SOP: Creating and Using a Budget*

Customer: Company Inc.

Assigned to: Dept./Position

Aim

- Use the ***Priority*** **Budgets** module to supervise purchasing and sales processes, from purchase and sales orders to invoices. The module allows you to allocate funds to budget items, maintain budget versions, link each transaction document to the relevant budget item, and evaluate performance against planning at every stage.

Setups

Financial Constants

Enter the Financial Constants form and check the values assigned to the following constants:

- BudCheck
- BudPRPrice
- BudOrdPeriod
- BudgetCurr (dual-currency users)

Change the constant values as needed. To see an explanation of each constant, enter the **Help Text (Base Language)** sub-level form or run the **Working With Budgets Wizard**.

Procedure

Stage I: Setting up the Budget Tree

Defining budget item suffixes

1. Enter the Budget Item Suffixes form.
2. In the **Budget Item Suffix** column, record the suffix code.
3. In the **Desc-Budget Suffix** column, record a description of the suffix.
4. You can assign the suffix a type (mainly for use with OLAP reports), which will allow you to group similar suffixes together (e.g., assign suffixes for "Telephone" and "Mail" the "Communication Expenses" suffix type).
   Note: Use the Budget Suffix Types form to define suffix types.

* Standard Operating Procedures should be used as guidelines for customers (and their consultants) to develop their own operating procedures. As you will note, the following procedures are very specific and customers are strongly advised not to use them without prior testing to make sure that they fit their own requirements and work practices.

Defining main budget categories and sub-categories

1. Enter the relevant forms, according to the depth of your budget hierarchy:
   - Define Budget – Level 1
   - Define Budget – Level 2
   - Define Budget – Level 3
   - Define Budget – Level 4
2. For each level, define budget categories by recording a **Budget Code** and **Budget Description**.
3. For each budget category in levels 1-3, leave the check marks in the **Allow Suffix** and **Allow Another Level** columns.

Stage II: Building the Budget Tree

A budget tree can contain from a minimum of two levels up to five (including budget items with suffixes). Begin by defining the highest level of the tree, then work your way down.

1. Enter the Budget Items form, press **F4** and click the **Budget Structure** tab.
2. To define the highest level of the tree, select a value from the **Level 1** Choose list and flag the **Generate Budget Item** column.
3. Click the **Definitions** tab and specify the **Date Opened**.
4. If you want to perform different checks for budget deviations than the default checks defined in the **BudCheck** constant, select the desired method in the **Check Budget Deviatn** column.
   Results:
   - The item's code and name appear automatically in the **Budget Item** and **Description** columns.
   - The default value **P** (for purchasing) appears in the **Type of Budget** column. Change it to **S** for a sales budget. All items in this budget will be assigned the defined type.
5. To define main budget categories under Level 1, open a new record, return to the **Budget Structure** tab and select the **Level 1** value used in the previous record. Select a value from the **Level 2** Choose list, and flag the **Generate Budget Item** column. Repeat steps 3-4.
6. Do the same to define sub-categories on levels 3 and 4.

Stage III: Defining Budget Items

Budget items are distinguished by a suffix and populate the lowest level on the budget tree. These are the items for which funds are actually appropriated.

1. In the **Budget Items** form, select all of the categories that are above the desired item in the budget tree (from **Level 1** to **Level 4**), select the item's **Suffix** from the Choose list, and flag the **Generate Budget Item** column.
2. Click the **Definitions** tab and specify the **Date Opened**.
3. To link the item to a single GL account, specify the **Account No.**. To link the item to multiple GL accounts, leave this column empty and see the instructions in Stage III.

4. Link the item to a **Bal Sheet/P&L Item**. This will affect the way this item is displayed in the **Profit and Loss for Budgets** report.
5. Flag the **Multi-Year Budget** column if you want this item to be taken into account when the **Transfer Last Year's Budget** program is run.
6. If you want to perform different checks for budget deviations than the default checks defined in the **BudCheck** constant, select the desired method in the **Check Budget Deviatn** column.

Stage IV: Linking Budget Items to GL Accounts

There are three ways to link budget items to GL accounts:

Linking a single budget item to a single GL account

The link is made in two places: for the budget item and for the GL account:

1. Enter the Budget Items form and retrieve the desired item. Click the **Definitions** tab and select the desired **Account No.**
2. Enter the Chart of Accounts form and retrieve the desired GL account. Press **F4**, click the **Add'l Definitions** tab and select the budget item in the **Default Budget** column.

Linking a single GL account to multiple budget items

1. Enter the Budget Items form and retrieve the desired item. Click the **Definitions** tab and select the desired **Account No.**
2. Enter the Chart of Accounts form and retrieve the desired GL account. Press **F4** and click the **Add'l Definitions** tab. Leave the **Default Budget** column empty and flag the **Budget Mandatory** column.

Linking a single budget item to multiple GL accounts

1. Enter the Budget Items form and retrieve the desired item. Click the **Definitions** tab and make sure no **Account No.** is recorded.
2. Enter the Chart of Accounts form and retrieve the desired GL account. Press **F4**, click the **Add'l Definitions** tab and select the budget item in the **Default Budget** column.

Result

- When budget items are assigned to journal entries, the system will automatically debit the relevant expense account. Conversely, when a GL account is assigned, the entry in question is automatically assigned the relevant budget item.

Stage V: Creating a Budget Version

After building the budget tree, you should create a budget version, through which funds can be appropriated for budget items. You can create multiple versions of a budget, in which different sums are appropriated for each item. Budget versions provide flexibility in planning and revising budgets.

1. Enter the Budget Versions form.
2. Specify the **Fiscal Year**, **Version**, and **Description**.
3. To assign budget items to the version, run the Add Budget Items to Version program.

4. In the **Budget Versions** form, retrieve the version and enter the **Appropriations for Budget Items** sub-level form.
5. Press **F4** and do **one** of the following:
   - If the budget is annual (i.e., without monthly sub-divisions), fill in the **Sum** for the first budget item (in the **Account Description** tab).
   - If the budget is on a monthly basis, click the **Period 1** tab and fill in the columns **Period 1** to **Period 12**.
6. If an authorization list has been assigned to the budget version, enter the sub-level form, **Budget Version Authorization**, and sign next to your name, or pass the budget version to the person who is supposed to authorize it.
7. Once all authorizers have signed, change the version **Status** to "In Effect" in the upper-level form. Only one version can be in effect for any given fiscal year.

Stage VI: Revising a Budget Version that is Authorized or In Effect

1. Enter the Change Version in Effect/Auth'd form.
2. Retrieve the desired budget item.
3. Change the appropriated sum(s) in either the **Sum** column or in the columns from **Period 1** to **Period 12**.

Stage VII: Routine Budget Usage

To compare budgetary appropriations to actual expenses and revenues, you need to associate financial transactions with budget items. You can do this in several ways:

- **Linking financial documents to budget items:** In the itemization sub-level of the financial document in question (e.g., purchase requisition, purchase order, purchase invoice), specify a **Budget Item** for each line item.
- **Linking journal entries to budget items:** In the **Itemized Entry** sub-level form, specify a **Budget Item** for each entry item.
- **Specifying the account in financial documents:** The account specified in a financial document determines the budget item appearing in the journal entry, in keeping with the method by which budget items are linked to GL accounts.

Results:

- The budget item linked to each document will be copied to any future documents based on the current one (e.g., from a purchase requisition to a purchase order to a GRV to a multi-GRV invoice).
- You can view budget usage broken down into actual usage (invoices) and planned usage (e.g., open orders, unbilled transactions).

Stage VIII: Viewing Budgeted vs. Actual Expenses and Revenues

Purpose of this stage: To compare budget item appropriations to the total sum of actual transactions recorded for each item.

1. Enter the Budget Items form and retrieve the budget item in question.
2. Enter the **Annual Budgeted vs. Actual** sub-level form and view the appropriation, the actual usage and the budget balance.

3. Enter the parallel **Monthly Budget vs. Actual-This Yr** sub-level form and view monthly appropriations, actual usage and budget balances.
4. Run the Budgeted vs. Actual report to compare budgeted revenues and expenses with actual revenues and expenses.
5. Run the Budgeted vs. Actual as of Date report to view relative budget usage from the beginning of the fiscal year until the designated date.
6. Run the Prepare for Budget Analysis-OLAP program, then the Budget Analysis (OLAP) report, to analyze the management of your budget.
7. For additional reports, see in the ***Priority*** menu: **Financials** > **Budgets** > **Budget Reports**.