

Lesson 7 - Defining Distribution Codes

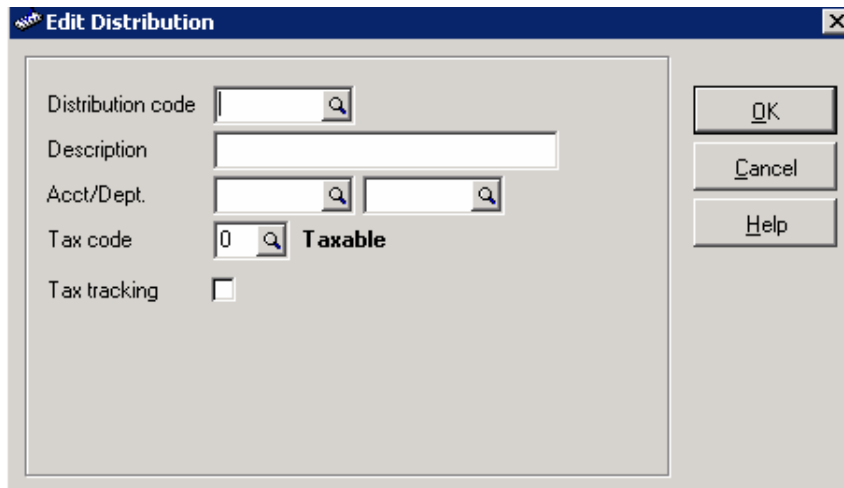
Concept

Adagio Payables distributes items such as inventory purchases, freight and tax to the general ledger by way of distribution codes which are attached to general ledger accounts. Different distribution codes can be attached to the same general ledger account and department and present a convenient way to classify, for example, expense types and distribute data to the general ledger. This ensures improved accuracy when assigning expenses to specific departments.

Distribution codes are also useful in capturing recoverable taxes such as GST Input Tax Credits. They are even useful to organizations which can only recover a portion of their GST paid or in the case of expenditures such as meals and entertainment where only 50% of the GST is recoverable.

Procedure Detail

To set up distribution codes select *Edit* from the menu, then **Distributions**, or click the **Distributions** button from the toolbar. When you click **New** or select an existing distribution for editing, the *Edit Distribution* window appears.



Distribution code Create a distribution code for each type of expense you want to keep track of. For example, INV for inventory purchases; GST; FRT1 for a shipping costs; and FRT2 for another type of shipping cost.

Description Enter a description for each distribution code.

Acct/Dept Enter the general ledger account and the department if you use departments. When you select a distribution code for purchases or taxes payable, select the relevant liability control accounts. In the case of expenses such as freight, you can select an expense account.

Enter the appropriate tax code. This code is editable when entering a vendor invoice if you selected this option above and when entering data in the Tax information screen upon selecting **Edit** and then Company Profile.

Tax Tracking

Indicate whether you want transaction data to be retained for the Tax Tracking report. If you check this box, the Tax Type and Tax Rate fields appear.

If you turn the **Tax tracking** check box on, you may also be presented with two additional fields:

1. Tax type

- Purchase
- Tax
- Tax included purchase.

If Purchase is selected, no other options are available.

2. Tax rate

If *Tax* is selected in the Tax type field above, then you are asked to provide the sales tax percentage. If *Tax included purchase* is selected, then you enter the sales tax percentage and the tax general ledger account and department, if used.

Exercise 7.1

Enter the following Distribution Codes that will be used by Electronics World Inc. when entering vendor invoices.

Distribution code	UTIL
Description	Utilities
Account / Department	6900 – 100
Tax code	0
Used in tax tracking?	Yes
Tax type	Purchase MEALS
Distribution code	
Description	Meals + Entertainment
Account / Department	6575 – 100
Tax code	0
Used in tax tracking?	Yes
Tax type	Purchase STINC
Distribution code	
Description	Sales Tax Included
Account / Department	
Tax code	0
Used in tax tracking?	Yes
Tax type	Tax included purchase
Tax rate	7%
G/L Tax account	2400

Preview the **Distribution Report** under *Reports, General Reports* and compare it to the following report.

Selection: All distributions

Dist. Code	Description	Acct	Dent	Tax Code	Track type	Tax rate	Tax Acct	Tax Dent
ST	Sales Tax	2400		0	Tax	7.00000		
HARD	Hardware	1300		0	Purchase			
SOFT	Software	1300		0	Purchase			
UTIL	Utilities	6900	100	0	Purchase			
MEALS	Meals + Entertainment	6675	100	0	Purchase			
SETUP	Opening Balances	2100		0				
STINC	Sales Taxes Included			0	Tax included Purchase	7.00000	2400	
OFSUPL	Office Supplies	6675	100	0	Purchase			
TRAVEL	Travel	6850	100	0	Purchase			

9 distribution(s) printed.