



Overview & Objective – The purpose of this I M & U is to demonstrate the capabilities and booking of Intercompany transactions within the Intacct system. Where options are available, a comparison of the methods are presented, including the associated transactional level detail and reporting.

Comparison of Inter-Entity Configuration, Transactions & Reporting

Method / Sample	Configuring Inter-Entity	Managing Transactions	Managing Reporting	Comparisons
<p>Single Interco receivable and payable G/L accounts, using Location Dimension</p> <p>Single Interco account postings result from configuration.</p> <ul style="list-style-type: none"> • See Sample “Due From / Due To Report No. 1” 	<p>For each Entity define a <i>single</i> default for:</p> <ul style="list-style-type: none"> • Interco Receivable • Interco Payable 	<p>When processing Interco transactions no additional transaction detail required</p> <p><i>Example:</i> If Entity1 is paying a bill on behalf of Entity2, then no additional processing or Dimensions.</p>	<p>Financial Report Writer</p> <ul style="list-style-type: none"> • <Info> Report Structure: <ul style="list-style-type: none"> • Accounts • <Rows> Acc’t Grp: <ul style="list-style-type: none"> • Single Interco Receivable • Single Interco Payable • <Columns> Expand by: <ul style="list-style-type: none"> • Locations 	<ul style="list-style-type: none"> • Simplicity • Use Location Dimension • Due From / Due To Reports <i>shows no reference</i> to related party • Drill-down from Due From / Due To Reports complex to follow • G/L report has reference to related party in the “Memo/Desc.” field only
<p>Multiple Interco receivable and payable G/L accounts</p> <p>Detailed Interco account postings automatically result from configuration.</p> <ul style="list-style-type: none"> • See Sample “Due From / Due To Report No. 3” 	<p>For each Entity define <i>individual</i> defaults for:</p> <ul style="list-style-type: none"> • Interco Receivable • Interco Payable 	<p>When processing Interco transactions no additional transaction detail required</p> <p><i>Example:</i> If Entity1 is paying a bill on behalf of Entity2, then no additional processing or Dimensions.</p>	<p>Financial Report Writer</p> <ul style="list-style-type: none"> • <Info> Report Structure: <ul style="list-style-type: none"> • Accounts • <Rows> Acc’t Grp: <ul style="list-style-type: none"> • All Interco Receivables • All Interco Payables • <Columns> Expand by: <ul style="list-style-type: none"> • Locations 	<ul style="list-style-type: none"> • Due From / Due To Reports <i>reference</i> related party • Drill-down from Due From / Due To Reports simple to follow • Entity as Location • Use of Pay Source Entity* • Additional maintenance required

*Defining Inter-Entity relationships activates a setting in the Select to Pay screen allowing a default “Pay Source Entity” (location). Then, in the subsequent screen selection, the associated and default Bank account is locked-down.

General Notes:

- **Automatic Inter-Entity Transaction** – In a multi-entity shared (MES) environment, automatic journal entries booked when using the bank account of another *Location* (a bank account whose Location ID is specific to a Location –not its parent Entity) will report as if only associated with an Entity. This is true because a Location will post in association with the Interco Receivable account, but NOT post to the Interco Payable account (the Interco Payable account will only post to the Entity). Thus, when reporting Interco Receivable and Interco Payables in a matrix report the *Location* will not appear. This is intuitive because when configuring the Entity (see <Inter-Entity Setup>) there is *no* reference to Locations, only Entities. (Note: This Inter-Entity posting test was repeated by defaulting a console-level bank account to an *Entity* (not a Location). The results were the same – Location will post in association with the Interco Receivable account, but NOT post to the Interco Payable account (the Interco Payable account will only post to the Entity)).

- **Enable A/R and A/P Modules for Offset Account Override** – Intacct provides settings in the A/R Module configuration, “Enable Accounts Receivable GL account override in invoice and adjustment entry,” and A/P Module configuration “Enable Accounts Payable GL account override in bill and adjustment entry.” For A/R and A/P Modules these allow entry of invoices and bills that offset to an Interco Receivable or Interco Payable account(s), which, 1) keep transactional balances in accounts separate from the general offsets A/R: Trade and A/P: Trade, 2) keep the balances within the subsidiary ledger (will require reconciliation of multiple G/L accounts versus a single subsidiary report such as A/R Ledger or A/R aging). The same functionality can be arrived at for the OE Module and PO Modules using differentiated offsets aligned with the Item GL Groups.

Intacct Automation of Interco Transactions

Module	Type of Transaction(s)	Detail	Intacct Automation
Cash Management	Cash Transfers	Transferring cash between entity bank accounts	<p>Yes, auto-booking of <i>entries</i> related to cash transfer between entities.</p> <ul style="list-style-type: none"> Accounts Involved: Interco Due From / Due To, Cash Limitations: 1) Multi-currency xfer limited to two-way (three way xfer not possible), 2) xfer does not reduce payable, but creates or adds to existing receivable.
Accounts Receivable (not Order Entry, and not using the console as an operating entity)	Bill Back	Billing other entities for goods, services, or management fees	<p>Yes, auto-booking of <i>transactions</i> using “Inter-company bill back” feature.</p> <ul style="list-style-type: none"> Accounts Involved: A/R: Trade (or Interco), A/P Trade (or Interco), and other accounts in Bill Back Templates Limitations: 1) Can only bill back a <i>single entity</i> for each transaction, 2) cannot enable with multi-currency.
Accounts Payable	Payment Execution	Using another entity’s bank account for the payment of a bill	<p>Yes, auto-booking of <i>entries</i> related to use of other entity’s cash.</p> <ul style="list-style-type: none"> Accounts Involved: Interco Due From / Due To, Cash Limitations: Adds additional debit and credit cash entry to books of entity paying the bill (no net effect, but unnecessary and somewhat confusing).
Intacct Global Consolidation (IGC)	Interco Eliminations	Elimination of transactions between related parties (AKA Interco transactions)	<p>Yes, auto-booking of <i>elimination entries</i> related to Interco transactions.</p> <ul style="list-style-type: none"> Accounts Involved: Interco Due From / Due To, and another Interco. Loans, Revenues, Expenses, Gains (Losses). Limitations: Only occurs when IGC is run (eliminations not automatically).
General Ledger	Interco Entries	Booking entries that affect two related parties (AKA Interco entries)	<p>Yes, auto-booking of Interco journal entries (and reversals) using Journal Entry at Console level.</p> <ul style="list-style-type: none"> Accounts Involved: Interco Due From / Due To, and other Interco Revenues, Expenses, Gains (Losses) Limitations: 1) Lose ability to reconcile G/L to Sub Ledger balances when posting to accounts linked to Sub Ledger, 2) cannot enter compound J/E’s from top-level for multi-entities with dissimilar reporting currencies (postings won’t match reporting currency of the entity), 3) Auto balancing occurs by entity only.

Intacct Automation of Interco Transactions (continued)

Module	Type of Transaction(s)	Detail	Intacct Automation
Accounts Payable Time & Expenses	Master Bill Process	Sharing of service fees or expenses between a single liable parent entity, and related parties who share in the expense (attributes expenses to related party)	Yes, but this is a workaround, which requires use of .CSV export/import files, or an external programmatic solution. <ul style="list-style-type: none"> Accounts Involved: A/R: Trade (or Interco), A/P Trade (or Interco), and other accounts setup in export/import files. Limitations: Setup of manual workflow, admin. of manual export/import for each Interco bill back.
Accounts Receivable	Cash Receipt	Receiving cash in one entity for an invoice issued from another entity	Yes, auto-booking of <i>entries</i> related to receivable and payables occurring from receipt of other entity's cash. <ul style="list-style-type: none"> Accounts Involved: Interco Due From / Due To, Cash Limitations: No automated means of extinguishing Interco Rec. and Pay. established from receipt of cash (requires posting manual entries to extinguish).

To convert to "Use Multiple Interco GL Accounts" (from single Interco GL accounts)

1. Create Interco receivable for each entity (using sub-accounts from root GL 23000)
2. Create Interco payable for each entity (using sub-accounts from root GL 52500)
3. Define Inter-Entity relationship for each entity (see Company > Entity> <Inter-Entity Setup>). NOTE: This must be done each time a new entity is added, and for the existing entities.
4. Post reclass entries to allow detail posting of historic "Due to" and "Due From" balances from summary accounts 23000 and 52500.
5. Implement 2D dimension report as seen in Demo session "demo05" (see report, "Intercompany Balances Report - Summary, Actual, LTD").
6. Create roll-up AGD for Balance Sheet sub-accounts

Sample Interco Matrix Reporting

Interco Net Balances Receivable / Payable	Entity or Location1: Blue Hill	Entity or Location2: Mackerel Cove	Entity or Location3: Acadia	Eliminations: All Entities or Locations	Totals: All Entities or Locations
Interco Receivable					
Blue Hill	\$0	\$0	\$17,000	(\$5,000)	\$12,000
Mackerel Cove	\$12,500	\$0	\$0		\$12,500
Acadia	<u>\$50,000</u>	<u>\$15,000</u>	<u>\$0</u>		<u>\$65,000</u>
Total Interco Receivable	\$62,500	\$15,000	\$17,000		\$89,500
Interco Payable					
Blue Hill	\$0	\$12,500	\$50,000		\$62,500
Mackerel Cove	\$0	\$0	\$15,000	(\$5,000)	\$10,000
Acadia	<u>\$17,000</u>	<u>\$0</u>	<u>\$0</u>		<u>\$17,000</u>
Total Interco Payable	\$17,000	\$12,500	\$65,000		\$89,500

Entries Posted from Simple Interco Transaction (HCM01 Uses HCM02's Cash to Pay It's Bill)

Entity: HCM01	Entity: HCM02
Enter Bill Expense/Asset – Debit A/P: Trade – Credit (Expense/Asset entered in Intacct Entity HCM01 Expense/Asset is liability of Entity HCM01)	Enter Bill None
Pay Bill A/P: Trade – Debit Cash Acc't of HCM02 – Credit (Entity HCM01 uses cash account of HCM02 to pay its bill)	Pay Bill Interco Receivable: Due from HCM01 – Debit Cash Acc't of HCM02 – Credit (Intacct books drawdown of cash on books of HCM02 Intacct books Interco Receivable transaction "Due from HCM01")
Interco Booking Cash Acc't of HCM02 – Debit Interco Payable: Due to HCM02 – Credit (Intacct books Interco Payable transaction "Due to HCM02")	Interco Booking None

Note: Above scenario uses default A/P: Trade offset (G/L Acc't 50000), when entering the bill in the Entity HCM01; that is, NO specific or differentiated offset is selected using accounts payable GL account override in bill entry screen.

Note: Adds additional debit and credit cash entry to books of HCM01 (no net effect, but unnecessary and somewhat confusing).

Further Instruction & Use – For further information regarding Intercompany Transactions contact The NDH Group, Ltd. at 312.461.0505 or on the web: <http://www.ndhcpa.com>.