

SedonaOffice

The #1 Financial Software for Security Companies

General Ledger Audit Guide

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SedonaOffice General Ledger Audit Guide

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Overview

The purpose of this guide is to provide CFO's, Controllers, Accounting Staff and CPA's an overview of the best means to audit the financial general ledger data within SedonaOffice. Auditing financial data is essential to ensure the general ledger data is accurate and correct.

Creating proper procedures and policies for your accounting operations is essential to performing audits. You should consult with your CPA and/or financial advisors to establish the necessary requirements for your business.

This guide reviews many of the accounts to be audited but is not inclusive of every account you may need to audit.

What is an Accounting Application

An accounting application such as SedonaOffice is a means for you to "Keep Score of your Business". A more formal definition would be... "An accounting application is the art of recording, classifying, and summarizing, in terms of money, transactions and events which are of a financial character."

As an accounting application, SedonaOffice provides the modules and functions to allow you record, classify and summarize all the financial transactions that occur within your business.

Auditing the Financial Data

The purpose of an Audit is to ascertain the validity and reliability of information, and to provide an assessment of a system's internal control. More specifically a financial audit is the review of the financial statements of a company resulting in the publication of an independent opinion on whether or not those financial statements are relevant, accurate, complete, and fairly presented.

This guide is not intended to provide the understanding or the process on performing an audit. Either your CPA or outside Auditor should provide you with the requirements necessary to Audit your financial data.

External Audits

Your company may be required to have an outside auditor provide an accounting audit of your financial statements and/or process controls. You may share this guide with your auditor as it will help them better understand how to perform certain accounting audits within SedonaOffice.

While this guide discusses many auditing concepts, it is by no means a complete auditing procedure for any business.

If your CPA or Financial Advisors have any questions on this guide or would like to know more about SedonaOffice, please have them contact us directly at (440) 247-5602 or info@sedonaoffice.com.

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SedonaOffice Accounting Knowledge

This guide assumes the user and/or the auditor has knowledge of accounting principles and understands the SedonaOffice Accounting setup and rules.

Accounting Periods

SedonaOffice uses Accounting Periods to store financial transactions. Most companies setup their Accounting Periods as a true month. When a transaction is created in SedonaOffice, the transaction date will determine what period the transaction belongs to.

Accounting Periods			
Period	Start Date	End Date	Status
1	1/1/2008	1/31/2008	Closed
2	2/1/2008	2/29/2008	Closed
3	3/1/2008	3/31/2008	Closed
4	4/1/2008	4/30/2008	Closed
5	5/1/2008	5/31/2008	Closed
6	6/1/2008	6/30/2008	Closed
7	7/1/2008	7/31/2008	Closed
8	8/1/2008	8/31/2008	Closed
9	9/1/2008	9/30/2008	Closed
10	10/1/2008	10/31/2008	Closed
11	11/1/2008	11/30/2008	Closed
12	12/1/2008	12/31/2008	Re-Open
* 1	1/1/2009	1/31/2009	Open
* 2	2/1/2009	2/28/2009	Future
* 3	3/1/2009	3/31/2009	Future
* 4	4/1/2009	4/30/2009	Future

* - Denotes Next Fiscal Year

Save Close

Accounting Period Status Codes

An Accounting Period can be any of the following statuses.

- Future: This represents a period that has never been opened. No financial transactions can be posted within a period of this status.
- Open: This represents a period that is currently open. Users with permission to create financial transactions can post to this period.
- Re-Open: This represents a period that is open only to users with special privilege to post transactions to this period. For all other users this period is closed.
- Closed: This represents a period that is closed. No financial transactions can be posted within a period of this status.

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Customer Receivable's

In order to audit the accounts receivable in SedonaOffice we first must review everything that affects what a Customer owes, and how the transactions are processed in SedonaOffice.

Accounts Receivable Account

When you create an Invoice for a Customer, the amount the Customer owes you is tracked in an Accounts Receivable GL Account. Only Invoices created for a Customer should be used to post to the Accounts Receivable GL Account.

When an Invoice is created the Accounts Receivable GL Account is debited for the total amount of the invoice due (sales amount plus the sales taxes due).

Unapplied Credit Account

When a Credit is created for a Customer, the amount of the Credit is tracked in an Unapplied Credit GL Account. The amount does not lower the Accounts Receivable GL Account; it is tracked in its own account called Unapplied Credit.

When a Credit is created the Unapplied Credit GL Account is credited for the total amount of the Credit.

Unapplied Cash Account

When a Customer overpays, or when money is received by a Customer but there are no Invoices to apply the payment to, the money is placed in an Unapplied Cash GL Account. The amount does not lower the Accounts Receivable GL Account; it is tracked in its own account called Unapplied Cash.

When an Unapplied Cash transaction is created the Unapplied Cash GL Account is credited for the total amount of the payment.

Advanced Deposit Account

When a Customer makes a payment specifically for an Advance Deposit on a Job, the money is placed in an Advanced Deposit GL Account. The amount does not lower the Accounts Receivable GL Account; it is tracked in its own account called Advanced Deposit.

When an Advanced Deposit transaction is created the Advanced Deposit GL Account is credited for the total amount of the payment.

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Payments Applied to Invoices

When a payment is received from a Customer and applied to an Invoice, the amount applied Credits the Accounts Receivable GL Account.

Pre-Paid Invoices

A pre-paid invoice transaction occurs when you receive a payment from a Customer in an Accounting Period prior to the period when the Invoice was created. This occurs when companies create and mail invoices to Customer in advance of the period in which they were created.

When a pre-paid invoice transaction occurs the application will Credit the Pre-Paid AR GL Account based on the transaction date the payment is received, then it will reverse this transaction and Credit the Accounts Receivable GL Account based on the transaction date of the Invoice.

Credit-Off Invoice

If you use the Credit-Off Invoice feature which directly credits off the amount due on an invoice, this feature will Credit the Accounts Receivable GL Account.

Note: Never post a manual journal entry to any of these accounts or it will make the auditing process extremely difficult.

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AR Audit Summary Report

The AR Audit Summary Report will audit the Accounts Receivable transactions for any accounting period. This report will let you know if the AR is in balance for the given period. Let's take a look at a sample report.

January 4, 2009	Audit Summary	Page# 1
2:06 PM	January 2009	
<i>Accounts Receivable Audit Summary</i>		
Beginning AR Balance	105,999.22	General Ledger AR Beginning Balance
+ New Invoices	138,544.25	Total Invoices Created
- Payments Applied to AR	92,902.00	Total Payments applied to Accounts Receivable
- Unapplied Cash to AR	128.00	Total Unapplied Cash applied to Accounts Receivable
- Advanced Deposit to AR	1,000.00	Total Advanced Deposits applied to Accounts Receivable
- Unapplied Credits to AR	18,900.82	Total Unapplied Credits applied to Accounts Receivable
- Pre-payments to AR	1,163.94	Total Pre-Payments applied to Accounts Receivable
- Credit Off AR	1.46	Total Auto Credits applied to Accounts Receivable
= Ending Balance	130,447.25	Ending AR Balance per Reconciliation
Book Balance (GL)	130,447.25	General Ledger AR Ending Balance
Variance	0.00	Variance between Reconciliation and GL Balance

This report starts with the Accounts Receivable GL Account register balance as of the beginning of the accounting period. Then it summarizes all the transaction types that can affect the Accounts Receivable balance.

- New Invoices – This includes all new Invoices created in the accounting period.
- Payments Applied – This includes all payments applied to Invoices in the accounting period.
- Unapplied Cash – This includes all Unapplied Cash transactions applied to Invoices in the accounting period.
- Advanced Deposits – This includes all the Advanced Deposits transactions applied to Invoices in the accounting period.
- Unapplied Credits – This includes all the Unapplied Credits transactions applied to Invoices in the accounting period.
- Pre-Payments – This includes all the Pre-Paid invoices from previous accounting periods applied to Invoices in the accounting period.
- Credit Off AR – This includes all the Credit Off Invoice transactions applied to Invoices in the accounting period.

The Ending Balance is then calculated based on the transactions above from the beginning balance. This is then compared to the ending Accounts Receivable GL Account balance. The variance should be zero.

Note: If a variance exists on this report then most likely it was caused by a Journal Entry being applied to either the Accounts Receivable GL Account or one of the other accounts listed above. If you are unable to determine the cause for the variance you should contact the SedonaOffice support department.

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Accounts Receivable

When auditing the Accounts Receivable, most companies want the ability to look back to the end of an Accounting Period and prove the Accounts Receivable GL Account is equal to the open invoices at that time.

AR Audit Summary

Start with the AR Audit Summary for the period in which you want to audit. Run this report for the select Accounting Period. If there is a variance on this report, take care of that before proceeding to the next step. This report will provide you the ending GL Account balance for the Accounts Receivable for the period.

General Ledger Trial Balance

Next run the General Ledger Trial Balance report for the period you want to audit. In this example you can see both the beginning and ending balance for the Accounts Receivable GL Account. Notice these numbers should be in balance with the beginning and ending balances on the AR Audit Summary report.

January 4, 2009 2:17 PM		Working Trial Balance as of 1/31/2009			
<u>Account</u>	<u>Description</u>	<u>Beginning Balance as of 01/01/2009</u>	<u>Debit</u>	<u>Credit</u>	<u>Ending Balance as of 01/31/2009</u>
10000	Petty Cash	22,337.24	0.00	0.00	22,337.24
10010	Primary Checking Account	2,059,220.74	0.00	776.77	2,058,443.97
10020	Payroll Checking Account	80,000.00	0.00	0.00	80,000.00
10050	Undeposited Funds	6,466.46	98,220.00	0.00	104,686.46
11000	Accounts Receivable	105,999.22	138,544.25	114,096.22	130,447.25
12000	Inventory	29,020.74	0.00	0.00	29,020.74
12005	Purchase Price Variance	(90.06)	0.00	0.00	(90.06)

Balance Sheet

The Balance Sheet will also display the ending balance for the period.

January 4, 2009 2:30 PM		Balance Sheet As Of 1/31/2009		Page# 1
Assets				
Current Assets				
Bank Assets				
10000	Petty Cash		22,337.24	
10010	Primary Checking Account		2,058,443.97	
10020	Payroll Checking Account		80,000.00	
Total Bank Assets			2,160,781.21	
Accounts Receivable				
11000	Accounts Receivable		130,447.25	
Total Accounts Receivable			130,447.25	
Other Current Assets				
10050	Undeposited Funds		104,686.46	
12000	Inventory		29,020.74	

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AR Retroactive Aging Report

The AR Retroactive Aging Report is used to recreate the AR Aging at the end of an Accounting Period. Since this report actually has to recreate the Aging as it was at a particular point in time, this report can take some time to compile; this is based on numerous factors such as number of customers, number of transactions (invoices, payments, credits) and the speed and configuration of your SQL Server. When this report is run, the data is saved so it can be retrieved for future use, so the time to calculate the data is much less. If you re-open the accounting period and make any changes you will have to recompile the data for that Accounting Period.

Report Options

Select the “Retro-age a new period” option to create the data for a new Accounting Period. If the period has already be selected prior and you want to re-run the report then select the option “Select a period already retro-aged”

Under the Options section:

- Do not select any of the options if you want to run the report as the standard Aging report format.
- Show Cycle Invoices Only – Select this option to only select Cycle invoices, all other invoices will be omitted.
- Invoice Detail Report – Select this option if you want a detailed report of all the open invoices.
- Age Credits – Select this option and the report format will change to age the open Credits into the buckets along with the open Invoices. (This format is more difficult to use as an auditing tool.)

The screenshot shows the 'AR Retroactive Aging' dialog box. The 'Customer Branch' section has a list box with 'All' selected. The 'Accounting Period' section has the 'Retro-age a new period' radio button selected, and the 'Periods available to age' dropdown is set to '1 1/1/2009 - 1/31/2009'. The 'Options' section has all three checkboxes ('Show Cycle Invoices only', 'Invoice Detail Report', and 'Age Credits') unchecked. The 'Sort By' dropdown is set to 'Customer Name'. The 'Ok' and 'Cancel' buttons are at the bottom right.

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Standard Retroactive Aging Report

The Total column is the total of all the open invoices. This column will equal the total amount of the open Accounts Receivable. This amount should be in balance with the numbers above.

January 4, 2009 1:53 PM		AR Retroactive Aging All Branches as of 1/31/2009 All Statuses								Page # 1			
Customer Number	Customer Name	Future	Current	1-30 days	31-60 days	61-90 days	91-120 days	over 120	Total	Unapplied Credits	Unapplied Cash	Advance Deposit	Net Due
5550000	ABC Master	0.00	0.00	0.00	0.00	0.00	0.00	885.88	885.88	0.00	0.00	0.00	885.88
5550000-3	ABC Master	5.30	0.00	0.00	21.20	0.00	0.00	0.00	21.20	0.00	0.00	0.00	21.20
10042	ACME Bank	106.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10050	ACME Stores	0.00	0.00	26,500.00	0.00	0.00	0.00	0.00	26,500.00	0.00	0.00	0.00	26,500.00
10006	Baker, Scott	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,364.50	290.00	0.00	(1,654.50)
10034	Fake	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00	(100.00)
10032	Faybrick, Don	90.10	0.00	0.00	270.30	0.00	0.00	1,450.70	1,721.00	0.00	0.00	0.00	1,721.00
10007	Fred and	516.58	0.00	26,170.64	53.00	0.00	0.00	10,758.36	36,982.00	10,321.29	5,000.00	0.00	21,660.71
10031	Fred Jones	0.00	0.00	0.00	0.00	0.00	0.00	1,805.36	1,805.36	0.00	0.00	0.00	1,805.36
10033	Johnson,	81.89	0.00	0.00	180.15	0.00	0.00	80.15	260.30	318.00	1,306.00	0.00	(1,363.70)
10002	Joseph	93.23	0.00	0.00	247.93	0.00	0.00	1,032.02	1,279.95	0.00	0.00	0.00	1,279.95
10003	Lisa Loeb	0.00	0.00	0.00	508.80	0.00	0.00	41,066.90	41,575.70	0.00	0.00	0.00	41,575.70
99900	Master	0.00	0.00	0.00	110.00	0.00	0.00	525.84	635.84	0.00	0.00	0.00	635.84
10045	Moon Test	26.50	0.00	0.00	79.50	0.00	0.00	185.50	265.00	0.00	0.00	0.00	265.00
10049	New Moved	0.00	0.00	0.00	50.00	0.00	0.00	14,310.00	14,360.00	0.00	0.00	0.00	14,360.00
10047	Paul Victor	0.00	0.00	0.00	148.24	0.00	0.00	1,873.60	2,021.84	0.00	0.00	0.00	2,021.84
10030	Test	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.60	0.00	0.00	(10.60)
10005	USA Tile	338.50	0.00	1,477.38	0.00	0.00	0.00	0.00	1,477.38	237.18	0.00	1,000.00	240.20
10008	xxxxxxxxxx	103.00	0.00	0.00	404.40	0.00	0.00	251.40	655.80	0.00	22.00	0.00	633.80
		<u>1,361.10</u>	<u>0.00</u>	<u>54,148.02</u>	<u>2,073.52</u>	<u>0.00</u>	<u>0.00</u>	<u>74,225.71</u>	<u>130,447.25</u>	<u>12,251.57</u>	<u>6,718.00</u>	<u>1,000.00</u>	<u>110,477.68</u>

Retroactive Invoice Detail Option

With the Invoice Detail option, the report will display all the open invoices and the amount owed at that time. When this option is run, open credits, cash and advanced deposits are not included on the report.

AR Retroactive Aging Details										Sandbox Security	
January, 2009											
All Statuses											
Customer #	Customer	Invoice #	Description	Date	Inv Amount	Current	1-30 days	31-60	61-90	91-120	over 120
					885.88	0.00	0.00	0.00	0.00	0.00	885.88
5550000-3	ABC Master Account	1313	Alarm Monitoring	1/4/09	21.20	0.00	0.00	21.20	0.00	0.00	0.00
		1334	Alarm Monitoring	2/2/09	5.30	0.00	0.00	0.00	0.00	0.00	0.00
					<u>26.50</u>	<u>5.30</u>	<u>0.00</u>	<u>21.20</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
99900	Master Account	1090	Alarm Monitoring	12/6/07	21.20	0.00	0.00	0.00	0.00	0.00	21.20
		1091	Alarm Monitoring	12/6/07	10.60	0.00	0.00	0.00	0.00	0.00	10.60
		1092	Alarm Monitoring	12/6/07	31.80	0.00	0.00	0.00	0.00	0.00	31.80
		1120	Service Call	1/11/08	5.00	0.00	0.00	0.00	0.00	0.00	5.00
		1155	Alarm Monitoring	4/14/08	208.67	0.00	0.00	0.00	0.00	0.00	208.67
		1185	Alarm Monitoring	5/12/08	13.00	0.00	0.00	0.00	0.00	0.00	13.00
		1187	Alarm Monitoring	5/12/08	65.08	0.00	0.00	0.00	0.00	0.00	65.08
		1257	Installation Services	8/19/08	170.49	0.00	0.00	0.00	0.00	0.00	170.49
		1297	Alarm Monitoring	12/23/08	10.00	0.00	0.00	10.00	0.00	0.00	0.00
		1304	Conv Bal Fwd	12/23/08	100.00	0.00	0.00	100.00	0.00	0.00	0.00
					<u>635.84</u>	<u>0.00</u>	<u>0.00</u>	<u>110.00</u>	<u>0.00</u>	<u>0.00</u>	<u>525.84</u>
						1,361.10					
						54,148.02					
						2,073.52					
						0.00					
						0.00					
						74,225.71					
						<u>Total Open Amount</u>					<u>130,447.25</u>

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Retroactive Age Credit Option

With this option, the open Invoices and Credits (credits, cash and advanced deposits) are aged in the aging buckets combined.

January 4, 2009 3:01 PM		AR Retroactive Aging							Page # 1
		All Branches as of 1/31/2009 All Statuses Age Credits							
Customer Number	Customer Name	Future	Current	1-30 days	31-60 days	61-90 days	91-120 days	over 120	Total
5550000	ABC Master Account	0.00	0.00	0.00	0.00	0.00	0.00	885.88	885.88
5550000-3	ABC Master Account	5.30	0.00	0.00	21.20	0.00	0.00	0.00	21.20
10042	ACME Bank	106.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10050	ACME Stores	0.00	0.00	26,500.00	0.00	0.00	0.00	0.00	26,500.00
10006	Baker, Scott	0.00	0.00	0.00	0.00	0.00	0.00	(1,654.50)	(1,654.50)
10034	Fake	0.00	0.00	0.00	0.00	0.00	0.00	(100.00)	(100.00)
10032	Faybrick, Don	90.10	0.00	0.00	270.30	0.00	0.00	1,450.70	1,721.00
10007	Fred and Wilma Flintstone	516.58	0.00	19,070.64	53.00	0.00	0.00	2,537.07	21,660.71
10031	Fred Jones	0.00	0.00	0.00	0.00	0.00	0.00	1,805.36	1,805.36
10033	Johnson, Fred	81.89	0.00	0.00	180.15	0.00	0.00	(1,543.85)	(1,363.70)
10002	Joseph Jackson	93.23	0.00	0.00	247.93	0.00	0.00	1,032.02	1,279.95
10003	Lisa Loeb	0.00	0.00	0.00	308.80	0.00	0.00	41,066.90	41,575.70
99900	Master Account	0.00	0.00	0.00	110.00	0.00	0.00	525.84	635.84
10045	Moon Test	26.50	0.00	0.00	79.50	0.00	0.00	185.50	265.00
10049	New Moved Customer	0.00	0.00	0.00	50.00	0.00	0.00	14,310.00	14,360.00
10047	Paul Victor	0.00	0.00	0.00	148.24	0.00	0.00	1,873.60	2,021.84
10030	Test Customer	0.00	0.00	0.00	0.00	0.00	0.00	(10.60)	(10.60)
10005	USA Tile Company	338.50	0.00	1,477.38	0.00	0.00	(1,000.00)	(237.18)	240.20
10008	xxxxxxxxxx	103.00	0.00	0.00	404.40	0.00	0.00	229.40	633.80
		1,361.10	0.00	47,048.02	2,073.52	0.00	(1,000.00)	62,356.14	110,477.68

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Deferred Revenue

SedonaOffice has a very comprehensive yet simple to use Deferred Revenue tracking module. For more information on how Deferred Revenue is tracked and processed in SedonaOffice be sure to review the SedonaOffice documentation or contact SedonaOffice support.

Auditing Deferred Revenue

The basic concept of auditing the Deferred Revenue is as follows:

- **Beginning Balance:** This would be the balance of the Deferred Revenue GL Account at the beginning of the Accounting Period
- **New Deferred Revenue Transactions:** Add the new Deferred Revenue transactions added during the Accounting Period (Through Invoices and Credits)
- **Posted Deferred Revenue to Income:** Less the posted Deferred Revenue to Income in the Accounting Period (Through the Deferred Income process)
- **Ending Balance:** This would be the ending Deferred Revenue GL Account at the end of the Accounting Period.

The Deferred Revenue Summary Audit Report

This report will provide the data in a summary report as outlined above. This report will break down the Deferred Revenue based on the posting GL Account the revenue will be posted to.

Deferred Revenue Summary Audit				Sandbox Security		
January 2009 Cleveland, Michigan						
Branch	Account	Beginning Balance	New Deferred Revenue	Posted Deferred Revenue	Ending Balance	
Cleveland	40030	204.19	1,609.00	1,638.17	175.02	
	42150	0.00	0.00	0.00	0.00	
	42160	96.64	105.00	136.67	64.97	
	43110	2,100.00	474.80	433.05	2,141.75	
			2,400.83	2,188.80	2,207.89	2,381.74
Michigan	40030	7,800.00	1,157.80	2,142.13	6,815.67	
	42150	0.00	66.00	66.00	0.00	
	42160	629.40	450.00	554.90	524.50	
	43110	72.00	1,762.79	1,337.16	497.63	
			8,501.40	3,436.59	4,100.19	7,837.80
		10,902.23	5,625.39	6,308.08	10,219.54	

Determining the Beginning Balance

There are a few means to determine the beginning Deferred Revenue balance.

Run the Trial Balance from the previous Accounting Period. For example if we want to balance January 2009, then the December 2008 Trial Balance (or Balance Sheet) can provide the beginning Deferred Revenue balance.

January 4, 2009 9:36 PM		Working Trial Balance as of 1/31/2009			
<u>Account</u>	<u>Description</u>	<u>Beginning Balance as of 01/01/2009</u>	<u>Debit</u>	<u>Credit</u>	<u>Ending Balance as of 01/31/2009</u>
25000	Deferred Revenues - Mon	(10,902.23)	6,308.08	5,625.39	(10,219.54)

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New Deferred Revenue Transactions

The New Deferred Income report will detail all the transactions that posted to deferred revenues in the Accounting Period.

New Deferred Income			Sandbox Security	
All Active Branches January 2009				
Date	Ref #	Customer	New Deferred Income	
1/4/2009	1314	10002 - Joseph Jackson	233.90	
1/4/2009	1315	10003 - Lisa Loeb	300.00	
1/4/2009	1316	10003 - Lisa Loeb	180.00	
1/4/2009	1317	10005 - USA Tile Company	675.00	
1/4/2009	1318	10005 - USA Tile Company	198.00	
1/4/2009	1319	10005 - USA Tile Company	156.00	
1/4/2009	1320	10005 - USA Tile Company	309.00	
1/4/2009	1306	10006 - Baker, Scott	175.00	
1/4/2009	1307	10007 - Flintsone, Fred	1,104.00	
1/4/2009	1321	10008 - xxxxxxxxxxxxxx	390.00	
1/4/2009	1322	10009 - Bush, George	894.69	
1/4/2009	1342	10009 - Bush, George	100.00	
1/4/2009	1308	10032 - Faybrick, Don	255.00	
1/4/2009	1309	10033 - Johnson, Fred	169.95	
1/4/2009	1310	10042 - ACME Bank	300.00	
1/4/2009	1311	10045 - Moon Test	75.00	
1/4/2009	1312	10047 - Victor, Paul	89.85	
1/4/2009	1313	5550000-3 - Bill Smith	20.00	
			5,625.39	
			5,625.39	

Posted Deferred Revenue Transactions

The Deferred Income Report will allow you to run a report of all the Deferred Income posted within an Accounting Period.

Deferred Income Recognition			Sandbox Security		
All Branches January 2009 (posted)					
Date	Ref #	Customer	Description	Account	Amount
1/4/2009	1321	10008 - xxxxxxxxxxxxxx	Alarm Monitoring Services	40030	60.00
1/4/2009	1322	10009 - Bush, George	Alarm Monitoring Services	43110	171.26
1/4/2009	1322	10009 - Bush, George	Alarm Monitoring Services	40030	481.13
1/4/2009	1342	10009 - Bush, George	Alarm Monitoring Services	40030	100.00
					6,308.08
					6,308.08

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Accounts Payable

Auditing of the Accounts Payable (what you owe your Vendors) is very easy. We'll start with the beginning balance, and then review all the transactions that flow through AP to determine the ending balance.

The formula to audit the Accounts Payable is:

- Beginning Balance
- Add: New Bills
- Less: Credits
- Less: Payments made to AP
- Less: Discounts Taken
- Add: Previous Period Voids
- Equals: Ending Balance

Obtain the AP Beginning Balance

Use the Trial Balance to obtain the Accounts Payable beginning balance.

New Bills

Run the AP Vendor Open Items report. This report will detail all the Bills created in the Accounting Period

Select the following options:

- Options: All Bills/Credits – This will select all transactions
- Report Type: Bills – This will select Bills only (no Credits)
- Data Range: Select the Accounting Period to Audit

The screenshot shows the 'Vendor Open Items' configuration window. It is divided into several sections:

- Selections:**
 - Branch:** A list box containing 'All', 'Michigan', 'Cleveland', and 'Columbus'. 'All' is selected.
 - Vendor:** A list box containing 'All', 'ADI', 'Bill the Tech', 'Bosch', 'Mastercard 1234', 'MI Sales Tax', and 'Perennial Software'. 'All' is selected.
 - Checkboxes: 'Hide Inactive Branches', 'Show Each Branch', 'Hide Inactive Vendor', and 'Show Each Vendor'.
- Options:**
 - Bill/Credit Status:** A dropdown menu set to 'All Bills/Credits'.
 - Text: 'Show Bills/Credits with a Balance of at least' followed by an empty input field.
- Report Type:**
 - Radio buttons: 'Bills' (selected), 'Credits', and 'Both'.
- Report Detail:**
 - Radio buttons: 'Details' and 'Totals Only' (selected).
- Accounting Period:**
 - Radio buttons: 'Accounting Period' (selected) and 'Dates'.
 - From:** A date picker set to '1 1/1/2009 - 1/31/2009'.
 - Thru:** A date picker set to '1 1/1/2009 - 1/31/2009'.
- Other:**
 - Checkbox: 'Select All Bills'.
 - Checkbox: 'Select all Bills/Credits Due on or before' with a date picker set to '1/13/2009'.

At the bottom are 'OK' and 'Cancel' buttons. Red arrows in the image point to the 'All Bills/Credits' dropdown, the 'Bills' radio button, and the 'Accounting Period' radio button.

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The total of the "Amount" column will equal all the new Bills created in the Accounting Period.

January 13, 2009 8:54 AM		Vendor Open Items						Page# 1	
		All Branches All Vendors Created 1/1/2009 - 1/31/2009							
<u>Vendor</u>	<u>Invoice Date</u>	<u>Reference #</u>	<u>PO Number</u>	<u>Category</u>	<u>Terms</u>	<u>Due Date</u>	<u>Amount</u>	<u>Balance</u>	
ADI	1/11/2009	423213412	1076	Installation/Sales	Net 30 / 2%	2/10/2009	150.00	150.00	
	1/13/2009	423423432342	1089	Installation/Sales	Net 30 / 2%	2/12/2009	50.00	50.00	
ADI							200.00	200.00	
Bosch	1/6/2009	56546546		Installation/Sales	Net 30 / 2%	2/5/2009	150.00	3.00	
	1/12/2009		1121	Installation/Sales	Net 30 / 2%	2/11/2009	130.00	0.00	
	1/12/2009	234234233			Net 30 / 2%	2/11/2009	60.00	60.00	
	1/13/2009			Installation/Sales	Net 30 / 2%	2/12/2009	750.00	750.00	
	1/13/2009				Net 30 / 2%	2/12/2009	500.00	0.00	
	1/13/2009	432423423			Net 30 / 2%	2/12/2009	1,000.00	1,000.00	
	1/21/2009			Installation/Sales	Net 30 / 2%	2/20/2009	500.00	500.00	
Bosch							3,090.00	2,313.00	
Perennial Software	1/11/2009	4321421	1090	Administration	Due On	1/11/2009	1,000.00	1,000.00	
	1/11/2009	523523	1041	Administration	Due On	1/11/2009	100.00	100.00	
	1/13/2009	234234243		Administration	Due On	1/13/2009	750.00	0.00	
	1/13/2009	32423423			Due On	1/13/2009	1,000.00	1,000.00	
Perennial Software							2,850.00	2,100.00	
Grand Total:							6,140.00	4,613.00	

Credits

Run the AP Vendor Open Items report. This report will detail all the Credits created in the Accounting Period

Select the following options:

- Options: All Bills/Credits – This will select all transactions
- Report Type: Credits – This will select Credits only (no Bills)
- Data Range: Select the Accounting Period to Audit

The screenshot shows the 'Vendor Open Items' configuration window. In the 'Options' section, the 'Bill/Credit Status' dropdown is set to 'All Bills/Credits'. In the 'Report Type' section, the 'Credits' radio button is selected. In the 'Report Detail' section, the 'Totals Only' radio button is selected. In the 'Selections' section, the 'Accounting Period' radio button is selected, and the date range is set to '1/1/2009 - 1/31/2009'. Red arrows highlight these specific settings.

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The total of the "Amount" column will equal all the new Credits created in the Accounting Period.

January 13, 2009 8:57 AM		Vendor Open Items						Page# 1	
		All Branches All Vendors Created 1/1/2009 - 1/31/2009							
Vendor	Invoice Date	Reference #	PO Number	Category	Terms	Due Date	Amount	Balance	
Bosch	1/12/2009	111		Installation/Sales			(50.00)	0.00	
	1/13/2009	46486		Installation/Sales			(125.00)	0.00	
Bosch							(175.00)	0.00	
Grand Total:							(175.00)	0.00	

Payments Made to AP

Next you will need to determine the payments made to AP.

Using the Account Register

Use the Account Register to view all the Accounts Payable transactions of a Register Type Bill Payment.

Reg No.	Date	Type	Reference	Name	Branch	Amount	Balance
	1/1/2009			** Beginning Balance **			10,291.40
1278	1/13/2009	BILLPYMT	498468484	Perennial Software	Michigan	2,000.00	12,291.40
1278	1/13/2009	BILLPYMT	498468484	Perennial Software	Michigan	750.00	13,041.40
1284	1/13/2009	BILLPYMT		Bosch	Cleveland	102.00	13,143.40
1284	1/13/2009	BILLPYMT		Bosch	Cleveland	485.00	13,628.40

Press the Print Preview button to printout the report.

January 13, 2009 12:41 PM		Account Register						Page # 1		
		From 1/1/2009 thru 1/31/2009								
Account Number	20000					Branch	All Branches			
Description	Accounts Payable					Category	All Categories			
						Register Type	BILLPYMT			
Reg No.	Date	Type	Reference	ST	Name	Offset	Branch	Category	Amount	Balance
	1/1/2009				** Beginning Balance **				-9,723.00	-9,723.00
1303	1/13/2009	BILLPYMT983			Perennial Software	10010	Michigan		2,000.00	-7,723.00
1303	1/13/2009	BILLPYMT983			Perennial Software	10010	Michigan		750.00	-6,973.00
1301	1/13/2009	BILLPYMT848			Bosch	10010	Cleveland		102.00	-6,871.00
1301	1/13/2009	BILLPYMT848			Bosch	10010	Cleveland		485.00	-6,386.00

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Using the GL Query Builder

Create a GL Query to return the data, and then export the data to Excel for reporting.

The screenshot shows the GL Query Builder interface. On the left is a tree view of fields categorized by Register, Account, Period, Reference, and Branch. The main area contains a table for defining the query criteria:

Fields to Display	Field	Relation	Criteria	And/Or	Group	Order By
Register_Number	Register_Date	>=	1/1/2009	And	1	
Register_Amount	Register_Date	<=	1/31/2009	And	1	
Register_Reference	Register_Type_Code	=	BILLPYMT	And	1	
Vendor_Code	Account_Code	=	20000	And	1	
Register_Branch						
Register_Type_Code						
Account_Code						

Below the criteria table, there are options for 'Distinct rows' (unchecked) and 'Criteria Rows: 50'. At the bottom, a preview table shows the results of the query:

Register_Number	Register_Amount	Register_Reference	Vendor_Code	Register_Branch	Register_Type_Code	Account_Code
1301	\$102.00	5848	Bosch	Cleveland	BILLPYMT	20000
1301	\$485.00	5848	Bosch	Cleveland	BILLPYMT	20000
1303	\$2,000.00	5983	Perennial Software	Michigan	BILLPYMT	20000
1303	\$750.00	5983	Perennial Software	Michigan	BILLPYMT	20000

Previous Period Voided Checks

If a check was voided from a previous closed Accounting Period that paid a Bill, the void will re-open the Accounts Payable in the period in which it was posted.

Use either the Account Register or GL Query Builder to report on this data, just like the Payments made to Bills.

AP Retroactive Aging

Once you have balanced the AP, you can then use the AP Retroactive Aging report to reproduce the outstanding Bills/Credits and compare this to the ending AP audit number.

AP Retroactive Aging – Summary Format

AP Retroactive Aging (Summary)						Sandbox Security		
All Active Branches As of 1/31/2009								
Vendor	Current	1-30 days	31-60 days	60-90 days	over 90 days	Total	Credits	Net Due
ADI	200.00	0.00	0.00	0.00	4,669.00	4,869.00	0.00	4,869.00
Bosch	2,313.00	0.00	0.00	0.00	0.00	2,313.00	0.00	2,313.00
Mastercard 1234	0.00	0.00	0.00	0.00	2,054.00	2,054.00	0.00	2,054.00
Perennial Software	0.00	2,100.00	0.00	1,000.00	0.00	3,100.00	0.00	3,100.00
	2,513.00	2,100.00	0.00	1,000.00	6,723.00	12,336.00	0.00	12,336.00

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AP Retroactive Aging – Detail Format

AP Retroactive Aging						Sandbox Security			
All Active Branches As of 1/31/2009									
Vendor	Reference	PO Number	Date	Terms	Due Date	Days	Amount	Balance	
ADI	423423432342	1089	1/13/2009	Net 30 / 2%10	2/12/2009	-12	50.00	50.00	
	423213412	1076	1/11/2009	Net 30 / 2%10	2/10/2009	-10	150.00	150.00	
	2321312312	1111	9/28/2008	Net 30 / 2%10	10/28/2008	95	50.00	50.00	
	999988	1103	9/19/2008	Net 30 / 2%10	10/19/2008	104	50.00	50.00	
	A645987 2		9/19/2008	Net 30 / 2%10	10/19/2008	104	10.00	10.00	
	ADJ1001		9/19/2008	Net 30 / 2%10	10/19/2008	104	100.00	100.00	
	A2342343	1099	9/10/2008	Net 30 / 2%10	10/10/2008	113	4.25	4.25	
	542432423	1100	9/10/2008	Net 30 / 2%10	10/10/2008	113	1,574.75	1,574.75	
	4894984		9/10/2008	Net 30 / 2%10	10/10/2008	113	100.00	100.00	
	46484684	1097	8/28/2008	Net 30 / 2%10	9/27/2008	126	205.00	205.00	
	44545444	1053	2/19/2008	Net 30	2/19/2008	347	560.00	560.00	
	45648	1055	2/19/2008	Net 30	2/19/2008	347	2,015.00	2,015.00	
								4,869.00	
	Bosch			1/21/2009	Net 30 / 2%10	2/20/2009	-20	500.00	500.00
			1/13/2009	Net 30 / 2%10	2/12/2009	-12	750.00	750.00	
432423423			1/13/2009	Net 30 / 2%10	2/12/2009	-12	1,000.00	1,000.00	
234234233			1/12/2009	Net 30 / 2%10	2/11/2009	-11	60.00	60.00	
56546546			1/6/2009	Net 30 / 2%10	2/5/2009	-5	150.00	3.00	
							2,313.00		
Mastercard 1234			3/12/2008	Net 30	3/12/2008	325	2,054.00	2,054.00	
							2,054.00		
Perennial Software	32423423		1/13/2009	Due On Receipt	1/13/2009	18	1,000.00	1,000.00	
	4321421	1090	1/11/2009	Due On Receipt	1/11/2009	20	1,000.00	1,000.00	
	523523	1041	1/11/2009	Due On Receipt	1/11/2009	20	100.00	100.00	
			12/1/2008	Due On Receipt	12/1/2008	61	1,000.00	1,000.00	
							3,100.00		
							12,336.00		

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Notes: