8. Access the History folder and open the Registers.
9. Review the entries in the G/L Register.
10. Close the open windows.
Recurring Journals Overview

Recurring journals are advantageous for transactions that are posted frequently with few or no changes. A recurring journal:

- Is a general journal containing special fields for managing recurring transactions.
- Can be used to allocate single entries to multiple general ledger accounts.

**FIGURE 3.5 RECURRING GENERAL JOURNAL WINDOW**

Recurring Journals can be accessed from the Periodic Activities folder in each of the following application areas:

- Financial Management
  - General Ledger
  - Receivables
  - Payables
  - Fixed Assets
- Jobs
- Resource Planning

The Purchase application area contains two recurring journals, accessed from the Inventory & Costing folder:

- Recurring Item Journal
- Recurring BOM Journal
The following recurring journals do not post to the general ledger:

- Item
- BOM
- Job
- Resource

Item, BOM, and Job journals use separate posting functions and Resource journals are never posted to the general ledger.

This section includes:

- Descriptions of the fields that are specific to Recurring Journals.
- Overview of Allocations in Recurring Journals.

**Recurring Methods**

The Recurring Method determines how the amount on the journal line is treated after posting. In this section, the various Recurring Methods are described.

<table>
<thead>
<tr>
<th>Recurring Method</th>
<th>Description</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>Use when the amount of the journal is the same each period. The amount on the journal line remains after posting.</td>
<td>Monthly expensing of prepaid annual insurance premium throughout the year. Recording fixed expense invoices if purchase documents are not used (for example, cleaning on a contract basis).</td>
</tr>
<tr>
<td>Variable</td>
<td>Use when the amount of the journal is different each period. The amount on the journal line is deleted after the recurring journal is posted.</td>
<td>Recording variable expense invoices if purchase documents are not used (for example, stationary, maintenance). Recording regular customer sales if sales documents are not used.</td>
</tr>
<tr>
<td>Balance</td>
<td>The balance of the account on the line is allocated among the accounts specified for the line in the Allocations window. As a result, the balance on the account on the line is set to zero. Remember to fill in the Allocation % field in the Allocations window.</td>
<td>Periodic allocation of an expense account between departments. Periodic allocation of overheads posted to a single overhead account to several specific overhead accounts. Intercompany expense allocations.</td>
</tr>
<tr>
<td>Reversing Fixed</td>
<td>The amount on the journal line remains after posting, and a reversing entry posts on the following day.</td>
<td>Monthly accrual of contract cleaning invoice not received until the following month.</td>
</tr>
</tbody>
</table>
### Reversing Method

<table>
<thead>
<tr>
<th>Description</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reversing Variable</td>
<td>The amount on the journal line is deleted after posting, and a reversing entry is posted the next day.</td>
</tr>
<tr>
<td>Reversing Balance</td>
<td>The balance of the account on the line is allocated among the accounts specified for the line in the <strong>Allocations</strong> window. The balance on the account is set to zero. A reversing entry posts on the following day.</td>
</tr>
</tbody>
</table>

**Recurring Frequency**

The **Recurring Frequency** field contains a formula that determines how often the entry on the journal line will be posted. This formula can contain a maximum of 20 alphanumeric characters that the program recognizes as abbreviations for time specifications.

For example, if the formula 1M is entered with a Posting Date of 01/15/08, when the journal is posted, the date is changed to 02/15/08.

Use one of the following methods to post an entry on the last day of every month after the current month:

- Post the first entry on the last day of a month and enter the formula 1D+1M-1D (1 day + 1 month - 1 day). With this formula, the program calculates the date correctly regardless of how many days are in the month.
- Post the first entry on any arbitrary day of a month and then enter the formula: 1M+CM. With this formula, the program calculates one full month + the remaining days of the current month.

**NOTE:** If posting monthly accruals that must be reversed the following month (Reversing Fixed, Reversing Variable, and Reversing Balance methods), post them on the last day of the each month. The first entry must be posted on the last day of the current month and the Recurring Frequency must be either 1D+1M-1D or 1M+CM. This ensures the reversal is always posted on the first day of the following month.
Document Number Formulas

Instead of using a No. Series to determine the Document No., Microsoft Dynamics NAV 5.0 provides the option to enter a formula to create a document number for each posted entry that is then updated automatically every time the recurring journal is posted.

**NOTE:** Posting No. Series specified on the batch override manual document numbers. To use the formulas, ensure that the Posting No. Series field on the batch is empty.

Simple text can be combined with the following text codes to form a number series:

- %1 - The current day number
- %2 - The current week number
- %3 - The current month number
- %4 - The current month name
- %5 - The current accounting period name

For example, if the entry's document number is R (rent) + current month, enter R%3 in the field. The document number for January will then be R1.

**NOTE:** The Document No. field supports up to 20 alphanumeric characters. Consider this limitation when creating formulas.

If there is more than one line in the journal, the program:

- Automatically retains the same number on subsequent lines until the balance for the journal is 0.
- Enters the next consecutive number on the next line.

Posting Group Fields

There are three fields on the Recurring Journal that are populated from the account card and that determine posting for the journal line:

- Gen. Posting Type
- Gen. Bus. Posting Group
- Gen. Prod. Posting Group

The values in these fields can be modified or deleted as needed.
Expiration Dates

Recurring journal lines can be set up with expiration dates. Use the **Expiration Date** field to limit the posting period by specifying the last date that an entry can be repeated.

By using this field, a line can be entered in the journal even though it will only be posted for a limited period. The line will not be posted after the date entered in the field.

The advantage of using this field is that the line will not be deleted from the journal immediately and the present expiration date can be replaced with a later one so that the line can be used further into the future.

If the field is blank, the line will be posted during each posting process until it is deleted from the journal.

Allocations

Allocations are used to allocate the amount on the recurring journal line to several accounts and dimensions. That is, the allocation is a balancing account line to the recurring journal line since recurring entries do not have balancing accounts.

Just as in a recurring journal, an allocation only needs to be entered once. The allocation remains in the allocation journal after posting, so amounts and allocations do not need to be re-entered every time the recurring journal line is posted.

Allocations are entered for a journal entry using one of the following methods:

- In the **Allocated Amt. (LCY)** field, click the **AssistButton**.
- Select the line, then click **Line > Allocations**.

*Figure 3.6 Allocations Window*
The amount can be allocated from the line to different accounts and dimensions using one of the following methods of allocation:

- **Allocation Quantity** - Allocate the amounts by quantities. An example is allocating by the number of people in each department.
- **Allocation %** - Allocate the amounts by percentage.
- **Amount** - If you use the **Allocation Quantity** or **Allocation %** field, the program calculates the allocated amount in this field. However, the field can be used to enter a manually calculated allocation amount.

After entering the lines with the allocations, the **Recurring General Journal** window displays the following:

- The **Allocated Amt. (LCY)** field is now filled in.
- If the recurring journal line is in LCY, the **Allocated Amt. (LCY)** field will match the **Amount** field but have the opposite sign.

**NOTE**: The posting group fields can be filled in on either the recurring journal line or on the allocation line, but not on both. These fields are: Gen. Posting Type, Gen. Bus. Posting Group, Gen. Prod. Posting Group, VAT Bus. Posting Group, and VAT Prod. Posting Group.

Allocations can be used with all **Recurring Methods**. However, there are some rules when using the **Balance** method:

- Allocations must be used because this method cannot post only to a balance account in another journal line.
- Do not enter an **Amount** because the program determines the amounts to post from the balance of the account on the line as part of the posting process.
- The recurring journal must be posted before the allocated amounts can be viewed. The Test Report does not show the calculated allocation amounts.
### Matching Activity: Recurring Methods

Task: Match the following Balancing Methods to the correct definition:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>_____ 1. The balance of the account is allocated among the accounts specified in the Allocations window. The balance on the account is set to zero and a reversing entry posts on the following day.</td>
<td>a. Variable</td>
</tr>
<tr>
<td>_____ 2. The amount of the journal is different each period and is deleted after posting.</td>
<td>b. Balance</td>
</tr>
<tr>
<td>_____ 3. The amount of the journal is the same each period and remains after posting.</td>
<td>c. Reversing Variable</td>
</tr>
<tr>
<td>_____ 4. The amount on the journal line is deleted after posting and a reversing entry is posted the next day.</td>
<td>d. Reversing Fixed</td>
</tr>
<tr>
<td>_____ 5. The balance of the account is allocated among the accounts specified in the Allocations window. As a result, the amount on the line is set to zero.</td>
<td>e. Fixed</td>
</tr>
<tr>
<td>_____ 6. The amount on the journal line remains after posting and a reversing entry posts on the following day.</td>
<td>f. Reversing Balance</td>
</tr>
</tbody>
</table>

### Fill in the Blanks Activity: Recurring Journal Overview

Instruction: Fill in the blanks to test your knowledge of this section.

1. Allocations can be used with all Recurring ______.

2. The three fields populated from the account card determine ______ for the journal line.

3. The ________ is a balancing account line to the recurring journal line.

4. Text code formulas can be used to form a number series in the ____________ field.

5. The program recognizes the Recurring ______ formula as abbreviations for time specifications.

6. Use the ____________ Date field to limit the posting period.
Processing Recurring Journals

This section includes two demonstrations:

- Process a Recurring Journal with Allocations.
- Recording Accruals.

The first demonstration shows how to post recurring payable entries that must be paid but do not require invoice documents. Different Recurring Methods are used and the costs are allocated to multiple departments.

The second demonstration provides an overview of income and expense accruals and shows how to post an accrual, using the Reverse Variable method.

Both demonstrations use a new recurring batch, set up in the first demonstration.

Demonstration: Process a Recurring Journal with Allocations

Scenario: Cassie, the accountant at CRONUS International Ltd., must set up a recurring payables journal for monthly expenses, including:

- Cleaning: 500.00, always due on the 15th of each month, and allocated equally between these three departments:
  - Administration - 50%
  - Production - 25%
  - Sales - 25%

- Advertising Expenses: variable, but always due on the 25th of each month and allocated only to the sales department.

These expenses need to be available for payment selection but do not require an invoice document.

For this demonstration, a new recurring journal batch is created so that manual document numbers can be used.

Steps

To enter the line for the cleaning expense, follow these steps:

2. In the **Batch Name** field, click the **AssistButton**.
3. Press **F3**.
4. In the **Name** field, enter Recurring.
5. In the **Description** field, enter Recurring Journals.
6. Remove the value in the **Posting No. Series** field.
7. Click **OK**.
8. In the **Recurring Method** field, click the **AssistButton** and select **Fixed**.
9. In the **Recurring Frequency** field, enter 1M.
10. In the **Posting Date** field, enter 11/15/07.
11. In the **Document Type** field, click the **AssistButton** and select **Invoice**.
12. In the **Document No.** field, enter 2007Cleaning %3.
13. In the **Account Type** field, click the **AssistButton** and select **Vendor**.
14. In the **Account No.** field, enter 20000.
15. In the **Amount** field, enter -500.00.

To enter the allocations for the cleaning expense, follow these steps:

1. Click **Line > Allocations**.
2. On the **View** menu, click **Show Column** and display the Department Code.
3. In the **Account** field, enter 8110.
4. In the **Department Code** field, click the **AssistButton** and select **Administration**.
5. In the **Allocation %** field, enter 50.
6. Press the **DOWN ARROW** key.
7. In the **Account** field, press **F8** to copy from the line above.
8. In the **Department Code** field, click the **AssistButton** and select **Production**.
9. In the **Allocation %** field, enter 25.
10. Press the **DOWN ARROW** key.
11. In the **Account** field, press **F8**.
12. In the **Department Code** field, click the **AssistButton** and select **Sales**.
13. In the **Allocation %** field, enter 25.
14. Close the **Allocations** window.

To enter the line and allocations for the advertising expense, follow these steps:

1. In the **Recurring Journal** window, press the **DOWN ARROW** key.
2. In the **Recurring Method** field, click the **AssistButton** and select **Variable**.
3. In the **Recurring Frequency** field, press F8.
4. In the **Posting Date** field, enter 11/25/07.
5. In the **Document No.** field, enter 2007Advert %3.
6. In the **Account No.** field, enter 60000.
7. For November, the advertising expense is -760.00. Enter this amount in the **Amount** field.
8. Click **Line > Allocations.**
9. In the **Account** field, enter 8410.
10. In the **Department Code** field, click the **AssistButton** and select Sales.
11. In the **Allocation %** field, enter 100.
12. Close the **Allocations** window.

To post the recurring journal, follow these steps:

1. Click **Posting > Post.**
2. Click **Yes** to post the journal lines.
3. Click **OK.**

Review the lines remaining in the window:

- The **Posting Date** on the first line is 12/15/07 and the second line is 12/25/07.
- The **Amount** field contains the following:
  - The first line still contains the -500 because it is a fixed amount.
  - The second line is empty because the method is variable.
- The **Allocated Amt. (LCY)** fields still display the allocation amounts.

**NOTE:** To record the December expenses update the amount on the second line and then post the journal. Since the Allocation % was set to 100 for the second line, the allocation always calculates based on the value entered in the Amount field on the recurring journal line, and therefore does not need to be updated.

To finish this portion of the demonstration, follow these steps:

1. Delete the journal lines since they will not be used again in this section.
2. Close the **Recurring General Journal** window.

To review the posted recurring journal entries, follow these steps:

1. In the Payables folder, click History > Registers.
2. Press **CTRL+END** to go to the last entry.
3. Click **Register > General Ledger.**
4. Review the entries in the register:
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- The **Document No.** field contains the results of the formula. The 11 represents November.
- The amounts are allocated to the Departments.

1. Close the open windows.

**Demonstration: Recording Accruals**

The recurring journal is ideal for recording accruals.

- Income and expense accruals are entered at the end of an accounting period to ensure that all income and expenses for the period are included in the financial results.
- These accruals are reversed out of the ledger the day after the entry is posted.

**Scenario:** Starting in November 2007, Cassie, the accountant for CRONUS International Ltd. needs to set up a recurring monthly accrual for bank interest of 200.00. The interest is received the second day of the month following the month it is accrued.

The recurring journal with allocation is set up as follows:

- The interest is recorded in the month that it is earned and is posted to account 9110, Interest on Bank Balances.
- The **Document No.** field contains the current month name and the word Interest.
- The day after the interest is posted to 9110, the entry is reversed and the interest is posted to account 2330, Accrued Interest.

The entries are reviewed after posting.

**Steps**

To enter the accrual and allocations, follow these steps:

2. In the **Batch Name** field, ensure that the RECURRING batch (created in the Process a Recurring Journal with Allocations demonstration) is selected.
3. In the **Recurring Method** field, click the **AssistButton** and select Reversing Variable.
4. In the **Recurring Frequency** field, enter 1M+CM.
5. In the **Posting Date** field, enter 11/30/07.
6. In the **Document No.** field, enter %4 Interest.
7. In the **Account No.** field, enter 9110.
8. In the **Amount** field, enter -200.00.
9. Click **Line > Allocations.**
10. In the **Account** field, enter 2330.
11. In the **Allocation %** field, enter 100.
12. Close the **Allocations** window.
13. Notice that the **Allocated Amt. (LCY)** field displays 200.00.
14. Click **Posting > Post.**
15. Click **Yes** to post the journal lines.
16. Click **OK.**

Review the line remaining in the window:

- The **Posting Date** is now 12/31/07.
- The **Amount** field is empty because the method is variable.
- The **Allocated Amt. (LCY)** field displays the allocation amount.

To record the December interest accrual, enter the amount and post the journal.

To complete this portion of the demonstration, follow these steps:

1. Delete the journal line since it is not going to be used again in this section.
2. Close the **Recurring General Journal** window.

To review the posted accrual, follow these steps:

1. In the General Ledger folder, click History > Registers.
2. Press **CTRL+END** to go to the last entry.
3. Click **Register > General Ledger.**
4. Review the entries in the register:

- The two accrual entries posted on 11/30/07 and the two reversal entries posted on 12/01/07.
- The **Document No.** field contains the results of the formula. November is displayed because %4 was used.

1. Close the open windows.
Lab 3.2: Create and Post a Recurring Journal

Scenario
On November 1, 2007, CRONUS International Ltd. signed a new vehicle repairs and maintenance contract for a fixed amount of 1000.00 per month, due on the 25th of every month.

As the accountant, it is your responsibility to set up and post this expense starting November 2007 with an expiration date of November 1, 2008. You also want a document number to reflect an abbreviation of the expense (VRM) and the number of the month.

Use the RECURRING batch to credit this expense to the Cash account (2910) and allocate it to the company departments as follows:

- Administration: 18%
- Production: 58%
- Sales: 24%

You do not need to review your entries after posting.

NOTE: If the RECURRING batch has not been set up, refer to steps 2-7 in the Process a Recurring Journal with Allocations demonstration.

Challenge Yourself!

1. Use the Recurring Journal to set up the vehicle repair and maintenance expense.
2. Allocate to the departments specified in the scenario.
3. Post the journal.
Lab 3.2: Create and Post a Recurring Journal

Scenario
On November 1, 2007, CRONUS International Ltd. signed a new vehicle repairs and maintenance contract for a fixed amount of 1000.00 per month, due on the 25th of every month.

As the accountant, it is your responsibility to set up and post this expense starting November 2007 with an expiration date of November 1, 2008. You also want a document number to reflect an abbreviation of the expense (VRM) and the number of the month.

Use the RECURRING batch to credit this expense to the Cash account (2910) and allocate it to the company departments as follows:

- Administration: 18%
- Production: 58%
- Sales: 24%

You do not need to review your entries after posting.

NOTE: If the RECURRING batch has not been set up, refer to steps 2-7 in the Process a Recurring Journal with Allocations demonstration.

Need a Little Help?

1. Open the Recurring Journal, RECURRING batch.
2. Enter a line for the cash account credit, starting November 25th.
3. Set the expiration date.
4. Open the Allocations window.
5. Set up the department allocations to the vehicle repair and maintenance expense.
6. Post the journal.
Lab 3.3: Create and Post a Recurring Journal Using the Balance Method

Scenario
As the accountant for CRONUS International Ltd., you have decided that on the 15th of every month you want to begin allocating Other Computer Expenses (account 8330):

- Equally between the Software and Consultant Services accounts (8310 and 8320).
- By department using the following allocation percentages:
  - Administration: 50%
  - Production: 25%
  - Sales: 25%

Since the Other Computer Expenses had VAT calculated at the time they were posted to account 8330, VAT should not be calculated when allocating the balance of account 8330.

Use the following criteria for additional set up:

- Use the new RECURRING batch
- The date is January 15, 2008
- The Document No. must indicate the accounting period name and current year.

After posting the journal, review the entries in the G/L Register.

Challenge Yourself!

1. Use the recurring journal to set up the expense.
2. Allocate the expense.
3. Post the journal.
4. Review the entries.

Hint: Posting groups drive VAT calculations.
Lab 3.3: Create and Post a Recurring Journal Using the Balance Method

Scenario
As the accountant for CRONUS International Ltd., you have decided that on the 15th of every month you want to begin allocating Other Computer Expenses (account 8330):

- Equally between the Software and Consultant Services accounts (8310 and 8320).
- By department using the following allocation percentages:
  - Administration: 50%
  - Production: 25%
  - Sales: 25%

Since the Other Computer Expenses had VAT calculated at the time they were posted to account 8330, VAT should not be calculated when allocating the balance of account 8330.

Use the following criteria for additional set up:

- Use the new RECURRING batch
- The date is January 15, 2008
- The Document No. must indicate the accounting period name and current year.

After posting the journal, review the entries in the G/L Register.

Need a Little Help?

1. Open the Recurring Journal.
2. Create a line for the expense.
3. Remove any posting group values.
4. Open the Allocations window.
5. Enter the allocations of the accounts and the departments.
6. Remove any posting group values.
7. Post the journal.
8. Open the Registers for General Ledger.
9. Review the entries.
Reversals and Corrections

In this section, the following general journal processes are described:

- Reversing posted journal entry lines
- Correcting erroneous journal entry lines

Reversing Journal Entries

In Microsoft Dynamics NAV 5.0, when an erroneous general journal is posted, the posted ledger entries can be reversed in the corresponding registers. However, to reverse an entry, the following must be true of the original entry:

- The **Journal Batch Name** field must be completed in the G/L Register.
- Customer Ledger Entries must not be applied.
- Vendor Ledger Entries must not be applied.
- Bank Ledger Entries must not be closed by reconciliation.
- The total amount of the G/L Entries must equal zero.
- The entry must not include any Item Ledger Entries.
- The ledger entries must not have been created by a reversal.

After entries are reversed, a reversing entry is posted in the same register.

To reverse posted ledger entries from a register, follow these steps:

2. Locate and select the register to be reversed.
3. Click **Functions** > **Reverse Register**.
4. In the **Reverse Register Entries** window, click **Reversing** > **Reverse**.
5. Click **Yes** to reverse the entries.
6. Click **OK** to the message that the entries were reversed.
7. Press **CTRL+END** to go to the reversing register.
8. Review the fields on the reversing entry:
   - The **Source Code** is Reversal.
   - The **Creation Date** is the system date.
   - The **Posting Date** is the original posting date of the entry.
9. Close the **G/L Registers** window.
Posting Correction Entry Lines

Posted ledger entries cannot be changed or deleted in Microsoft Dynamics NAV 5.0. However, erroneous entries can be corrected by posting one or more corrective entries using the general journal.

When making correcting entries, placing a check mark in the Correction check box affects the way entries are posted.

To use the correction functionality, use the Form Designer to add the following fields to the General Journal window:

- Correction
- Debit Amount
- Credit Amount

If a check mark is not placed in the Correction check box on the journal lines:

- The Amount field on the line must have the opposite sign of the original, erroneous entry.
- Positive amounts in the Amount field are posted as a positive amount in the Debit Amount field as usual.
- Negative amounts in the Amount field are posted as a positive amount in the Credit Amount field as usual.

If a check mark is placed in the Correction check box on the journal lines:

- The Amount field on the line must have the opposite sign of the original, incorrect entry.
- Positive amounts in the Amount field are posted as a negative amount in the Credit Amount field.
- Negative amounts in the Amount field are posted as a negative amount in the Debit Amount field.

The Debit Amount and Credit Amount fields in the journal display the difference between corrections and normal postings.

After posting a correcting entry in a journal, the impact on the account used for posting is as follows:

- If a check mark is placed in the Correction check box:
  - The original entry and correcting entry are posted to the same side of the account, either as debits or credits.
  - The correcting entry has a negative sign. This is beneficial when running reports such as the Cash Flow Statement.
• If a check mark is not placed in the **Correction** check box the original entry and correcting entry are posted to opposite sides of the account, one as a debit and the other as a credit.

The following illustration uses T-accounts to show the results of posting an erroneous entry and correcting entry for an amount of 400, with and without a check mark in the **Correction** check box.

**Figure 3.7 T-accounts Showing Correcting Entries**
Multiple Choice/Answer Questions: Reversals and Corrections

1. To reverse a posted ledger entry, the following condition(s) must be met:
   a. The Journal Batch Name field must be blank.
   b. Customer and Vendor ledger entries must not be applied.
   c. Bank ledger entries can either be open or closed by a reconciliation.
   d. The total of the G/L entries must be greater than zero.

2. Regardless of whether or not the Correction check box contains a check mark, what must be done when posting a correcting ledger entry in the general journal?
   a. Positive amounts are entered in the Debit Amount field on the line.
   b. The same sign as the original, incorrect entry is entered in the Amount field on the line.
   c. The opposite sign of the original, incorrect entry is entered in the Amount field on the line.
   d. Negative amounts are entered in the Credit Amount field on the line.

3. Which of the following are results of posting a correction with the Correction check box checked?
   a. The original entry and correcting entry are posted to opposite sides of the account, one as a debit and the other as a credit.
   b. The original entry and correcting entry are posted to the same side of the account, either as debits or credits.
   c. The correcting entry has a positive sign.
   d. The correcting entry has a negative sign.
Summary

This section explained the use of General Journals in Microsoft Dynamics NAV 5.0. General Journal entries were created and posted with and without balancing lines and dimensions.

Recurring journals were used to record frequently posted entries and to allocate expenses to various departments. The processes of reversing and correcting erroneous entries were also demonstrated.

General Journals are the basis of many financial functions in Microsoft Dynamics NAV 5.0. Therefore, understanding how journals are used is helpful in performing other finance related tasks.
Test Your Knowledge

1. Which of the following are the layers in the journal entry system?
   a. Lines
   b. Templates
   c. Posting
   d. Batches

2. What type of journal does not have a balancing account on the line?
   a. Payment Journal
   b. Recurring Journal
   c. General Journal
   d. Sales Journal

3. Which of the following journals do not use Codeunits 11-15 to post information to the relevant ledgers?
   a. Item Journals
   b. Job Journals
   c. Sales Journals
   d. BOM Journals

4. What does the following Document No. formula represent: %4?
   a. Current month name
   b. Current month number
   c. Current accounting period name
   d. Current day number

5. On a Recurring journal, which Recurring Method must use allocations?
   a. Variable
   b. Reversing Variable
   c. Balance
   d. Fixed
Chapter 3: General Journals

6. Corrections to posted ledger entries can be processed in Microsoft Dynamics NAV 5.0 by:

   a. Using the Reverse functionality available by clicking Financial Management > General Ledger > History > Registers > Functions > Reverse Register.
   b. Posting a correcting ledger entry in the general journal.
   c. Editing the posted ledger entry to update the amount.
   d. Using the correction functionality available by clicking Ledger > Correct Entry from the posted ledger entry window.
Lab 3.1 Solution: Create a Journal Entry

**Scenario**

As the accounting manager at CRONUS International Ltd., you need to create and post a debit journal entry that is divided between the Sales and Administration departments, but the credit entry must not be delineated by department. Use the following criteria to complete this journal entry:

- Default Journal Batch
- Posting Date January 1, 2008
- Debit to G/L account 8110
  - 100.00 to the Sales department
  - 60.00 to the Administration department
- Credit to G/L account 2910

After posting, review your entries in the G/L Register and then close all open windows.

**Step by Step**

2. In the **Batch Name** field, click the **AssistButton** and select the Default journal batch.
3. In the **Posting Date** field, enter 01/01/08.
4. Do not change the **Document No.** field.
5. In the **Account No.** field, enter 8110.
6. In the **Amount** field, enter 100.00.
7. In the **Department** field, click the **AssistButton** and select Sales.
8. Press the DOWN ARROW key.
9. In the **Account No.** field, enter 8110.
10. In the **Amount** field, enter 60.00.
11. In the **Department** field, click the **AssistButton** and select Administration.
12. Press the DOWN ARROW key.
13. In the **Account No.** field, enter 2910.
14. In the **Amount** field, enter -160.00
15. Click **Posting > Post**.
16. Click **Yes** to post the journal lines.
17. Click **OK** and close the **General Journal** window.
18. In the General Ledger folder, click History > Registers.
19. Press CTRL+END to go to the bottom of the **G/L Registers** window and select the DEFAULT batch.
20. Click **Register > General Ledger**.
21. Review and then close the open windows.

**Lab 3.2 Solution: Create and Post a Recurring Journal**

**Scenario**

On November 1, 2007, CRONUS International Ltd. signed a new vehicle repairs and maintenance contract for a fixed amount of 1000.00 per month, due on the 25th of every month.

As the accountant, it is your responsibility to set up and post this expense starting November 2007 with an expiration date of November 1, 2008. You also want a document number to reflect an abbreviation of the expense (VRM) and the number of the month.

Use the RECURRING batch to credit this expense to the Cash account (2910) and allocate it to the company departments as follows:

- Administration: 18%
- Production: 58%
- Sales: 24%

You do not need to review your entries after posting.

*NOTE:* If the RECURRING batch has not been set up, refer to steps 2-7 in the Process a Recurring Journal with Allocations demonstration.

**Step by Step**

2. In the **Batch Name** field, ensure that the RECURRING batch is selected.
3. In the **Recurring Method** field, click the **AssistButton** and select Fixed.
4. In the **Recurring Frequency** field, enter 1M.
5. In the **Posting Date** field, enter 11/25/07.
6. In the **Document No.** field, enter VRM %3.
7. In the **Account No.** field, enter 2910.
8. In the **Amount** field, enter -1000.
9. Click **Line > Allocations**.
10. In the **Account No.** field, enter 8530.
11. In the **Department Code** field, click the **AssistButton** and select Administration.
12. In the **Allocation %** field, enter 18.
13. Press the DOWN ARROW key.
15. In the **Department Code** field, click the **AssistButton** and select Production.
16. In the **Allocation %** field, enter 58.
17. Press the DOWN ARROW key.
18. In the **Account No.** field, press F8.
19. In the **Department Code** field, click the **AssistButton** and select Sales.
20. In the **Allocation %** field, enter 24.
21. Close the **Allocations** window.
22. Click **Posting > Post**.
23. Click **Yes** to post the journal lines.
24. Click **OK**.
Lab 3.3 Solution: Create and Post a Recurring Journal Using the Balance Method

Scenario
As the accountant for CRONUS International Ltd., you have decided that on the 15th of every month you want to begin allocating Other Computer Expenses (account 8330):

- Equally between the Software and Consultant Services accounts (8310 and 8320).
- By department using the following allocation percentages:
  - Administration: 50%
  - Production: 25%
  - Sales: 25%

Since the Other Computer Expenses had VAT calculated at the time they were posted to account 8330, VAT should not be calculated when allocating the balance of account 8330.

Use the following criteria for additional set up:

- Use the new RECURRING batch
- The date is January 15, 2008
- The Document No. must indicate the accounting period name and current year.

After posting the journal, review the entries in the G/L Register.

Step by Step

2. In the Batch Name field, ensure that the RECURRING batch is selected.
3. In the Recurring Method field, click the AssistButton and select Balance.
4. In the Recurring Frequency field, enter 1M.
5. In the Posting Date field, enter 01/15/08.
8. Do not enter a value in the Amount field.
9. Click Line > Allocations.
10. Enter the following six lines:

<table>
<thead>
<tr>
<th>G/L Account</th>
<th>Allocation %</th>
<th>Department Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>8310</td>
<td>25</td>
<td>ADM</td>
</tr>
<tr>
<td>8320</td>
<td>25</td>
<td>ADM</td>
</tr>
<tr>
<td>8310</td>
<td>12.5</td>
<td>PROD</td>
</tr>
<tr>
<td>8320</td>
<td>12.5</td>
<td>PROD</td>
</tr>
<tr>
<td>8310</td>
<td>12.5</td>
<td>SALES</td>
</tr>
<tr>
<td>8320</td>
<td>12.5</td>
<td>SALES</td>
</tr>
</tbody>
</table>


12. Close the **Allocations** window.

13. Note that the **Amount** field is still zero. Click **Posting > Post**.

14. Click **Yes** to post the journal lines.

15. Click **OK**.

Notice that the **Amount** field is now populated. Open the **Allocations** window to view the posted amounts. These previous amounts will be updated with the current amounts each time this process is run.


17. In the General Ledger folder, click History > Registers.

18. Press CTRL+END to go to the last entry.

19. Click **Register > General Ledger**.

20. Review the entries.
Quick Interaction: Lessons Learned

Take a moment and write down three Key Points you have learned from this chapter:

1. 
   ____________________________________________________________

2. 
   ____________________________________________________________

3. 
   ____________________________________________________________
Solutions

Journal Overview

Categorize: Journal Entry System Overview

Task: The following categories list the elements of the Journal Entry System. Based on what you have learned in the Journal Overview section, match these elements with the listed attributes.

Categories

1. Templates
2. Batches
3. Lines
4. Posting

Item 1: Provide the basic journal structure. - 1
Item 2: Use Codeunits. - 4
Item 3: Default information can be changed. - 2
Item 4: Specify default information. - 1
Item 5: Are temporary and can be changed prior to posting. - 3
Item 6: Separate one user's journal from another user. - 2
Item 7: Standards are in the application areas. - 1
Item 8: Only this and the Batch Name appear in journal windows. - 3

Matching Activity: Recurring Methods

Task: Match the following Balancing Methods to the correct definition:

Question 1: The balance of the account is allocated among the accounts specified in the Allocations window. The balance on the account is set to zero and a reversing entry posts on the following day.
Answer 1: Reversing Balance

Question 2: The amount of the journal is different each period and is deleted after posting.
Answer 2: Variable

Question 3: The amount of the journal is the same each period and remains after posting.
Answer 3: Fixed

Question 4: The amount on the journal line is deleted after posting and a reversing entry is posted the next day.
Answer 4: Reversing Variable
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Question 5: The balance of the account is allocated among the accounts specified in the Allocations window. As a result, the amount on the line is set to zero.
Answer 5: Balance

Question 6: The amount on the journal line remains after posting and a reversing entry posts on the following day.
Answer 6: Reversing Fixed

Fill in the Blanks Activity: Recurring Journal Overview
Instruction: Fill in the blanks to test your knowledge of this section.

1. Allocations can be used with all Recurring _______. [Answer: Methods]
2. The three fields populated from the account card determine _______ for the journal line. [Answer: posting]
3. The _________ is a balancing account line to the recurring journal line. [Answer: allocation]
4. Text code formulas can be used to form a number series in the ___________ field. [Answer: Document No.]
5. The program recognizes the Recurring ________ formula as abbreviations for time specifications. [Answer: Frequency]
6. Use the _____________ Date field to limit the posting period. [Answer: Expiration]

Multiple Choice/Answer Questions: Reversals and Corrections

1. To reverse a posted ledger entry, the following condition(s) must be met:
   a. The Journal Batch Name field must be blank.
   b. Customer and Vendor ledger entries must not be applied.
   c. Bank ledger entries can either be open or closed by a reconciliation.
   d. The total of the G/L entries must be greater than zero.
2. Regardless of whether or not the Correction check box contains a check mark, what must be done when posting a correcting ledger entry in the general journal?
   a. Positive amounts are entered in the Debit Amount field on the line.
   b. The same sign as the original, incorrect entry is entered in the Amount field on the line.
   c. **The opposite sign of the original, incorrect entry is entered in the Amount field on the line.**
   d. Negative amounts are entered in the Credit Amount field on the line.

3. Which of the following are results of posting a correction with the Correction check box checked?
   a. The original entry and correcting entry are posted to opposite sides of the account, one as a debit and the other as a credit.
   b. **The original entry and correcting entry are posted to the same side of the account, either as debits or credits.**
   c. The correcting entry has a positive sign.
   d. **The correcting entry has a negative sign.**

**Test Your Knowledge**

1. Which of the following are the layers in the journal entry system?
   a. **Lines**
   b. Templates
   c. Posting
   d. Batches

2. What type of journal does not have a balancing account on the line?
   a. Payment Journal
   b. **Recurring Journal**
   c. General Journal
   d. Sales Journal

3. Which of the following journals do not use Codeunits 11-15 to post information to the relevant ledgers?
   a. **Item Journals**
   b. **Job Journals**
   c. Sales Journals
   d. BOM Journals
4. What does the following Document No. formula represent: %4?
   a. Current month name
   b. Current month number
   c. Current accounting period name
   d. Current day number

5. On a Recurring journal, which Recurring Method must use allocations?
   a. Variable
   b. Reversing Variable
   c. Balance
   d. Fixed

6. Corrections to posted ledger entries can be processed in Microsoft Dynamics NAV 5.0 by:
   a. Using the Reverse functionality available by clicking Financial Management > General Ledger > History > Registers > Functions > Reverse Register.
   b. Posting a correcting ledger entry in the general journal.
   c. Editing the posted ledger entry to update the amount.
   d. Using the correction functionality available by clicking Ledger > Correct Entry from the posted ledger entry window.