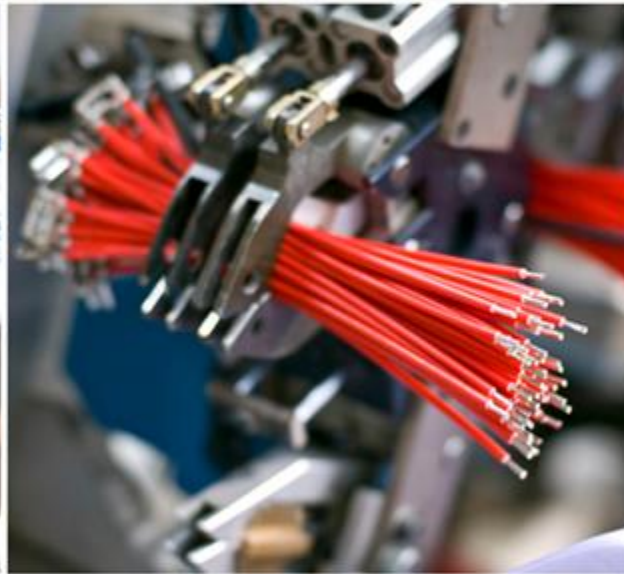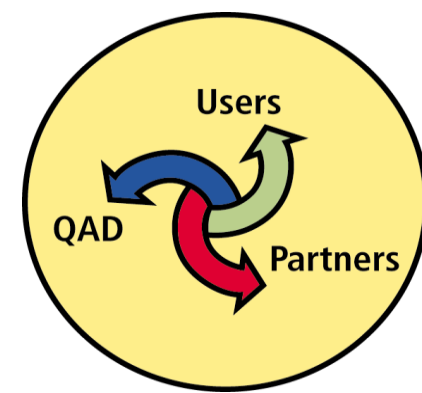# QAD EE Financial Overview

Lance LaCross, CPA, CPIM

Senior Solutions Consultant

March 21, 2016

Safe Harbor Statement

The following is intended to outline QAD's general product direction. It is intended for information purposes only, and may not be incorporated into any contract. It is not a commitment to deliver any material, code, functional capabilities, and should not be relied upon in making purchasing decisions. The development, release, and timing of any features or functional capabilities described for QAD's products remains at the sole discretion of QAD.
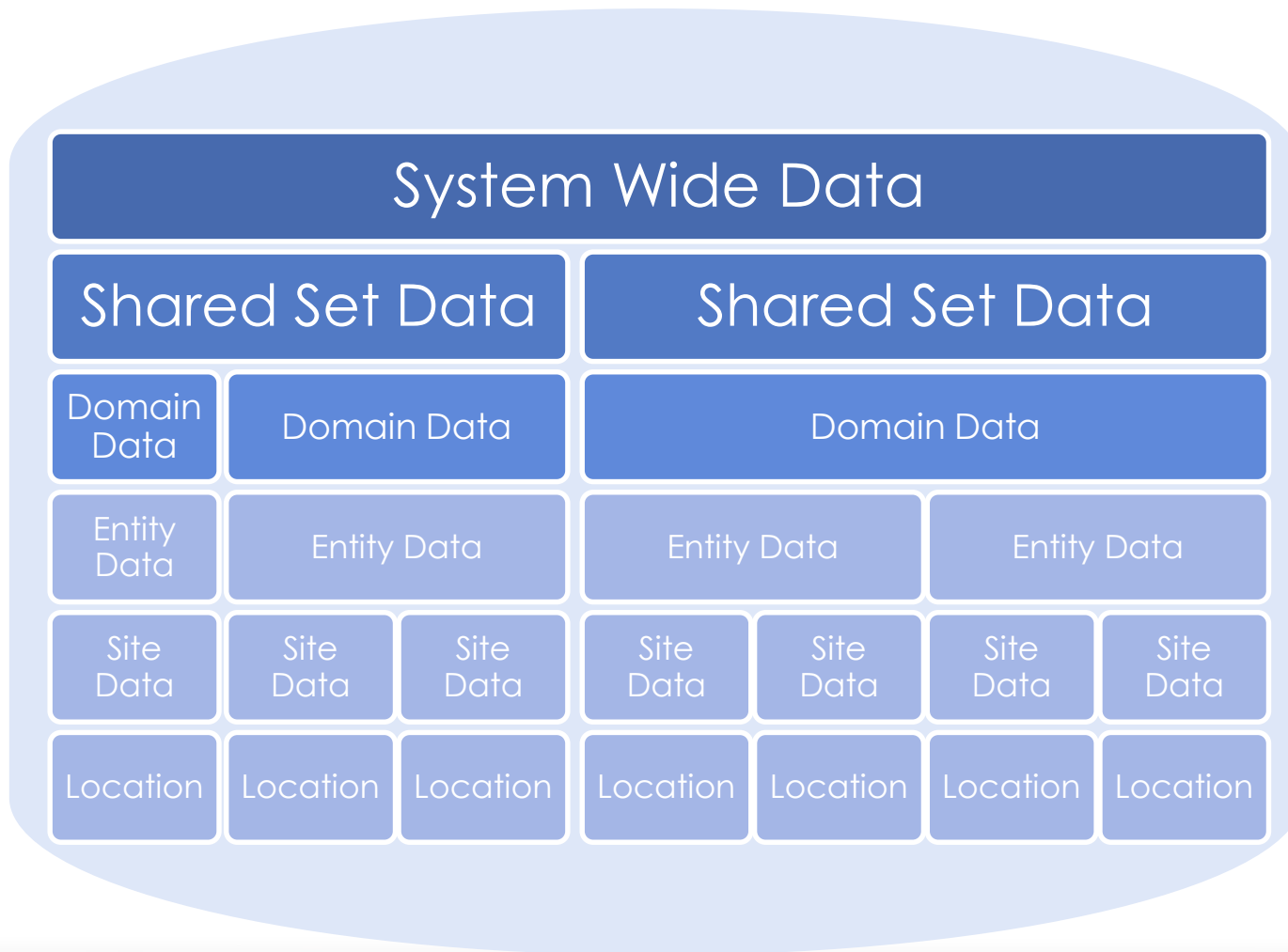
QAD

Yesterday vs. Today

QAD Financials

- Overview
- General Ledger
- Accounts Payable
- Accounts Receivable
- Reporting / Analysis
- Multiple Currency
- Consolidations
- Budgeting

- Costing
- Banking/Treasury
- Fixed Assets
- Logistics Accounting
- Tax
- Security/Controls
- 2016 Enhancements
- Questions & Answers

QAD

Database Structure

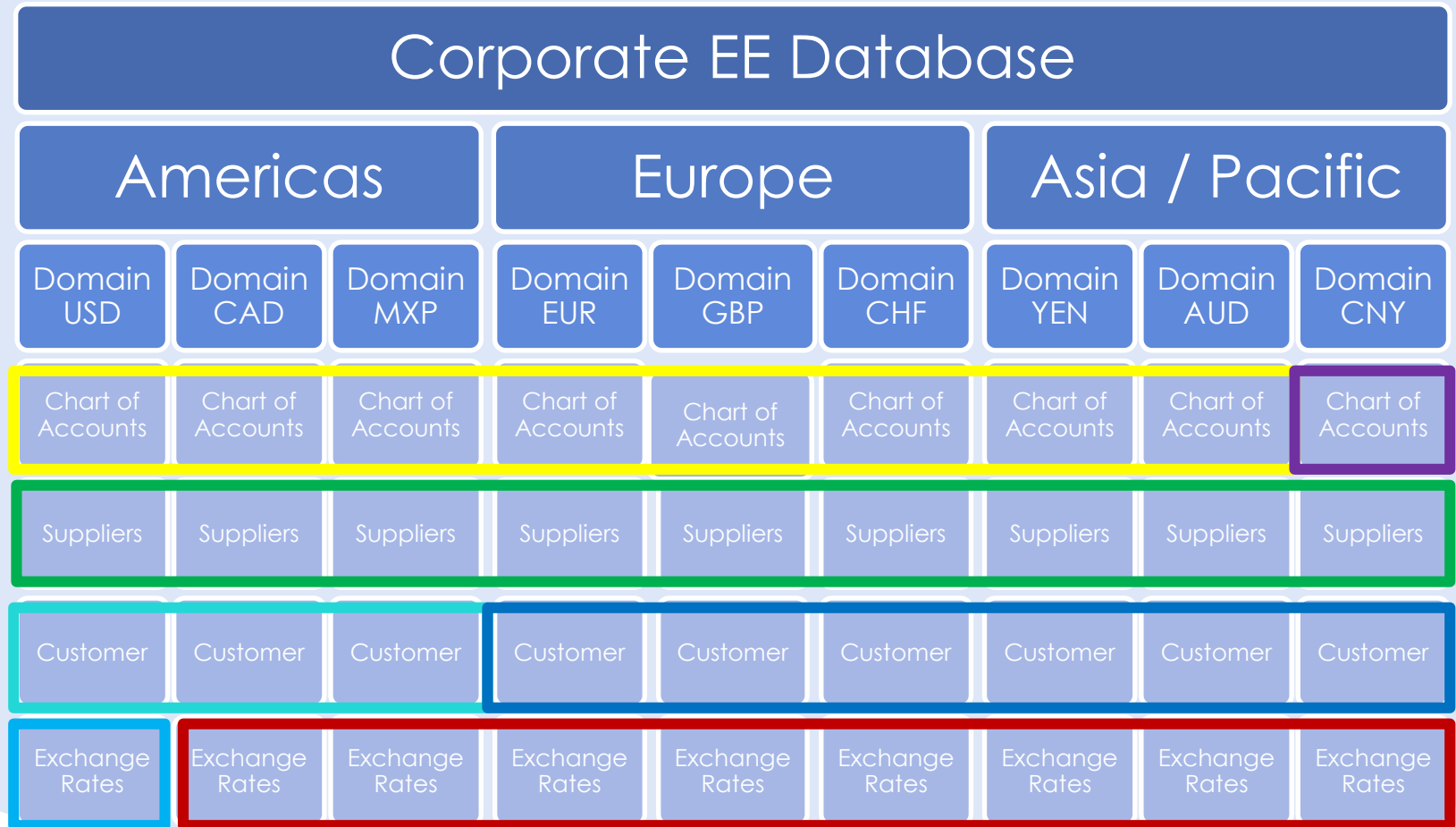|	e.g. Currency, users, languages, countries …
System Wide Data	
Shared Set Data / **Shared Set Data**	e.g. COA, suppliers, customers, …
Domain Data	e.g. Base currency, statutory currency, operational controls, …
Entity Data	e.g. Taxes, security numbering, …
Site Data	e.g. Inventory, costing, planning, …
Location	

Shared Set Benefits

Flexible sharing with COA with restrictions

- Rules for sharing accounts and cost centers across domains and entities

SE – G/L Account Structure

| Entity | Yr/Pd | header level |

| Primary GAAP Acct | Sub-Account | Cost Center | Project |

line level

EE - G/L Account Structure

| Entity | Yr/Pd | Layer/Book | Daybook | header level |

| Primary GAAP Acct | Sub-Account | Cost Center | Project | SAF's | SAF's | SAF's | SAF's | SAF's |

line level

Intercompany key

Open item key

Other GAAP Account

Allows
- actuals in value (in tc, bc, sc)
- actuals in quantities
- budgets

extra keys on line level

Up to five *'supplementary analysis fields'* on a posting line

can automatically retrieve SAF data from Operational transactions

Site
Product Line
Region (Customer)
Customer Type
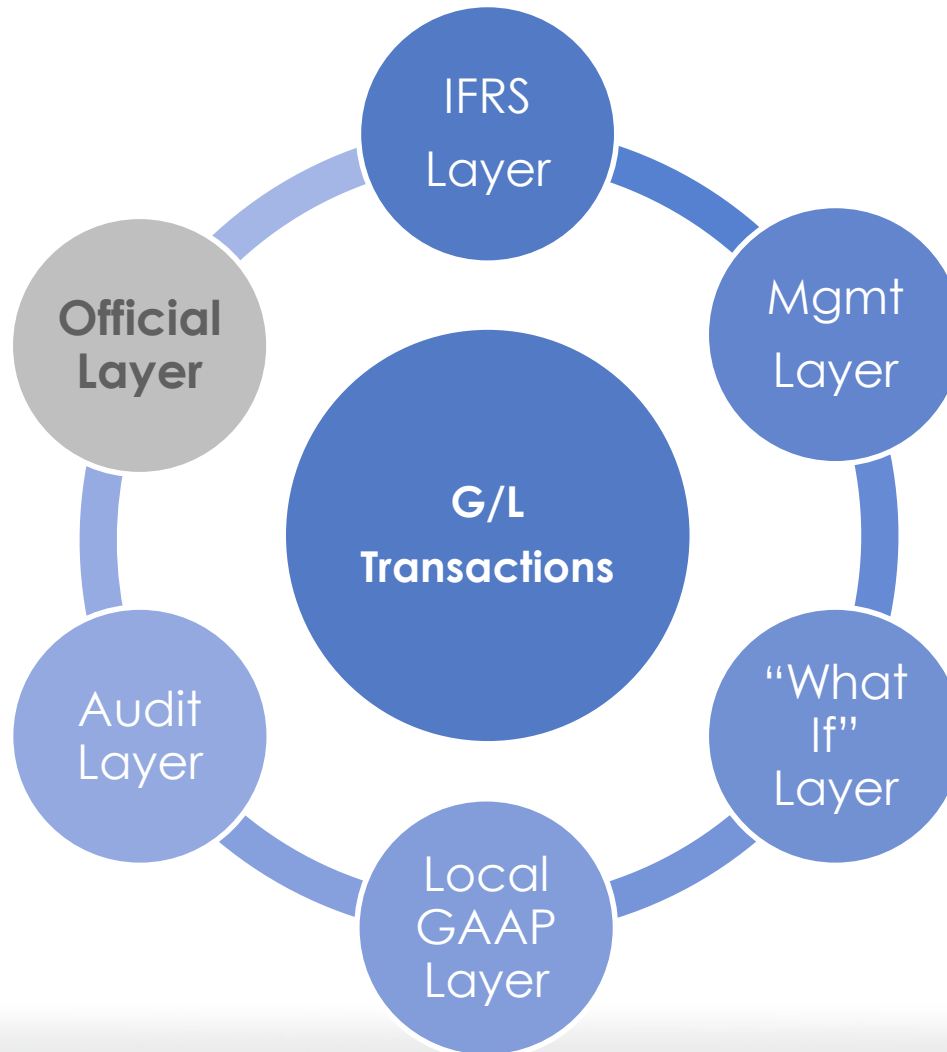**Supplier Type**
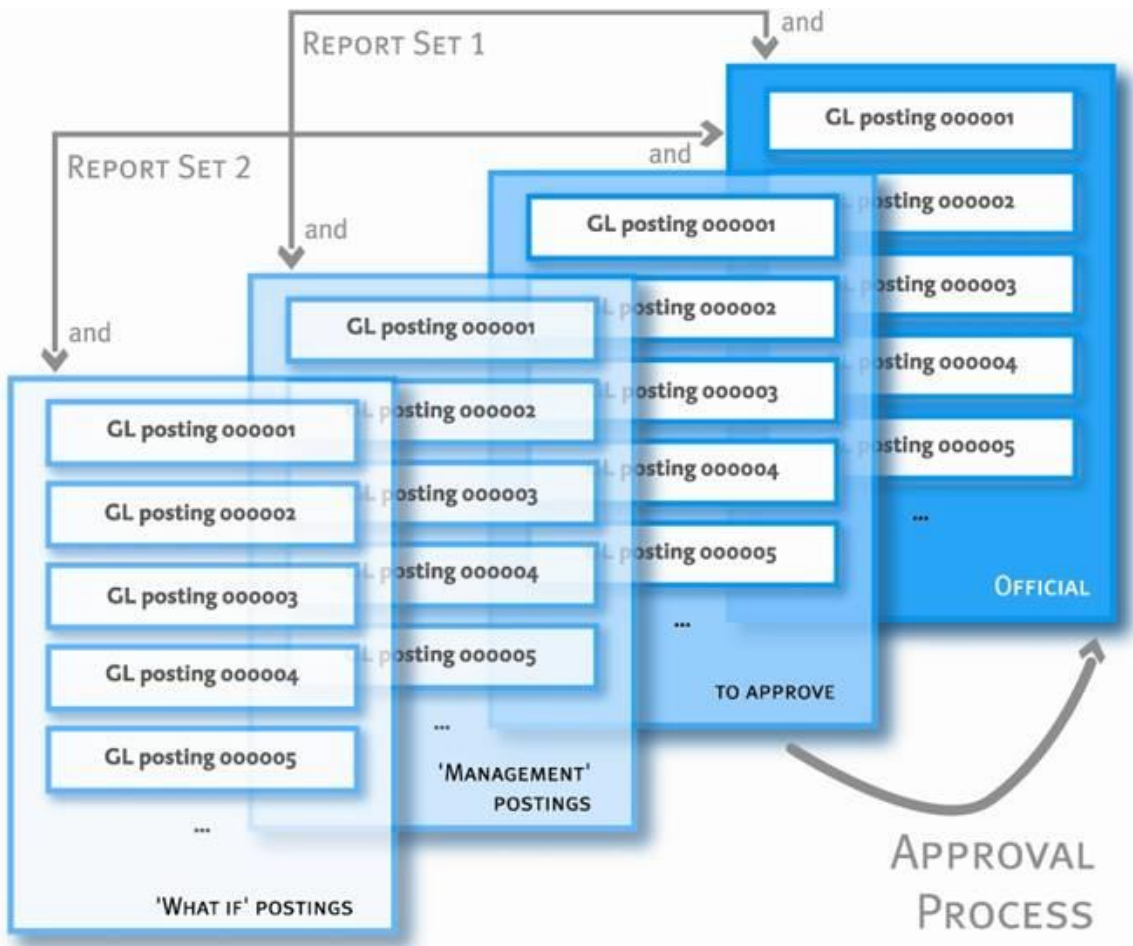**Item Type**
Item Group

Accounting Layers / Books

Accounting Layers / Books

Accounting Layers and Reporting

- Reporting can be based on:
  - One single layer
  - A combination of layers
- Layer combinations for reporting can be stored as user preferences
- An account can have a balance for each layer

Daybooks

- *With No Daybooks Defined - SE*
  - Journal entries
  - Account – Sub – Cc – Source - Amt
  - 5000   100   4000   IC   75.00
  - 5000   100   4000   IC   -65.00

Daybooks

- *With Daybooks Defined*
  - Journal entries
  - Account – Sub – Cc – Source – Daybook   Amt
  - 5000   100   4000   IC   RCT-UNP   -75.00
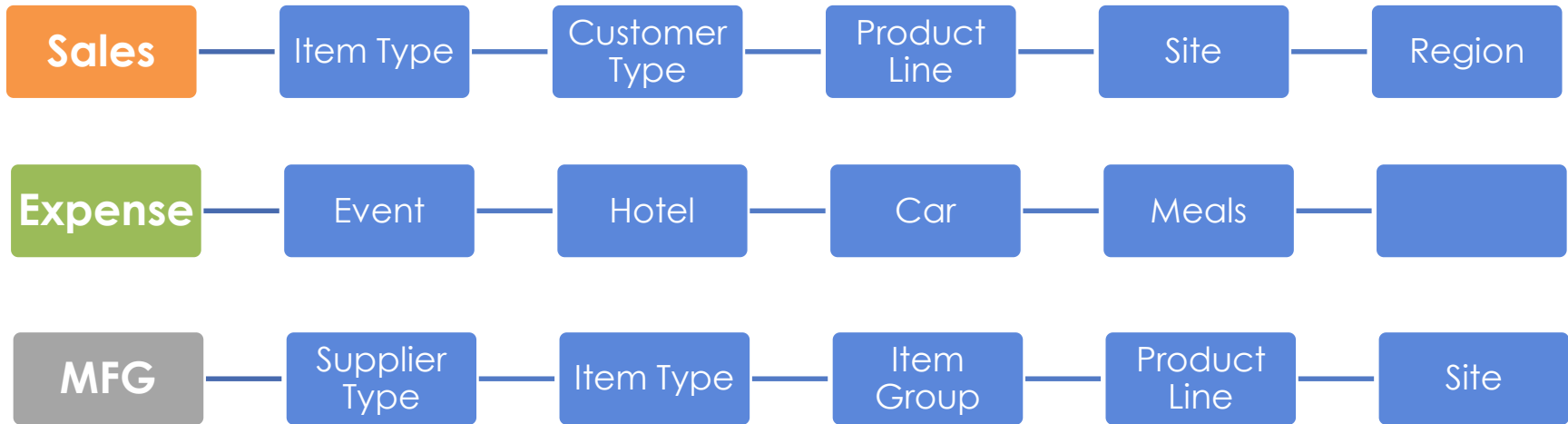 - 5000   100   4000   IC   ISS-SO   65.00
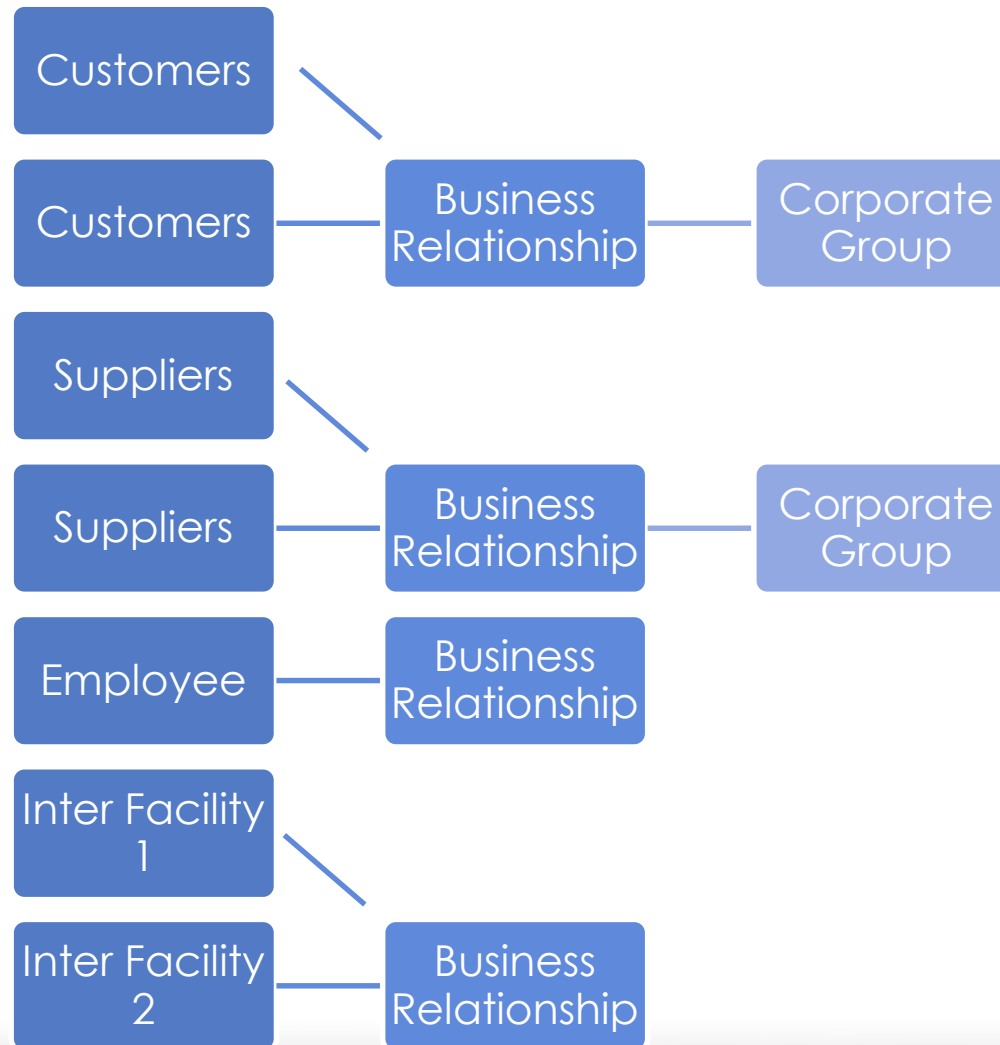
QAD

SAF Structures

SAF Structures

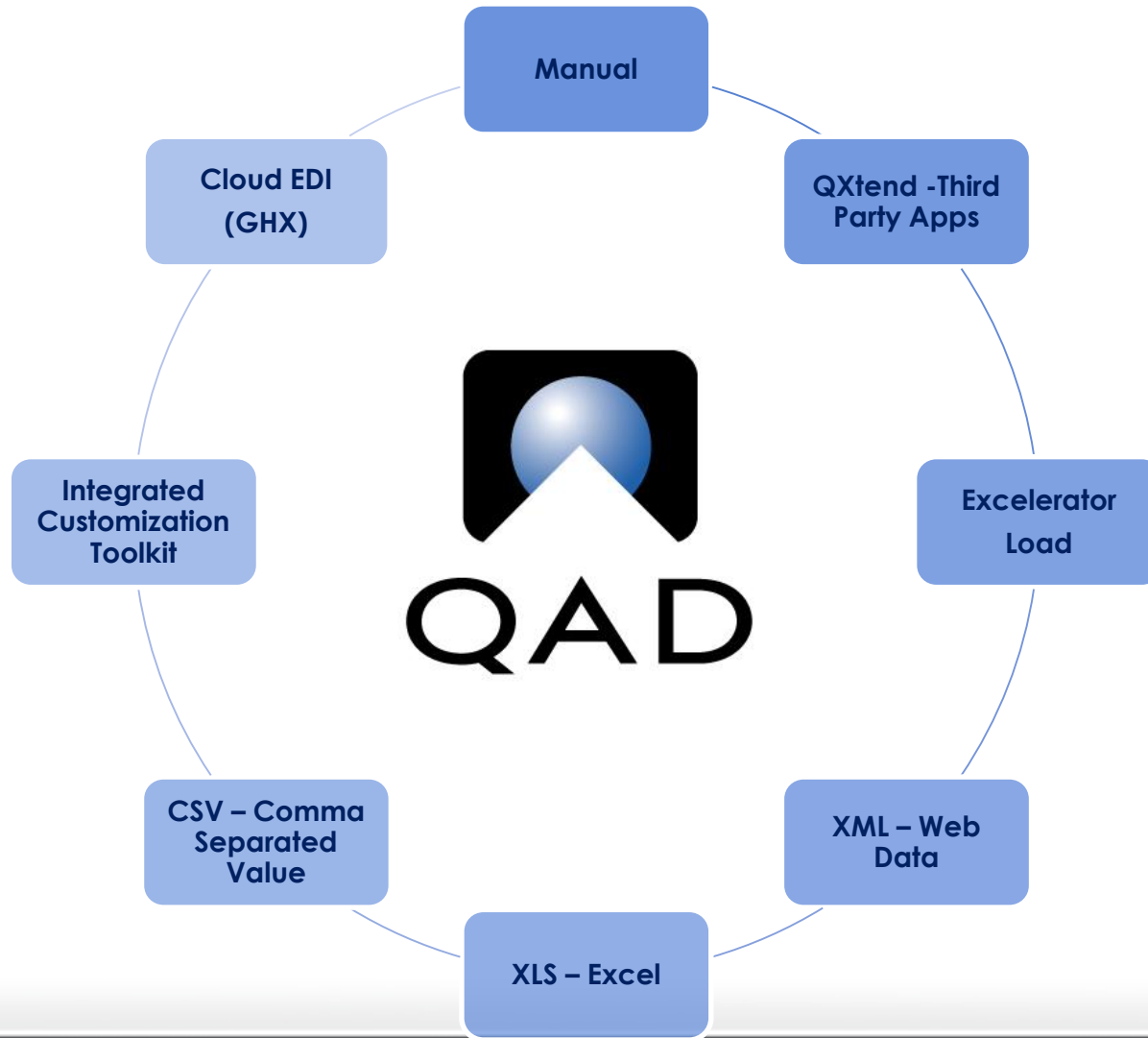**SAF Structure**

Consist of Multiple SAF Concepts (1 to 5)

Sales	Item Type	Customer Type	Product Line	Site	Region

Expense	Event	Hotel	Car	Meals	

MFG	Supplier Type	Item Type	Item Group	Product Line	Site

SAF codes can be defaulted to make data entry easier

QAD

Business Relation Hierarchy

Data Exchange Options in QAD

- Manual
- QXtend -Third Party Apps
- Cloud EDI (GHX)
- Excelerator Load
- Integrated Customization Toolkit
- XML – Web Data
- CSV – Comma Separated Value
- XLS – Excel

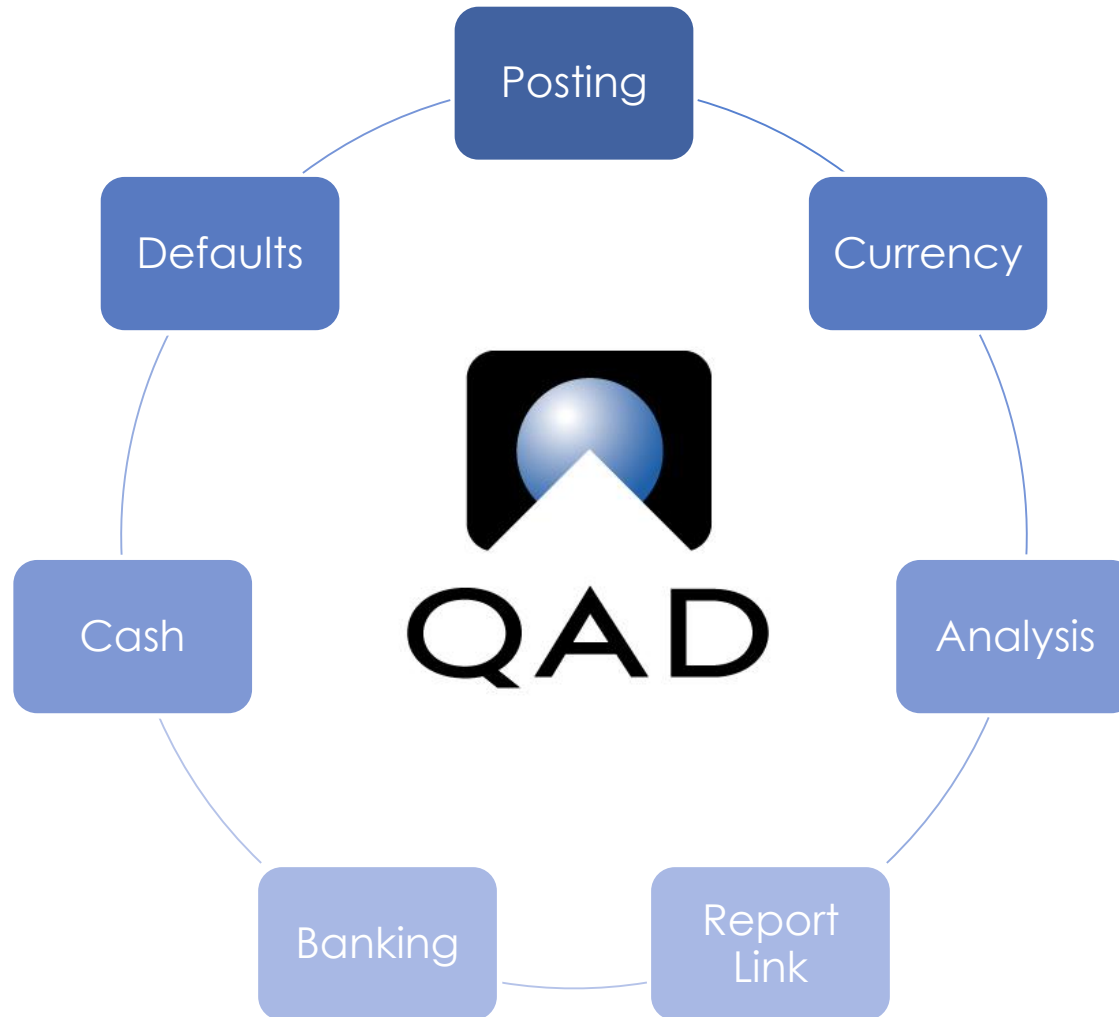# Return to the QAD System…

Back to overview slide

QAD General Ledger

- Multi-Entity, Multi-Currency, Multi-Layer
- Support for recurring/reversing entries
- Extensive drill-down capabilities
- Flexible account structure with up to 5 optional Supplementary Analysis Fields per account combination
- Posting templates
- Multi-stage period closing process including period marks, closing validations and reporting
- Separate period for year-end corrections
- Bi-directional Microsoft Excel® integration for journal entries as well as for account setup

Ensures all financial data is quickly accessible for drill down and corporate reporting
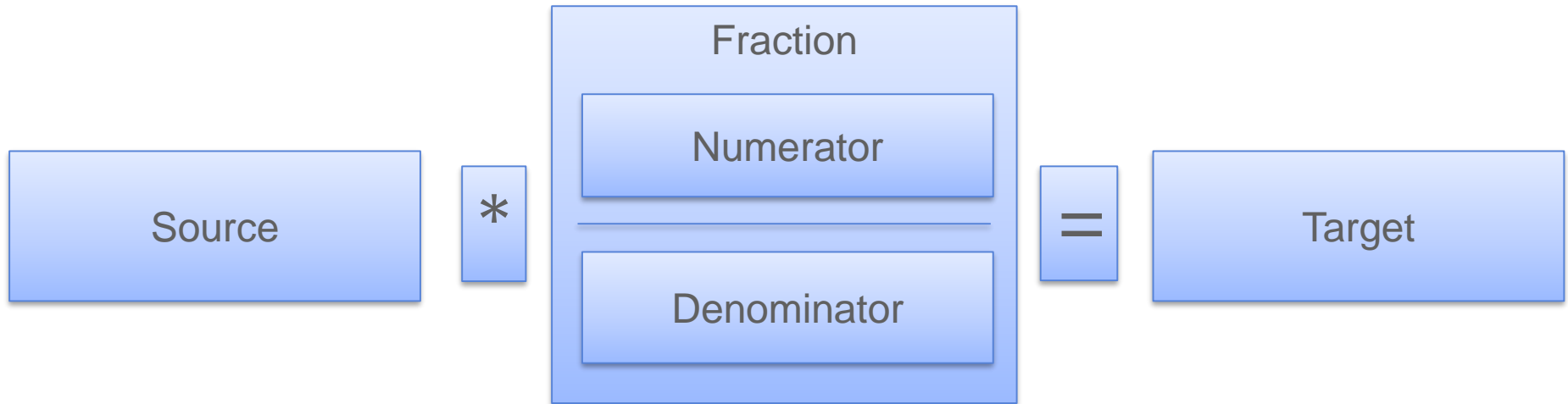
General Ledger Account Elements

Types of Accounts

- GL Accounts are identified with the kind of transactions being handled by that account:

- Bank
- Cash
- Closing (Month/YE)
- Cross-Company Control
- Customer Control
- Customer Payment
- Fixed Assets

- Open Items
- Standard Account
- Supplier Control
- Supplier Payment
- System Account
- Tax Account
- WIP Control

- Postings on an account are restricted to the ones relevant for the type of the account
- System asks only for appropriate types of accounts

QAD

Allocation Definition

```
            ┌─────────────────────────┐
            │        Fraction         │
            │  ┌───────────────────┐  │
            │  │     Numerator     │  │
┌─────────┐ │  └───────────────────┘  │ ┌───┐ ┌─────────┐
│ Source  │ *│  ─────────────────────  │=│   │ │ Target  │
└─────────┘ │  ┌───────────────────┐  │ └───┘ └─────────┘
            │  │    Denominator    │  │
            │  └───────────────────┘  │
            └─────────────────────────┘
```

- • Source can be a constant, a runtime entered value or a GL posted value (defined in Budget WBS [Work Breakdown Structure] as 'topic')

- •Numerator / Denominator can be constants, runtime entered values or GL posted values (defined in Budget WBS as 'topic')

- •Target is your allocation posting, based on a Journal Entry template

Return to the QAD System…

Back to overview slide

Financial Consolidations

"Financial consolidation is an accounting process that allows a company to summarize operating data for all subsidiaries in a single set of financial statements. "

This procedure also helps management, investors and regulators understand the full scope of a corporation's activities and ensures that these activities comply with rules, guidelines and requirements applicable to the company.

QAD

Consolidations – Which One?

1. ***Consolidation*** allows you to obtain an aggregated view by combining balances from individual entities in a single consolidation entity. The consolidation process creates new postings in the consolidation entity and is performed for statutory purposes and is part of the period closing activities.

2. ***Financial Report Writer*** allows you to produce an aggregated financial report across a series of individual entities. You can do this at any time of the year and without making postings. Financial Report Writer provides an approximation of the consolidation results because not all elements are known at the time of reporting.

GL Consolidations *Example*
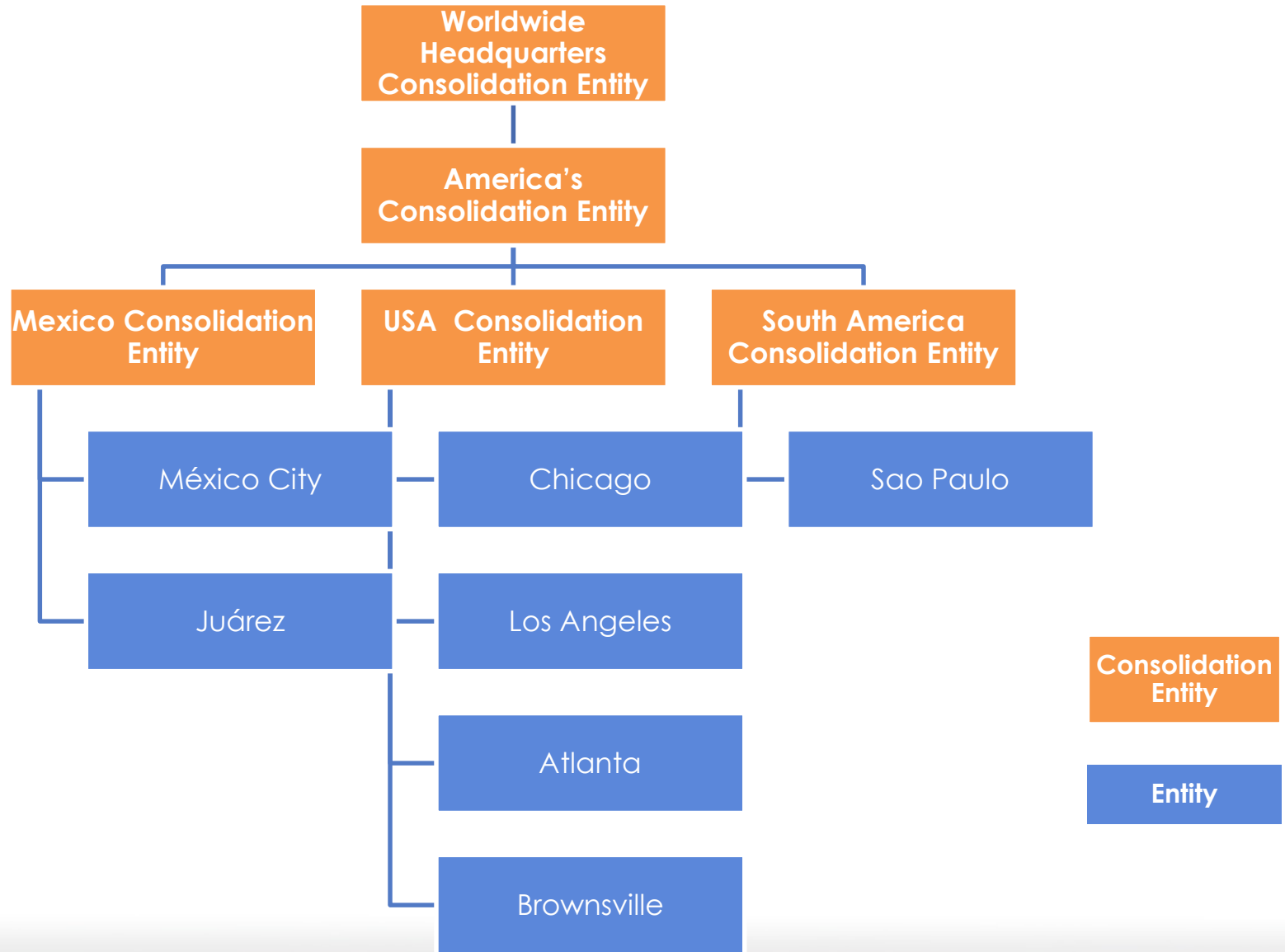
Financial Report Writer Consolidations *Example*
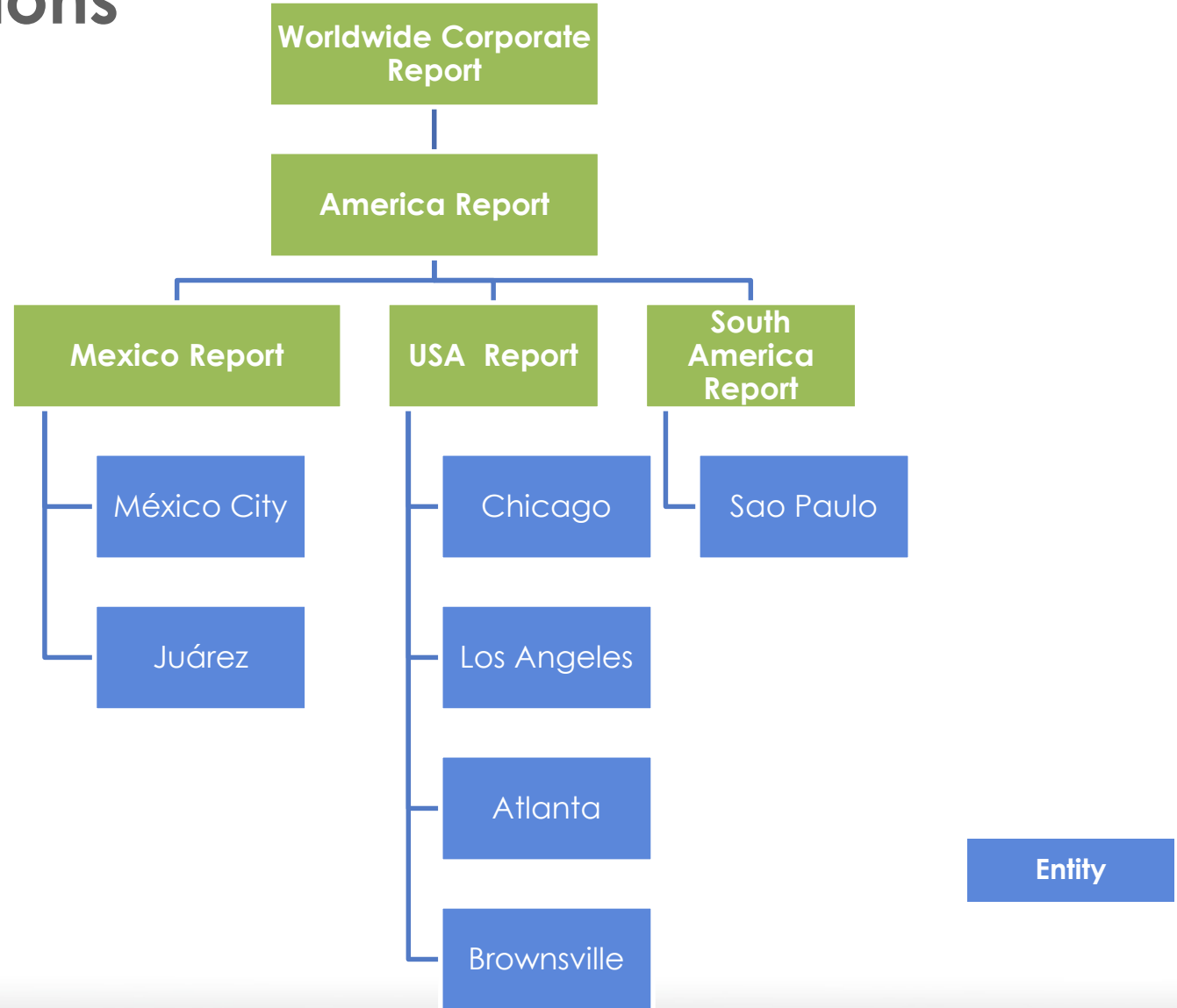
Return to the QAD System…

Back to overview slide

Different Flavors of Information

Local GAAP

IFRS

US GAAP

Role Based Dashboards
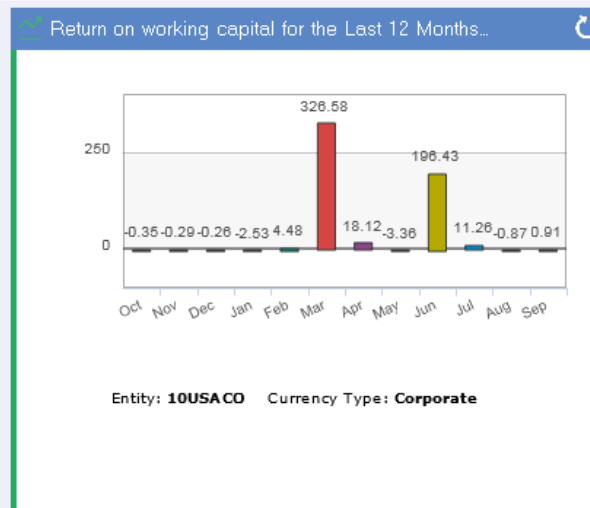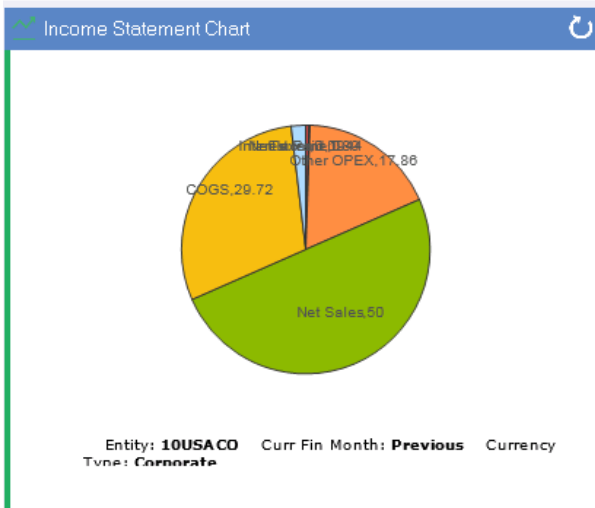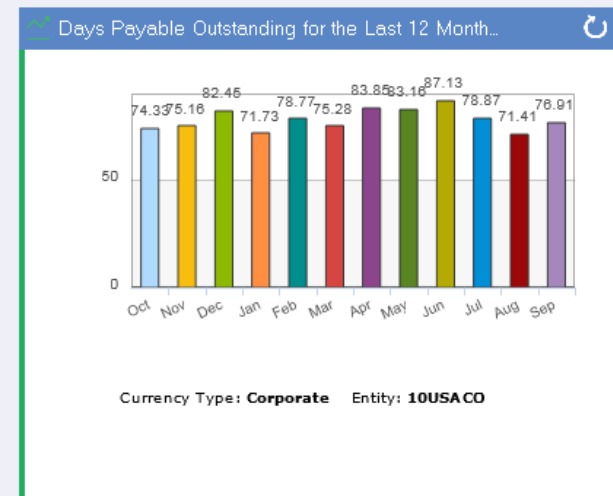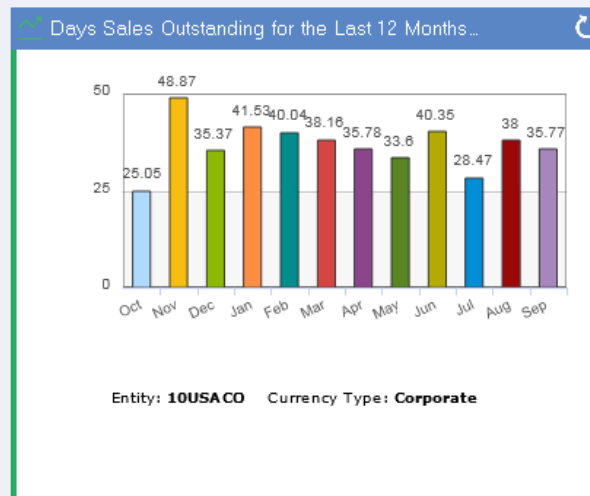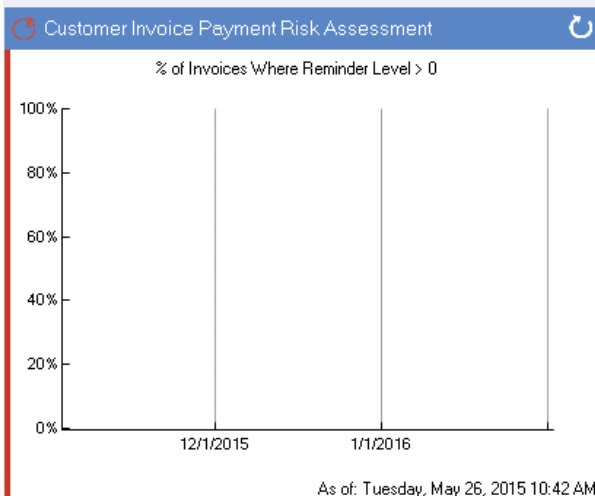
Financial Report Writer (FRW)

Objectives

- Single solution for GL reporting
- Real time
- Multi-domain
- Consolidated
- Chart Translation
- Currency Translation
- Multi-GAAP

QAD
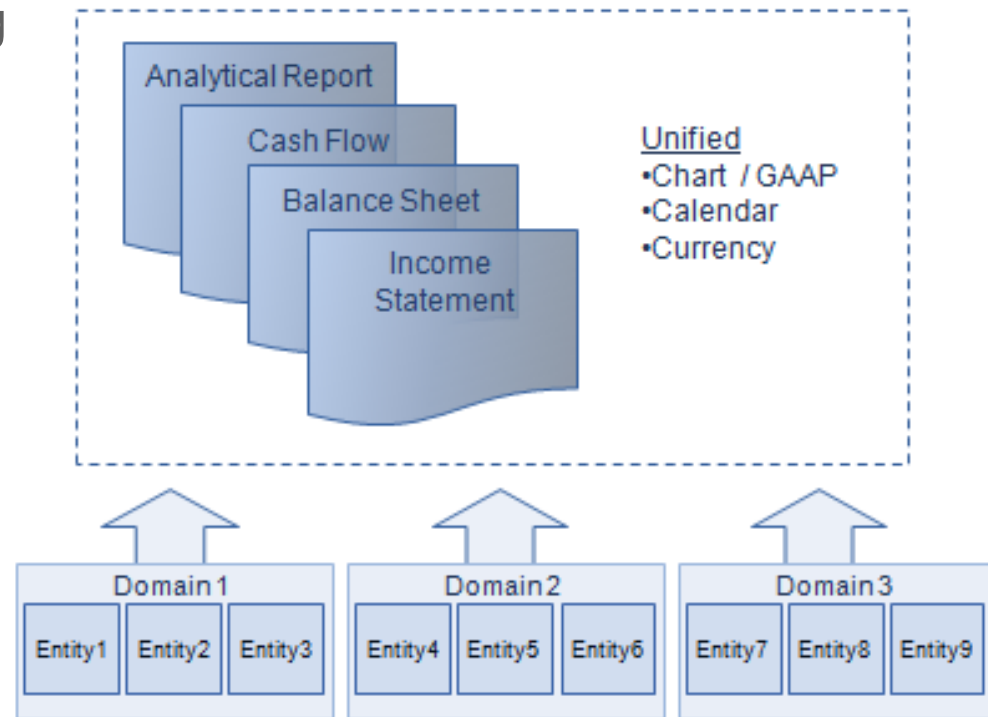
Financial Report Writer Foundation Flow

Translation / Transformation

Source
Domains - Entities

Local COAs
  -GL
  -Sub-Account
  -Cost Centre
  -Project
  -SAF

Base Currencies
(*or Statutory Currencies*)

Local GL Calendars

Report Chart
Maintenance

COA
Cross-Reference

Cube Definition
Maintenance

Report
Cube

Common Report Chart
  -GL
  -Sub-Account
  -Cost Centre
  -Project
  -SAF

Presentation Currency

Report Calendar
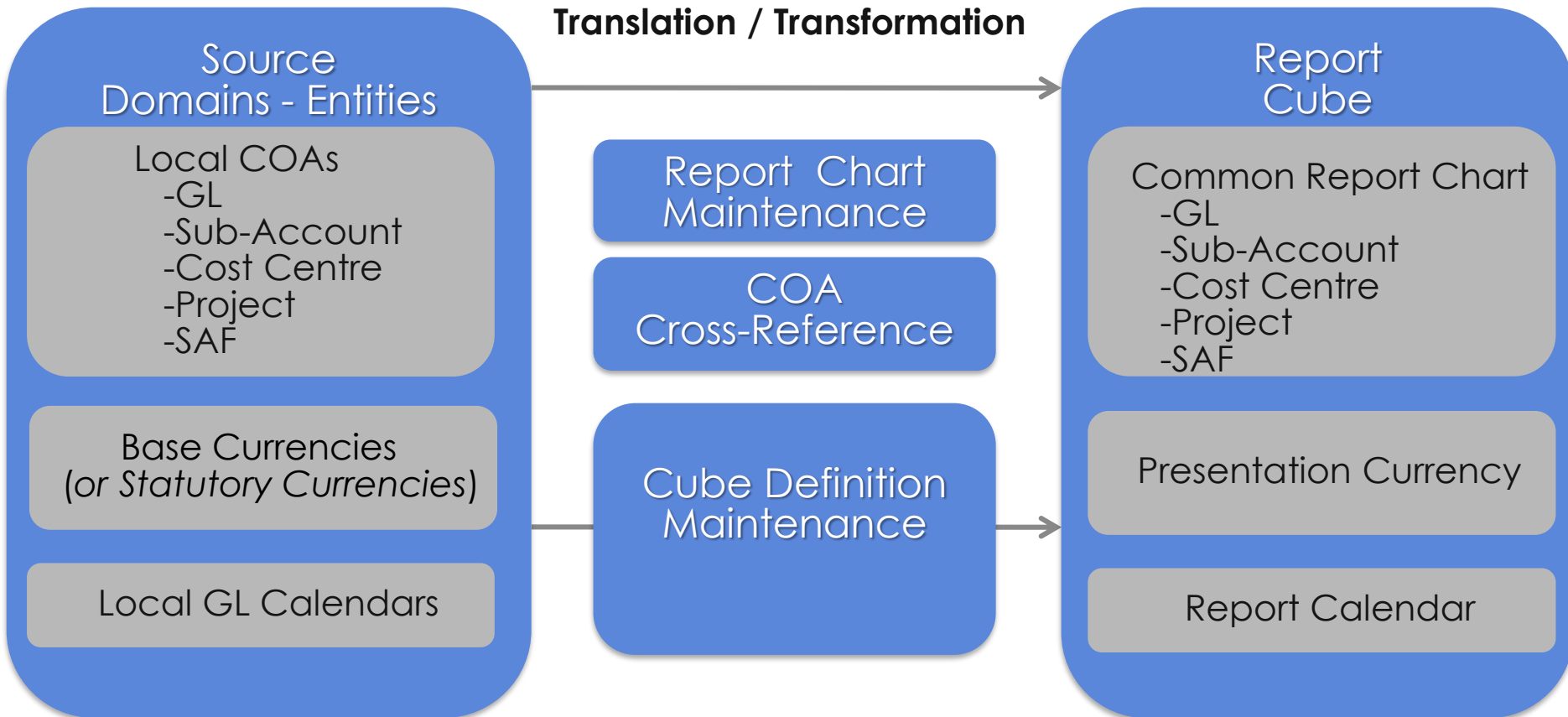
Financial Report Run

- Using Reporting Framework
- Output to screen, PDF, Excel
- Filter at run-time using analysis codes (i.e., by cost center)
- Save selection parameters for future use
- Schedule delivery

Browsing the Report Cube

- Cube Balance View browse with Drill-Down Capabilities

Report Components

Report Tree
- "Rows"
- Analysis Codes
- Reusable

Column Group
- "Columns"
- Calculated
- Layout

Report Cube
- "Data"
- Drill Down
- Browse

Report Master
- "Worksheet"
- Combine Components

QMI North America Combined

Date: 8/13/2015
Time: 07:56:32
Currency: USD

Analysis Code	USA	CANADA	MEXICO	TOTAL
EBT	$ 14,099,972.20	$ 3,105,313.82	$ (2,244,712.54)	$ 14,960,573.48
ADJUSTED EBIT	$ 14,099,972.20	$ 3,105,313.82	$ (2,244,712.54)	$ 14,960,573.48
DIV EBIT	$ 14,099,968.63	$ 3,105,307.99	$ (2,244,708.80)	$ 14,960,567.82
EBOI	$ 14,079,268.63	$ 3,105,307.99	$ (2,244,708.80)	$ 14,939,867.82
GROSS MARGIN	$ 14,718,988.70	$ 3,464,507.18	$ (2,217,944.28)	$ 15,965,551.60
Total Net Sales	$ 5,862,381.62	$ 5,261,417.57	$ 15,306,467.48	$ 26,430,266.67
Net External Sales	$ 5,862,381.62	$ 5,261,417.57	$ 15,306,467.48	$ 26,430,266.67
Gross External Sales	$ 6,331,879.05	$ 5,644,531.15	$ 429,036.40	$ 12,405,446.60
Rebates	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Discounts	$ (1,211,160.23)	$ (1,053,218.53)	$ (77,372.40)	$ (2,341,751.16)
Property selling	$ 741,662.80	$ 670,104.95	$ 14,954,803.48	$ 16,366,571.23
Cost of Sales	$ (8,856,607.08)	$ 1,796,910.39	$ 17,524,411.76	$ 10,464,715.07
Adjusted Std COGS	$ 972,096.22	$ 732,759.76	$ 17,418,158.99	$ 19,123,014.97
STD COGS	$ 972,096.22	$ 732,759.76	$ 17,418,158.99	$ 19,123,014.97

Drill down to the source transactions

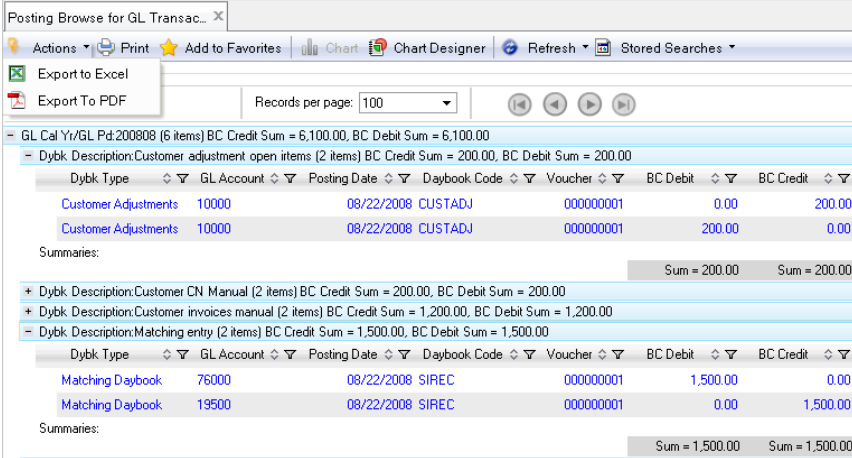# Return to the QAD System…

Back to overview slide

QAD General Ledger

- Multi-Entity, Multi-Currency, Multi-Layer
- Support for recurring/reversing entries
- Extensive drill-down capabilities
- Flexible account structure with up to 5 optional Supplementary Analysis Fields per account combination
- Posting templates
- Multi-stage period closing process including period marks, closing validations and reporting
- Separate period for year-end corrections
- Bi-directional Microsoft Excel® integration for journal entries as well as for account setup

Ensures all financial data is quickly accessible for drill down and corporate reporting

Return to the QAD System…

Back to overview slide

QAD Accounts Payable

- Variances are generated based on 3-way match of PO, receipt and invoice
- Flexible matching and approval process
- Automate process of entering and approving supplier invoices with Scan daemon, document management and workflow routing
- Evaluated Receipts Settlement (ERS) eliminates the need to enter supplier invoices (2 way match)
- Netting between common customers and suppliers
- Write-offs and open item adjustments
- Supplier activity dashboard
- 1099 Reporting

Streamline the process from purchase order to supplier payments

Return to the QAD System…

Back to overview slide

QAD Accounts Receivable

- Flexible aging reports
- Retro Billing allows price changes on items after items shipped and invoiced
- Self Billing
- Sharing of customers and credit limits between business units
- Automatic netting of invoices and credit notes
- Netting between common customers and suppliers
- Write-offs and open item adjustments
- Dunning letters automatically generated
- Customer activity dashboard

Full control on the total process between billing and collecting

QAD Financial Shared Services

- Sharing of chart of accounts and other key master data
- Sharing of customers and supplier across business units
- Workflow to move documents between business entities
- Link to document management to store electronic versions of paper documents such as invoices
- Cross-company AR and AP payments

Have economies of scale to save back-office costs and support growth

QAD Credit Management

- *Extensive and flexible credit check (Days & Dollars)*
  - Based on percentage of sales
  - Fixed credit limit
  - Maximum days of overdue
  - Option to overrule
  - Share credit limit of shared customers across companies
- Configurable warning level
- *Dashboard for customer activity and credit information*
- Multi level dunning letters

Ensures visibility of customers with credit issues for the finance manager

55

Return to the QAD System…

Back to overview slide

QAD Multiple Currency

- Process, pay and receive money in any currency
- Set up functional currencies by business unit
- Dual Base Currency
  - Transaction amounts always stored in transaction currency + in primary base (functional) currency and secondary base (statutory) currency
- Extensive revaluation options, both for functional and statutory currency
- Allows a global organization to conduct business any currency, and generate consolidated and management reporting in the mandated currency

Do business in any currency

QAD Multiple Base Currencies & Types

- Transaction Currency

- Base Currency

- Statutory Currency (Optional)

Numerous Rate Types:

- *Accounting*
- *Budget*
- *Inventory*
- *Revaluation*
- *Tax/VAT*
- *User Defined*

QAD

EE Global Currency / Layer Flow

```
                    ┌──────────────────┐
                    │   USA  Entity    │
                    │     (USD)        │
                    └────────┬─────────┘
                             │
                             │       ┌──────────────────┐
                             └───────│    European      │
                                     │    Division      │
                                     └────────┬─────────┘
                                              │
                                     ┌────────┴─────────┐
                                     │    German        │
                                     │  Entity (EUR)    │
                                     └────────┬─────────┘
                ┌─────────────────────────────┼─────────────────────────────┐
      ┌─────────┴─────────┐        ┌──────────┴──────────┐        ┌──────────┴──────────┐
      │   Local Base      │        │   US GAAP           │        │  Simulation Layer   │
      │   Layer           │        │   Adjustments       │        │  –"What If?"        │
      │                   │        │   Layer             │        │                     │
      └───────────────────┘        └─────────────────────┘        └─────────────────────┘
```
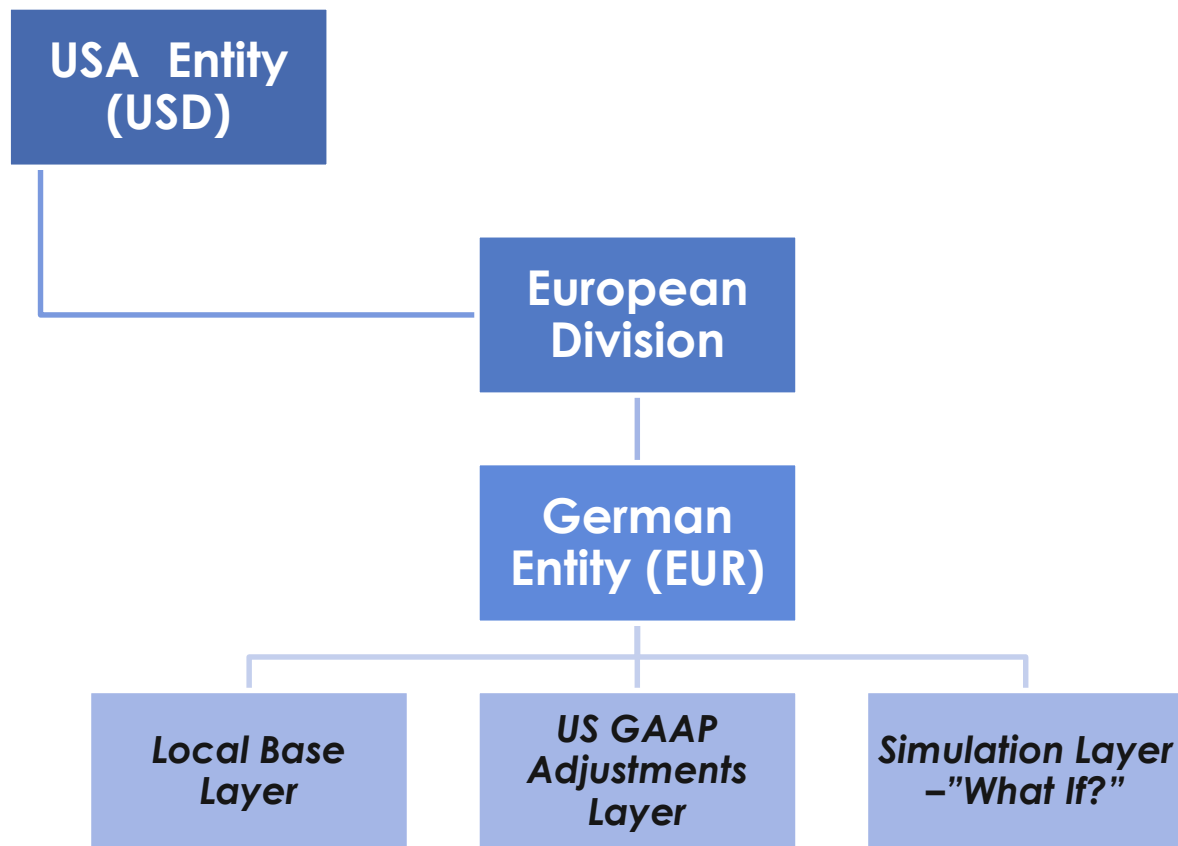
Base = EUR > **Transaction = GBP** > **Statutory = USD**

Revaluation Simulation

Return to the QAD System…

Back to overview slide

QAD Fixed Assets

- Multiple And User Defined Depreciation Methods
- Multiple Books
- Ability To Split And Combine Assets
- Support Transfers And Retirements
- Multiple Concurrent Depreciations To Support Different GAAP Requirements
- Helps In Supporting Regulations Such As Sarbanes-Oxley & IFRS

Accurately manage and track fixed assets throughout their lifecycle: from asset acquisition to disposal

Basic Asset Life Cycle
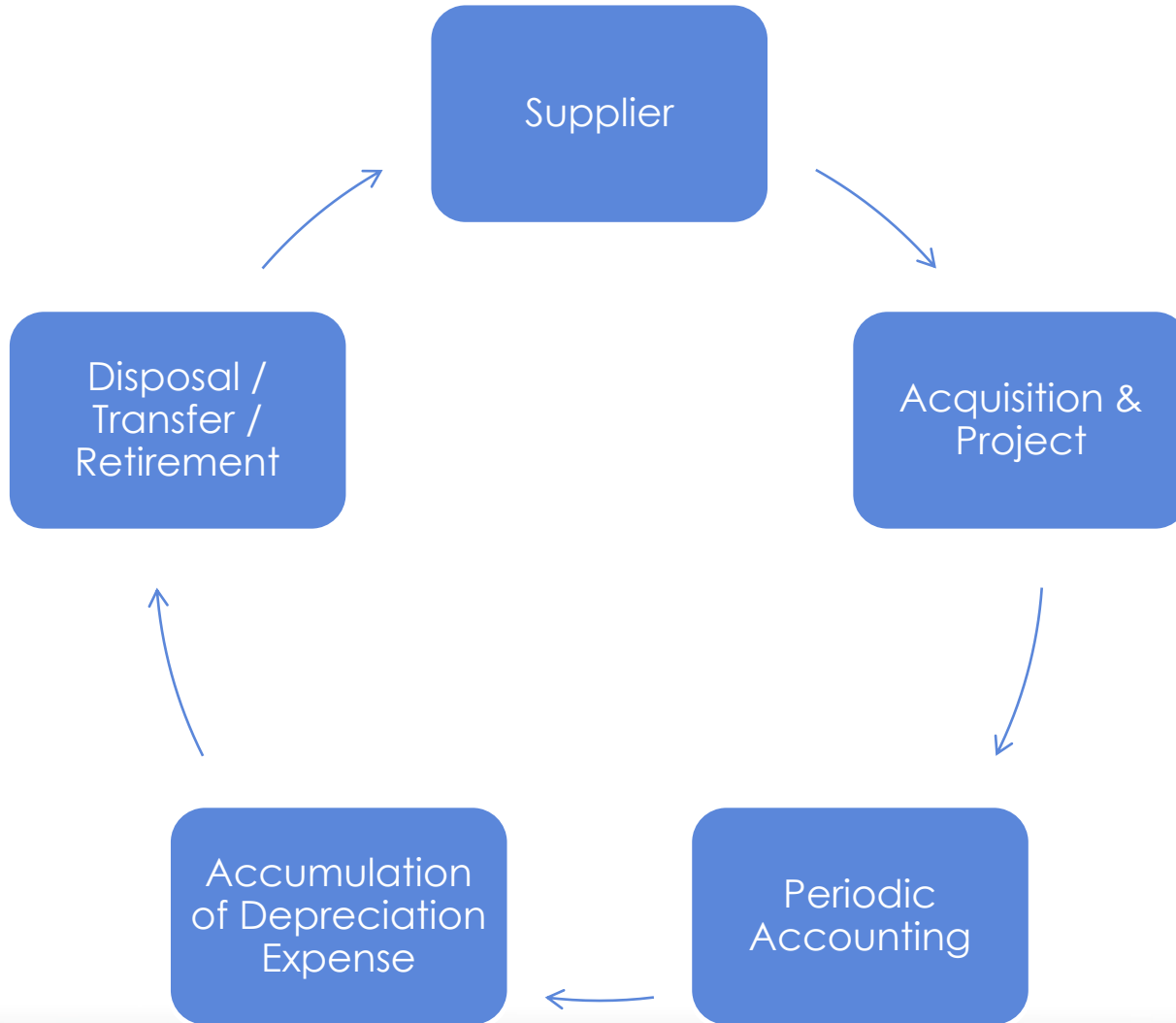
QAD Fixed Asset Concepts

- Fixed Asset Calendar
  - Calendar for calculation of depreciation, asset service, etc.
- Books
  - Depreciation books for fixed assets. Multiple books are allowed per
- Depreciation Method
  - Depreciation methods that your company uses. Depreciation allocates an asset cost to periods in its service life. Depreciation affects both tax and financial reporting.
- Conventions:
  - Fixed-asset conventions are used for averaging depreciation in the first and last years of an asset life . *i.e. Half Period = a half-period depreciation is calculated for the first and last period of the asset life*
- Classes:
  - Depreciation for assets in the same class generally affects the same GL accounts for the asset investment, accumulated depreciation, and depreciation expense.
- Asset Locations:
  - Asset locations identify the accounting location and entity of the fixed asset and the default sub-accounts and cost centers for depreciation reporting.

Fixed Assets Manager Dashboard
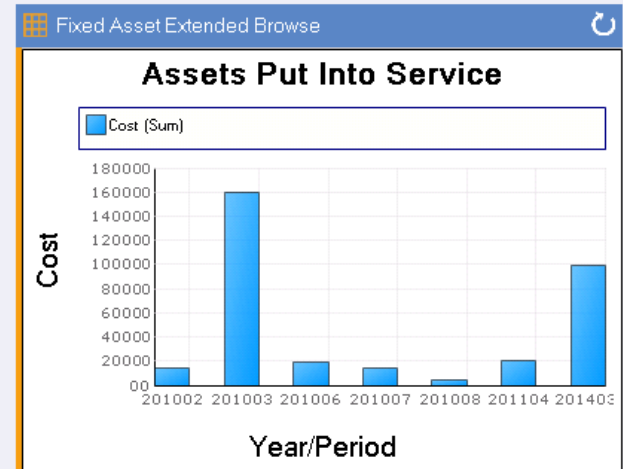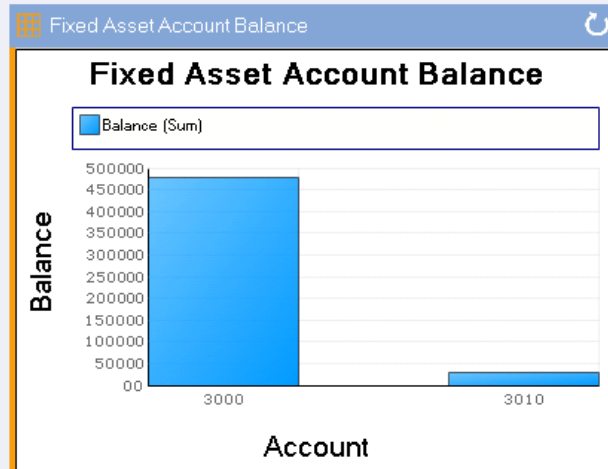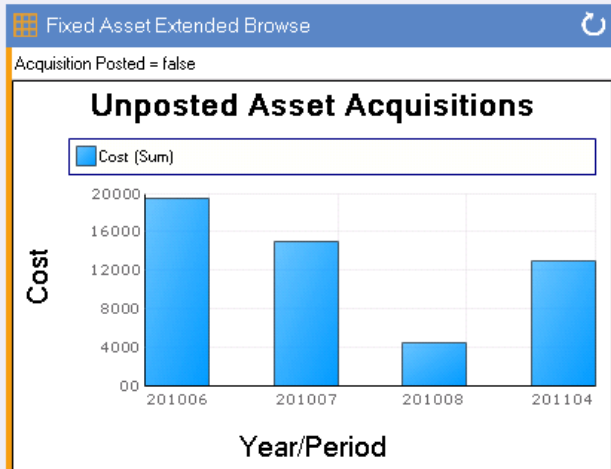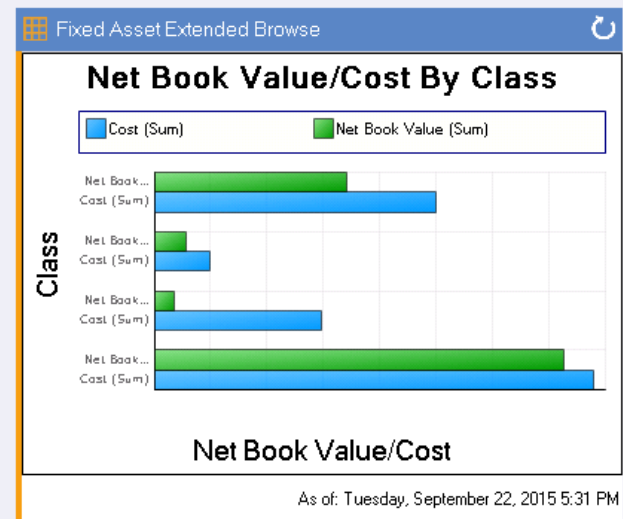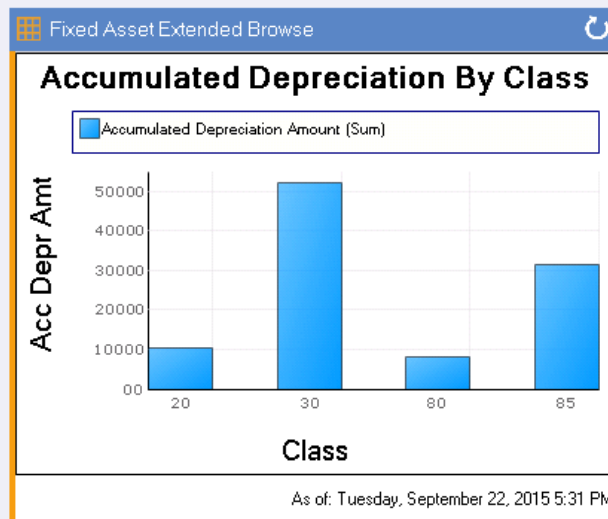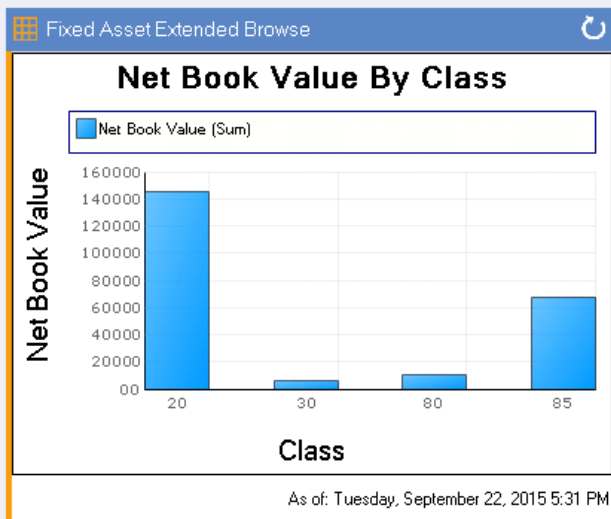
Back to overview slide

QAD Budgeting

- Supports multiple versions of budgets
- Budget periods can be different from accounting periods
- Recording of forecasts
- On-line budget checking and warnings
- Import/Export budget data from Microsoft Excel®
- Live modification of budgets using Microsoft Excel®
- Supports multi-level budgeting and actuals coming from multiple companies

QAD

Budgeting / Forecast Excel Update

Return to the QAD System...

Back to overview slide

QAD Tax Management

- Allows global tax treatment for multiple tax environments in the same database
- Unlimited number of tax types and rates
  - VAT, luxury, capped, non-recoverable
- Considers
  - Geography
  - Item status (taxable, non-taxable)
  - Customer / Supplier status
  - Effective date
- Includes flexible reporting
- API into Vertex, Avalara, and other 3rd parties

Serves the different sales, use and VAT taxes globally

Ensures correct tax registrations and smooth tax reporting

Back to overview slide

QAD Banking/Cash Management

- Powerful cash flow projection reporting
- Electronic import of bank statements
- Supports US Lockbox processing
- Extensive support for automated payments, including drafts and direct debit
- Support for local payment and file formats using QAD Internationalization
- Flexible mapping of payment formats using EDI eCommerce
- Petty cash handling
- Bank account validation according to local formats including IBAN (International Bank Account Number)

Automatic monitoring of cash flows to quickly make key decisions based on the cash position of the business

Return to the QAD System…

Back to overview slide

Cost Management

- Supplements standard costing model to allow actual cost analysis as well as periodic cost analysis (WAVG, FIFO, LIFO)

- Powerful tools to model and implement cost changes to standard costs

- Set up cost structures as required for the corporation or make them unique by plant by utilizing unlimited cost sets, multiple costing methods and cost elements

Accurately costs parts and track variances to standards based on flexible cost components

Periodic Costing

- Expanding Current Functionality:
    - Periodic revaluation of item costs based on all inventory/shop floor transactions occurred during that <u>period</u> supporting following calculation methods:
        - Weighted Average (WAVG)
        - FIFO
        - LIFO
    - Generation of GL Transactions for all related transactions based on new calculated item cost
        - Complete versus standard costing plus adjustments
    - Inventory Valuation based on WAVG, FIFO LIFO calculated item unit costs
        - Absorption of Indirect costs
        - Absorption of expenses (Freight, Insurance, …)

Return to the QAD System…

Back to overview slide

What is Logistics Accounting

- Solution for controlling costs, such as freight , duty, etc., that are incurred when items are received into, shipped from, and/or moved between sites

- These charges are known as logistics charges

- Logistics charges are payable to third-party suppliers

QAD

Logistics Charges = Surcharges

- Use Logistics Charge Code Maintenance to define codes for the separate logistics charges incurred and paid to a third-party logistics supplier when purchasing or shipping an item. Some examples of logistics charges are duty, insurance, domestic freight, and overseas freight.

- You can set up a logistics charge code for inbound purposes, outbound purposes, or both.
  - Inbound logistics charges are the transportation costs associated with the purchase of items from external suppliers.
  - Outbound charges are associated with the shipment of goods from a company location to a customer or another company location.

Logistics Accounting Process

- **Inbound**
  - Track Duty, Customs, Insurance Charges

- **Outbound**
  - Track Freight Charges

Item Supplier

Customer

3rd Party Logistics Supplier

Invoice

Invoice

3rd Party Logistics Supplier

Customer

Item Supplier

PO Receipt

General Ledger Accrual, Pending Voucher

Shipment
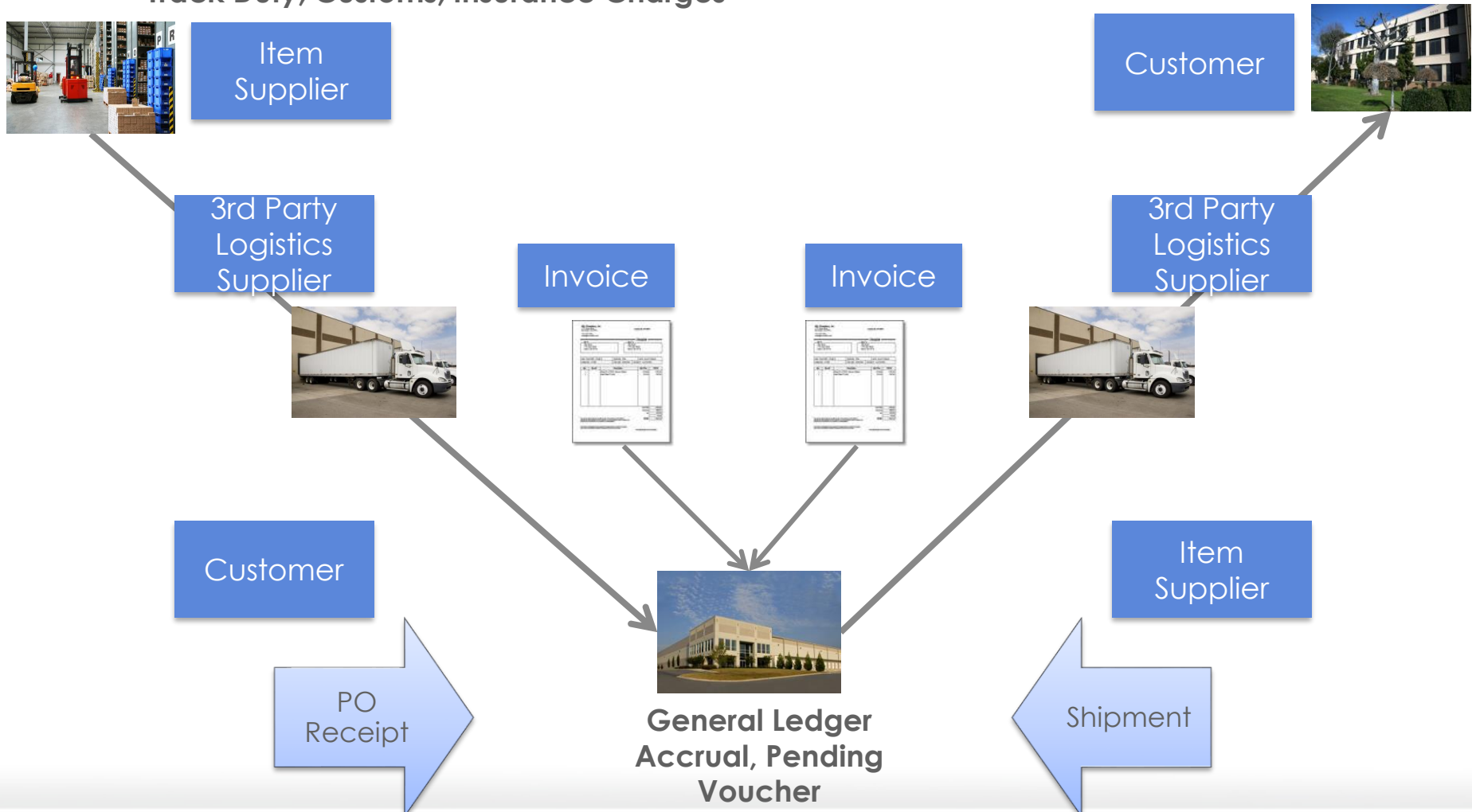
Back to overview slide

Security Integration

- Roles
- Segregation of Duties
- Entity / Domains
- Compliance
- Financials
- Customer / Supplier
- SOX / JSOX
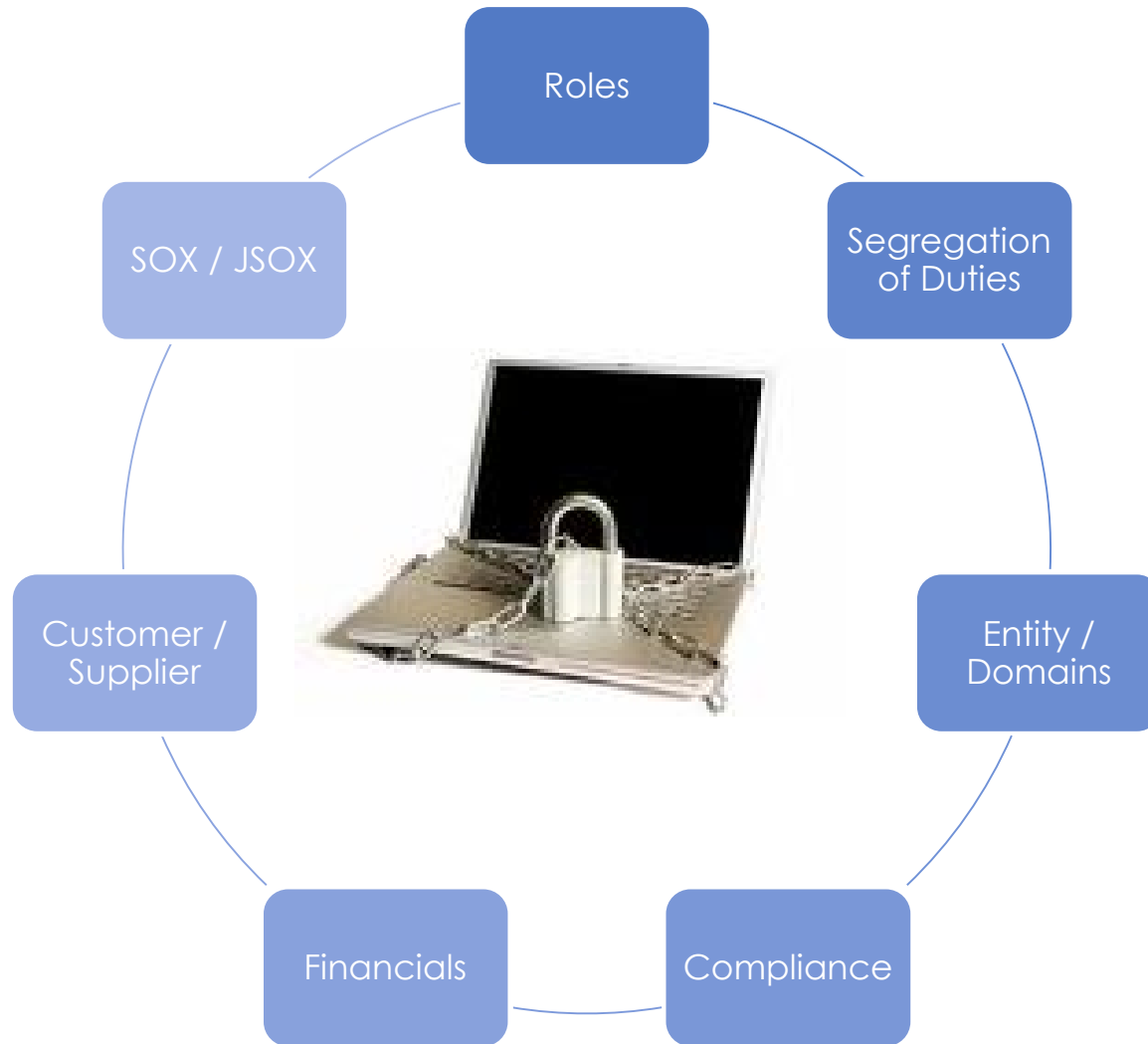
Role Based Security

- Define roles and their permissions

- Assign roles to employees

- Users can have different roles in different domains

- User interface changes can be role specific
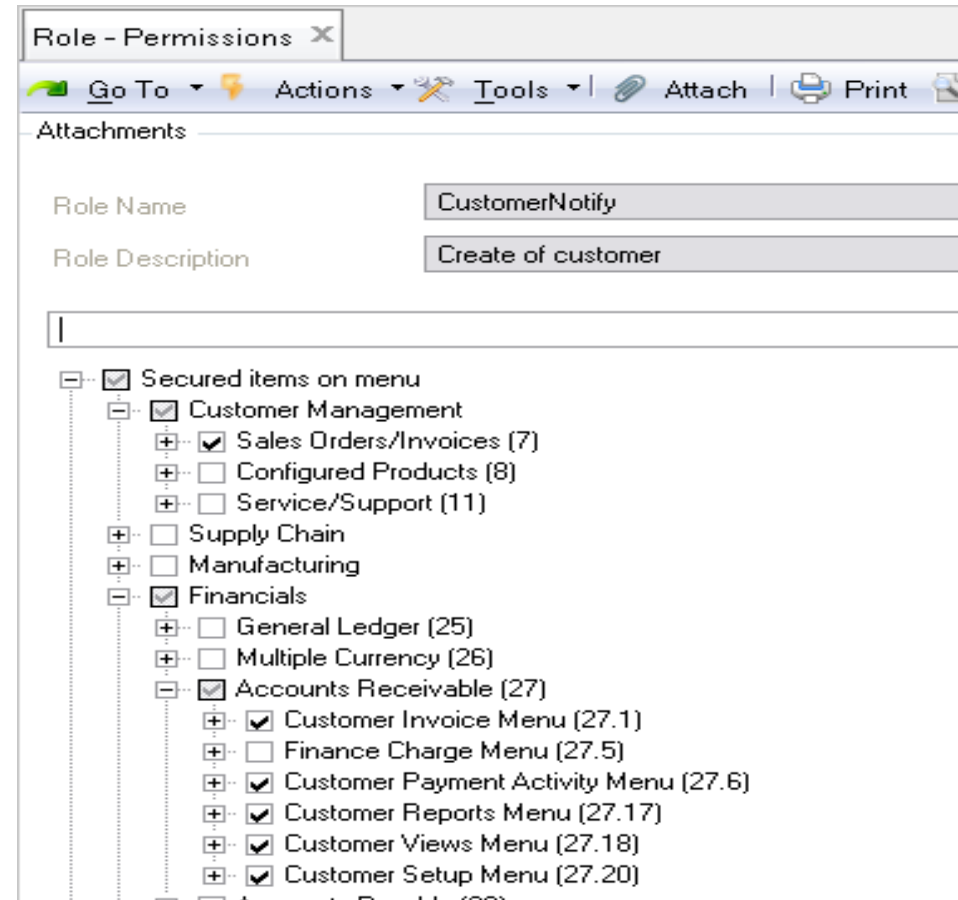
Segregation Of Duties

- Implementation of 2 rules:
  - Rule 1 (Role permissions)
    All the application resources to which any given role grants access must belong to compatible segregation of duties categories.
  - Rule 2 (Role membership)
    All the assigned roles to a given user, must have compatible segregation of duties categories.
  - The system should be able to verify both of these rules readily, and present the results in a report.

Segregation of Duties

- Define activities that cannot be combined with other activities

- System alerts and keeps track of any violations

- System can be configured to block violations when maintaining roles and user access

- Exceptions can be defined as well for certain users and or roles

```
              ┌──────────┐
              │   User   │
              └──────────┘
             ↙            ↘
┌─────────────────┐        ┌─────────────────┐
│ Role A          │←Conflicts→│ Role B          │
│ • Access right  │        │ • Access right  │
│ • Access right  │        │ • Access right  │
│ • ….            │        │ • ….            │
└─────────────────┘        └─────────────────┘
```

QAD
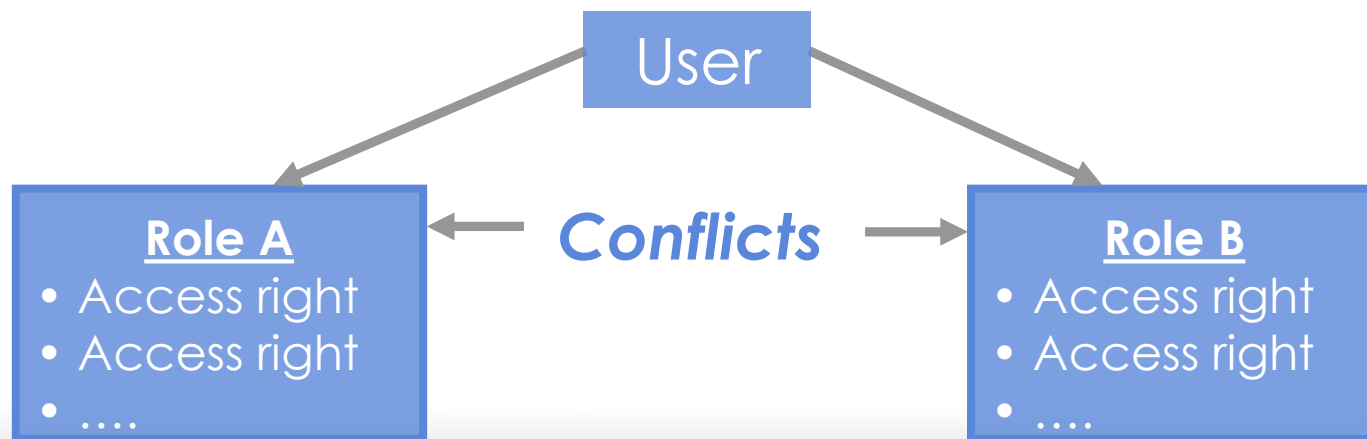
Internal Controls / Compliance

- **New functionality** to improve Internal Controls:
  - Segregation of Duties and Access Control
  - User Update Restrictions
  - Customer/Supplier Transaction Blocking
  - Credit Management Controls
  - Debit/Credit Separation in Sub ledgers
- Several **built-in provisions** for easier compliance
  - Accounting periods control, closing procedures including consistency checks
  - Accounting layers
  - System controls

Record Viewers

- Some employees need to be able to find and view detailed information about orders or records, without being given the capability to add or modify those orders or records
- New functions are provided to allow people to browse and view data for a
    - Customer
    - Supplier
    - Purchase order
    - Sales order
    - RMA (return material authorization)
    - Work order

User Update Restrictions

- Restricts the use of selected QAD functions to data related to specific items, sites and locations
- Applied in functions that do:
  - Inventory Receipts
  - Inventory Shipments
  - Inventory Transfers
- Examples:
  - A user is restricted from performing a sales order shipment for item "XYZ"
  - A user is restricted from performing a transfer from location "Quarantine"

QAD

Customer/Supplier Transaction Blocking

- Provides the capability to **restrict certain transactions** for **selected suppliers and customers**
- For example:
    - Disable transactions for suppliers or customers that have become inactive
    - Disable transactions for customers that have credit problems
    - Disable transactions for suppliers that have quality problems

QAD

Return to the QAD System…

Back to overview slide

What's New in Enterprise Financials 2016

- Flexible sharing of chart of accounts by entity
- Journal entry archiving and summarization
- Further automation of processing bank files
- Financial reporting with Reporting Framework
- Simplified budgets for Financial Report Writer
- Various other enhancements
  - 16 customer requested enhancements
  - Supplier invoice approval API
  - Improved EAM – Enterprise Edition integration

QAD

Flexible sharing with COA with restrictions

- Rules for sharing accounts and cost centers across domains and entities

What's New in Enterprise Financials 2016

- Internationalization
  - Drafts/Payments with Stages (Italy, Czech Republic)
  - Discounts for Cross company payments (Germany)
  - Recognize and declare tax on prepayments (Russia/Eastern Europe)
  - Credit Terms based on billing schedule (Japan)
  - Avatax connector installed as part of core Financials (USA)

QAD

Back to overview slide

QAD
Our Passion. Your Advantage.