Accounting Training Manual

Version 2.1.3
Accounting Training Manual

Version 2.1.3
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Chapter 1

Accounting Introduction

In This Chapter

- How Accounting is Structured in Nexsure
- Nexsure Accounting Terminology
- Navigating in Nexsure Accounting

How Accounting is Structured in Nexsure

There are 6 organizational levels in Nexsure:

- **Organization** (Book Level)
  - Region
    - **Territory** (Book Level)
      - Branch
    - Department
      - **Unit** (Optional)

Region, Territory, Branch and Department must have at least one entity each and may have multiples.

Nexsure provides two **Book Levels** of accounting:

- Organization
- Territory

Nexsure provides four **Non-Book Levels** of accounting:

- Region
- Branch
- Department
- Unit
What Book Level Means

The Book level in the accounting structure contains independent books.

- Each book contains a complete set of asset, liability, equity, income and expense accounts.
- There is no commingling of funds between books.

What Non-Book Level Means

Non-book levels are used for tracking the income and expense accounts associated with an income statement. Non-book levels do not have the asset, liability or equity accounts associated with a balance sheet.

What Organization Means

Organization is the top level set of books, typically used for report consolidation and setup functions such as developing and maintaining the chart of accounts, accounting periods, invoicing fees, taxes and receive payment defaults.

Reporting from the Organization level will consolidate information from all lower levels. Typically, all accounting transactions are entered at the Territory level. Accounting transactions entered at the Organization will allow posting to the Organization and Region levels only. Payables and Receivables are not accessible at the Organization level.

Guidelines of an Organization:

- There is only one organization.
- No client receivables exist.
- No carrier payables exist.
- Contains both balance sheet and income statement.
- May allocate income and expenses to the organization and region levels only.

What Region Means

Region is used to hold separate sets of territories. For instance, if you have multiple territories located throughout the United States you may want to combine the territories in the Northeast United States together into one region called Northeast. In this case you would have four regions (Northeast, Southeast, Northwest, and Southwest).

Guidelines of a Region:

- Must have at least one, may have multiple.
- Each region created will duplicate all income and expense accounts.
- Each region has its own income statement.
What Territory Means

**Territory** is the lowest level set of books and is used to enter your daily accounting items - receipt of payments, deposits, automatic disbursements, checks, etc. Typically, a territory is an agency or other entity that justifies an independent book.

Guidelines of a Territory:
- Must have at least one, may have multiple.
- Client receivables exist
- Carrier payables exist
- Each territory created will duplicate all asset, liability, equity, income and expense accounts.
- Each territory has its own balance sheet and income statement.
- May allocate income and expenses to the territory and lower levels.

What Branch Means

**Branches** are profit centers used to track income and expenses separately for a group of clients within a territory. You may want multiple branches if you have profit centers at remote locations and want to track income and expenses separately from the main location.

Guidelines of a Branch:
- Must have at least one, may have multiple.
- Each branch created will duplicate all income and expense accounts.
- Each branch has its own income statement.
- Clients are held at this level.
- Branches are assigned to clients, policies and invoices.

What Department Means

**Departments** are profit centers used to track income and expenses separately for groups of like lines of business within a branch. Typical groups are Personal, Commercial and Life & Health.

Guidelines of a Department:
- Must have at least one, may have multiple.
- Each department created will duplicate all income and expense accounts.
- Each department has its own income statement.
- Departments are assigned to clients, policies & invoices.
- Income and expenses from invoicing are posted at this level automatically unless subsidiary units exist.
What Unit Means

Units are profit centers used to track income and expenses separately for teams within a department. For example, you may want to know the profitability within commercial lines and have teams to service large, medium and small accounts.

Guidelines of a Unit:

- Not required (optional*), may have multiple.
- Each unit created will duplicate all income and expense accounts.
- Each unit has its own income statement
- Units are assigned to clients, policies and invoices.
- Income and expenses from invoicing are posted at this level automatically.

* Units are optional in Nexsure, but once created are required for each Client, Policy and Invoice in that department.

Notes
Nexsure Accounting Terminology

Double Entry Accounting

Nexsure is a double entry accounting system. This means that for every debit entry there has to be a credit entry for the same amount.

Asset

An asset is anything having commercial or exchange value that is owned by a business. Examples of current assets are cash and receivables; examples of fixed assets are furniture, equipment and real estate. Assets normally carry a debit balance.

You may think of an asset as a house that you have purchased. The asset amount would be the value of your house, regardless of how much you owe a mortgage company.

Liability

A liability is a claim on the assets of a business – excluding ownership equity. Examples of short term liabilities are carrier, people and vendor payables and payroll withholding; long term liabilities are bank notes on vehicles or buildings. Liabilities normally carry a credit balance.

You may think of a liability as the money you still owe the mortgage company for your house.

Equity

Equity is the difference between the amount a business could be sold for and the claims held against it. Examples of equity are retained earnings, owner’s equity and shareholder’s stock. Equity accounts normally carry a credit balance.

You may think of the equity as the difference between the value of your home and the amount you still owe the mortgage company.

Income

Income (or Revenue) in an insurance agency is usually commission income; classified as agency bill, direct bill or contingency income. Contingency income is a reserve amount the carriers pay to the agency after evaluating claim losses. Income accounts normally carry a credit balance.

Expense

Expenses are expenditures for such items as office supplies, utilities, payroll, travel, entertainment and commissions. Expenses normally carry a debit balance.
Balance Sheet

A balance sheet is a financial report showing the status of assets, liabilities and equity on a given date, usually the close of a month. The balance sheet is in balance when the assets equal the liabilities and equity.

Income Statement

An income statement is a financial report showing a summary of income (revenue) and expenses over a period of time. Total expenses subtracted from total income is reported as a net profit or a net loss. The income statement is sometimes referred to as the profit and loss statement.

Trial Balance

The trial balance is a combination of the balance sheet and income statement. The total debit balances minus the total credit balances must equal zero for a book to be considered balanced.

Financial Statement

The financial statement is a written record of the financial status of a business. It includes the balance sheet, income statement or trial balance and may include a statement of cash flow, a statement of changes in retained earnings, etc.

Retained Earnings

Retained earnings refer to an equity account. When the year-end procedure is performed, the net profit or net loss from the income statement for the entire fiscal year is transferred to the retained earnings account and becomes part of the next fiscal year’s balance sheet.

General ledger

The general ledger contains all the financial statement accounts of a business. It contains offsetting debit and credit amounts which can be proved by a trial balance.

Chart of Accounts

The chart of accounts is a listing of all the accounts in the general ledger, each account accompanied by a reference number.

Post

Every accounting entry - whether it is an accounting transaction or an invoice – must be posted before it will affect the general ledger. Posting makes an entry permanent.

Premium Trust Account

A premium trust account is a bank account used to hold client premiums secure until the net premium is dispersed to the billing carrier. Typically after the premium has been paid, the agency bill commission is transferred to the operating account.
Operating Account

An operating account is a bank account that handles all non-premium related accounting transactions. All direct bill commission payments are deposited to this account. All expenses are disbursed from this account; payroll, commission payables, utilities, sales and advertising, travel, and interest to name a few.

Agency Bill

Agency bill involves the agency billing a client for the premium whereby the agency receives the payment from the client, extracts their commission and forwards the balance to the carrier. Nexsure agency bill invoicing automatically records a debit to the client accounts receivable, a credit to agency bill income* and a credit to the carrier payables account. Example: A $1000.00 premium at 10% commission.

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client Accounts Receivable</td>
<td>1000.00</td>
</tr>
<tr>
<td>Agency Bill Income</td>
<td>100.00</td>
</tr>
<tr>
<td>Carrier Payables</td>
<td>900.00</td>
</tr>
</tbody>
</table>

*Agency Bill Commission Unearned Income if cash basis.

Direct Bill

Direct bill involves the carrier billing a client for the premium whereby the carrier receives the payment from the client and the carrier sends the commission to the agency. Nexsure direct bill invoicing automatically records a debit to the direct bill commission receivable and a credit to the direct bill income* account for the commission only. Example: A $1000.00 premium at 10% commission.

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>DB Commission Receivable</td>
<td>100.00</td>
</tr>
<tr>
<td>Direct Bill Income</td>
<td>100.00</td>
</tr>
</tbody>
</table>

*Direct Bill Commission Unearned Income if cash basis.

Accounts Receivable

Accounts receivable is money owed to the agency. There are two types of receivables: agency bill and direct bill. An agency bill receivable is the full premium billed for a policy and can be paid by a client, retail agency or premium finance company. A direct bill receivable is the commission for a policy and is paid by the carrier.

Note: In the case of a return premium, an accounts receivable can be a negative amount that is owed to a client, retail agency, premium finance company or carrier.
Carrier Payables

Carrier payables are the net premium portion of an agency bill invoice that is owed to the carrier.

People Payables

People payables are commissions that are owed to employees that are paid on a commission basis.

Vendor

Vendors are outside entities that provide operating necessities such as office supplies, telephone, advertising, computers, etc.

Accounts Payable

Accounts payable is money that is owed to vendors that is expensed and tracked as invoices are received rather than when they are paid.

Propagate

To propagate is to automatically apply at all lower levels. The majority of the accounting setup is done at the highest (Organization) level. These changes propagate down through the Region, Territory, Branch, Department and Unit levels.

Date Booked

The date booked is the date an accounting or invoice transaction is recognized in the general ledger. The date booked on accounting transactions defaults to the current date. The date booked on invoices is the effective date or current date, whichever is later.
Navigating in Nexsure Accounting

HOW to Access Nexsure Organization Accounting

1. Click the **ORGANIZATION** link on the **Primary** menu.

This displays the organization’s card file. Notice the setting entitled **Setup**, which can be set to **Complete** or **Incomplete**. When switched to Complete, the organization’s posting rules, accounting period dates and mandatory accounts are locked down and the organization can begin entering transactions.

**Note:** DO NOT set the organization to Incomplete after accounting or invoicing transactions have been entered. Contact Nexsure Support before attempting changes to posting rules, accounting period dates or mandatory accounts after transactions have been entered.

2. Click the **accounting** tab. This displays a second row of tabs that default to the first tab, **summary**.
The account summary gives a brief overview of the organization’s operating account, operating payables, carrier payables and trust account balances. The summary screen also displays alerts as to undeposited funds or if the current period premium exceeds the trust balance. The information on the summary tab reflects booked information for the entire organization.

This screen can be updated by clicking the blue Update Account Balances link.

**HOW to Access Nexsure Territory Accounting**

1. Click the ORGANIZATION link on the Primary menu.
2. Click the territories tab, this will display the list of existing territories:

   ![Territory List]

3. Click the Details icon on the far left side of the desired territory. This will display the territory card file. The grey navigation bar lists the organization, region and territory; this bar can be used to navigate to different Nexsure levels:
4. Click the accounting tab. This displays a second row of tabs that default to the first tab, summary:

The account summary gives a brief overview of the territory’s operating account, operating payables, carrier payables and trust account balances. The summary screen also displays alerts as to undeposited funds or if the current period premium exceeds the trust balance. The information on the summary tab reflects booked information for the territory.

This screen can be updated by clicking the blue Update Account Balances link.

**Note:** DO NOT post to any of the mandatory general ledger accounts unless directed by XDimensional Technologies’ Nexsure workflows. This can cause books to be out of balance as these accounts are used by Nexsure for automatic postings.
Notes