

## Chapter 2

# Accounting Setup

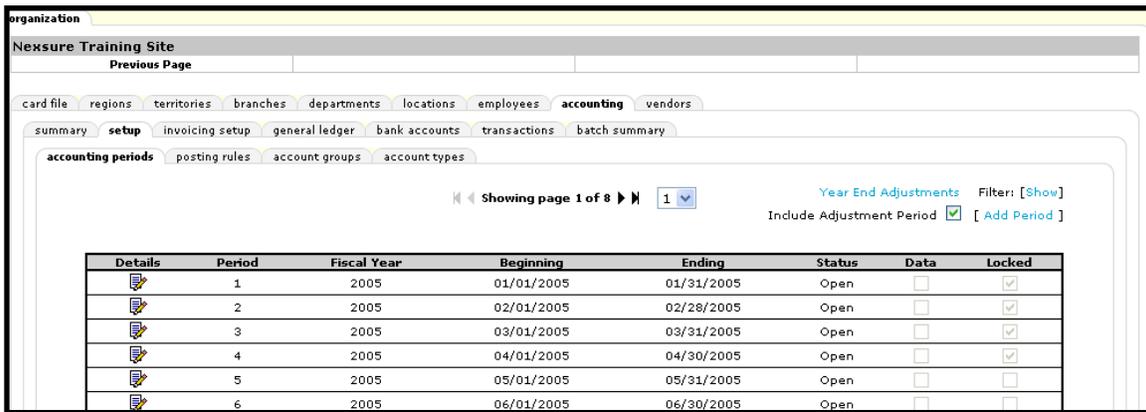
### IN THIS CHAPTER

- ✘ Accessing Accounting Setup
- ✘ Understanding Accounting Periods
- ✘ How Nexsure uses Posting Rules
- ✘ How Nexsure Organizes General Ledger Accounts

## Accessing Accounting Setup

To access Accounting Setup at the Organization level:

1. Click the **ORGANIZATION** link on the **Primary** menu.
2. Click the **accounting** tab.
3. Click the **setup** tab on the second row of accounting tabs. This displays a third row of tabs including **accounting periods**.



To access accounting setup at the territory level:

1. Click the **ORGANIZATION** link on the **Primary** menu.
2. Click the **territories** tab, this will display the list of existing territories.
3. Click the **Details** icon on the far left side of the desired territory.



## Understanding Accounting Periods

An accounting period includes a series of activities that begins with a transaction and ends with the closing/locking of the books. This accounting cycle is repeated each accounting/reporting period.

## Adding Accounting Periods

Accounting periods are added at the Organization level and will automatically propagate to each territory.

Accounting periods are divided into 12 monthly units for a fiscal year. To create a new fiscal year, click the blue [\[Add Period\]](#) link. If the **Include Adjustment Period** check box is selected, a 13<sup>th</sup> period will be created beginning and ending on the last day of the fiscal year. Nexsure uses the 13<sup>th</sup> period for the year end adjustment entry.

Accounting periods can be set up as far into the future as desired. Nexsure recommends setting up enough fiscal years to cover the longest policy term, assuring that future installments will post into the correct period.

Use the paging links or the search filter to access specific accounting periods:



Click the [\[Show\]](#) link, then click the drop-down box labeled **Fiscal Year** and select the appropriate year. Note that anytime the screen is refreshed it will default back to the current fiscal year.

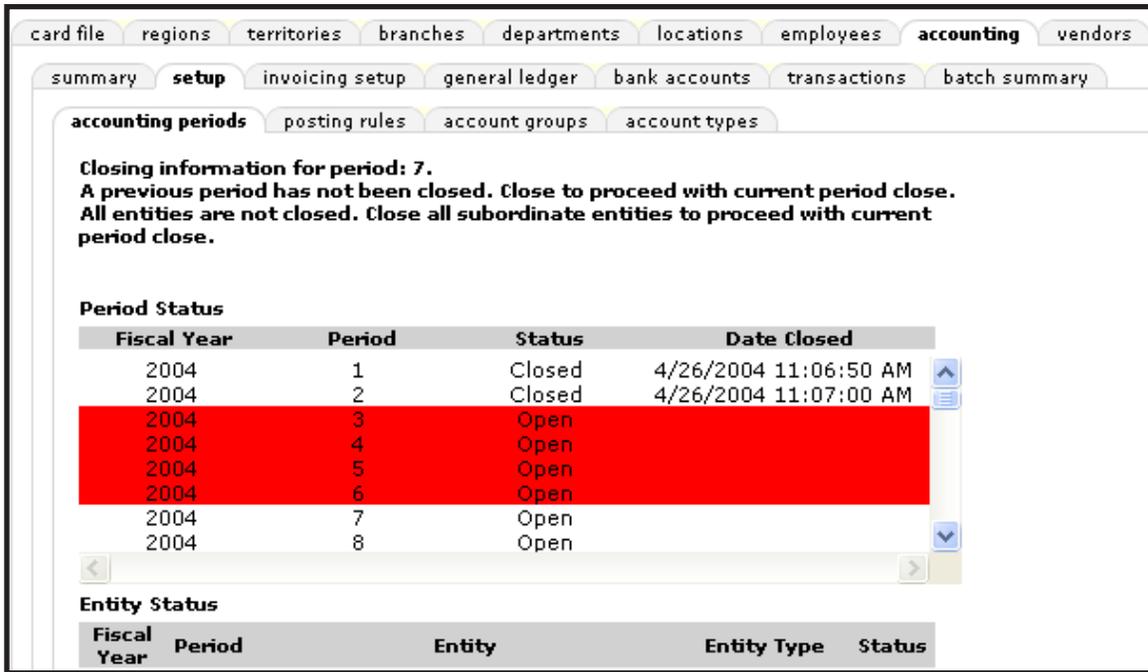
Details	Period	Fiscal Year	Beginning	Ending	Status	Data	Locked
	1	2005	01/01/2005	01/31/2005	Open	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	2	2005	02/01/2005	02/28/2005	Open	<input type="checkbox"/>	<input checked="" type="checkbox"/>

## Editing Accounting Periods

Please note accounting period dates can be edited at the Organization level, providing the organization has not been set to **Complete**. Beginning and ending dates must be in chronological order and cannot overlap, with the exception of the adjustment period.



The screen below shows the error messages along with the period and territory status. The open periods or territories will appear in red:



To close a period while in edit mode, click the [Close Period] link. Scroll to the bottom of the screen and select the **OK** button. A pop-up window will display with the message **Click OK to close this period**. Clicking the **OK** button will close the period and return to the list of accounting periods.

**Closing information for period: 3.**  
**Click OK to close the period. Transactions cannot be entered to a closed period. If entries may be required, click cancel and Lock the period until transactions are prepared for entry. Unlock the period, make entries, validate accuracy of posting, and then close the period.**

**Period Status**

Fiscal Year	Period	Status	Date Closed
2004	1	Closed	
2004	2	Closed	
2004	3	Open	
2004	4	Open	
2004	5	Open	
2004	6	Open	
2004	7	Open	
2004	8	Open	

**Entity Status**

Fiscal Year	Period	Entity	Entity Type	Status
No sub entities with books.				

**Microsoft Internet Explorer**

Click OK to close this period.

OK Cancel

OK Cancel

## Year End Adjustments

The [Year End Adjustments](#) link is used after all transactions have been entered through the end of the fiscal year. The year end adjustments process will create a journal entry that will zero out all income and expense accounts and enter the difference (net profit or loss) into the retained earnings account in the 13<sup>th</sup> period, or the last day of the 12<sup>th</sup> period if no 13<sup>th</sup> period exists.

Year end processing generally involves working with an accountant to develop adjusting entries for the year. These adjusting entries are typically ready to enter several months after the end of the fiscal year and are usually entered on the last day of the 12<sup>th</sup> period.

---

**Note:** Refer to the Nexsure Help, *Tips & Facts Volume 2, Issue 8* for detailed instructions.

---



## How Nexsure Uses Posting Rules

Posting rules control when income is recorded for agency and direct bill invoices. They also control when people payables are expensed and released for payment.

Posting Rules are set up at two levels in Nexsure:

- Organization
- Department

---

**Note:** Make posting rule selections carefully. Once a department has been added, the posting rules can only be changed by replacing the department.

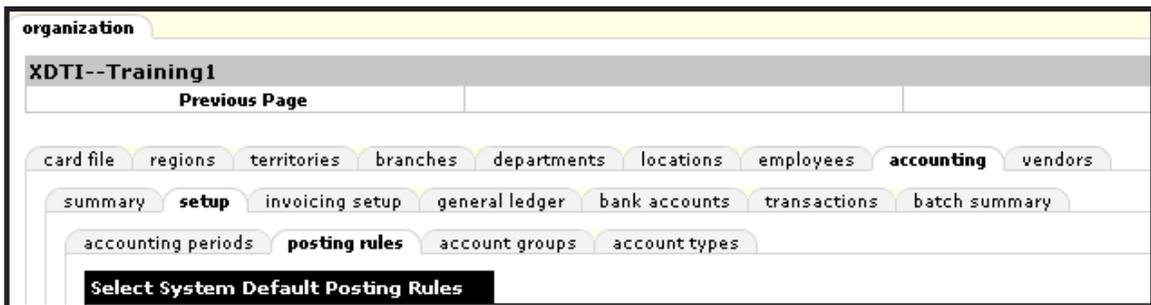
---

### Organization Posting Rules

Posting rules set up at the Organization level serve as defaults for posting rules at the Department level.

**To Access the Organization Posting Rules:**

1. Click the **ORGANIZATION** link on the **Primary** menu.
2. Click the **accounting** tab.
3. Click the **setup** tab on the second row of accounting tabs.
4. Click the **posting rules** tab.



### Department Posting Rules

As departments are added in Nexsure, posting rules are automatically set to match the organization posting rules. Each department may be individually altered as desired.

Departments are assigned to invoices. When invoices are posted, the system applies the posting rules for that department and posts to the income and expense accounts accordingly.

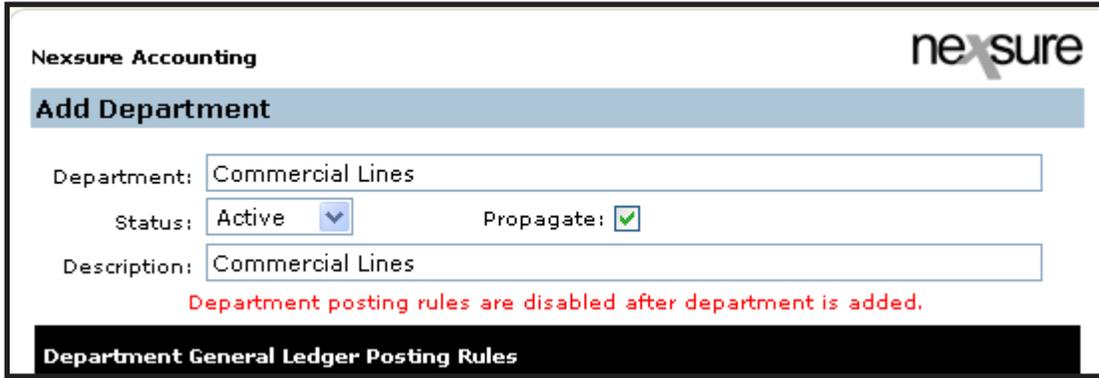
---

**Note:** If units have been created for a department, the income and expenses from invoices are posted to the unit instead of the department.

---

**To access the department posting rules:**

1. Click the **ORGANIZATION** link on the **Primary** menu.
2. Click the **departments** tab.
3. Click the **Details**  icon on the far left side of the desired department.



Nexsure Accounting nexsure

**Add Department**

Department:

Status:   Propagate:

Description:

Department posting rules are disabled after department is added.

**Department General Ledger Posting Rules**

**Posting Rule Definitions****Global Invoice General Ledger Posting**

The global invoice general ledger posting option is available at the Organization level and affects agency bill and direct bill invoice posting for the entire organization. There are two choices as shown below:



**Global Invoice General Ledger Posting**

Post to the General Ledger

Do Not Post to General Ledger

- **Post to the General Ledger:** If **Post to the General Ledger** is selected, agency bill and direct bill invoices will post to the general ledger.
- **Do Not Post to the General Ledger:** If **Do Not Post to the General Ledger** is selected, invoice entries will not post to the general ledger. Agency bill and direct bill invoices can still be entered but they will have no effect on the general ledger. Only invoicing will be excluded from general ledger posting. With this choice, an agency might prefer to manually post journal entry invoices based on production reports.

**Reports Affected by the Do Not Post to the General Ledger Setting**

- All invoices created will update the production, account current, invoice transaction register and any other report that uses invoice information (No general ledger data).
- General ledger reports including direct bill commission receivable, accounts receivable, carrier payable, people payable and all financials will not include invoice data.

## Agency Bill Accounting Method

Below are the choices for the Agency Bill posting rules:

**Agency Bill Accounting Method**

Accrual

Cash As Received

**\* People Payment Accounting Method**

Pay on Invoiced

Pay on fully paid  Accrue Expense

Pay on partially paid  Accrue Expense

- **Accrual:** If **Accrual** is selected, the agency commission is recognized as earned income on the date the invoice is booked. For example, a \$1000.00 premium at 10% agency commission:

Invoiced Item	Debit	Credit
Client Accounts Receivable	1000.00	
Agency Bill Income		100.00
Carrier Payables		900.00

- **Cash:** If **Cash As Received** is selected, the agency commission is recognized as unearned income until the client payment receipt is booked and matched with the invoice. For example, a \$1000.00 premium at 10% agency commission:

Invoiced Item	Debit	Credit
Client Accounts Receivable	1000.00	
Agency Bill Comm Unearned Income		100.00
Carrier Payables		900.00

---

**Note:** Agency bill commission unearned income is a balance sheet account, not income.

---

When a client payment receipt is booked and matched with the invoice the earned agency commission is moved from agency bill commission unearned income to agency bill income as follows:

Paid Item	Debit	Credit
Agency Bill Comm Unearned Income	100.00	
Agency Bill Income		100.00

### People Payment Accounting Method

- Pay on Invoiced:** If **Pay on Invoiced** is selected, the people commission is released as due and expensed on the date the invoice is booked. The commission will be released regardless of whether or not the invoice has been paid. For example, \$1000.00 premium at 10% agency commission, people commission 50% of agency commission:

Invoiced Item	Debit	Credit
People Commission Expense	50.00	
People Payable Due Account		50.00

**Note:** This option is not usually selected if the agency bill accounting method is cash because the people commission might be posted as a liability and expense prior to the agency commission posting as earned income.

- Pay on fully paid:** If **Pay on fully paid** is selected, the people commission is released as due and expensed when a client receipt or receipts matches the entire invoice amount. For example, a \$1000.00 premium at 10% agency commission, people commission 50% of agency commission, exactly \$1000.00 received from the client:

Paid in Full \$1000.000	Debit	Credit
People Commission Expense	50.00	
People Comm Payable-Due		50.00

If only \$999.99 is received from the client no people commission will be released.

- Pay on partially paid:** If **Pay on partially paid** is selected, the people commission is released as due and expensed based on the proportion of the client receipt to the total invoice amount. For example, a \$1000.00 premium at 10% agency commission, people commission 50% of agency commission, \$500.00 received from client:

Partial Payment of \$500.00	Debit	Credit
People Commission Expense	25.00	
People Comm Payable-Due		25.00

Half of the premium is received so half of the people commission is released. As other receipts are received and matched to the invoice the people commission is released proportionally.

- Accrue Expense:** If **Accrue Expense** is selected, the people commission is posted as Non-Due and expensed on the date the invoice is booked. For example, a \$1000.00 premium at 10% agency commission, people commission 50% of agency commission:

Invoiced Item	Debit	Credit
People Commission Expense	50.00	
People Comm Payable Non-Due		50.00

When the people commission is released as due, it is moved from People Comm Payable Non-Due to People Comm Payable Due.

Paid Item	Debit	Credit
People Comm Payable Non-Due	50.00	
People Comm Payable Due		50.00

If Accrue Expense is not selected no entry is made to the general ledger when an item is invoiced. When the item is paid (or partially paid) the item is posted as due and expensed.

## Retail Agent Agency Bill

Below are the choices for the retail agent agency bill posting rules:

**Retail Agent**

Allow Override at Retail Agent

---

**Agency Bill**

Net     Default Net

Gross     Default Gross

Realize Cost on Invoiced (Accrual Income)

Realize Cost as Paid (Cash as Received Income)

---

**Direct Bill**

Realize Cost on Invoiced (Accrual Income)

Realize Cost as Paid (Cash as Received Income)

- **Allow override at Retail Agent:** If selected a unique net/gross posting rule can be added at retail agent.

- Net:** If **Net** is selected, Nexsure will track the net amount owed by the retail agent and expense the retail agent’s commission. When the client pays the retail agent, the retail agent keeps their commission and sends the net due to the agency. The agency then pays the net due to the carrier. For example, a \$1000.00 premium at 10% agency commission and 5% retail agent commission:

Invoiced Item	Debit	Credit
Retail Agent Accounts Receivable	950.00	
Retail Agent Expense	50.00	
Carrier Payables		900.00
Income (Unearned Income if Cash basis)		100.00

- Gross:** If **Gross** is selected, Nexsure will track the gross amount owed by the retail agent. When the client pays the retail agent, the retail agent sends the gross to the agency. The agency then pays the net due to the carrier. For example, a \$1000.00 premium at 10% agency commission and 5% retail agent commission:

Invoiced Item	Debit	Credit
Retail Agent Accounts Receivable	1000.00	
Carrier Payables		900.00
Income (Unearned Income if Cash basis)		100.00
Retail Agent Payable Due		50.00
Retail Agent Comm Expense	50.00	

### Direct Bill Invoice General Ledger Posting

The **Direct Bill Invoice General Ledger Posting** option is available at the Organization level and affects direct bill invoice posting for the entire organization.

Below are the choices for the Direct Bill Invoice General Ledger Posting:

**Direct Bill Invoice General Ledger Posting**

Post to the General Ledger
  Override By Carrier

Do Not Post to General Ledger

- Post to the General Ledger:** If **Post to the General Ledger** is selected, direct bill invoices will post to the general ledger.
- Override by Carrier:** If **Override by Carrier** is selected, the option to post or not post direct bill invoice entries to the general ledger can be activated on a by-carrier basis. This option is enabled for billing carrier types from the **Search** entity menu:

card file contacts locations **carrier names** commissions

**Carrier Information**

Carrier Name:

Carrier Type(s):  Issuing  Billing

Carrier DB Rule:  Post Direct Bill Commission to General Ledger

- **Do Not Post to General Ledger:** If **Do Not Post to General Ledger** is selected, direct bill invoices will not post to the general ledger. Direct bill invoices can still be entered but they will have no effect on the general ledger. Only direct bill invoicing will be excluded from general ledger posting. With this choice, an agency might prefer to manually post journal entry invoices based on production reports.

### Reports Affected by the Do Not Post to General Ledger Setting

- Direct bill invoices that are created will update the production, invoice transaction register and any other report that uses invoice information (No general ledger data).
- General ledger reports including direct bill commission receivable, people payable and all financials will not include invoice data.

### Direct Bill Accounting Method

Below are the choices for the direct bill posting rules:

**Direct Bill Accounting Method**

Accrual

Cash as Received

\* People Payment Accounting Method

Pay on Invoiced

Pay on fully paid  Accrue Expense

Pay on partially paid  Accrue Expense

- **Accrual:** If **Accrual** is selected, the agency commission is recognized as earned income on the date the invoice is booked. For example, a \$1000.00 premium at 10% agency commission:

Invoiced Item	Debit	Credit
Direct Bill Comm Receivable	100.00	
Direct Bill Income		100.00

---

**Note:** Direct bill invoicing posts only the commission to the general ledger; but the premium is available for management reporting.

---

- **Cash:** If **Cash as Received** is selected, the agency commission is recognized as unearned income until the direct bill commission has been received from the carrier (recognized during reconciliation). For example, a \$1000.00 premium at 10% agency commission:

Invoiced Item	Debit	Credit
Direct Bill Comm Receivable	100.00	
Direct Bill Comm Unearned Income		100.00

---

**Note:** Direct bill commission unearned income is a balance sheet account, not income.

---

When the invoice has been selected as paid the agency commission is moved from direct bill commission unearned income to direct bill income:

Paid Item	Debit	Credit
Direct Bill Comm Unearned Income	100.00	
Direct Bill Income		100.00

**\* People Payment Accounting Method**

- **Pay on Invoiced:** If **Pay on Invoiced** is selected, the people commission is released as due and expensed on the date the invoice is booked. The commission will be released regardless of whether or not the agency commission has been paid. For example, a \$1000.00 premium at 10% agency commission, people commission 50% of agency commission:

Invoiced Item	Debit	Credit
People Commission Expense	50.00	
People Payable Due Account		50.00

---

**Note:** This option is not usually selected if the direct bill accounting method is Cash because the people commission might be posted as a liability and expense prior to the agency commission posting as earned income.

---

- **Pay on Fully Paid:** If **Pay on Fully Paid** is selected, the people commission is released as due and expensed when the entire direct bill commission has been selected through the reconciliation process indicating that payment from the carrier has been received. For example, a \$1000.00 premium at 10% agency commission, people commission 50% of agency commission, exactly \$100.00 received from carrier:

Paid in Full \$100.000	Debit	Credit
People Commission Expense	50.00	
People Comm Payable-Due		50.00

If only \$99.99 is received from the carrier, there would be no people commission released.

- **Pay on Partially Paid:** If **Pay on Partially Paid** is selected, the people commission is released as due and expensed based on the proportion of the carrier receipt to the total agency commission amount. For example, a \$1000.00 premium at 10% agency commission, people commission 50% of agency commission, \$50.00 received from carrier:

Partial Payment of \$50.00	Debit	Credit
People Commission Expense	25.00	
People Comm Payable-Due		25.00

As half of the agency commission is received, half of the people commission is released. As other receipts are received and matched to the invoice, the people commission is released proportionally.

- **Accrue Expense:** If **Accrue Expense** is selected, the people commission is posted as Non-Due and expensed on the date the invoice is booked. For example, a \$1000.00 premium at 10% agency commission, people commission 50% of agency commission:

Invoiced Item	Debit	Credit
People Commission Expense	50.00	
People Comm Payable Non-Due		50.00

When the people commission is released as due, it is moved from people comm payable non-due to people comm payable due.

Paid Item	Debit	Credit
People Comm Payable Non-Due	50.00	
People Comm Payable Due		50.00

If Accrue Expense is not selected, no entry is made to the general ledger when an item is invoiced. When the item is paid (or partially paid) the item is posted as due and expensed.

### Retail Agent Direct Bill

Below are the choices for the **Retail Agent Direct Bill** posting rules:

**Direct Bill**

Realize Cost on Invoiced (Accrual Income)

Realize Cost as Paid (Cash as Received Income)

#### \* Retail Agent Payment Accounting Method

- Since the payment method for Retail Agent is **Pay on Invoiced** it is important to understand what occurs when the **Accounting Method** is set to **Cash** and **Accrual** which is as follows:
  - **Accrual:** Retail agent commission is posted as due and expensed when the invoice is posted.

Invoiced Item	Debit	Credit
Direct Bill Carrier Receivable	100.00	
Direct Bill Income		100.00
Retail Agent Expense – Direct Bill	50.00	
Retail Agent Payable Due		50.00

- **Cash:** Retail agent commission is posted as due when the invoice is posted, but the expense is held in an “unrealized cost” account until payment has been received.

---

**Example:** A \$1000.00 premium at 10% agency commission and 5% retail agent commission:

---

Invoiced Item	Debit	Credit
Direct Bill Carrier Receivable	100.00	
Direct Bill Unearned Income		100.00
Retail Agent Payable Due		50.00
Retail Agent Unrealized Cost	50.00	



## How Nexsure Organizes General Ledger Accounts

Each general ledger account is assigned a **Classification**, **Group** and **Type**. These control division and subtotaling of accounts on the balance sheet and income statement reports.

### Account Classifications

There are 7 preset general ledger account classifications:

100000 - 199999: Asset accounts

200000 – 299999: Liability accounts

300000 – 399999: Equity accounts

400000 – 499999: Income accounts

Under Ops Income (For example, interest income)

500000 – 999999: Expense accounts

Under Ops Expense (For example, income taxes)

Under Ops classifications are used for non-insurance related accounts.

Revisions or additions can not be made to account classification names. The number range can be controlled through changes made to account groups.

### Account Groups

Account groups subdivide each classification. Each group is assigned a general ledger number range within a classification. Number ranges can overlap.

Examples of Account Groups for Assets:

100000 – 119999: Current Assets

130000 – 149999: Fixed Assets

170000 – 189999: Other Assets

**Accessing Account Groups:**

Account groups are added or edited at the Organization level and will automatically propagate to each territory.

1. Click the **ORGANIZATION** link on the **Primary** menu.
2. Click the **accounting** tab.
3. Click the **setup** tab on the second row of accounting tabs.
4. Click the **account groups** tab.

Details	Account Classification	Account Group	Description	Display Order	Number Range - Begin	Number Range - End	Remove
	Asset	Current Assets		1	100000	119999	
	Asset	Fixed Assets		2	130000	149999	
	Asset	Other Assets	Use for normal assets that do not fit into current or fixed.	3	170000	189999	
	Liability	Long Term Liability	Due 12 months out	2	250000	279999	
	Liability	Short Term Liability	Paid within 12 months	1	200000	239999	
	Liability	Other Liability		3	280000	289999	
	Equity	Equity	Equity/Capital Accounts	1	300000	359999	
	Income	Insurance Income	Income related to insurance revenue	1	400000	429999	
	Income	Other Income	Non-insurance revenue	3	450000	469999	
	Income	Fee Income	Use for any fee income category.	2	430000	439999	

### Editing Account Groups

1. Click the **Details** icon on the far left side of the desired group.
2. Edit the account group and click **Update**.

### Adding Account Groups

1. Click the **[Add New]** link; this displays the **Add Account Group** pop-up window.

**Nexsure Accounting** nexsure

**Add Account Group**

Classification:  ▼

Account Group:

Display Order:

Number Range

    Begin:

    End:

Description:

- ❑ Select a **Classification** from the drop-down box.
  - ❑ Type in a new **Account Group** name.
  - ❑ Enter a **Display Order** number (This controls the order in which the account groups are displayed on the balance sheet and income statement).
  - ❑ Enter the general ledger **Number Range; Begin** and **End** (This limits the account numbers available for assignment in this group).
  - ❑ Enter a **Description** (Optional).
2. Click the **OK** button to save. Nexsure will return to the list of account groups.

## Account Types

Account types are subdivisions of account groups. Account type number ranges can not overlap.

Examples of account types for the account group, **Current Assets**:

100000 – 103999: Cash Accounts

110000 – 110999: Receivables

112000 – 112999: Non-due Revenue Receivables

### Accessing Account Types:

Account types are added or edited at the Organization level and will automatically propagate to each territory.

1. Click the **ORGANIZATION** link on the **Primary** menu.
2. Click the **accounting** tab.
3. Click the **setup** tab on the second row of accounting tabs.
4. Click the **account types** tab.

Details	Account Type	Account Classification	Account Group	Normal Balance	Description	Display Order	Number Range-Begin	Number Range-End	Remove
	Cash Account	Asset	Current Assets	Debit	Use for cash accounts	1	100000	103999	
	Receivable	Asset	Current Assets	Debit	All invoice receivables	2	110000	110999	
	Non-due Revenue Receivable	Asset	Current Assets	Debit	Include non-due revenue related receivables.	3	112000	112999	
	Furniture/Equipment	Asset	Fixed Assets	Debit	Office furniture and equipment	2	130000	132999	
	Vehicle	Asset	Fixed Assets	Debit	Office vehicles	1	140000	141999	
	Insurance Payable	Liability	Short Term Liability	Credit	All invoice related payables	1	200000	219999	
	Non-insurance Payable	Liability	Short Term Liability	Credit	All non-invoice related payables	2	220000	229999	
	Payroll	Liability	Short Term Liability	Credit	Use for all payroll associated items.	3	230000	239999	
	Notes Payable	Liability	Long Term Liability	Credit	All office related notes	1	250000	259999	
	Vehicle Notes	Liability	Long Term Liability	Credit	Use for general ledger numbers for specific vehicles with notes.	3	273000	273999	

### Editing Account Types

1. Click the **Details** icon on the far left side of the desired type.
2. Edit the account group and click **Update**.

### Adding Account Types

1. Click the [\[Add New\]](#) link; this displays the **Add Account Type** pop-up window

The screenshot shows the 'Add Account Type' dialog box. At the top left, it says 'Nexsure Accounting' and at the top right is the 'nexsure' logo. Below the title bar, the text 'Add Account Type' is displayed. The form contains the following fields:

- Account Group:** A drop-down menu with 'Intangible Assets' selected.
- Account Type:** A text input field containing 'Goodwill'.
- Normal Balance:** A drop-down menu with 'Debit' selected.
- Display Order:** A text input field containing '1'.
- Group Number range available:** Two text input fields, the first containing '190000' and the second containing '195000', with 'To' between them.
- Type Number Begin:** A text input field containing '190000'.
- Type Number End:** A text input field containing '191000'.
- Description:** A text area containing 'For Goodwill accounts'.

At the bottom right of the dialog box, there are two buttons: 'OK' and 'Cancel'.

- Select an **Account Group** from the drop-down box.
  - Type in a new **Account Type** Name.
  - Select the **Normal Balance** from the drop-down box.
  - Enter a **Display Order** number (This controls the order in which the account types are displayed on the balance sheet and income statement).
  - Enter the general ledger **Type Number Begin** and **Type Number End** (This limits the account numbers available for assignment in this type).
  - Enter a **Description** (Optional).
2. Click the **OK** button to save. Nexsure will return to the list of account types.

---

**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.

---

