

MODULE 5: COST ACCOUNTING

Module Overview

The Cost Accounting module supplements financial management from Microsoft Dynamics® NAV 2013 with operational accounting.

There are four categories of master data in cost accounting:

- Cost types and the chart of cost types.
- Cost centers / cost accounting master data.
- Cost objects.
- Allocations.

Objectives

The objectives are:

- Explain the workflow in Cost Accounting.
- Explain and set up Chart of Cost Types, Chart of Cost Centers, Chart of Cost Objects, and Cost Accounting Setup.
- Explain the relationship between the cost accounting and general ledger application areas.
- Set up cost journals.
- Explain how to create cost entries either through a transfer from G/L entries or through posting the cost journal.
- Explain and set up cost budgets by using different copy functions.
- Explain the transfer from budget to actual.
- Explain and set up cost allocations.
- Explain static and dynamic allocations.
- Explain how to allocate costs and cost budgets.
- Explain the cost registers and cost budget registers.
- Explain the deletion of cost entries and cost budget entries.
- Explain different cost accounting reports.
- Provide tips and tricks.

Workflow in Cost Accounting

The following section describes the workflow in cost accounting by explaining the functions and relationships in the Cost Accounting module of Microsoft Dynamics NAV 2013.

Functions of Cost Accounting

In cost accounting, unlike the general ledger, effective operational costs are captured and evaluated. The goal is to exactly analyze the costs per cost center and cost object, and with that analysis, to create a dependable foundation for the cost accounting.

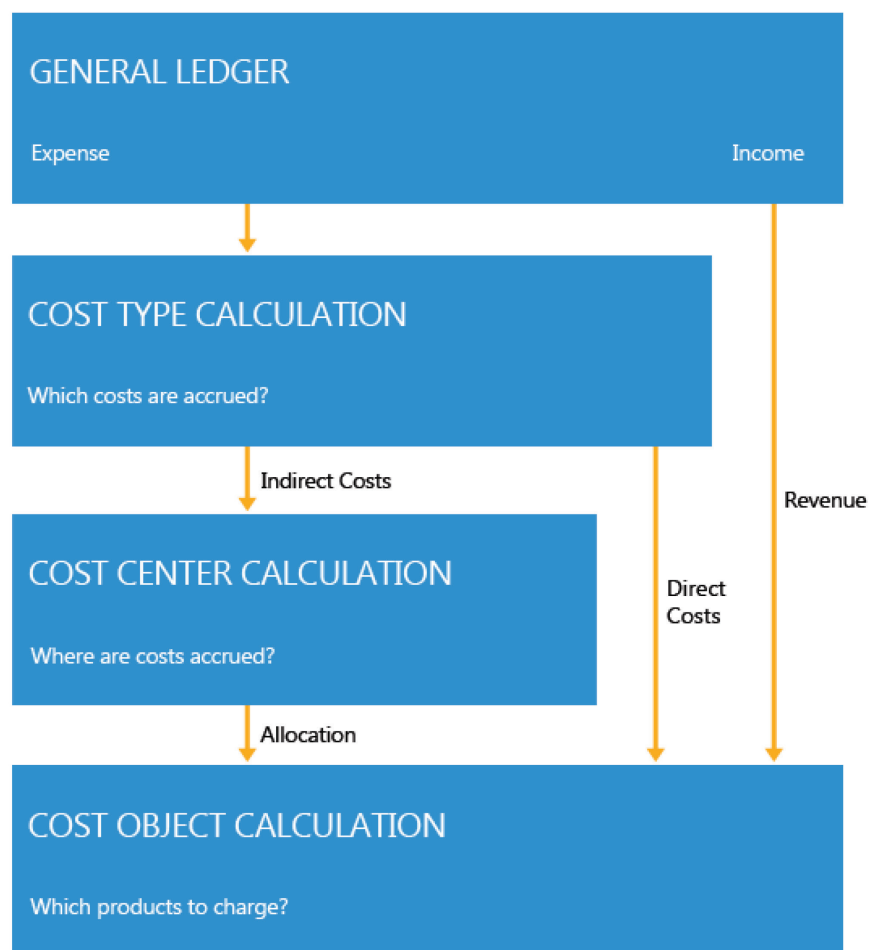


FIGURE 5.1: FUNCTIONS OF COST ALLOCATIONS

Cost centers are most frequently departments and profit centers that are largely responsible for costs and income.

Cost objects are products, product groups, or services of a company – the finished goods of a company that carry the costs.

Operational costs can largely be transferred from the general ledger. Pure operational costs, internal charges, and allocations are recorded and posted in cost accounting.

Overhead costs are first posted to cost centers and then later, charged to cost objects. This might be done, for example, in a sales department that sells several products at the same time.

Direct costs can be directly allocated to a cost object, such as a material purchase for a specific product.

The general ledger chart of accounts and the chart of cost types frequently have similar structures.

The allocation base used and the exactness of the allocation definition have an important influence on the results of the cost accounting. The allocation definition is used to allocate costs first from so-called pre-cost centers to main cost centers and second from cost centers to cost objects. In the cost distribution sheet, the results from the cost centers and cost objects are contrasted. The allocation entries are especially interesting in contrasting the two.

Relationships in Cost Accounting

The chart of accounts in the general ledger and the chart of cost types are closely connected. The cost center and cost object can be connected to any of the dimension codes. Generally, this is the **Global Dimension 1 Code** and **Global Dimension 2 Code**, which is defined on the **General Ledger Setup** page.

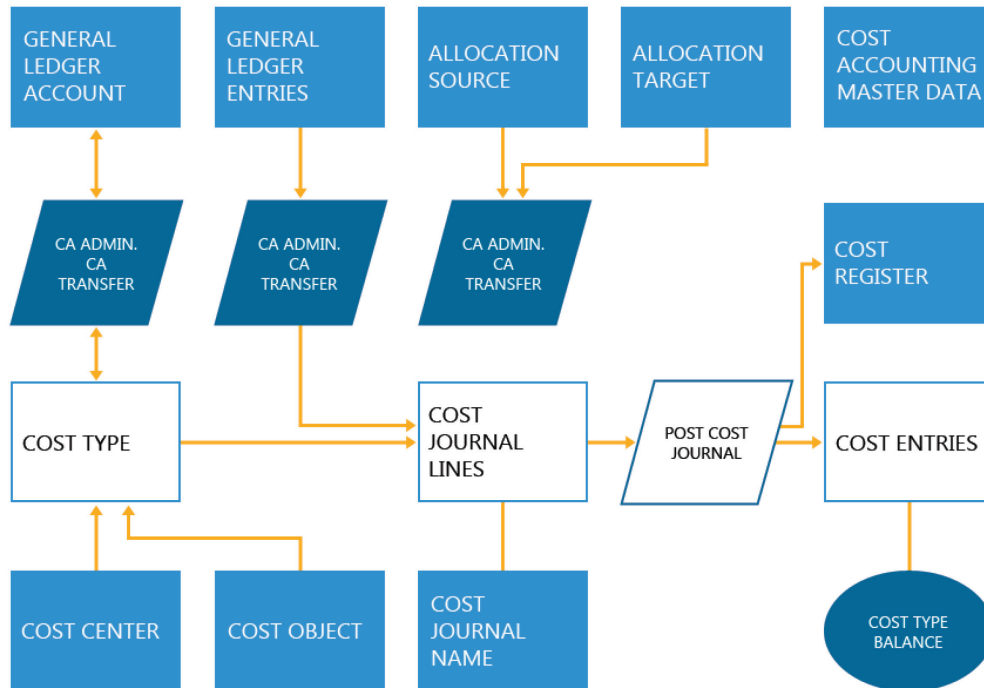


FIGURE 5.2: RELATIONSHIPS IN COST ACCOUNTING

General ledger entries, allocation entries, and cost entries captured by the user become cost entries by using the journal lines and the Cost Journal Posting batch job. When users post the cost journal, the program creates an entry in the cost registers.

Allocations are defined in both the allocation source and allocation target tables.

Most of the statistics and reports are based on the posted cost entries.

Setting Up Cost Accounting

Cost Accounting in Microsoft Dynamics NAV contains the following features:

- Cost accounting contains a freely definable chart of cost types with a structure and functionality similar to the general ledger chart of accounts.
- Users can create the chart of cost types automatically based on the general ledger income statement accounts.

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- Users can summarize several general ledger accounts in one cost type.
- Users can freely define cost centers and cost objects, and can supplement these with subtotals and titles, and also sort them.
- Cost centers and cost objects can be transferred and synchronized from the so-called "key dimensions" in the general ledger.

Chart of Cost Types

The chart of cost types for the operational accounting has almost the same function as the chart of accounts for the general ledger. In small and mid-size businesses, these two are frequently structured similarly. This makes it possible to transfer the chart of accounts from the general ledger and then customize it to fit your cost accounting needs. However, you can also build the chart of cost types in a way that is completely independent of the general ledger chart of accounts.

Cost types are set up and maintained in either the **Cost Type Card** or the **Chart of Cost Types** page.

To open the **Chart of Cost Types** page, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > Cost Accounting > Chart of Cost Types**.

No.	Name	Type	Totaling	Cost Classification	G/L Account Range	Net Change	Cost Center Code	Cost Object Code	Combine Entries	Budget Amount	Bloc...	New Page	Blank Line	Balance to Allocate
6000	COST ACCOUNTING	Heading							None		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6100	Revenue	Begin-Total							None		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
6105	Sales of Retail	Begin-Total							None		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6110	Sales, Retail - Dom.	Cost Type			6110	-759,332.63		PAINT	Day		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	-759,332.63
6120	Sales, Retail - EU	Cost Type			6120	-71,641.58		PAINT	Day		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	-71,641.58
6130	Sales, Retail - Export	Cost Type			6130	-128,946.18		PAINT	Day		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	-128,946.18
6190	Job Sales Applied, Retail	Cost Type			6190			PAINT	Day		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6191	Job Sales Adjmt., Retail	Cost Type			6191				Day		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6195	Total Sales of Retail	End-Total	6105..6195			-959,920.39			None		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6205	Sales of Raw Materials	Begin-Total							None		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6210	Sales, Raw Materials - Dom.	Cost Type			6210	-4,449,575.12		FURNITURE	Day		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	-4,449,575.12
6220	Sales, Raw Materials - EU	Cost Type			6220	-518,500.72		FURNITURE	Day		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	-518,500.72
6230	Sales, Raw Materials - Export	Cost Type			6230	-880,171.63		FURNITURE	Day		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	-880,171.63
6290	Job Sales Applied, Raw Mat.	Cost Type			6290			FURNITURE	Day		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6291	Job Sales Adjmt., Raw Mat.	Cost Type			6291				Day		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

FIGURE 5.3: CHART OF COST TYPES

3. Select cost type 7210 – Purchase Raw Mat., and then click **Edit**.

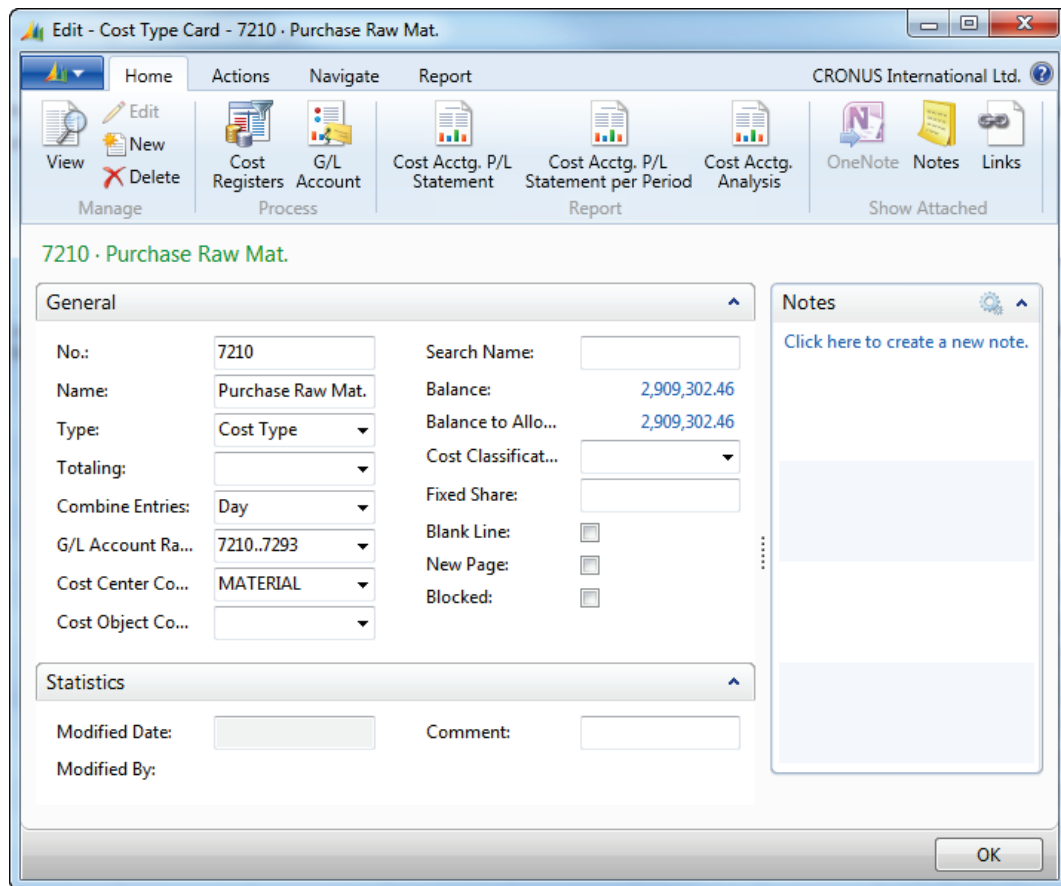


FIGURE 5.4: COST TYPE CARD

4. Expand the **General** FastTab
5. The **Chart of Cost Types** has almost the same functionality and structural setup as the **Chart of Accounts** in the General Ledger. However, the following fields are specific for the **Chart of Cost Types**.
 - **No.** – The number of the cost type is frequently the same as the corresponding income statement account in the general ledger. However, users can define the number they want. The only rule is that the numbers must appear in ascending order.
 - **Type** – The options are as follows:
 - **Cost Type**
 - **Heading**
 - **Total**
 - **Begin-Total**
 - **End-Total**
 - **Totaling** – Range of the subtotals.

- **Cost Classification** – The program uses this option as a filter, such as when a user wants to analyze only the cost types that contain fixed costs. The setup has no other effect on the processing of the cost accounting. The options are as follows:
 - **Unidentified**
 - **Fixed**
 - **Variable**
 - **Step Variable**
 - **Fixed Share** – In this text field, users can enter a comment that further explains the setup in the **Cost Classification** field.
 - **G/L Account Range** – Users establish which general ledger accounts to transfer to this cost type. With a 1:1 relationship between a G/L account and a cost type, users only enter one G/L account number. If there are several G/L accounts to summarize in one cost type, enter the range, such as 4000..4060. The field is filled by the program if users create the cost type automatically from the general ledger. However, users can change it later, if it is necessary.
 - **Cost Center Code & Cost Object Code** – These codes serve as a default value for cost posting that is captured later in the cost journal.
 - **Combine Entries** – Users set this option if they want to later transfer general ledger entries as a combined entry per **Day** or **Month**. The **None** option indicates that each general ledger entry should be transferred individually to cost accounting.
 - **Balance** – This field shows the balance of all entries in the cost type. Drill-down to show the individual cost entries that contribute to this balance. With the FlowFilters **Cost Center Filter** and **Cost Object Filter**, users restrict the balance shown to only the entries that fit the filters.
 - **Balance to Allocate** – This field shows the net amount that can still be allocated. The entry in the **Allocated** field in the Chart of Cost Types determines whether a cost entry is a part of this field.
6. Click **OK** to close the **Cost Type Card** page.

Indent Cost Types Batch Job

One of the batch jobs that is available on the **Chart of Cost Types** page is the Indent Cost Types. This visually indents the chart of cost types so that the sums of subtotals can be checked and updated.

Transferring the Chart of Cost Types from the General Ledger

The **Chart of Cost Types** is frequently structured similarly to the income statement accounts in the **Chart of Accounts**. If this is the case, we recommend that users transfer the general ledger **Chart of Accounts** to the **Chart of Cost Types** by using a batch job, and then customize if it is necessary.

To transfer the general ledger income statement accounts to the **Chart of Cost Types** page, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > Cost Accounting > Chart of Cost Types**.
3. On the **Home** tab, click **Get Cost Types from Chart of Accounts**.
4. Click **Yes** to start the batch job.

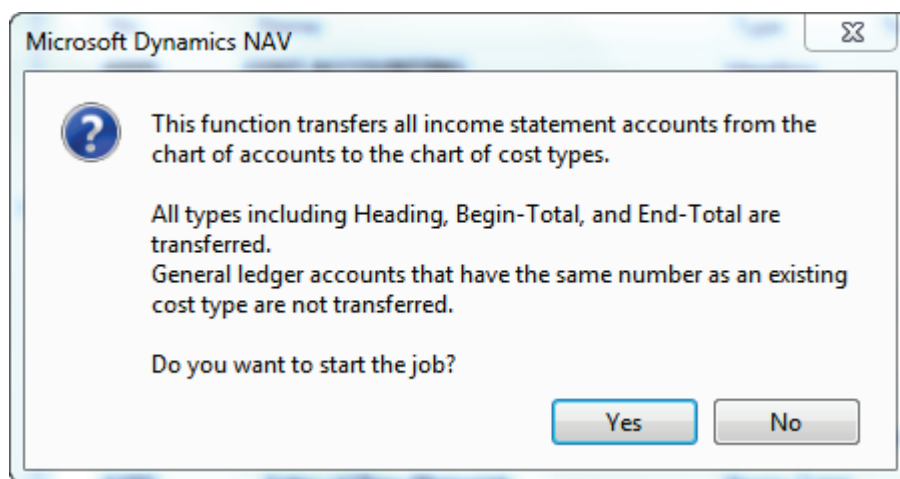



FIGURE 5.5: GET COST TYPES FROM CHART OF ACCOUNTS BATCH JOB

5. Click **OK**.

 **Note:** All general ledger income statement accounts are transferred, regardless of the type, except those general ledger accounts that have the same number as already existing cost types. Also when a general ledger account is included in the **G/L Account Range** of an existing cost type, that general ledger account will not be transferred as a cost type.

Best Practices

Cost accounting uses the principle of double-entry accounting so that “one-sided” postings are not allowed. We recommend that you observe the following rules in the setup of the chart of cost types:

- Transfer the general ledger entries of all income statement accounts to cost accounting. This means that the income statement and the operating value per balance will correspond, as long as no cost postings are made.
- For pure cost postings, the program should always use the helping cost type actual accruals as a balancing account.

By doing this, the following accounting relationship is created:

Income (G/L) = Operational Value + Actual Accruals

Relationship Between the Cost Type and the General Ledger Account

The connection between the cost type and the general ledger account is saved in the cost type and in the general ledger account:

- The **G/L Account Range** field in the **Cost Type** table establishes which G/L accounts belong to a cost type.
- The **Cost Type No.** field in the **Chart of Accounts** establishes which cost type a G/L account belongs to.

To view the connection from the G/L account, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > General Ledger > Chart of Accounts**.
3. Select G/L account 7110, and then click **Edit**.
4. Expand the **Cost Accounting** FastTab.
5. Notice that the **Cost Type No.** field contains the cost type 7110.
6. Click **OK** to close the **G/L Account Card** page.

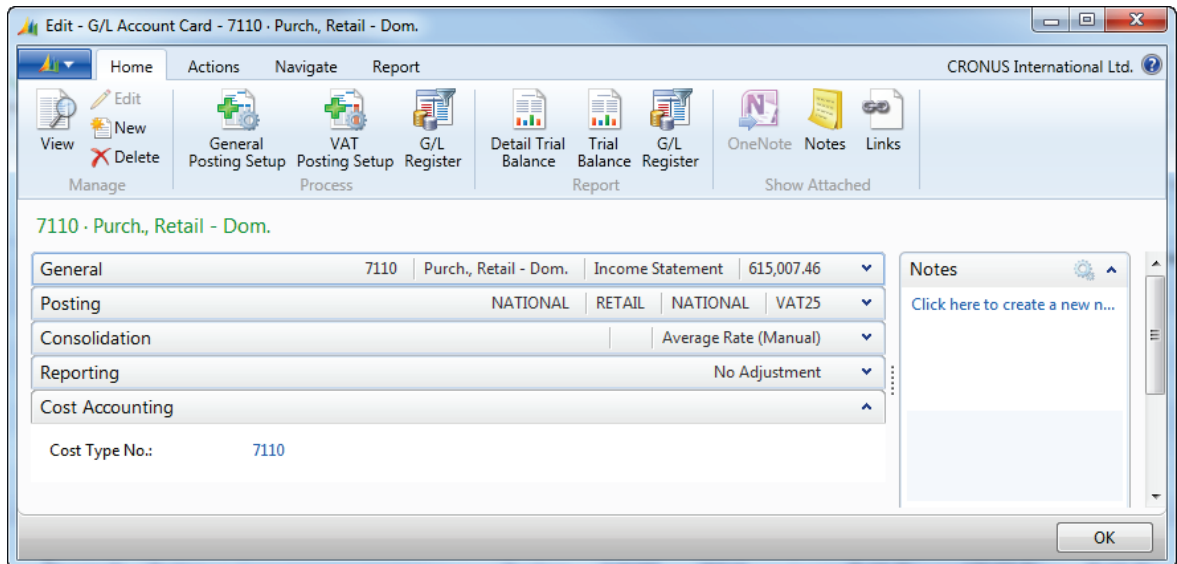


FIGURE 5.6: G/L ACCOUNT CARD – COST ACCOUNTING FASTTAB

The two fields are filled automatically by the program when you use the Get Cost Types from Chart of Accounts batch job.

There is a n:1 relationship between the G/L accounts and cost types. This means that several G/L accounts can belong to one cost type, but each G/L account belongs to at most one cost type.

Depending on how much later the G/L entries should be transferred to cost accounting, there are several opportunities to define this connection and to fill in the two fields:

Connection	G/L Account Range	Cost Type No.
One G/L account per cost type.	One G/L account	One cost type
Several G/L accounts for one cost type.	G/L account range (for example, 4000..4600)	For each G/L account in the range, there is only one cost type.
Cost types with no corresponding G/L accounts.	(empty)	
G/L accounts whose entries will not be transferred.		(empty)

Cost Types with No Relationship to the General Ledger

There are three situations when you might have cost types with no relationship to general ledger accounts:

- Accounts of the operational accounting such as Calc. Interest and Depreciation that only take costs from the operational accounting.
- Helping cost types, such as cost types 9901 and 9903 that are used as credit and debit accounts for allocations.
- The helping account 9920, which contains actual accruals. It shows the difference between costs and the expense from the general ledger.

Register Cost Types in Chart of Accounts

The Register Cost Types in Chart of Accounts batch job updates the relationship between the chart of accounts and the chart of cost types. The **Cost Type No.** field is filled and checked to make sure that each G/L account is related to only one cost type. The program automatically runs this batch job before transferring G/L entries to cost accounting.

Automatic Transfer and Combined Entries

In cost accounting, users do not generally require the same level of detail as is required in the general ledger. Therefore, a user can transfer general ledger entries to a cost type by using a combined posting. Users can specify whether a cost type receives combined entries with the **Combine Entries** field in the cost type definition. The following table describes the different options:

Combine Entries	Description
None	Each G/L entry will be transferred individually to the corresponding cost type.
Day	G/L entries with the same posting date will be transferred as one entry to the corresponding cost type.
Month	All G/L entries in the same calendar month will be transferred as one entry to the corresponding cost type.



Note: If the **Autotransfer from G/L** check box is selected on the **Cost Accounting Setup** page, the program updates the cost accounting after every posting in the general ledger, and combined entries are not possible.

Chart of Cost Centers

Cost centers are set up and maintained in either the Cost Center Card or the Chart of Cost Centers page.

To open the Chart of Cost Centers page, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > Cost Accounting > Chart of Cost Centers**.

Code	Name	Line Type	Totaling	Sorting Order	Net Change	Balance to Allocate	Cost Subtype	Responsible Person	Blocked
ADMIN HR	General Ancillary Cost Centers	Begin-Total		A					<input checked="" type="checkbox"/>
ADM	Administration	Cost Center		B	676,850.00	676,850.00	Aux. Cost Center		<input type="checkbox"/>
BUILDING	Buildings and Property	Cost Center		B	184,300.00	184,300.00	Aux. Cost Center		<input type="checkbox"/>
GL	Business Management	Cost Center		B			Aux. Cost Center		<input type="checkbox"/>
PERS	Business Management	Cost Center		B	-2,228,000.00	-2,228,000.00	Aux. Cost Center		<input type="checkbox"/>
TOT ADMIN	Total Gen. Anc. CS	End-Total	ADMIN HR ADM BUILDING GL PERS	C	-1,366,850.00	-1,366,850.00			<input checked="" type="checkbox"/>
OP. AC	Op. Ancillary Cost Centers	Begin-Total		D					<input checked="" type="checkbox"/>
LABOR	Lab and Research	Cost Center		E			Aux. Cost Center		<input type="checkbox"/>
VEHICLE	Vehicle Operation	Cost Center		E			Aux. Cost Center		<input type="checkbox"/>
WORKSHOP	Workshop and Repairs	Cost Center		E			Aux. Cost Center		<input type="checkbox"/>
TOTAL OP.	Total Op. Anc. CC	End-Total	OP. AC LABOR VEHICLE WORKSHOP	F					<input checked="" type="checkbox"/>
MAINCC	Main Cost Centers	Begin-Total		G					<input checked="" type="checkbox"/>
ADVERT	Advertising Department	Cost Center		H			Main Cost Center		<input type="checkbox"/>
INVENTORY	inventory	Cost Center		H			Main Cost Center		<input type="checkbox"/>
MATERIAL	Material Purchasing	Cost Center		H			Main Cost Center		<input type="checkbox"/>
PROD	Production	Cost Center		H	955,954.31	955,954.31	Main Cost Center		<input type="checkbox"/>
SALES	sales	Cost Center		H	-1,783,114.81	-1,783,114.81	Main Cost Center		<input type="checkbox"/>
TOT MAIN	Total Main CC	End-Total	MAINCC ADVERT INVENTORY MA...	I	-827,160.50	-827,160.50			<input checked="" type="checkbox"/>

FIGURE 5.7: CHART OF COST CENTERS

3. Select cost center VEHICLE, and then click **Edit**.

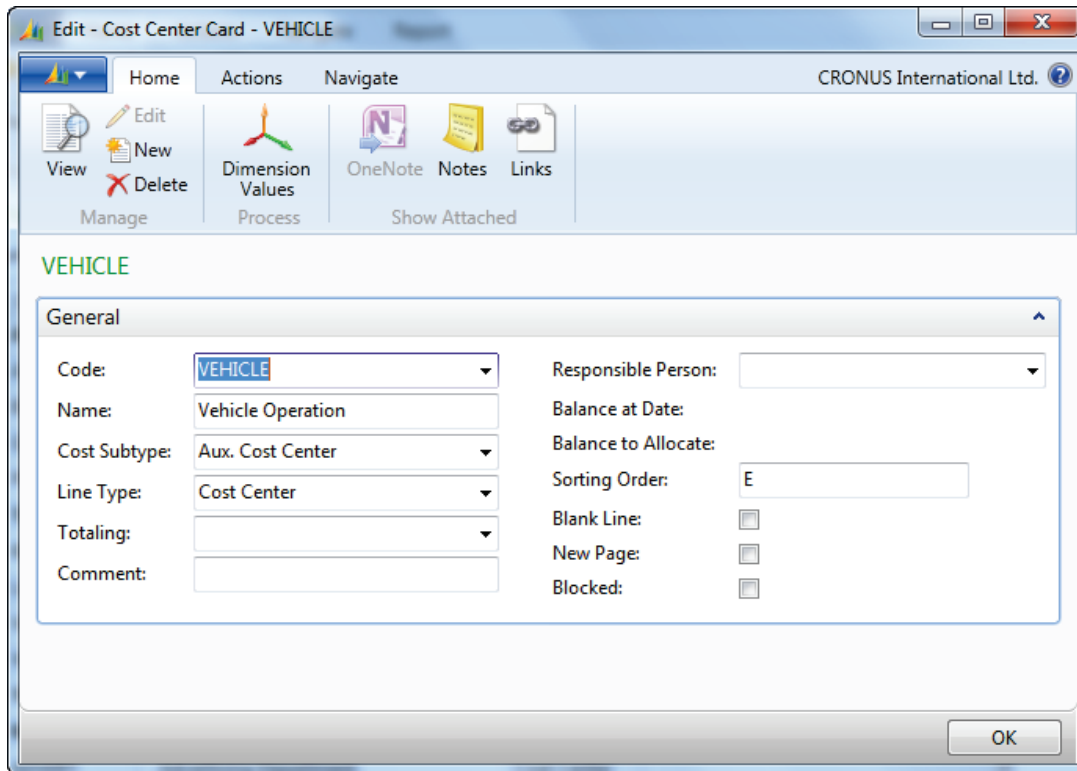


FIGURE 5.8: COST CENTER CARD

4. Expand the **General** FastTab.
5. The following fields are available on the **Cost Center Card** page.
 - **Code** – The abbreviation of the cost center. Users can create this from a combination of letters and numbers.
 - **Name** – Descriptive name of the cost center.
 - **Cost Subtype** - This field is only for information and is not used by the program. The options are as follows:
 - **Service Cost Center**
 - **Aux. Cost Center**
 - **Main Cost Center**
 - **Line Type** – The options are as follows:
 - **Cost Center**
 - **Heading**
 - **Total**
 - **Begin-Total**
 - **End-Total**

- **Totaling** – Range of the subtotals.
- **Responsible Person** – Users can specify the person responsible for the cost center. A User ID can be selected from the **User** table. This is only for information purposes.
- **Sorting Order** – Typically, the cost centers are sorted in ascending order by using the **Code** field. In the **Sorting Order** field, users can establish a different sorting order. The Cost Center that must appear first should have a value of A or 1 in this field. If several lines have the same entry, the program uses the **Code** field as a secondary criterion for sorting.
- **Balance At Date** – This field shows the balance of all postings in the cost type up to the end date.
- **Balance to Allocate** – This field shows the balance that has not yet been allocated. The entry in the **Allocated** field in the **Cost Entry** table determines whether the entry is included in this FlowField. The value in the **Allocated** field is set during the automatic allocation.

6. Click **OK** to close the **Cost Center Card** page.

Indent Cost Centers Batch Job

The Indent Cost Centers batch job visually indents the chart of cost centers so that the sums of subtotals can be checked and updated.

Get Cost Centers from Dimension

The **Chart of Cost Centers** is frequently structured similarly to the dimension for cost centers. If this is the case, we recommend that users transfer the dimension Cost Center to the **Chart of Cost Centers** by using a batch job, and then customize if it is necessary.

To use the batch job, the following rules must be followed:

- When you implement cost accounting, you must select a dimension code as a cost center, through the **Cost Accounting Setup** page.
- Most costs are already allocated to the cost center at the time of posting the general ledger (and when you post purchases and sales). Therefore, these cost centers must exist in the dimension linked to cost centers.
- Frequently, there are more cost centers set up in cost accounting than in the dimension linked to cost centers. In the general ledger, it is usually only the cost centers for the “first level” of direct costs and initial costs that are necessary. In cost accounting, there are additional helping cost centers and cost centers for additional allocation levels.

To transfer the dimension linked to cost centers to the **Chart of Cost Centers** page, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > Cost Accounting > Chart of Cost Centers**.
3. On the **Home** tab, click **Get Cost Centers from Dimension**.
4. Click **Yes** to start the batch job.



Note: You do not select the dimension you want to transfer. The batch job automatically takes the dimension that was set up on the **Cost Accounting Setup** page.

5. Click **OK**.

Sorting Order in the Chart of Cost Centers

If the sorting order in the **Chart of Cost Centers** is controlled by the **Sorting Order** field, the program sets the following restrictions:

- You can have only one level of Begin- and End-Totals.
- In the **Totaling** field, you set ranges of cost centers not using the range operator (..) but instead using the "or" operator, which is the vertical line (|).

Chart of Cost Objects

Cost objects are set up and maintained in either the **Cost Object Card** or the **Chart of Cost Objects** page.

To open the **Chart of Cost Objects** page, follow these steps:

1. On the navigation pane, click **Departments**.

2. Click **Financial Management > Cost Accounting > Chart of Cost Objects**.

Code	Name	Line Type	Totaling	Sorting Order	Balance at Date	Net Change	Comment	Bloc..
ACCESS	Accessories	Begin-Total		10				<input checked="" type="checkbox"/>
ACCESSO	Trade With Accessories	Cost Object		20	226,000.00	226,000.00		<input type="checkbox"/>
FITTINGS	Trade With Fittings	Cost Object		20				<input type="checkbox"/>
PAINT	Trade With Paint	Cost Object		20				<input type="checkbox"/>
TOTACCESSO	Total Accessories	End-Total	ACCESS ACCESSO FITTINGS PAINT	30	226,000.00	226,000.00		<input checked="" type="checkbox"/>
FURN	Furniture	Begin-Total		40				<input checked="" type="checkbox"/>
CHAIRS	Sales of Chairs	Cost Object		50	580,000.00	580,000.00		<input type="checkbox"/>
FURNITURE	Sales of Furniture	Cost Object		50	1,422,000.00	1,422,000.00		<input type="checkbox"/>
TOTALFURN	Total Furniture	End-Total	FURN CHAIRS FURNITURE	60	2,002,000.00	2,002,000.00		<input checked="" type="checkbox"/>
CONSULTING	Consulting and Work Income	Cost Object		80				<input type="checkbox"/>
TOTAL	Total Cost Object	Total	AA..ZZ	99	2,228,000.00	2,228,000.00		<input checked="" type="checkbox"/>

FIGURE 5.9: CHART OF COST OBJECTS WINDOW

3. Select cost object FURNITURE, and then click **Edit**.

FURNITURE

General

Code: Net Change: 1,422,000.00

Name: Sorting Order:

Line Type: Blank Line:

Totaling: New Page:

Comment: Blocked:

FIGURE 5.10: COST OBJECT CARD

4. Expand the **General** FastTab.

5. The following fields are available on the **Cost Object Card** page:
 - **Code** – The abbreviation of the cost object. Users can create this from a combination of letters and numbers.
 - **Name** – Descriptive name of the cost object.
 - **Line Type** – The options are as follows:
 - **Cost Object**
 - **Heading**
 - **Total**
 - **Begin-Total**
 - **End-Total**
 - **Totaling** – Range of the subtotals.
 - **Sorting Order** – Typically, the cost centers are sorted in ascending order by using the **Code** field. In the **Sorting Order** field, users can establish a different sorting order. The cost center that must appear first should have a value of A or 1 in this field. If several lines have the same entry, the program uses the **Code** field as a secondary criterion for sorting.
 - **Net Change** – This field corresponds to the **Balance at Date** field but the result is influenced by the beginning date in the **Date Filter**.
6. Click **OK** to close the **Cost Object Card** page.

Demonstration: Create a New Cost Object

In the following example, a new cost object COMPUTERS for the sale of computer packages is created.

Demonstration Steps

1. Open the **Chart of Cost Objects**.
 - a. On the navigation pane, click **Departments**.
 - b. Click **Financial Management > Cost Accounting > Chart of Cost Objects**.
2. Create the new cost object COMPUTERS.
 - a. Click **New**.
 - b. In the **Code** field, enter COMPUTERS.
 - c. In the **Name** field, enter Sales of Computer Packages.
 - d. In the **Sorting Order** field, enter 80.
 - e. Click **OK** to close the **Cost Object Card** page.

Get Cost Objects From Dimension

The **Chart of Cost Objects** is frequently structured similarly to the dimension for cost objects. If this is the case, we recommend that users transfer the dimension "Cost Center" to the **Chart of Cost Objects** by using a batch job, and then customize if it is necessary.

To use the batch job, follow these rules:

- When you implement cost accounting, you must select a dimension code as a cost object, through the **Cost Accounting Setup** page.
- Most costs are already allocated to the cost object at the time of posting the general ledger (and when you post purchases and sales). Therefore, these cost objects must exist in the dimension linked to cost objects.
- Frequently, there are more cost objects set up in cost accounting than in the dimension linked to cost objects. In the general ledger, it is usually only the cost object for the "first level" of direct costs and initial costs that are necessary. In cost accounting, there are additional helping cost objects and cost objects for additional allocation levels.

To transfer the dimension linked to cost objects to the **Chart of Cost Objects** page, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > Cost Accounting > Chart of Cost Objects**.
3. On the **Home** tab, click **Get Cost Objects from Dimension**.
4. Click **Yes** to start the batch job.



Note: You do not select which dimension you want to transfer. The batch job automatically takes the dimension linked to cost objects on the **Cost Accounting Setup** page.

5. Click **OK**.

Cost Accounting Setup

To open the **Cost Accounting Setup** page, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > Cost Accounting > Cost Accounting Setup**.

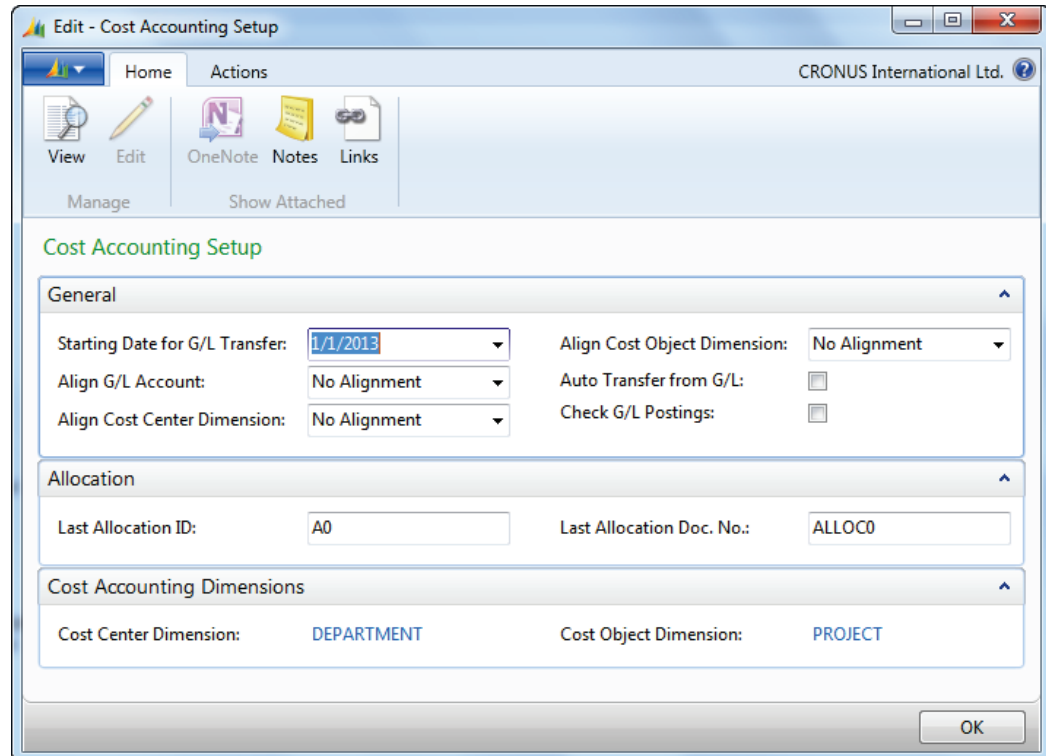


FIGURE 5.11: COST ACCOUNTING SETUP WINDOW

3. Expand the **General** FastTab.
 - **Starting Date for G/L Transfer** – From this date, the program transfers general ledger entries to cost accounting. Enter a date if, for example, you have worked with the general ledger for a long time and want to start the cost accounting only later.



Note: As soon as the batch job to transfer G/L entries runs one time, you can no longer change this date.

- **Align G/L Account** - Use this field to establish how a change in the chart of accounts will be carried over to the cost accounting. The options are as follows:
 - **No Alignment** – If users change the chart of accounts, the program does not make a corresponding change in the chart of cost types.

- **Automatic** – If users change the chart of accounts, the program automatically makes a corresponding change in the chart of cost types.
 - **Prompt** – If users change the chart of accounts, they receive a message asking them if they want to make a corresponding change in the chart of cost types.
 - **Align Cost Center Dimension & Align Cost Object Dimension** – Use this field to establish how changes in dimension codes linked to cost center and cost object are carried over to the chart of cost centers and chart of cost objects.
 - **Autotransfer from G/L** – If you select this, the program updates cost accounting after each G/L posting. The entries are processed in a batch as a combined entry and transferred to cost accounting.
 - **Check G/L Postings** – If you select this, the program checks when you post to the general ledger whether the predefined cost center (or cost object) already exists in cost accounting.
4. Expand the **Allocation** FastTab.
- **Last Allocation ID** – If users do not enter an allocation ID when they create an allocation definition, you can set up a number series for allocations. The default value is 1.
 - **Last Allocation Doc. No.** – During allocation, the program gives all entries that were generated with the same allocation ID a document number. The last document number is stored here. The default value is UM1.
5. Click **OK** to close the **Cost Accounting Setup** page.

Cost Entries

Cost entries can originate from several sources:

- Automatic transfer of general ledger entries.
- Manual cost posting for pure cost entries, internal charges, and manual allocations.
- Automatic allocation postings for actual costs.
- Transfer of budget entries to the general ledger.



Note: This lesson describes only the first two categories. Allocations and budgets will be handled in upcoming lessons of this module.

Transfer G/L Entries to CA

Usually, general ledger entries are transferred to cost accounting (CA) with a batch job. However, the transfer can also run automatically after each G/L posting.

Preparing the Transfer

When transferring G/L entries with the batch job, the program uses all general ledger entries that have not already been transferred. It is only possible to make corrections with a manual correction posting. You can avoid having to make corrections following these steps to prepare the transfer:

- Check the **Chart of Cost Types**. Is the **G/L Account Range** field filled correctly for all cost types that take entries from the general ledger?
- Check the **Chart of Account**. Any entries for income statement accounts that do not have a **Cost Type No.** will not be transferred.
- Do all general ledger entries that will be transferred to cost accounting have a cost center code or a cost object code (through the dimensions)? Entries without a cost center or cost object are not transferred.

To prepare for the first transfer without transferring all posted G/L entries, in the **Starting Date for G/L Transfer** field in the **Cost Accounting Setup** page, select a later date.

Before the transfer, the program automatically checks the relationship between the **Chart of Cost Types** and the **Chart of Accounts** so that a G/L account is not accidentally designated for two cost types.

Rules for the Transfer

During the transfer, the program uses the following criteria to check whether and how the general ledger entries should be transferred:

- Only the G/L entries that have either a cost center or a cost object code are transferred.
- G/L entries that have neither a cost center nor a cost object code are not transferred.
- For G/L entries that have both a cost center code and a cost object code, the cost center code takes precedence. This helps avoid a situation where a cost type appears in both a cost object and a cost center and is therefore counted doubly in the statistics.
- G/L entries with an amount of zero are not transferred.
- If the **Document No.** field of the G/L entry is empty, it will appear with a document number of 0000 in the cost entries.
- G/L entries with a G/L account that is deleted are not transferred.

- G/L entries with a G/L account that is not of the type Income Statement are not transferred.
- G/L entries with a G/L account that is not assigned a cost type are not transferred.
- G/L entries that are transferred to a cost type that allows combined entries are transferred either monthly or daily as a combined entry.
- G/L entries with a **Posting Date** before the **Starting Date for G/L Transfer** in the cost accounting setup are not transferred.
- G/L entries with a closing date are not transferred. These are typically only those entries that set back the balance of the income statement at the end of the year.

Transferring G/L Entries

To transfer general ledger entries to cost accounting, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > Periodic Activities > Cost Accounting > Transfer GL Entries to CA**. A warning message box appears.

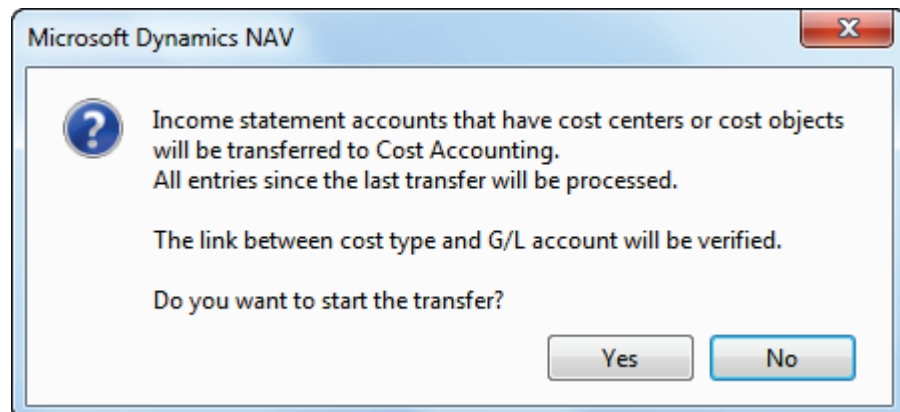


FIGURE 5.12: TRANSFER GL ENTRIES TO CA BATCH JOB

3. Click **Yes** to run the batch job.
4. Click **OK**.

During the transfer of G/L entries, the program creates connections in the entries in the **G/L Entry** table, the **Cost Entry** table, and the **Cost Registers** table to make it possible to trace the relationship between cost entries and general ledger entries at any time.

- **G/L Entries** – For each G/L entry that is transferred to cost accounting, the program fills the **Cost Entry No.** field.
- **Cost Entries** –
 - For each cost entry, the program saves the entry number of the corresponding G/L entry in the **GL Entry No.** field. For combined entries, the program saves the entry number of the last G/L entry. This is the entry with the highest entry number.
 - The **G/L Account** field contains the number of the general ledger account that the cost entry came from.
 - For single entries, the program transfers the posting text from the G/L entry to the **Description** field. Combined entries are specially marked in the **Description** field. For example, for a combined entry for October, the text might be Entries, October 2014.
- **Registers** – In the **Registers**, the program creates an entry with the following:
 - The **Source** field value **Transfer from G/L**.
 - The first and last entry numbers of the G/L entries processed.
 - The first and last entry numbers of the cost entries created.

Set Up Cost Journals

In the cost journal, users can post entries that neither come from G/L nor are automatically generated by allocations. Users might have to do this for the following cases:

- Pure cost entries.
- Internal charges between cost centers.
- Manual allocations.
- Corrective entries between cost types, cost centers, and cost objects.

Users can post either individually or on a recurring basis.

To set up a cost journal, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Administration**, and then click **Application Setup**.
3. On the **Application Setup** page, click **Financial Management > General > Cost Journal Templates**.

4. Click **New**.
5. Fill in the **Name** and **Description** fields.
6. On the **Navigate** tab, click **Batches**.
7. Click **New**.

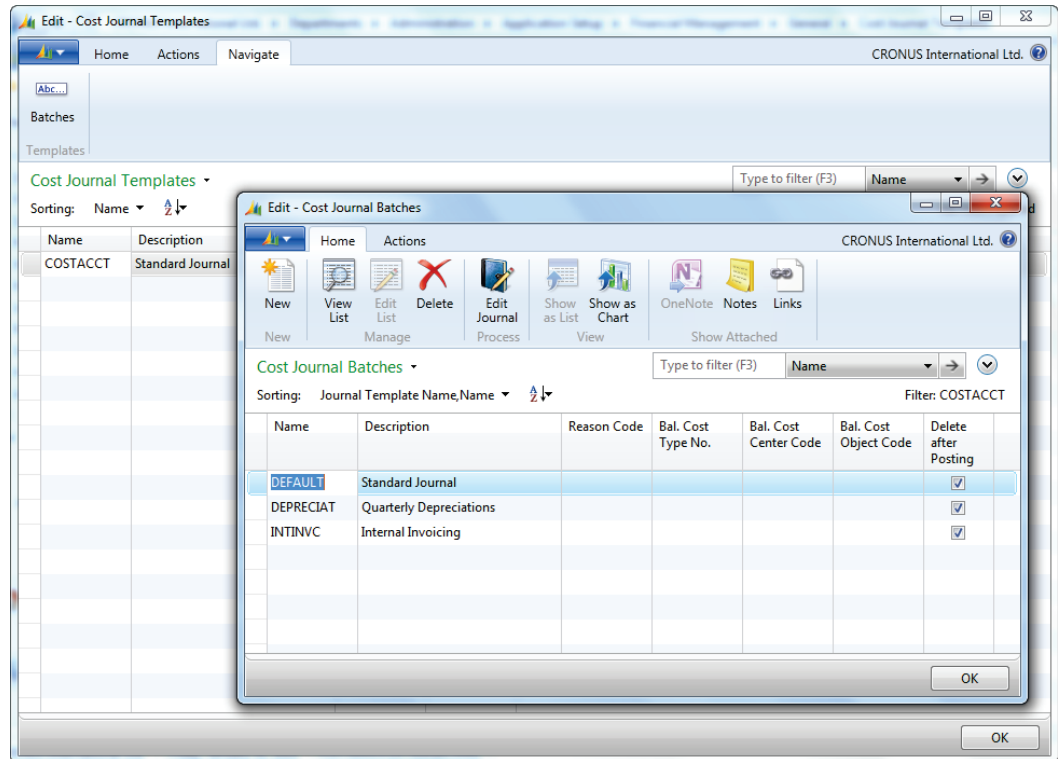


FIGURE 5.13: COST JOURNAL TEMPLATES AND BATCHES

8. Fill in the **Name** and **Description** fields.
9. In the **Bal. Cost Type No.** field, fill in the default balancing cost type.
10. The **Bal. Cost Center Code** and **Bal. Cost Object Code** field are automatically filled in with the default values from the balancing cost type. If you want to, change them here.



Note: Either the **Bal. Cost Center Code** must be filled in, or the **Bal. Cost Object Code**, but not both.

11. The **Delete after Posting** check box specifies whether the posted journal lines are deleted. If the check box is cleared, you can use the posted journal lines again. After the posting, only the posting date is deleted. You can use the option for monthly recurring cost entries.
12. Click **OK** to close the **Cost Journal Batches** page.
13. Click **OK** to close the **Cost Journal Templates** page.

Demonstration: Posting in the Cost Journal

In the following demonstration, we post an internal charge to the ADVERTISING cost type.

Demonstration Steps

1. Open the cost journal and journal batch.
 - a. On the navigation pane, click **Departments**.
 - b. Click **Financial Management > Cost Accounting > Cost Journals**.



Note: With only one cost journal template set up, the journal immediately opens. When multiple cost journals are set up, the **Cost Journal Templates** page opens first, listing all the cost journals. Select the desired cost journal, and then click **OK**.

- c. Make sure that the DEFAULT cost journal batch is selected.

2. Fill in the cost journal lines.

Filling in the cost journal resembles filling out the general journal. Pay extra attention to the following fields.

- a. In the **Posting Date** field, enter the work date.
 - b. In the **Document No.** field, enter CJ0001.
 - c. In the **Cost Type No.** field, enter 8410, which is the cost type for Advertising.



Note: When you enter the cost type, the program fills the **Cost Center Code**, **Cost Object Code** and **Description** fields with default values from the cost type.

- d. Notice the **Cost Center Code** is automatically filled with the value ADVERT.
 - e. Leave the **Cost Object Code** blank.
 - f. In the **Amount** field, enter 100.00 LCY.



Note: You can use the **Choose Columns** feature to make the **Debit Amount** and **Credit Amount** fields visible.

- g. In the **Bal. Cost Type No.** field, enter 9920 Actual Accrual.
- h. Notice the **Bal. Cost Center Code** field is automatically populated with the default value from the balancing cost type.
- i. Leave the **Bal. Cost Object Code** field blank.



Note: You can either use the **Bal. Cost Type No.** field or create multiple debit and credit lines to combine entries.

3. Post the cost journal.
 - a. On the **Actions** tab, click **Post**.
 - b. Click **Yes** to post the journal lines.
 - c. Click **OK**.
 - d. Click **OK** to close the **Cost Journal** page.

The program tests the following before posting:

- Are both the **Posting Date** and the **Document No.** fields filled?
- Does the cost type exist and is it not blocked?
- Is either the cost center or the cost object filled?
- Does the total of the debit and credit entries per posting date balance?
- Is the posting date allowed?



Note: The **Document No.** field is not considered when calculating the balance of the journal. The cost journal can be posted when different lines with different document numbers, but with the same posting date, are in balance.

The details of the posting process are recorded in a new entry in the **Registers**. The cost register entry contains the first and last numbers for the new cost entries.

Lab 5.1: Using Cost Journals

Scenario

A cleaning expense of 500.00 LCY was wrongfully posted to the cost center ADM. Make the correction in the cost journal and post the cleaning expense (cost type 8110) to cost center BUILDING.

Exercise 1: Using Cost Journals

Task 1: Using Cost Journals

High Level Steps

1. Fill in the cost journal line.
2. Post the cost journal.

Detailed Steps

1. Fill in the cost journal line.
 - a. On the navigation pane, click **Departments**.
 - b. Click **Financial Management > Cost Accounting > Cost Journals**.
 - c. Make sure that the DEFAULT cost journal batch is selected.
 - d. In the **Posting Date** field, enter the work date.
 - e. In the **Document No.** field, enter CJ0002.
 - f. In the **Cost Type No.** field, enter 8110, which is the cost type for Cleaning expenses.
 - g. The **Cost Center Code** is automatically filled with the value BUILDING. Change the value to ADM.
 - h. Leave the **Cost Object Code** blank.
 - i. In the **Amount** field, enter -500.00 LCY.
 - j. In the **Bal. Cost Type No.** field, enter 8110.
 - k. Note the **Bal. Cost Center Code** field is automatically populated with the default value BUILDING.
 - l. Leave the **Bal. Cost Object Code** blank.
2. Post the cost journal.
 - a. On the **Actions** tab, click **Post**.
 - b. Click **Yes** to post the journal lines.
 - c. Click **OK**.
 - d. Click **OK** to close the **Cost Journal** page.

Cost Budgets

Cost accounting in Microsoft Dynamics NAV 2013 contains the following features as related to budgets:

- Users can create as many cost budgets as they want, and these budgets have a similar functionality to that of the general ledger budget.
- Users can copy the cost budget to the general ledger budget or copy the general ledger budget to the cost budget.
- Users can transfer budgeted costs to actual costs.



Note: *The budgeting for cost accounting and for financial accounting is very similar. The following lesson only describes the details that are different in cost accounting. Budgets are handled in the module "Budgets" of this course.*

Cost Budgets can be created by using the following methods:

- Manually.
- Transferring budgets from the general ledger, by using the Copy G/L Budget to Cost Budget batch job.
- Copying cost budgets, by using the Copy Cost Budget to Cost Budget batch job.

Demonstration: Copy G/L Budget to Cost Budget Batch Job

Users can copy a budget from the general ledger to cost accounting. In the following example, copy the G/L budget for 2013 to create a new cost accounting budget for 2014.

Demonstration Steps

1. Open the cost budget.
 - a. On the navigation pane, click **Departments**.
 - b. Click **Financial Management > Cost Accounting > Cost Budgets**.
 - c. Select the DEFAULT cost budget.
 - d. On the **Home** tab, click **Cost Budget per Period**.

2. Copy the G/L budget 2013 to a new cost budget CA2014.
 - a. On the **Home** tab, click **Copy G/L Budget to Cost Budget**.
 - b. Expand the **Options** FastTab to specify to which cost budget the general ledger budget must be copied.
 - c. In the **Budget Name** field, click the drop-down list and then click **New** to create a new cost budget.
 - d. In the **Name** field, enter CA2014.
 - e. In the **Description** field, enter Cost Budget 2014.
 - f. Click **OK**.
 - g. In the **Date Change Formula** field, you can set a date formula that the program can use for changing the dates in the budget. To add one year to the G/L budget, enter 1Y in this field.
 - h. Expand the **G/L Budget Entry** FastTab to specify which G/L budget must be transferred to the indicated cost budget.
 - i. In the **Budget Name** filter field, enter 2013.

FIGURE 5.14: COPY G/L BUDGET TO COST ACCTG.

- j. Click **OK**
- k. Click **Yes** to run the batch job.
- l. You receive a message that indicates the number of entries that will be transferred and the number of entries that will not be transferred. Click **Yes**.

Note: Sometimes G/L budget entries are not transferred because there were either no corresponding G/L accounts defined or cost center and cost object were missing.

3. Review the new cost budget CA2014.
 - a. On the **Cost Budget per Period** page, expand the **General** FastTab.
 - b. In the **Budget Filter** field, enter CA2014.

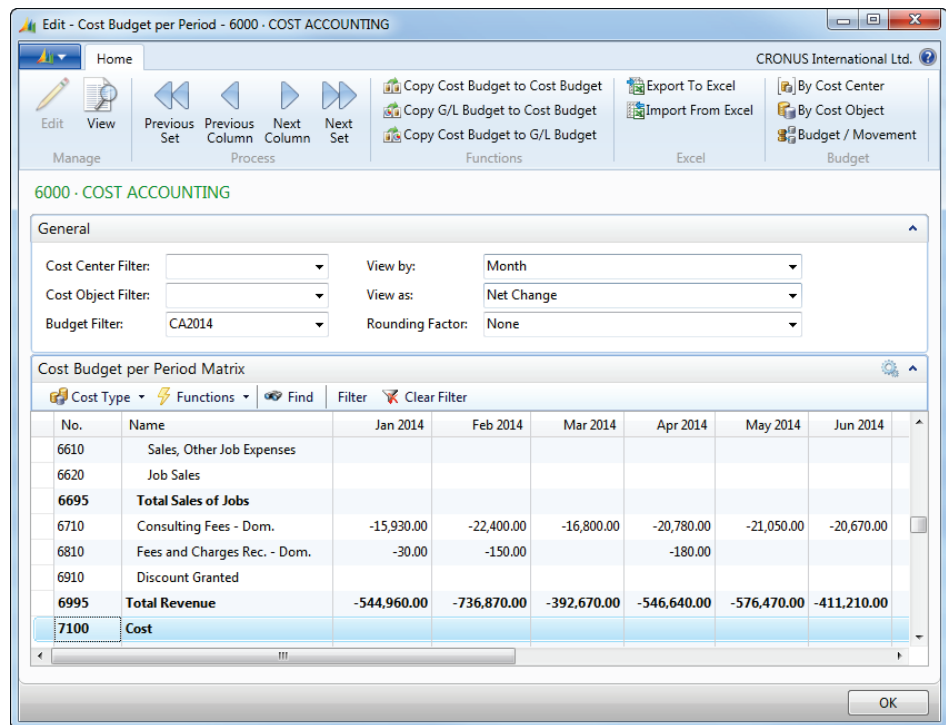


FIGURE 5.15: COST BUDGET PER PERIOD

- c. Use the filters in the **General** FastTab, to change the view of the **Cost Budget per Period Matrix**.

You can drill-down on the amounts to view, change, delete, or add cost budget entries.

Copy Cost Budget to G/L Budget Batch Job

Users can perform the Copy Cost Budget to G/L Budget batch job to perform the same operation in reverse, copying the cost budget figures to the general ledger budget.



Note: The Copy Cost Budget to G/L Budget batch job is available from the **Cost Budget per Period** page, but not from the **G/L Budget** page.

Demonstration: Copy Cost Budget to Cost Budget Batch Job

Users can copy budget figures within a budget or from budget to budget. This function lets users copy a budget several times and enter a factor to increase or reduce the budget figures. For example, users can do the following:

- Copy the budget figures from January eleven times to set up the budget for February through December.
- Copy the budget figures from 2001 to 2002 and, as a default value, increase all the numbers by 20%.
- Transfer budget figures from one cost center to another cost center.
- Copy a budget with the name Maximum to a budget with the name Minimum and use the Maximum budget figures as a basis to set up the minimum variant.

In the following example, copy the budget figures from CA2014 to a new budget, CA2015. The figures from January 2014 will serve as the basis for the whole year. First copy the budget for January 2014 from CA2014 to a new budget for 2015, CA2015, with the figures raised by 20%.

Demonstration Steps

1. Copy budget CA2014 to a new budget CA2015 according to the scenario.
 - a. On the navigation pane, click **Departments**.
 - b. Click **Financial Management > Cost Accounting > Cost Budgets**.
 - c. Select budget CA2014.
 - d. On the **Home** tab, click **Cost Budget per Period**.
 - e. On the **Home** tab, click **Copy Cost Budget to Cost Budget**.
 - f. Expand the **Options** FastTab to specify to which cost budget the cost budget has to be copied.
 - g. In the **Budget Name** field, click the drop-down list and then click **New** to create a new cost budget.

- h. In the **Name** field, enter CA2015.
- i. In the **Description** field, enter Cost Budget 2015.
- j. Click **OK**.
- k. In the **Amount multiplication factor** field, enter 1.20 to indicate that the figures should increase by 20%.
- l. In the **Date Change Formula** field, enter 1Y to change the dates by 1 year.
- m. Expand the **Cost Budget Entry** FastTab to indicate which cost budget must be transferred to the indicated cost budget.
- n. In the **Budget Name** filter field, enter CA2014.
- o. In the **Date** filter field, enter 01/01/14..01/31/14.

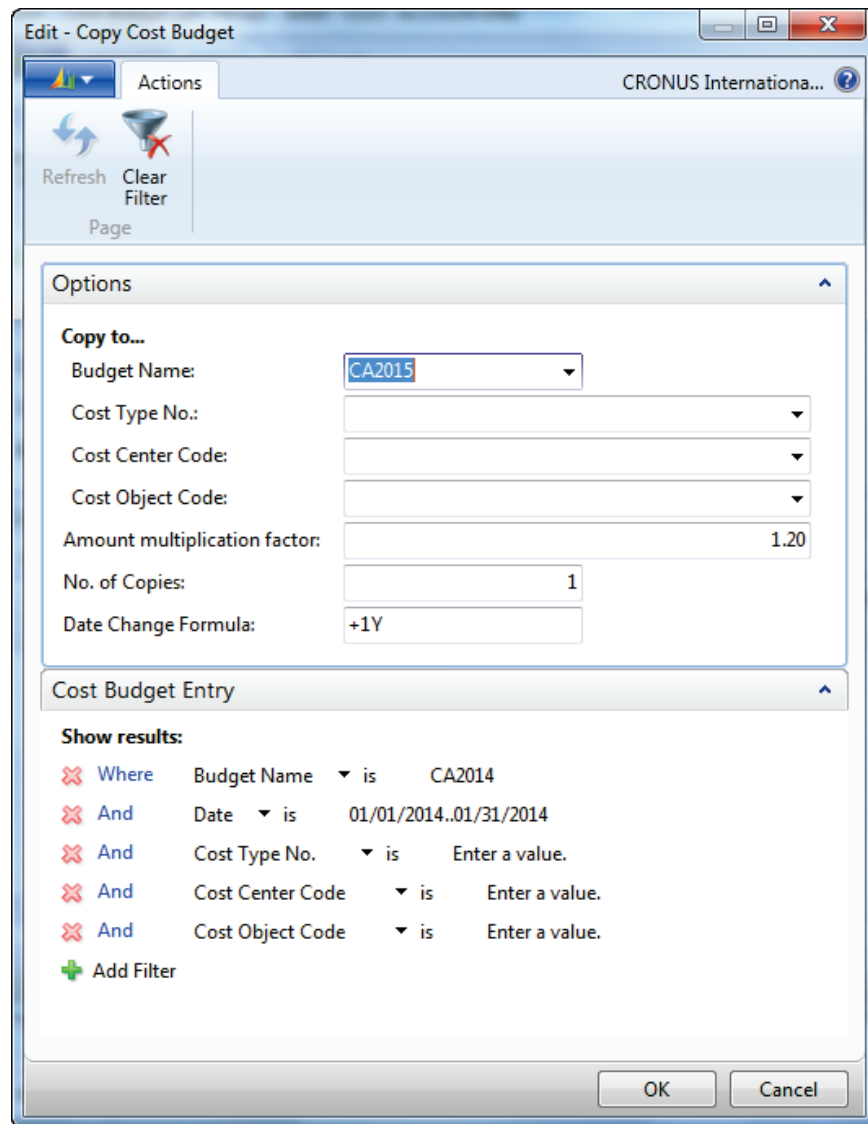


FIGURE 5.16: COPY COST BUDGET BATCH JOB

- p. Click **OK** to copy the budget.
- q. Click **Yes**.
- r. Click **Yes**.
- s. On the **Cost Budget per Period** page, expand the **General** FastTab.
- t. In the **Budget Filter** field, enter CA2015.
- u. In the **View By** field, enter Month.
- v. In the **View As** field, enter Net Change.

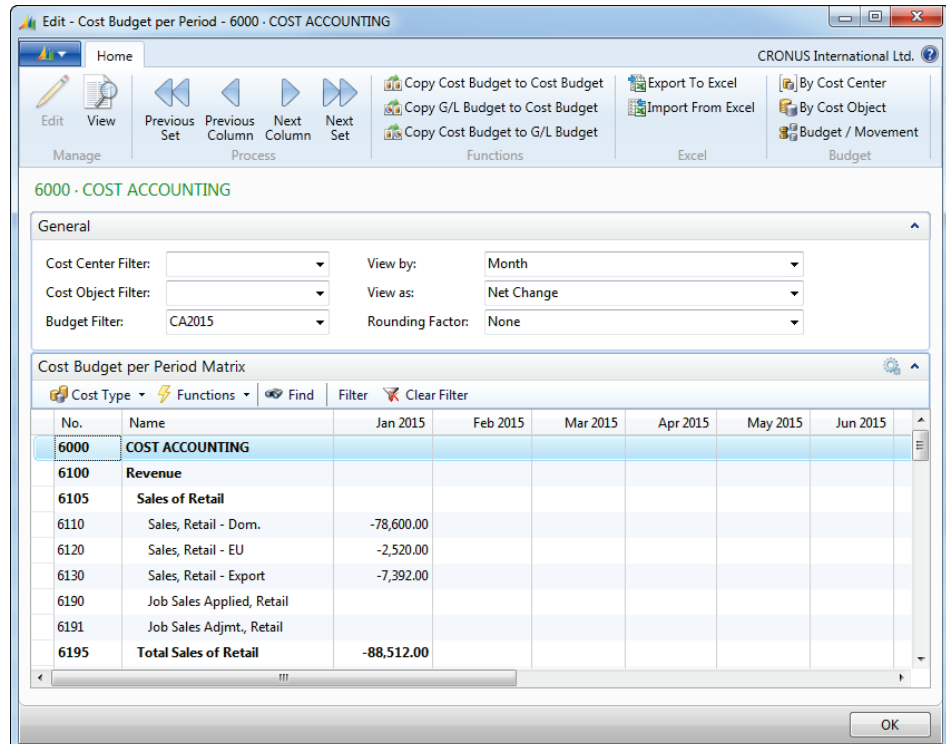


FIGURE 5.17: COST BUDGET PER PERIOD WINDOW

2. Copy the budget numbers for January 11 times and distribute them over the whole year.
 - a. On the **Home** tab, click **Copy Cost Budget to Cost Budget**.
 - b. Expand the **Options** FastTab to specify to which cost budget the cost budget must be copied.
 - c. In the **Budget Name** field, enter CA2015.
 - d. In the **Amount multiplication factor** field, enter 1.00.
 - e. In the **No. of Copies** field, enter 11.
 - f. In the **Date Change Formula** field, enter 1M.
 - g. Expand the **Cost Budget Entry** FastTab, to indicate which cost budget must be transferred to the indicated cost budget.
 - h. In the **Budget Name** filter field, enter CA2015.

- i. In the **Date** filter field, enter 01/01/14..01/31/14.

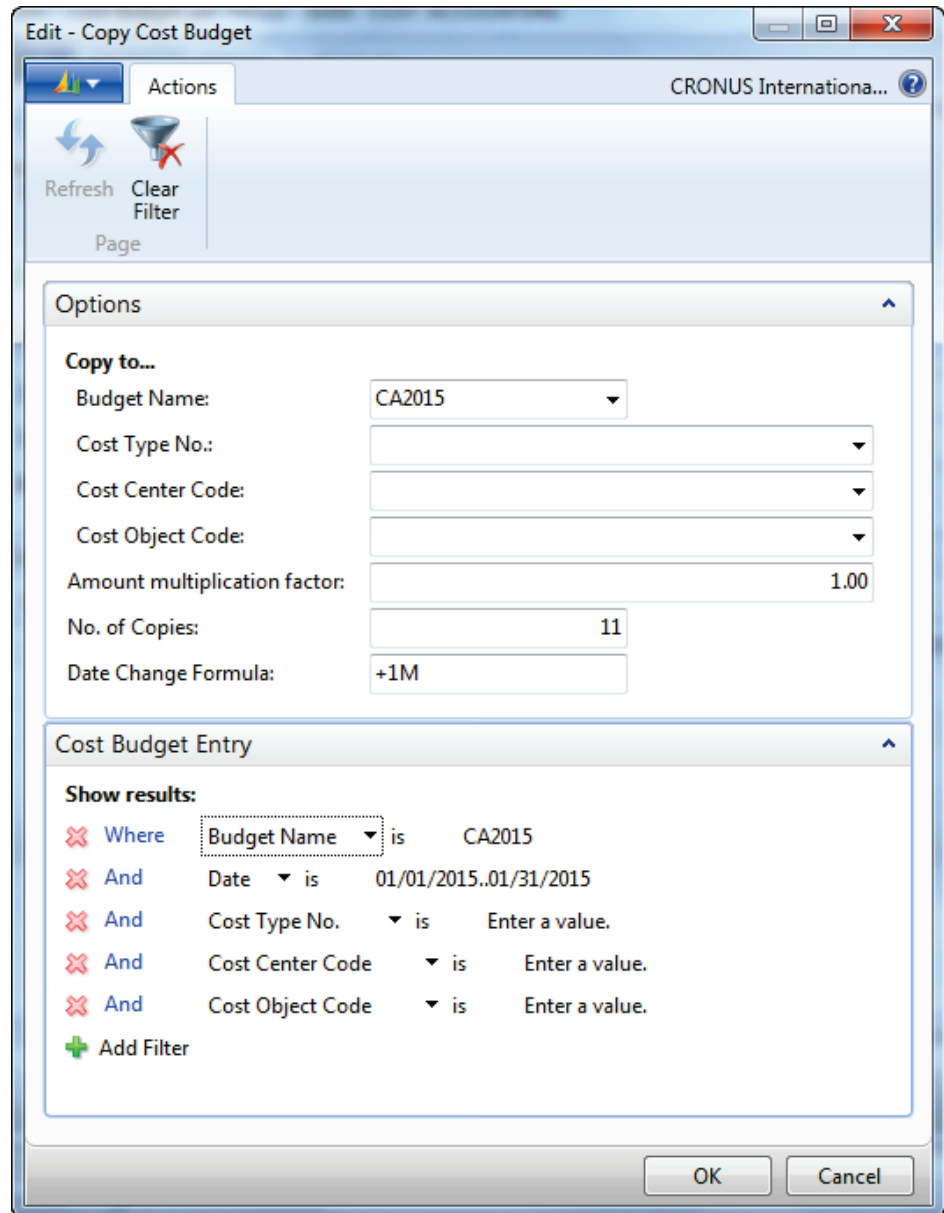


FIGURE 5.18: COPY COST BUDGET BATCH JOB

- j. Click **OK** to copy the budget.
- k. Click **Yes**.
- l. Click **Yes**.

- m. Notice when you look at the budget CA2015 on the **Cost Budget per Period** page, the budget for January 2015 is copied 11 times so that the same figures appear in every month of the year.

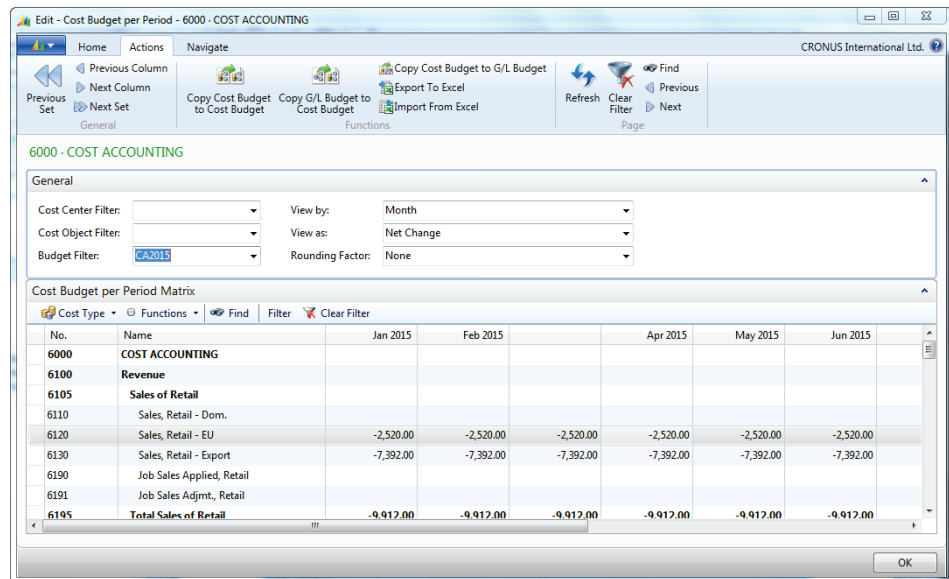


FIGURE 5.19: COST BUDGET PER PERIOD WINDOW

- n. Click **OK** to close the **Cost Budget per Period** page.

Transfer Budget to Actual

In some companies, the people responsible for cost centers agree at the beginning of the year on a cost budget and then later shift these budgeted costs to cost centers (or cost objects). The Transfer Budget to Actual batch job is made for this purpose.

By using filters correctly, users can work with a combination of actual costs and budget figures.

To run the Transfer Budget to Actual batch job, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > Cost Accounting > Cost Budgets**.
3. On the **Home** tab, click **Transfer Budget to Actual**.
4. Expand the **Cost Budget Entry** FastTab to indicate which cost budget figures must be transferred.
5. In the **Budget Name** filter field, enter the cost budget to transfer, for example, CA2015.

6. In the **Date** filter field, enter the period to transfer, for example, January 2015.

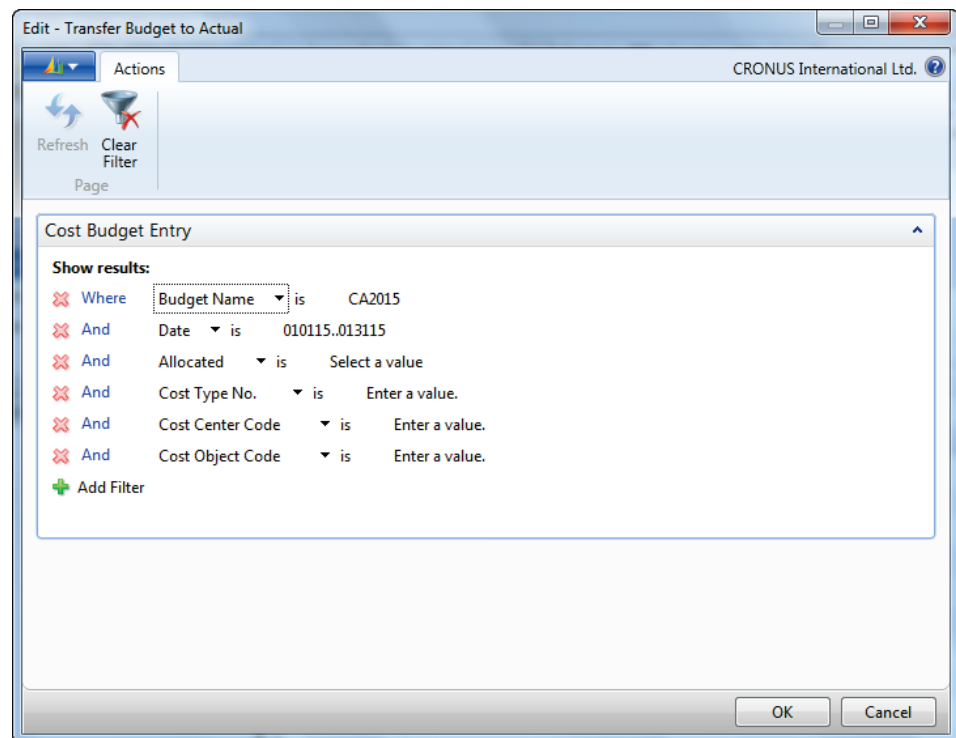


FIGURE 5.20: TRANSFER BUDGET TO ACTUAL BATCH JOB

7. Click **OK** to run the batch job.
8. Click **Yes**.
9. Click **Yes**.

The details of the posting process are recorded in a new entry in the **Registers**. The cost register entry contains the first and last numbers for the new cost entries.

Lab 5.2: Set Up a Cost Budget

Scenario

You have to set up a cost budget for all operating expenses (cost entries 8000 to 8695) for January 2014, based on the G/L budget of January 2013. CRONUS International Ltd. plans to reduce all costs compared to the G/L budget that was set up last year, as follows:

- Reduce the operating expenses with 20% for the ADM cost center.
- Reduce the operating expenses with 10% for the SALES cost center.

Exercise 1: Set Up a Cost Budget

Task 1: Set Up a Cost Budget

High Level Steps

1. Create a new cost budget for 2014 (OE2014) by copying the G/L budget of 2013.
2. Open the newly created cost budget OE2014.
3. Create the January 2014 figures for the ADM cost center.
4. Create the January 2014 figures for the SALES cost center.

Detailed Steps

1. Create a new cost budget for 2014 (OE2014) by copying the G/L budget of 2013.
 - a. On the navigation pane, click **Departments**.
 - b. Click **Financial Management > Cost Accounting > Cost Budgets**.
 - c. Select the DEFAULT cost budget.
 - d. On the **Home** tab, click **Cost Budget per Period**.
 - e. On the **Home** tab, click **Copy G/L Budget to Cost Budget**.
 - f. Expand the **Options** FastTab to specify to which cost budget the general ledger budget must be copied.
 - g. In the **Budget Name** field, click the drop-down list and then click **New** to create a new cost budget.
 - h. In the **Name** field, enter OE2014.
 - i. In the **Description** field, enter Operating Expenses 2014.
 - j. Click **OK**.
 - k. Leave the **Date Change Formula** field blank.
 - l. Expand the **G/L Budget Entry** FastTab to specify which G/L budget must be transferred to the indicated cost budget.
 - m. In the **Budget Name** filter field, enter 2013.

- n. In the **G/L Account No.** field, enter 8000..8695.
 - o. In the **Date** field, enter 01/01/14..01/31/14.
 - p. In the **Department Code** field, enter ADM|SALES.
 - q. Click **OK** to run the batch job.
 - r. Click **OK** to confirm the copy request.
2. Open the newly created cost budget OE2014.
 - a. Expand the **General** FastTab.
 - b. In the **Budget Filter** field, enter OE2014.
 - c. In the **View by** field, select the **Month** option.
 - d. In the **View as** field, select the **Net Change** option.
3. Create the January 2014 figures for the ADM cost center.
 - a. On the **Home** tab, click **Copy Cost Budget to Cost Budget**.
 - b. Expand the **Options** FastTab to specify to which cost budget the cost budget must be copied.
 - c. In the **Budget Name** field, enter OE2014
 - d. In the **Amount multiplication factor** enter 0.80.
 - e. In the **Date Change Formula** field, enter 1Y.
 - f. Expand the **Cost Budget Entry** FastTab to specify which cost budget must be copied from.
 - g. In the **Budget Name** field, enter OE2014.
 - h. In the **Cost Center Code** field, enter ADM.
 - i. Click **OK** to run the batch job.
 - j. Click **Yes**.
4. Create the January 2014 figures for the SALES cost center.
 - a. On the **Home** tab, click **Copy Cost Budget to Cost Budget**.
 - b. Expand the **Options** FastTab to specify to which cost budget the cost budget must be copied.
 - c. In the **Budget Name** field, enter OE2014
 - d. In the **Amount multiplication factor** field, enter 0.90.
 - e. In the **Date Change Formula** field, enter 1Y.
 - f. Expand the **Cost Budget Entry** FastTab to specify which cost budget must be copied from.
 - g. In the **Budget Name** field, enter OE2014.
 - h. In the **Cost Center Code** field, enter SALES.
 - i. Click **OK** to run the batch job.
 - j. Click **Yes**.

Cost Allocation

Allocations move costs and revenues between cost types, cost centers, and cost objects.

Microsoft Dynamics NAV 2013 provides flexibility when you define allocations. Basically, users can define as many allocations as they need. Each allocation consists of an Allocation Source and one or more Allocation Targets. For example, all costs for the cost type Building (an allocation source) can be allocated to the cost centers Workshop, Production, and Sales (three allocation targets).

For each allocation, users can define an allocation level, a validity period, and a variant identifier. If users run an automatic cost allocation, they can use appropriate filters to select the allocation definitions to be handled in the batch job.

The most important part of the allocation definition is the allocation base. The allocation base can be either static or dynamic:

- Static allocation bases are based on a definite value, such as square footage or an established allocation ratio, such as 5:2:4.
- Dynamic allocation bases depend on other, changeable values, such as the number of employees in a cost center or sales revenue of a cost object in a certain time period.

Cost accounting in Microsoft Dynamics NAV 2013 contains the following features as related to allocation:

- Users can allocate actual values or for budget values.
- Users can create static allocations by using either fixed shares or percentages.
- Users can use dynamic allocations with 9 predefined allocation bases and 12 dynamic date ranges.
- There are 99 allocation levels.
- Users can use as many allocation variants they want.
- Users can define allocations with expiration date ranges.
- Users can freely define allocations between cost types, cost centers, and cost objects.
- Users can cancel allocations and posting processes.

Setting Up Cost Allocation

To set up allocations, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > Cost Accounting > Cost Allocations**.
3. Select allocation BUILDING00, and then click **Edit**.

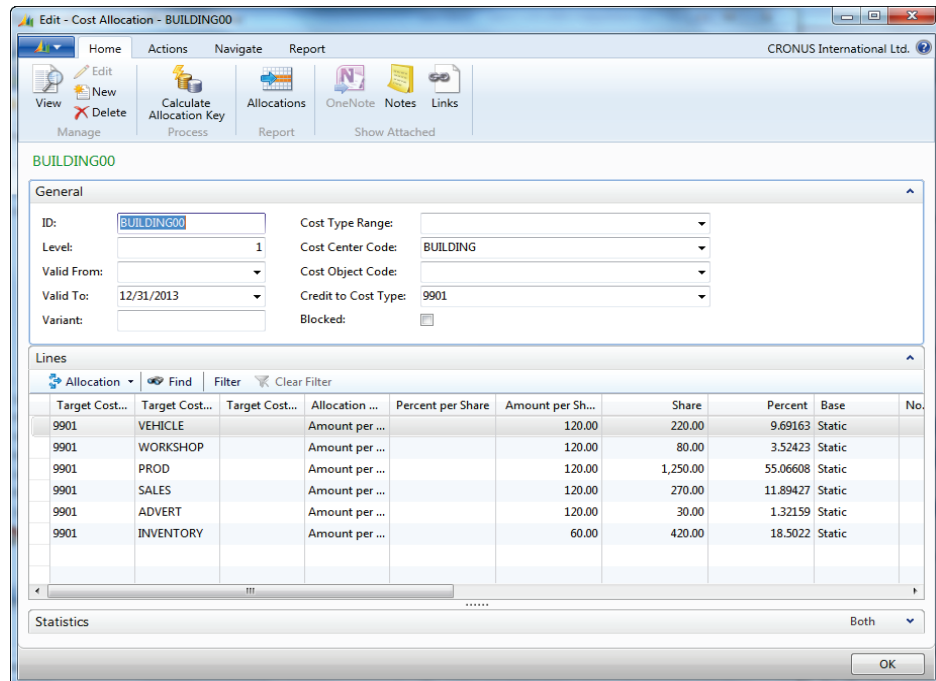


FIGURE 5.21: COST ALLOCATION WINDOW

The **General** FastTab contains information about the allocation source. The allocation source establishes which costs should be allocated.

- **ID** – Users can freely define the ID. The program uses the ID to identify the allocation and to establish the connection to the allocation targets. If users do not want to define the ID themselves, they can press ENTER in the empty field. The program then uses the ID that follows the ID that appears in the **Last Allocation ID** field on the **Cost Accounting Setup** page.
- **Level** – Users can define a level as a number between 1 and 99. The allocation posting will follow the order of the levels. The level might be important, for example, to make sure that first ADM is allocated to WORKSHOP before WORKSHOP is allocated to VEHICLE and PROD.
- **Valid From & Valid To** – With these two dates, users can define the validity period for the allocation. All allocations will be processed that have allocation dates that fall within the validity period. If users do not define dates here, all dates are valid.

- **Variant** – With a variant code, users can group allocations. When they run the allocation, users can use a filter to select only the allocation definitions they want. Users can leave the variant code empty if they want to use only one variant.
- **Cost Type Range** – Use this field to set up a filter to establish which cost types should be allocated. If all costs for a cost center are allocated, no range is defined.
- **Cost Center Code** – Use this field to define the cost center with costs to be allocated.
- **Cost Object Code** – Use this field to define the cost object with costs to be allocated. Most frequently, this field stays empty, because cost objects are rarely allocated to other cost objects.
- **Credit to Cost Type** – The costs to be allocated will be credited (or debited) to the source cost center indicated here. It can be helpful to set up a helping cost type to later highlight the allocation postings in the statistics and reports.
- **Blocked** – Use this field to deactivate the allocation by selecting this check box.

The following table gives some examples that clarify how to define the **Cost Type Range**, **Cost Center Code**, and **Cost Object Code** fields for the allocation source.

Allocation	Cost Type Range	Cost Center	Cost Object
The whole cost center PROD		PROD	
Only the cost types from 4000 to 4100 of the cost center ADM	4000..4100	ADM	
The whole cost object PAINT			PAINT

The **Statistics** FastTab contains the following fields:

- **Allocation Source Type** – Use this field to define whether the allocation for all allocations should be used or only for actual or budget costs.
- **Last Date Modified & User ID** – These fields can be used to establish when and by which users the allocation source was last used.
- **Comment** – Use this field to enter a short additional description of the allocation.
- **Total Share** – This FlowField contains the sum of the shares of the allocation targets.

The **Lines** FastTab contains information about the allocation targets. The allocation targets determine where the costs should be allocated.

Allocations to cost centers or cost objects differ only in that either the **Target Cost Center** or the **Target Cost Object** field is filled. Make sure that the cost center is allocated before the allocation to the cost object. Users can control this by assigning levels in the **Level** field.

The **Lines** FastTab contains the following fields:

- **ID & Line No.** – The program automatically assigns the ID and line number. The ID shows the relationship to the allocation source. The program assigns ascending line numbers to the allocation targets within an ID.
- **Target Cost Type** – The target cost type determines to which cost type the allocation is debited.
- **Target Cost Center & Target Cost Object** – These two fields define to which cost center or cost object the allocation should be debited. Only one of these fields can be filled, not both.
- **Allocation Type** – The allocation type determines how much of the total costs of the allocation source should be allocated. The options are as follows:
 - **All Costs**
 - **Percent per share**
 - **Amount per share**
- **Percent per Share** – If the allocation type is Percent per Share, enter the percentage here.
- **Amount per Share** – If the allocation type is Amount per Share, enter the amount here.
- **Static Base & Static Weighting** – The values in these two fields will be multiplied and carried over to the **Share** field. For example, you might define that the base of 2000 square feet for the area of a warehouse should be weighted with a factor of 0.8.
- **Share** – For a static allocation, this field contains a definite value, or the value in this field is calculated by using the static base and static weighting. For dynamic allocations, the program calculates the share by using the dynamic base.
- **Percent** – The share is calculated by Microsoft Dynamics NAV, dependent on all other allocation targets in a percentage rate.
- **Base** – In this field, define whether the allocation is static or dynamic, meaning that it depends on a dynamic value. The various options in this field are described in the following sections.

- **No. Filter, Cost Center Filter, Cost Object Filter, Date Filter Code,** and **Group Filter** – For dynamic allocations, fill these five fields with the allocation base. For Static allocations, leave these fields blank.
- **Share Updated on** – Date that the **Share** field was last changed.
- **Last Date Modified** – Date that the allocation target was last updated.
- **User ID** – User who last updated the allocation target.
- **Comment** – Use this field to enter a short description for the allocation target.

The allocation target lines can also be viewed as a card on the **Cost Allocation Target Card** page. To access this page, click **Allocation**, and then click **Allocation Target Card** in the **Lines** FastTab.

The example shows how a predefined part of the allocation source BUILDING00 is allocated to the vehicle cost center. The program calculates 120.00 LCY per share of 220 square feet.

FIGURE 5.22: COST ALLOCATION TARGET CARD

Allocation Type

Frequently, accrued costs must be transferred from one cost center to another cost center or cost object. In such a case, use the **Allocation Type** All Costs.

However, you can also carry out an allocation independent of the size of the accumulated costs. For example, the target cost centers might generally be charged 100.00 LCY per year per square meter of utilized building area. The total of the charge would be credited to the Building cost center. When this is done, the credit no longer agrees with the accrued costs of the Building cost center. This then results in a deficit or an excess for the Building cost center. If the credit is higher than the accrued costs, the cost center has gained an operational profit.

Instead of using a set amount, you can offset a percentage based on the share. For example, depending on income total of each cost center, 15% for the share is debited to the social welfare expense.

As an example for cost objects, you might set the allocation up so that Promotional Goods would be debited 2%, depending on the sales amount of the cost object.

Demonstration: Static Allocations


Static Allocations are based on a definite value, such as square meters utilized or an established allocation ratio such as 5:2:4.

The following steps describe how to define a static allocation. In the example, define a new allocation target for the allocation source PROD.

Demonstration Steps

1. Open the cost allocation PROD.
 - a. On the navigation pane, click **Departments**.
 - b. Click **Financial Management > Cost Accounting > Cost Allocations**.
 - c. Select cost allocation PROD, and then click **Edit**.
2. Create a new allocation target.
 - a. On the **Lines** FastTab, click **Allocations** and then click **Allocation Target Card**.
 - b. Click **New**.
 - c. Notice the **ID** and **Line No.** fields are automatically filled with the appropriate values.
 - d. In the **Target Cost Type** field, enter 9903.
 - e. In the **Target Cost Object** field, enter PAINT.

- f. Set the **Allocation Target Type** field to establish whether all accrued costs should be allocated or whether an amount-dependent or percent-dependent share should be calculated. In this case, select the allocation type **All Costs**.
- g. In the **Base** field, select the Static option.
- h. In the **Share** field, fill in a share of 100,000.00.

 **Note:** You can define the **Share** or fill both the **Static Base** and **Static Weighting** fields ($\text{Static Base} * \text{Weighting} = \text{Share}$). Although theoretically you can define a base for each allocation target, you must be careful that the **Base** and the **Share** of all allocation targets have a ratio to one another that makes sense.

- i. Notice the program calculates the percentage of the current allocation target in relation to all the existing, defined allocation targets.

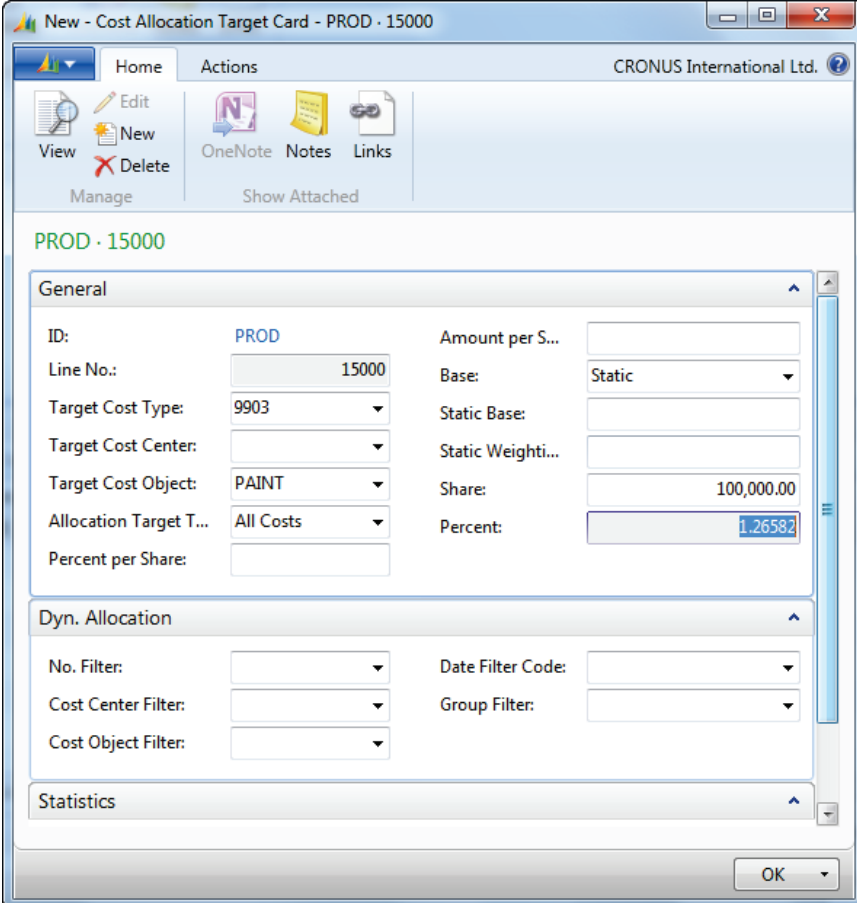


FIGURE 5.23: COST ALLOCATION TARGET CARD

- j. Click **OK** to close the **Cost Allocation Target Card** page.
- k. Click **OK** to close the **Cost Allocation** page.

Dynamic Allocations

Dynamic allocations depend on other, changeable allocation bases, such as the number of employees in a cost center, or sales profit of a cost object in a certain time period. There are nine predefined dynamic allocation bases that users can more closely define by using five filters.

Users can set different filters, depending on the allocation base. The following table shows which filters are possible for different allocation bases and which values are valid in the **No. Filter** and **Group Filter** fields. The **Date Filter Code** is described in more detail in the following section.

Base	No. Filter	Date Filter Code	Cost Center Filter	Cost Object Filter	Group Filter
Static					
G/L Entries	G/L Account	X	X	X	
G/L Budget Entries	G/L Account	X	X	X	Budget Name
Cost Type Entries	Cost Type	X	X	X	
Cost Type Budget Entries	Cost Type	X	X	X	Budget Name
No. of Employees			X	X	
Items Sold (Qty)	Item No.	X	X	X	Inventory Posting Group
Items Purchased (Qty)	Item No.	X	X	X	Inventory Posting Group
Items Sold (Amount)	Item No.	X	X	X	Inventory Posting Group
Items Purchased (Amount)	Item No.	X	X	X	Inventory Posting Group

Module 5: Cost Accounting

Theoretically, there could be an unlimited number of bases for the cost allocation. If the basis that you want is not predefined, there are two options:

- Before the allocation, calculate the costs of the base and record the corresponding values as a static allocation.
- Ask your Microsoft Dynamics NAV Partner to create additional allocation bases and to customize the calculation formulas. The cost accounting module is developed so that such customizations can be easily made.

Date Filter Codes

Most dynamic allocation bases depend on a net change in a specific time period. It would not be practical, if this time period were set up with a typical date filter, because the date range would have to be newly defined before each allocation.

The **Date Filter Code** field for the calculation of dynamic allocation bases lets users define a dynamic date range without using a static date. If the allocation bases are updated, the date filter is automatically updated by using the current work date. The current date is the default value for the work date.

The following **Date Filter Codes** are predefined. The second column shows the date filter that would be calculated if the work date were Saturday, November 22, 2014.

Date Filter Code	Date filter on 11/22/2014
<empty>	No filter
Week	11/17/14 – 11/23/14 (Monday – Sunday)
Last Week	11/10/14 – 11/16/14
Month	11/01/14 – 11/30/14
Last Month	10/01/14 – 10/31/14
Month of Last Year	11/01/13 – 11/30/13
Year	01/01/14 – 12/31/14
Last Year	01/01/13 – 12/31/13
Period	According to accounting periods
Last Period	According to accounting periods
Period of Last Year	According to accounting periods
Fiscal Year	According to accounting periods
Last Fiscal Year	According to accounting periods

Procedure: Define a Dynamic Allocation

The following steps provide a general description for how to define a dynamic allocation:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > Cost Accounting > Cost Allocations**.
3. Click **New**.
4. Define the allocation source on **General** FastTab of the **Cost Allocation** page. This establishes where the allocation will be credited and the amount of the allocation, if all costs are to be allocated.
5. On the **Lines** FastTab, define the **Target Cost Type**, and **Target Cost Center** or **Target Cost Object**. This establishes where the allocation will be debited.
6. Select the **Allocation Type**, indicating whether all accumulated costs should be allocated or whether only a certain amount or a percentage should be calculated.
7. In the **Base** field, select an allocation base.
8. Fill in the necessary filter fields to more specifically define the allocation base. **No. Filter**, **Cost Center Filter**, **Cost Object Filter**, **Date Filter Code**, and **Group Filter** are the available filter fields. Although theoretically you could define a base for each allocation target, you must be careful that the **Base** and the **Share** of all allocation targets have a ratio to one another that makes sense.
9. Repeat steps 5 – 8 for all allocation targets that apply to the allocation source. When you create a new allocation target line, the **Target Cost Type**, **Allocation Type**, and **Base** fields will be automatically filled with the values from the previous line.
10. On the **Actions** tab, click **Calculate Allocation Key** so that the program calculates the shares of all the allocation targets that belong to the current allocation goal by using the defined allocation bases. The program calculates the percentage of the current allocation target in relation to all the already defined allocation targets.

Demonstration: Dynamic Allocation

In the following example, change the dynamic allocation of the costs for the SALES cost center to accommodate the new cost object COMPUTERS. Computer packages have item numbers in the range from 8904-W to 8924-W. The allocation will be posted to the helping cost type 9903 Alloc. of Cost Object.



Note: To successfully complete this example, the demonstration "Create a New Cost Object" must be completed.

Demonstration Steps

1. Open the cost allocation SALES.
 - a. On the navigation pane, click **Departments**.
 - b. Click **Financial Management > Cost Accounting > Cost Allocations**.
 - c. Select cost allocation SALES, and then click **Edit**.

2. Change the allocation target for cost object FURNITURE.
 - a. On the **Lines** FastTab, select the allocation target FURNITURE.
 - b. Click **Allocation**, and then click **Allocation Target Card**.
 - c. Expand the **Dyn. Allocation** FastTab.
 - d. Change the **No. Filter** field to 1896S..80218-T.

3. Create a new allocation target for cost object COMPUTERS.
 - a. Click **New**.
 - b. Expand the **General** FastTab.
 - c. Notice the program automatically fills in the **ID**, **Line No**, and **Allocation Target Type** fields.
 - d. In the **Target Cost Object** field, enter COMPUTERS.
 - e. Notice that in the **Base** field, the base is **Items Sold (Amount)**.
 - f. Expand the **Dyn. Allocation** FastTab.
 - g. In the **No. Filter** field, enter 8904-W..8924-W to enter the item number range for computer package items.



Note: If computer packages were already summarized in a specific inventory posting group, you could select the posting group in the **Group Filter** field. This filter is easier to maintain, especially if new computer packages whose item numbers do not fall within the given number range are added to the product line.

- h. In the **Date Filter Code** field, enter **Last Year**.

General

ID:	SALES	Amount per Share:	
Line No.:	15000	Base:	Items Sold (Amount)
Target Cost Type:	9903	Static Base:	
Target Cost Center:		Static Weighting:	
Target Cost Object:	COMPUTERS	Share:	1,596.50
Allocation Target Type:	All Costs	Percent:	100.00
Percent per Share:			

Dyn. Allocation

No. Filter:		Date Filter Code:	Last Year
Cost Center Filter:		Group Filter:	
Cost Object Filter:			

Statistics

Share Updated on:	7/9/2012	User ID:	PLATAAN\PLATAAN...
Last Date Modified:	7/9/2012	Comment:	

OK

FIGURE 5.24: COST ALLOCATION TARGET CARD

- i. Click **OK** to close the **Cost Allocation Target Card** page.
- j. Notice the new allocation target appears in the allocation target lines on the **Lines** FastTab.
- k. On the **Actions** tab, click **Calculate Allocation Key**.
- l. The **Share** of computer packages comes to 1,596.50 LCY with exactly 100%, meaning that all the items sold last year fell under the cost object COMPUTERS.

Checking Allocations

The correct setup of allocation definitions is important for the allocation entries that result. There are two ways to check that your setup is correct:

- Start the Calculate Allocation Keys batch job. This batch job recalculates the bases of all dynamic allocations. Notice that any date filters are based on the current work date.
- Run the **Cost Allocations** report.

To run the Calculate Allocation Keys batch job, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > Periodic Activities > Cost Accounting > Calculate Allocation Keys**.
3. Click **Yes** to run the batch job.
4. Click **OK**.



Note: The Calculate Allocation Keys batch job is also available from the **Cost Allocation** page and list.

To run the **Cost Allocations** report, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > Cost Accounting > Cost Allocations** (under **Reports – Setup Information**).
3. Click **Preview**.

Allocate Costs

To allocate the costs by using the allocation definitions setup, use the Allocate Costs batch job.

Before you start the allocations, check the following:

- Are the allocation definitions set up correctly and are the dynamic bases updated?
- Have the necessary internal calculations been posted?
- Have the income entries been transferred from the general ledger?

To start the allocation, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > Periodic Activities > Cost Accounting > Allocate Costs**.

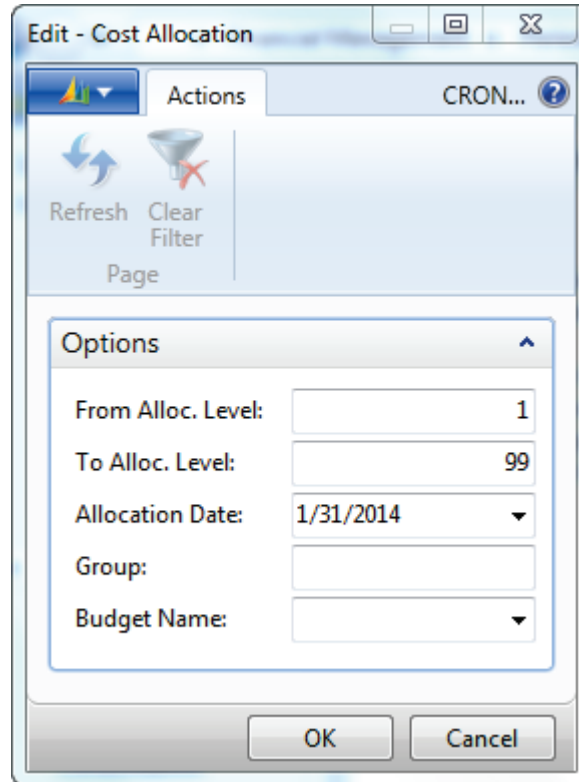


FIGURE 5.25: COST ALLOCATION BATCH JOB

3. Select the **From Alloc. Level** and **To Alloc. Level** fields, if you do not want to allocate all levels in the same batch. It might make sense to allocate first only the cost centers and then to separately allocate the costs from cost centers to cost objects.
4. Define the **Allocation Date**. Only cost entries up to this allocation date will be allocated. This is especially important if, for example, it is currently the middle of February, but you want to handle only the allocation of the January costs. In this case, you would set the allocation date to 01/31/14.
5. If you have set up allocation variants, select a variant in the **Group** field.
6. Select a budget name in the **Budget Name** field, if you want to allocate only budget entries.
7. Click **OK** to start the batch job.
8. Click **Yes**.
9. Click **OK**.

Results of the Allocation

When you allocate costs, the program does the following:

- The allocation source is credited with an entry. The text in the cost entry contains the allocation target. The allocation is described in the **Allocation Ratio** field in the **Cost Entry** table.
- Each allocation target is debited with an entry. The posting text of the cost entry mentions the allocation source. The allocation is described in the **Allocation Ratio** field in the cost entry.
- In the **Registers**, the program adds an entry with the source **Allocation** in the **Source** field. The entries are summarized per allocation level.
- The cost entries handled by the batch job, and therefore used as basis amounts for allocations, are marked with True in the **Allocated** field in the **Cost Entry** table. The credit entry itself is also marked.

Simulating or Deleting the Allocation

You can use the Delete Cost Entries batch job to delete cost entries and undo allocations. This might be practical, for example, when you want to simulate an allocation with different allocation ratios.



Note: More information is described in the section on Cost Registers

Demonstration: Allocating Cost Budgets

As mentioned, you can allocate budget entries.

On the **Cost Allocation** page, on the **Statistics** FastTab, in the **Allocation Source Type** field, users can specify that the allocation should come from budgets instead of actual costs. With this, users can allocate budget figures and actual costs by different ratios.

In the following example, allocate the budget figures for the budget CA2015.



Note: First make sure that the demonstration "Copy G/L Budget to Cost Budget Batch Job" is performed.

Demonstration Steps

1. Allocate budget CA2013.
 - a. On the navigation pane, click **Departments**.
 - b. Click **Financial Management > Periodic Activities > Cost Accounting > Allocate Costs**.
 - c. In the **Budget Name** field, enter CA2015. When you select a budget name in the Allocate Costs batch job, the program allocates the budget figures instead of actual costs.
 - d. Click **OK**.
 - e. Click **Yes**.
 - f. Click **OK**.

The cost budget is allocated. The allocation is registered in the cost budget entries, and it can be viewed through the **Cost Budget Registers**.

Lab 5.3: Set Up a Cost Allocation

Scenario

In the following example, change the dynamic allocation of the costs for the MATERIAL cost center to accommodate the new cost object COMPUTERS. Computer packages have item numbers in the range from 8904-W to 8924-W. The allocation will be posted to the helping cost type 9903 Alloc. of Cost Object.



Note: To successfully complete this lab, the demonstration "Create a New Cost Object" must be completed.

Exercise 1: Set Up a Cost Allocation

Task 1: Set Up a Cost Allocation

High Level Steps

1. Open the cost allocation MATERIAL.
2. Change the allocation target for cost object FURNITURE.
3. Create a new allocation target for cost object COMPUTERS.

Detailed Steps

1. Open the cost allocation MATERIAL.
 - a. On the navigation pane, click **Departments**.
 - b. Click **Financial Management > Cost Accounting > Cost Allocations**.
 - c. Select cost allocation MATERIAL, and then click **Edit**.
2. Change the allocation target for cost object FURNITURE.
 - a. On the **Lines** FastTab, select the allocation target FURNITURE.
 - b. Click **Allocation**, and then click **Allocation Target Card**.
 - c. Expand the **Dyn. Allocation** FastTab.
 - d. Change the **No. Filter** field to 1896S..80218-T.
3. Create a new allocation target for cost object COMPUTERS.
 - a. Click **New**.
 - b. Expand the **General** FastTab.
 - c. Notice the program automatically fills in the **ID**, **Line No.**, and **Allocation Target Type** fields.
 - d. In the **Target Cost Object** field, enter COMPUTERS.
 - e. Notice that in the **Base** field, the base is **Items Sold (Amount)**.
 - f. Expand the **Dyn. Allocation** FastTab.

- g. In the **No. Filter** field, enter 8904-W..8924-W to enter the item number range for computer package items.
- h. In the **Date Filter Code** field, enter **Last Year**.
- i. Click **OK** to close the **Cost Allocation Target Card** page.
- j. The new allocation target appears in the allocation target lines on the **Lines** FastTab.
- k. On the **Actions** tab, click **Calculate Allocation Key**.

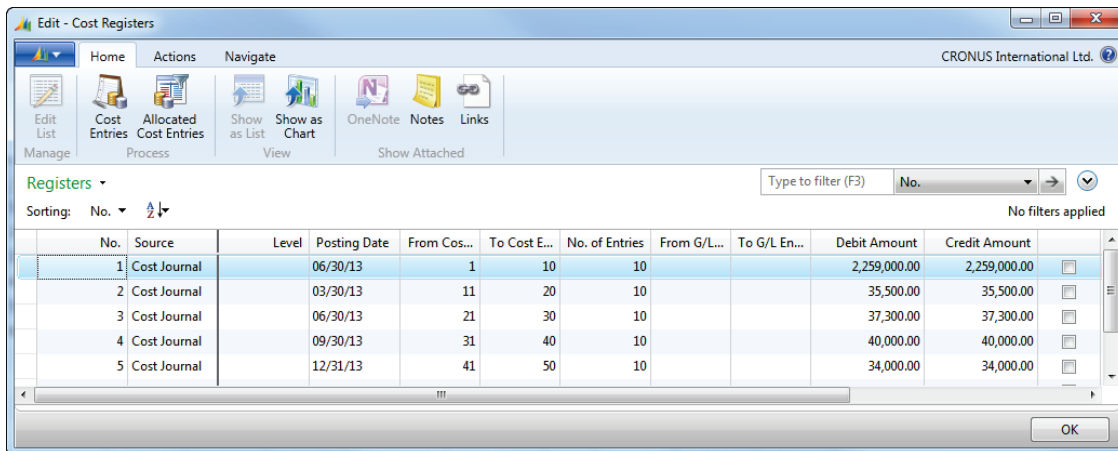
Cost Accounting History

Cost Registers

On the **Registers** page, Microsoft Dynamics NAV 2013 shows when cost and allocation postings occurred.

To access the **Registers** page, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > Cost Accounting > Registers** (under the **History** section).



No.	Source	Level	Posting Date	From Cos...	To Cost E...	No. of Entries	From G/L...	To G/L En...	Debit Amount	Credit Amount
1	Cost Journal		06/30/13	1	10	10			2,259,000.00	2,259,000.00
2	Cost Journal		03/30/13	11	20	10			35,500.00	35,500.00
3	Cost Journal		06/30/13	21	30	10			37,300.00	37,300.00
4	Cost Journal		09/30/13	31	40	10			40,000.00	40,000.00
5	Cost Journal		12/31/13	41	50	10			34,000.00	34,000.00

FIGURE 5.26: COST REGISTERS WINDOW

In addition to the usual register entries in Microsoft Dynamics NAV 2013, the **Registers** page contains information and functions particular to cost accounting.

Field	Description
No.	Consecutive numbering of the log entries.
Source	<ul style="list-style-type: none"> • Source of the entries. The options are as follows: • Transfer from G/L • Cost Journal • Cost Allocation • Transfer from Budget
Level	The allocation level for allocation postings.
Closed	This field indicates whether the entry can definitely be closed or not. After closing, it is no longer possible to delete the register entry with its corresponding entries.
From Cost Entry No. & To Cost Entry No.	<p>The program records the first and last cost entry numbers processed in the posting.</p> <p>By clicking the field, you can see the cost entries that correspond to the cost register entry.</p>
From Entry No. & To Entry No.	<p>When users transfer from the general ledger, the program records the first and last G/L entry numbers that were processed.</p> <p>By clicking the field, you can see the general ledger entries that correspond to the cost register entry.</p>

Cost Entries vs Allocated Cost Entries.

On the **Navigate** tab, you select to view:

- **Cost Entries** – shows the entries that were generated in the allocation.
- **Allocated Cost Entries** – shows the entries that formed the basis for the allocation.

Cost Budget Registers

The **Cost Budget Registers** contain the same functionality for the budget cost and budget allocations as the **Registers** has for cost and allocations.

To access the **Cost Budget Registers** page, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > Cost Accounting > Cost Budget Registers** (under the **History** section).

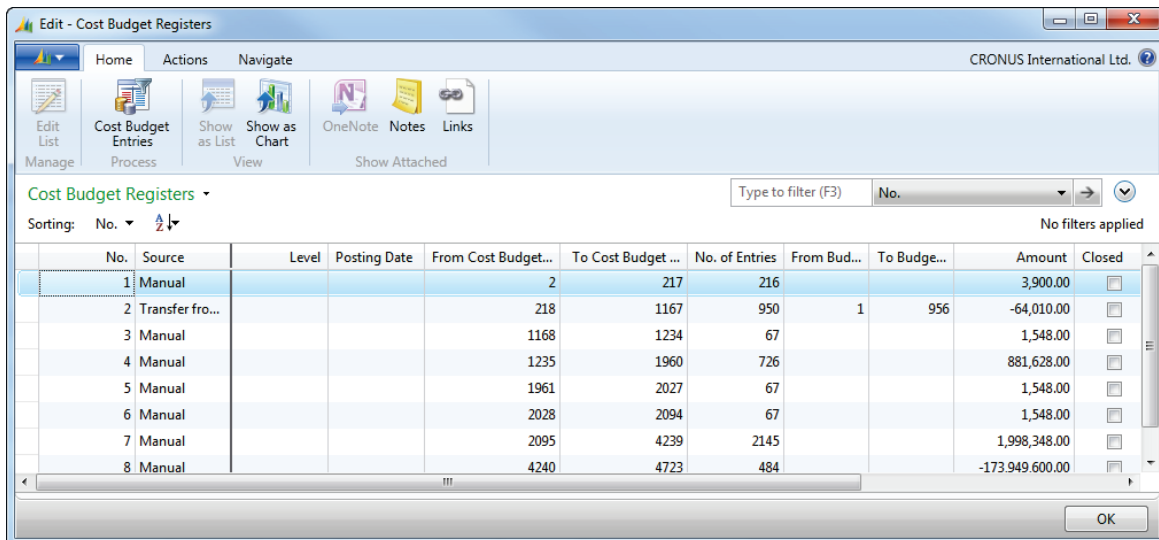


FIGURE 5.27: COST BUDGET REGISTERS WINDOW

The following table describes some fields that are particular to the **Cost Budget Registers**.

Field	Description
No.	Consecutive numbering of the register entries.
Source	The origin of the entry. The options are as follows: <ul style="list-style-type: none"> • Transfer from G/L Budget • Cost Journal • Allocation • Manual The manual option is used for manual changes of amounts on the Cost Budget page.
Level	The allocation level for allocation entries.

Field	Description
Closed	When this field is selected, the entry can be closed. Afterward, it is no longer possible to delete the log entry with its corresponding entries.
From Cost Budget Entry No. & To Cost Budget Entry No.	The numbers of the first and last cost budget entries that were processed for this log entry.

Cost Budget Entries

Users can also access the cost budget entries from the **Cost Budget Register**. The cost budget entries contain allocation information similar to that found in the cost entries: allocation number, document number, source code, and so on.

To access the cost budget entries from the budget allocation example, follow these steps:

1. Select the last cost budget register entry. This entry has the source Allocation.
2. On the **Navigate** tab, click **Cost Budget Entries**.
3. Because all allocation entries have the **System-Created Entry** check box selected, these entries can be deleted.

Deleting Cost Entries and Cost Budget Entries

With the Delete Cost Entries and Delete Old Cost Entries batch jobs, you can delete cost entries and undo allocations.

The Delete Cost Budget Entries batch job lets you delete cost budget entries and undo allocations.

Users may have to do this in the following situations:

- To simulate (budget) allocations with different allocation ratios.
- To undo cost transfers from the general ledger to transfer G/L entries that were posted later in the same time period as the original combined posting.
- To undo cost budget allocations to include late entries in a combined entry as part of the same posting process.
- To cancel cost (budget) entries in the **(Cost Budget) Register**.

To prevent any gaps in the cost (budget) entries and (cost budget) register entries, the program only allows users to delete the most recent log entries and older. This means that users cannot delete a single entry or a batch of entries in the middle of the list of (cost budget) register entries.

The batch jobs can be accessed either through the **Registers** or **Cost Budget Registers** page.

To delete the last log entry and its corresponding cost entries, follow these steps:

1. On the navigation pane, click **Departments**.
2. Click **Financial Management > Periodic Activities > Cost Accounting > Delete Cost Entries**.

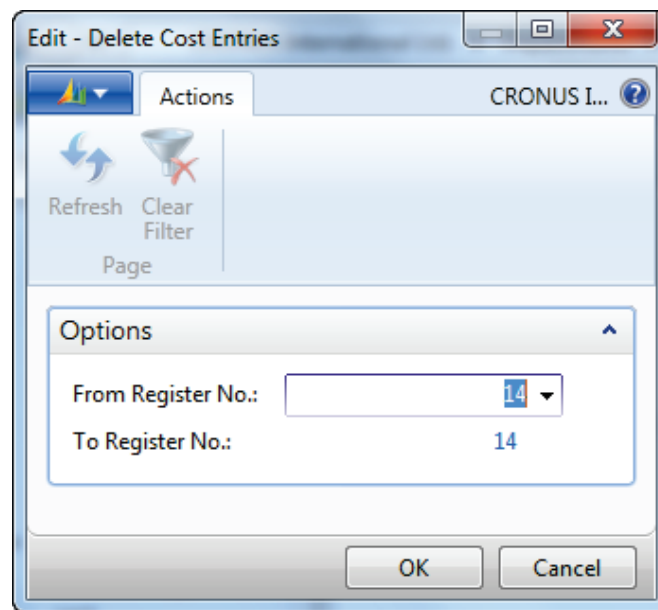


FIGURE 5.28: DELETE COST ENTRIES BATCH JOB WINDOW

3. Notice the **To Register No.** field always contains the last posted register entry number. It cannot be changed.
4. In the **From Register No.** field, click the drop-down list to select a register entry number from which the deletion should begin. Leave the default value.
5. Click **OK** to run the batch job.
6. Click **Yes**.
7. Click **Yes**.

Cost Accounting Reporting

With the following standard reports, you can analyze cost accounting:

Report	Description	Important Filters
Cost Acctg. Journal	Entries per cost type.	Cost Center, Cost Object, Date
Cost Acctg. Statement	Credit and debit balances per cost type. Shown together with the chart of cost types.	Cost Center, Cost Type, Date
Cost Acctg. Statement per Period	Profit and loss over two periods with the comparison as a percentage.	Cost Center, Cost Object, Date
Cost Acctg. Analysis	Balances per cost type with columns for seven fields for cost centers or cost objects that the user can select.	Cost Type, Date
Account Schedule	User-defined display of the order, titles, and totals from the cost types. Shows credit or debit balances per line.	Cost Center, Cost Type, Date

To use these reports go to the Reports and Analysis section of Cost Accounting in Financial Management.



Note: More information about the Account Schedules in combination with cost accounting is provided in the module "Financial Reporting and Analysis" of this course.

Cost Acctg. Analysis

Possibly the most important report in cost accounting is the **Cost Acctg. Analysis** report. The display of the lines is built on the chart of cost types. Users can select up to seven cost centers or cost objects that they want visible as columns in the report.

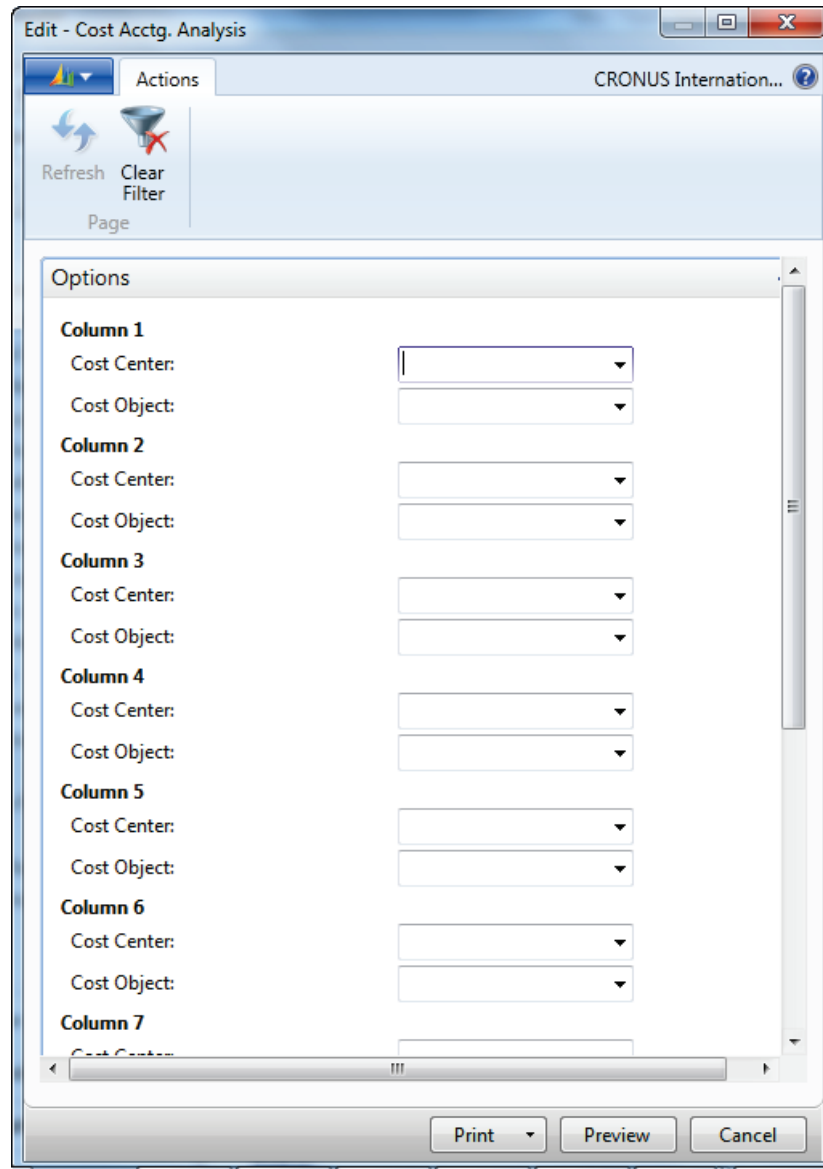


FIGURE 5.29: COST ACCTG. ANALYSIS REPORT WINDOW

Cost Type Balance

Users can open the statistics page **Cost Type Balance** from the **Chart of Cost Types**, the **Chart of Cost Centers**, and the **Chart of Cost Objects** pages by clicking **Balance** on the **Home** tab in the ribbon.

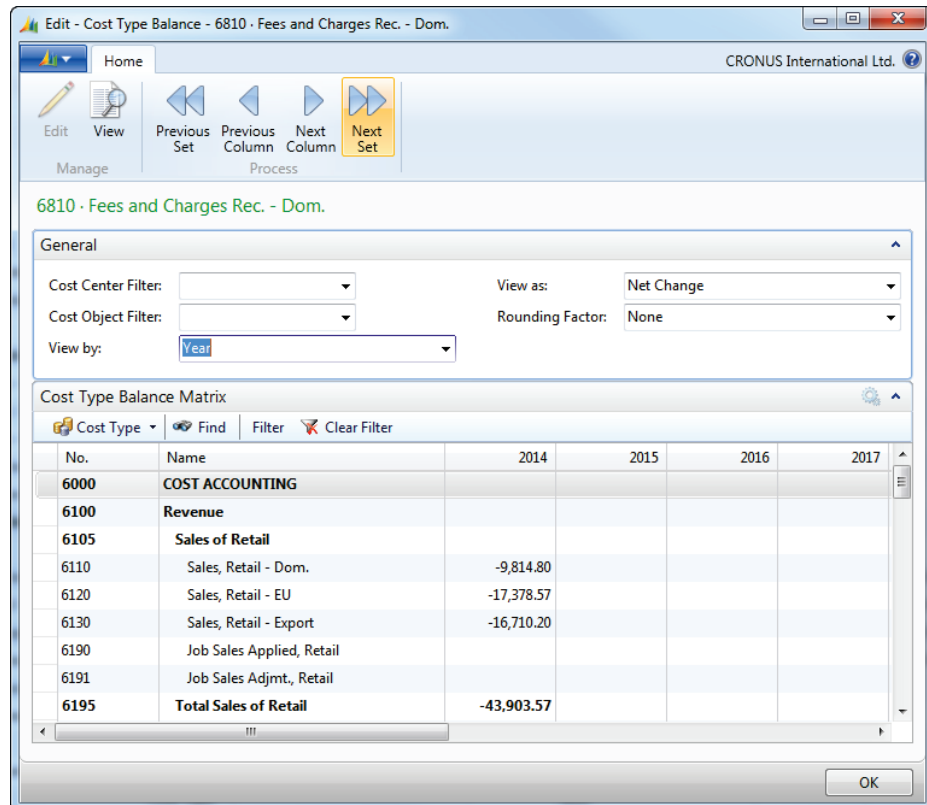


FIGURE 5.30: COST TYPE BALANCE WINDOW

With this page, users can filter the values.

- **Cost Center Filter & Cost Object Filter** - further filter the values to the cost centers or cost objects that you want to see.
- **View by** – select the time periods per column.
- **View as** – select either the net change or the cumulative balance.

Some filters are automatically set, depending on the page and location of the cursor from which the **Cost Type Balance** page is opened. For example, if a user opens the balance page from the **Chart of Cost Centers** page when the cursor is located on the ADM cost center, the program automatically sets the **Cost Center Filter** to ADM.

When you drill down on any of the amounts, you see the cost entries that contribute to that figure.

Tips and Tricks

The following sections contain some background information that might interest even experienced users of cost accounting.

Relationships Between Balances per Cost Type, Cost Center, and Cost Object

As already described, all entries in the cost accounting must be allocated to a cost type and also a cost center or a cost object. This means that each cost entry must belong to a cost type and must have a cost center code or a cost object code.

This rule ensures that each cost entry appears in an analysis of either the cost centers or the cost objects, but never in both places.

When you conduct an analysis, the following relationship applies:

Cost Type Balance = Cost Center Balance + Cost Object Balance

When users print the income statement, the chart of cost centers, and the chart of cost objects reports, they can reconstruct this relationship.

Rounding of Percentage Shares

The total of all percentage shares of the allocation target must be 100%. Therefore, the program rounds the share of the last line, when it is necessary. For example, if a user defines three allocation targets with each having a share of 3, the percentage of the last line is 33.3334%

Rounding Allocations

The allocations are rounded to 0.01 LCY. For the last allocation target, any possible rounding errors are corrected so that the total of all debits match the total amount of the credit.

Revenues in Cost Accounting

In many businesses, cost accounting focuses only on analyzing costs. However, cost accounting in Microsoft Dynamics NAV can also work with revenues. This manual concentrates on discussions of costs. Operating income from the general ledger is mostly transferred directly to cost objects. Operating income is called Revenue in cost accounting.

Allocating Set Amounts or Percentages

Typically, all costs for a cost center are allocated. Because, during the allocation, the allocated cost entries are marked as Allocated, it is ensured that a cost entry is not accidentally allocated more than one time. If, instead of allocating all costs, users want to allocate an Amount per Share or a Percent per Share, this allocation will be handled every time that they run the Allocate Costs batch job.

Users must know for sure that these allocations are only handled when they really want to use them. To do this, users can set a variant identifier in the allocation definition.

For example, allocations that use All Costs can be named Variant A. Users can run these allocations in intermittent intervals, because all the costs accumulated in the meantime are allocated. In the Allocate Costs batch job, users can specify that only the allocation definitions for Variant A should be used.

Allocations that should be allocated by amount per share or percentage per share can be named Variant B. In the Allocate Costs batch job, users can specify that only the definitions for Variant B should be handled. This allocation can be run regularly, for example, monthly.

Starting Date

Usually, the expense and income entries from the general ledger are transferred to cost accounting. If the cost accounting should be implemented later than the general ledger, users can set the starting date for the transfer of cost entries. Do this from the **Cost Accounting Setup** page by selecting the **Starting Date for G/L Transfer** field.

Quantity Budget

You can budget in quantities, instead of in monetary amounts. For this, the same functionality as that of the financial budget module is available. Because in the cost accounting module, only actual amounts are captured, the comparison of quantity budgets with actual values is not possible.

Later Posting in the General Ledger

With the transfer of the general ledger entries to cost accounting, the program handles all general ledger entries posted since the last transfer. The posting date of the general ledger entry is not important.

As is generally known, the cost entries form the basis for allocations to main cost centers and cost objects. A G/L entry posted with an earlier posting date could have an influence on an allocation posted beforehand.

When calculating the amounts to be allocated, the program handles all cost entries posted up to the allocation date, if they have not already been allocated. An entry with an earlier posting date from the G/L would automatically be included in the next allocation.

Frequently, this is the optimal approach, because the cost center area is probably already discussed with the manager of the cost center and the allocation should not be belatedly changed.

In exceptional cases, you may want the late entry integrated in the already-posted allocation. For this, use the Delete Cost Entries batch job to delete the allocation (and probably all the cost entries after the allocation) and rerun the allocation with the late entry.

Process Cost Accounting

The cost center calculation is typically structured by using the company organization. This is based on the hierarchical structure and responsibilities within the company. However, you can structure the cost centers according to the process organization. In doing this, users focus on the "cost originators."

In the cost accounting process, the cost center accounting is then improved – typically, more cost centers are necessary. So that process cost accounting remains meaningful and its benefits can be used, users should define and maintain more allocation bases.

Full and Marginal Cost Accounting

In marginal cost accounting, costs are distributed in fixed and variable shares.

To represent marginal cost accounting in Microsoft Dynamics NAV, the following points are important:

- Distribute costs when you can in fixed and variable shares when they are captured and post them in separate cost types.
- Define the allocation definition so that only the variable shares are allocated by using the **Cost Type Range** field in the allocation source.
- Possibly in the definition of the allocation target, you might select the options **Percent per Share** or **Amount per Share** instead of **All Costs** in the **Allocation Type** field.
- You can only partly allocate costs.

Partially Allocate Costs

When allocating costs from pre-cost centers to main cost centers, you may not want part of the accumulated costs allocated.

If users are using the **Allocation Type** Percent per Share or Amount per Share, a part of the costs remain in the allocation source. However, if users are using the **Allocation Type** All Costs, the balance of the allocation source is distributed. To help with this, define the allocation source also as an allocation target so that the cost center is credited with all costs, but a certain share flows back to the cost center as debit.

Deleting Cost Entries

When users no longer need entries from previous years in cost accounting, they can use the Delete Old Cost Entries batch job.

Automatic Transfer from the General Ledger

Users can activate the **Autotransfer from G/L** field in the **Cost Accounting Setup** page. When this is activated, every time that the user posts general ledger entries, the program creates corresponding cost entries. Typically, you do this with a batch job. Using the automatic transfer gives users current figures in cost accounting. However, it has some disadvantages:

- Combined entries are not possible when transferring to cost accounting.
- There are many entries in the cost register (one per entry).
- System performance is somewhat reduced when posting.

Tips

- If cost entries are deleted in the register, entries that were transferred earlier with the automatic transfer can be newly transferred by using the transfer batch job.
- **Autotransfer from G/L** also works when you post from purchase and sales documents.

Module Review

Module Review and Takeaways

Cost Accounting in Microsoft Dynamics NAV 2013 helps you to understand the costs of running a business. It is fully integrated with the general ledger application area, and has the goal to exactly analyze the costs per cost center and cost object.

Microsoft Dynamics NAV 2013 provides flexibility when you define allocations to move costs and revenues between cost types, cost centers, and cost objects.

Finally, you have a wide range of reporting options, including the account schedules, to analyze your business based on cost types, cost centers, and cost objects.

Test Your Knowledge

Test your knowledge with the following questions.

1. Name the four types of master data in cost accounting.

2. What is not true about Cost Budgets?

- Users can create as many cost budgets as they want.
- Users can copy the cost budget to the general ledger budget or copy the general ledger budget to the cost budget.
- Users can copy G/L entries to Cost Budgets.
- Users can transfer budgeted costs to actual costs.

3. How many allocation levels can you use in Microsoft Dynamics NAV 2013?

- 99
- 10
- 100
- Unlimited

4. The most important part of the allocation definition is the allocation base. Which two different allocation bases are possible in Microsoft Dynamics NAV, and how would you describe them?

5. Which of the following reports can you describe as: Balances per cost type with columns for seven fields for cost centers or cost objects that the user can select.

- Account Schedule
- Cost Acctg. Analysis
- Cost Acctg. Statement
- Cost Acctg. Journal

Test Your Knowledge Solutions

Module Review and Takeaways

1. Name the four types of master data in cost accounting.

MODEL ANSWER:

- Cost types and the chart of cost types.
 - Cost centers / cost accounting master data.
 - Cost objects.
 - Allocations.
2. What is not true about Cost Budgets?
 - () Users can create as many cost budgets as they want.
 - () Users can copy the cost budget to the general ledger budget or copy the general ledger budget to the cost budget.
 - (√) Users can copy G/L entries to Cost Budgets.
 - () Users can transfer budgeted costs to actual costs.
 3. How many allocation levels can you use in Microsoft Dynamics NAV 2013?
 - (√) 99
 - () 10
 - () 100
 - () Unlimited
 4. The most important part of the allocation definition is the allocation base. Which two different allocation bases are possible in Microsoft Dynamics NAV, and how would you describe them?

MODEL ANSWER:

- Static allocation bases are based on a definite value, such as square footage or an established allocation ratio, such as 5:2:4.
- Dynamic allocation bases depend on other, changeable values, such as the number of employees in a cost center or sales revenue of a cost object in a certain time period.

5. Which of the following reports can you describe as: Balances per cost type with columns for seven fields for cost centers or cost objects that the user can select.
- Account Schedule
 - Cost Acctg. Analysis
 - Cost Acctg. Statement
 - Cost Acctg. Journal

