thyme

2018
Year-end Guide Version 7

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Introduction

We understand the overwhelming challenge of running a year-end, having to ensure that the whole year's accounts are prepared correctly and that your financial records are completed for auditing. We are pleased to issue you with your Year-end Guide. The guide highlights important steps in using your Sage Evolution software to ensure the successful completion of your financial Year End.

We have prepared this step-by-step Pastel Evolution Year-end Guide with easy-to-follow instructions and screen illustrations, in order to assist you in ensuring that your books are accurately balanced for a smooth rollover into the next financial year. This guide is produced exclusively for you, our Sage Evolution customers, because we want you to spend less time in support queues and more time managing your business efficiently.

Support operating hours

Monday – Friday   : 09h00 – 16h00

Please note that Thyme Technologies is closed on all public holidays.

Consultants

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Why run a Year-end?

Sage Evolution V7 has the capacity to accommodate for unlimited financial years of General Ledger information. However, a database cluttered with old and unused information becomes slow and a hassle to maintain.

Important steps to follow when starting a year-end/database clean-up

STEP 1: Stock Take

STEP 2: Backup your database

- Your company database
- Evolution Common database
- If you are running Sage Intelligence, backup SI data
-

STEP 3: Print Relevant reports (most common listed below)

- Trial balance
- Income statement
- Balance sheet
- Inventory valuation
- Tax report
- Outstanding Goods Received Vouchers
- Outstanding Goods issue Vouchers (Only if you are using 4 part invoicing)

Before Year-end

Before commencing with the Year-end procedure, you should establish which year you are currently in. In order to do so, go to **Maintenance**, select the option **Common**, and then **Company Details**. Now click on **Accounting Periods**.

Ensure you have a new Financial year available. Should you need a new year please Contact Thyme for assistance.
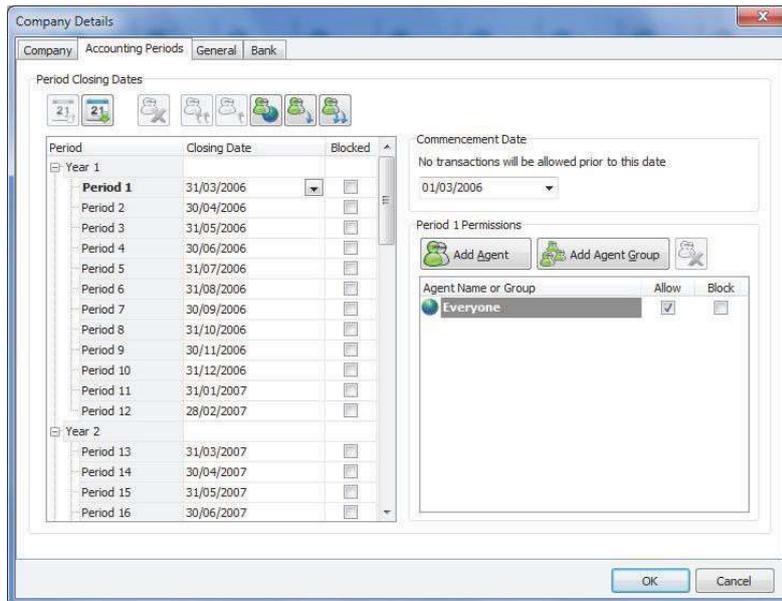
Ensure your current processing period is not in Year 1.

The only report that must be completed on the last day of your financial year is the Inventory Valuation Report (which you can access by going to Reports and selecting Inventory and then the Valuation option). This report is required by your accountant and/or auditor in order to calculate the value of your stock at that point in time.

For most accurate information, it is recommended that you run the Inventory Valuation Report on the last day of your financial year. It is, therefore, critical to ensure that all stock related transactions, such as Invoices, Credit Notes, Stock Take procedures, Adjustments etc. have been completed for the specified financial year BEFORE printing the Valuation Report.

DO Not select "Inventory valuation by Date"

Year-end Procedure

Step 1: Backing up Your Data

Data loss is an unforeseen but very real risk. Backups are therefore vital to retain the integrity of the data. Multiple back up sets will enable you to restore your data as recent or as old as you require. Please contact your System Administrator or Thyme for assistance. Thyme can provide an online Backup solution.

Note

Always make backups under the following circumstances:
1. Before doing a Year-end (this back up should be kept in a safe place, separate from normal backups).
2. Before making an adjustment.
3. Before running any of the relink options under the Maintenance menu.
4. To prevent loss of valuable data and time due to hard disk failure, fire or theft. Only restore backups if no other alternatives exist. Consider the following:
Relink options such as GL Relink and others could recalculate transactions and balances but not necessarily fix severe data corruption instances. This function should be performed by Thyme.

Note

When significant capturing and processing errors have been made, a backup can be restored to bring the company back to the same state before the incorrect capturing and processing.

The restoring process will discard any changes that have been made following the backup that you have elected to restore, i.e. the data will be exactly as it was at that stage of the backup. It is also advisable to practice restoring to a TEST company until you are satisfied with your knowledge of the procedure in order to avoid inadvertently overwriting the wrong set of data. This function should be performed by Thyme.

Restore Procedure

Please contact your system Administrator or Thyme for assistance.

Step 2: Stock Take

It is important to physically count your stock on hand at Year-end. This way you can ensure that if there are any variances between your physical stock and the theoretical stock on hand, you have adequate time to correct this so that an accurate stock value can be determined.

To complete an Inventory Count, go to Transactions, select Inventory and then the Inventory Count option. To start a new count, click on Add.

On the Add New Inventory Count screen, you can give your inventory count a description and a

reference which will allow you to identify which report belongs to which person, in the event that you have multiple people counting different groups of inventory items.

You are also able to select how you would prefer the items on the report to be grouped and sorted. You have an option to print the theoretical quantity on hand, as it is on the system. If you are not counting the inventory yourself, we suggest you do not include this quantity, eliminating the temptation for the individuals counting the items to enter a similar quantity.

Enter a description and reference for your report
Select how you would like to see the items grouped and sorted on the report.
You can select to include or exclude the theoretical quantity on hand as it is on the system

On the Inventory tab, you can select which Items, Groups, Packs, Bin Location and Warehouses you want to perform a count for.
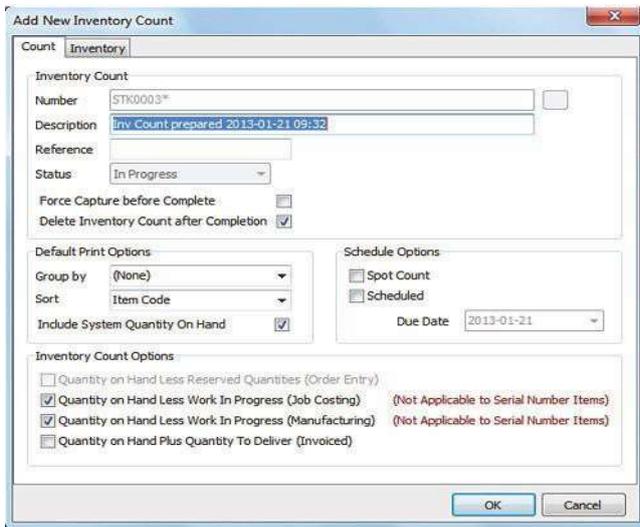

In order to shorten the task of your inventory count, you can select to Ignore Inactive inventory items, which will make sure only your active items are included in the count.

Select OK to create the inventory count.

To print the inventory count report, right click on the highlighted Inventory Count Record and select Inventory Count Report.

 If you have many inactive items, ignore these, shortening the counting task
You may customize your print out for certain Groups, Packs, and Bin Locations
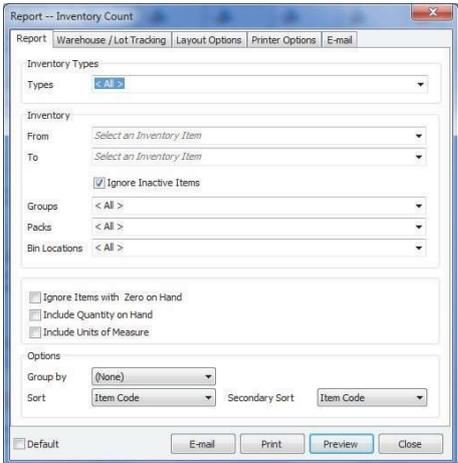
All the options you selected on the Add New Inventory Count screen will automatically be pulled through to the Inventory Count Report filter screen, e.g. Ignore Inactive Items.

Select Print to print out your Inventory Count report. You should now count the physical stock on hand for your inventory.

After completing a physical count of your stock items, you can use one of three ways to enter the counted quantities:

1. Input

On the Input Inventory Count screen, you are able to set the order in which items should be displayed and to Set, Add or Subtract from your item quantity.

❖ Choosing to set the quantity counted will alter the quantity on hand to the quantity entered.
❖ Choosing to Add, will increase your inventory on hand by the quantity entered.
❖ Selecting to Subtract, will decrease the quantity on hand by the quantity entered.

Select to Set, Add or Subtract the quantity on hand
Click on Apply for each item in order to save the changes entered

You must click the Apply button for each item in order to save the changes.

2. Edit Quantities

When using the Edit Quantities option, you will see a grid into which you can enter the counted quantity. This will then also reflect the system quantity as well as calculate and display the variance to be posted.
System Quantity
Enter the quantity counted.
The variance quantity will be the difference between the quantity counted and the system quantity

3. Import

Select the import file
Set import options.
Select the format of the file

The Import option will be used when you have captured your physical count into another system or by making use of a hand held the device. These options must create an ASCII file, which you can then import into Sage Evolution.

After entering the quantities by making use of one of the three above options, you can select the Complete button.
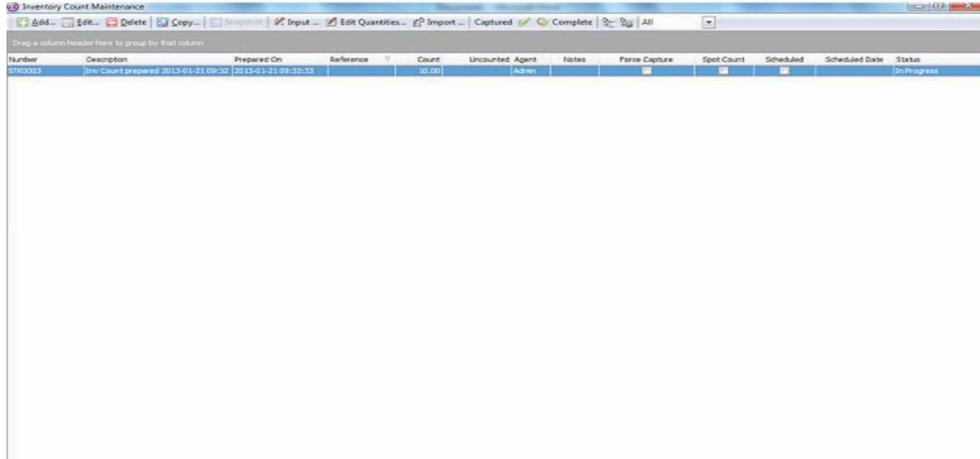
A variance report will show you what is going to be adjusted

Select the date you wish to post the adjustments on
Select to ignore uncounted items or adjust them to zero
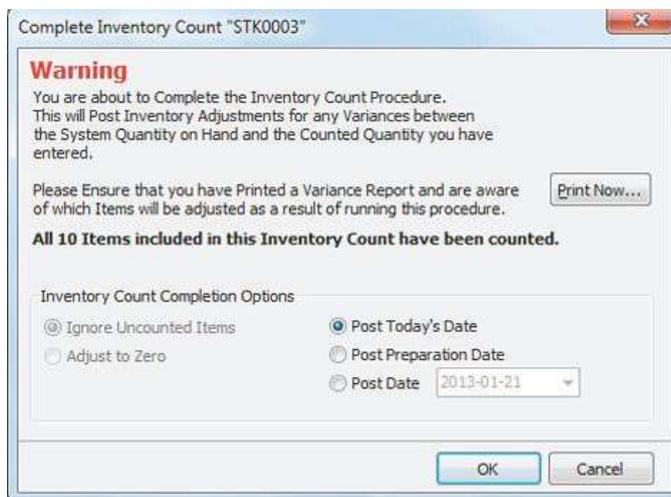
On the Complete Inventory Count screen, you will be able to:

    a. Ignore uncounted items or select to adjust them to zero. Should you select to adjust the items to zero, the system will then post adjustment transactions to change the quantities to zero, and also affect the relative stock accounts in the General Ledger. Choosing not to do this is recommended as some of these items may have been skipped in the stock count procedure.
    b. You can also select the date on which you want to post the inventory count transactions. This Inventory Count can be posted on any date. However, the physical quantity adjustment will be made against your current quantity on hand. If you printed your Inventory Valuation report prior to completing the inventory count, please ensure that you reprint the Inventory Valuation report

again afterward to compare to the stock General Ledger account.
c.   Print an Inventory Count Variance Report.

Once you click on OK, the system will automatically do a validation to make sure everything on the Inventory Count is in order and then process the count and update all item quantities.

Step 3: Print Relevant Reports

Ensure that all the following reports have been printed according to your auditor or company's requirements:

- ❖   Trial Balance
- ❖   Income Statement
- ❖   Balance Sheet
- ❖   Ledger Accounts (if required)
- ❖   Account Balances (if required)
- ❖   Project Profit & Loss (if required)
- ❖   Inventory Management (if required)
- ❖   Any additional reports that may be required by the business

In the event that the reports do not balance, do the following:

- ❖   Ensure you have reliable backups (See Backing Up your Data as detailed in Step 1 on page 5).
- ❖   This is essential to ensure that you are able to return to the same starting position prior to beginning any of the data interrogation listed below.
- ❖   Contact Thyme for Data Maintenance support
- ❖   Re-run the reports. Should they still be out of balance, run an Audit Trail report for the relevant time frame by selecting Reports, then the option General Ledger and choosing the option Audit Trail:
  - o   Ensure that the options Margin of Error (set to 0.01) and Periods are selected only.
  - o   If you find that a transaction is out of balance, contact the Sage Evolution Support Team or your dealer for assistance.

Date Formats

Should a date format problem exist, (your date appears as yy/mm/dd as opposed to dd/mm/yyyy) the following will assist:

Go to Start and choose Settings and then the option Control Panel.
- ❖   Double-click on Regional Settings.
- ❖   Click on the Date tab and change the short date to dd/mm/yyyy. c. Click on Apply and then on OK.

After the year-end

Sage Evolution retains transaction history for unlimited financial years. It is possible to post transactions in both the new financial year and previous financial years but always considers the following:

If the new current Year 4 has already been audited and the financial reports finalized and accepted, any transactions (Journals, Cashbook, Customer or Supplier documents) processed in Year 4 (and beyond) would always imply that all the financial reports for Year 4 need to be reprinted and re-accepted by the company's auditor.

Appendix

Data inconsistency

Inventory valuation discrepancies

Journals in Stock control account
GL Journals in the stock control account will obviously affect the GL value at that time but not the Stock valuation. To find journals that were processed to the stock account look for any transactions with a transaction type not commonly linked to stock processing.

Service items with costs associated with them.
If a Service item is processed it makes an assumption that the service item is at zero cost. If it has a cost it will post the cost amount to the Stock account. Because service items are ignored in Inventory valuations, the effect of the transactions will not be reflected in the inventory valuation.

If a user needs to process such items, it is advised that they link those items to other Stock groups that will post to a different Stock control account.

Negative stock
There are numerous examples of stock going into negative. To keep a useful costing to mark up on, the system posts with the cost at that time. If it differs from the GRV cost and the stock is zeroed the difference will stay in the GL and not be reflected in the valuation at all:

Theoretical example:

Action	Cost	Qty	GL Effect	GL Total	Valuation	
GRV 3 @ $10	10	3	30	30	30	
Invoice 5	10	5	-50	-20	-20	
GRV 2 @ $15	15	2	30	10	0	out by 10 rand

If the invoice was made at no cost for the negative items the profits would not be accurate. From here on the costing will never be accurate as it has to adjust for the $10 variance.

Selling items at Zero Costs
There are numerous examples of items being sold at zero cost. Not only does this affect the valuation but it also affects the profit figures generated by the system by inflating the profit to a hundred percent of the sale. This could happen if the stock is captured out of sync, meaning that a GRV is processed after the actual invoice but backdated to a date before the invoice was done or items added to a job before a cost was available. The effect on the GL is apparent and easy to spot if one item is sold and the quantity is zero

Theoretical example:

Action	Cost	Qty	GL Effect	GL Total	Valuation	
GRV 3 @ $10	10	3	30	30	30	
Invoice 3 @ zero	0	3	0	30	0	out by $30

Return to supplier catch 22 situation
When an item is returned at a different cost than the average cost it will throw out the valuation and the GL. This is because it will decrease the stock account with the returned cost and leave the difference in

the GL. For instance, 2 items are GRVed in at $10 and both are returned at $15 the valuation effect will be zero, but the effect in the GL would be a credit amount of ten rands.

Out of sync processing
If an item is actually sold before the GRV that is dated before the invoice is done the cost of the sale will not take into account the effect of the GRV on the cost of the sale. For instance, an item has a current cost of $10 and has 5 on hand. Two items are sold at the cost of R10. If a GRV is done dated before the sale at a cost of $20 an item bringing in another 5 items the cost should actually be $15 of the sale that is dated after the GRV. However, the cost is calculated taking the early sale into account and now is 16.25. This will obviously affect the accuracy of costing. The same will apply if an Invoice is back dated and the cost at the current time will be used to do the Cost of sale leg of the transaction.

Scenarios where valuation will go out of balance with GL
1.   When an RTS is done at a different cost and the resultant quantity on hand =
        0 Calculation:
        GRV in 30 items at $100. Valuation = $3000, GL = $3000
        RTS all 30 items at $150. Valuation = $0, GL = ($1500)
        Proposed solution: Post the $1500 to a variance account.

2.   When an RTS is done for a greater cost than the item was ever bought
        for. Calculation :
        GRV in 30 items at $100. Valuation = $3000, GL = $3000
        RTS 20 items at $500. Valuation = $0, GL = ($7000)
        Problem is that in this instance the cost would work out to a negative, so currently Evolution sets the average cost to 0. Problem is that no variance is posted to account for this negative. Proposed solution: Set item cost to last known average (eg. $100), post – $2000 to GL and the remaining –$5000 to variance account.

3.   Processing any transaction that recalculates average cost while in negative stock (ie. GRV/RTS/CRN). NB – normal invoicing while in negative stock will not cause an imbalance.
        Calculation :
        GRV in 10 items at $100. Valuation = $1000, GL = $1000

        GRV in 20 items at $200. Valuation = $5000, GL = $5000 New
        item cost is $167
        Sell 35 items at cost of $167. Valuation = -$835 (-5x$617), GL = -$835
        RTS 2 items at $200. Valuation = -$1400 (-7x$200 last GRV cost), GL = -$1235
        Problem is that as soon as any transaction is done that recalculates the average, and while the item is in negative stock, Evolution reverts to using the last GRV cost for the item but does not post a variance.
        Proposed solution: Set item cost to last known average (eg. $100), post – $2000 to GL and the remaining –$5000 to variance account.

Valuation Report not balancing with Inventory Control

Reasons for the Valuation Report not balancing with the Inventory Control account:
1.   Filters exist on the Valuation report that may exclude certain items, Groups, Packs, Warehouses etc. from the report and thus the whole value for all stock items might not be given correctly.
2.   Direct journal is done on the Inventory Control account
3.   Multiple Inventory Control accounts and not all of them are taken into account.
4.   Contact Thyme for Data Maintenance
5.   Service Items with Ave Unit Cost values were processed that is either still service items or were service item upon processing date.
6.   Inventory Defaults: Negative Quantities are allowed in the company. Even though currently all items have positive quantities if ever they were negative the difference could still remain.
7.   Inventory Defaults: Using latest unit Cost (instead of Average Unit Cost)
8.   Inventory Defaults: Using Periodic Integration (instead of Perpetual)

Print out a ledger account transaction for the stock control account and compare it to the inventory transaction report for the relevant period. You will be able to trace the missing balances this way.

Accounts Receivable/Payable Inconsistencies

Differences between Customer Age Analysis Report and Receivables Control General Ledger Balance

When there is a balance difference between the Receivables Control General Ledger Account, the Age Analysis and the Customer Statement, you will need to check if there are General Ledger Journals posted directly to the Receivables Control Account in the General Ledger.

These journals will update the balance of the General Ledger account, but will not reflect on the Age Analysis, due to the fact that a customer was not selected on the transaction.

If, after investigation, this is not the problem,. Contact Thyme for Data Maintenance.

Note

Please ensure that you have a valid backup of your company before running ANY utilities.

It is also important to check on your Ageing Setup. Should you be using Date of Invoice to age your statements then this could cause the imbalance. Date of Statement, however, will ensure that the aging is in the correct period and would therefore balance.

If the problem still persists, a comparison will have to be done on the reports to see which transactions had an effect on the General Ledger, but not the Accounts Receivable or vice versa.

To do this you will first need to find the month where the problem started by doing the following:

- Print out a Ledger Account Transactions report
- Select the Receivables Control Account (or your relevant account name/number) as your From and To Ledger Account
- Specify a previous date range to give you the General Ledger value (i.e. If the comparison is out in January to run the report for November)
- Then run the Accounts Receivable Transaction listing for the same date range to give you the Age Analysis balance.

If the balance of the report continue the exercise until you find the first month that the balances went out. In that period you would then:
- Print out a Detailed Accounts Receivable Transactions report (Reports | Accounts Receivable | Transactions) for that month
- Compare it to Ledger Account Transactions Report showing transactions (Reports | General Ledger | Ledger Account Transactions)
- All transactions that appear on the one report should show on the other.

Once you've found the problem, do a corrective entry to either update the balance of the Receivables Control General Ledger Account or the Accounts Receivable Account. i.e. If the problem turns out to be a journal which was posted directly to the General Ledger Account you could reverse it with another General Ledger journal and post the correct transaction with a debtor linked.

As always Thyme is available to assist with Upgrading, Training, Redesigning, Report writing, to make your business more efficient.