

Consolidation

There are four types of entities

- Company, which is the operating entity
- Currency conversion, which is for converting subsidiary functional currency into parent functional currency
- Consolidation, which is for eliminating inter-company transactions
- Consolidated, which is for final financial statements on consolidated basis

Each subsidiary can have any percentage ownership by its parent, and such ownership percentage will be used by BudgetEngine in the consolidation calculations

Each subsidiary can setup cost plus agreement with its parent, where all the cost plus billings, payments, and elimination can be automatically calculated by BudgetEngine. Such cost plus agreement can be setup via menu, /Setup/Entity/, then select an subsidiary, and select the tab, [Inter Company].

Entity Setup Add Subsidiary
Acme China Delete This Subsidiary

Acme Company

Acme China

Subsidiary
Inter Company

Inter-Company Agreement Yes No

Chart of Account Mapping (exclusive use for Inter-Company purpose which will be completely zero out in Consolidation)

Subsidiary Inter-Company Revenue 4950 - I.C. Revenue - Sub -> Parent

Subsidiary Inter-Company Accounts Receivable 1250 - I.C. A/R - sub -> Parent

Parent Inter-Company Accounts Payable 2150 - I.C. A/P - Prent -> Sub

Name Effective Jan-2016 Remove

Notes

Parent Payment Schedule: Every Fiscal Quarter

Department Expense on Consolidated Basis

Operations	Cost Sharing	<input type="text" value="100"/>	%	Plus Margin	<input type="text" value="10"/>	%	VAT Rate	<input type="text" value="5"/>	%
Research & Development	Cost Sharing	<input type="text" value="100"/>	%	Plus Margin	<input type="text" value="10"/>	%	VAT Rate	<input type="text" value="5"/>	%
General & Administration	Cost Sharing	<input type="text" value="100"/>	%	Plus Margin	<input type="text" value="10"/>	%	VAT Rate	<input type="text" value="5"/>	%

Add Changes

The inter-company transaction will be populated by the application for Open fiscal periods only.

 For Closing and Closed periods, you need to manually enter them. See page #6.

Each subsidiary can have inter-company transactions with its parent, its subsidiaries, and/or other subsidiaries of the parent.

Such inter-company transactions need to be eliminated during the consolidation process. It is highly recommended to setup Single Purpose chart of account.

For example,

Subsidiary cost plus billing to Parent

- 4950 – I.C. Revenue – sub -> Parent (to be used by Sub)
- 5950 – I.C. Cost of Revenue – Parent -> Sub (to be used by Parent)
- 1250 – I.C. A/R – Sub -> Parent (to be used by Sub)
- 2150 – I.C. A/P – Parent -> Sub (to be used by Parent)

Parent investment in Sub

- 1950 – I.C. Investment in Sub (to be used by Parent)
- 3950 – I.C. Common Stock Parent (to be used by Sub)

The consolidation elimination can be setup via menu /Setup/Chart of Account/Consolidation Elimination

Chart of Account Setup		Consolidation Elimination		
<ul style="list-style-type: none"> - Chart of Account - Beginning Balance - Conversion Rate Assignment <li style="background-color: #f4a460;">- Consolidation Elimination 		Entity: Acme Company		
Account No.	Description	Account Type	100% Elimina	
1200	Accounts Receivable	Accounts Receivable	<input type="checkbox"/>	
1250	I.C. A/R - sub -> Parent	Accounts Receivable	<input checked="" type="checkbox"/>	
1300	Prepaid Expenses	Other Current Assets	<input type="checkbox"/>	
1500	Computer and Software	Fixed Assets	<input type="checkbox"/>	
1600	A.D. Computer and Software	Accumulated Depreciation	<input type="checkbox"/>	
1950	I.C. Investment in Sub	Long-term Investments	<input checked="" type="checkbox"/>	
2000	Accounts Payable	Accounts Payable	<input type="checkbox"/>	
2150	I.C. A/P - Parent -> Sub	Accounts Payable	<input checked="" type="checkbox"/>	
2110	Accrued Salary	Other Current Liability	<input type="checkbox"/>	
2300	Other Accrued Expenses	Other Current Liability	<input type="checkbox"/>	
2400	Deferred Revenue	Other Current Liability	<input type="checkbox"/>	
3000	Common Stock	Equity	<input type="checkbox"/>	
3100	Preferred Stock	Equity	<input type="checkbox"/>	
3950	I.C. Common Stock Parent	Equity	<input checked="" type="checkbox"/>	

The inter-company elimination will be populated by the application for Open fiscal periods only.

For Closing and Closed periods, you need to manually enter them. See page #6

Each subsidiary can have its own departments. Those departments do not have to be the same as parent’s departments.

If there is a cost plus agreement between a subsidiary and its parent, it is highly recommended to setup Single Purpose department.

For example,

Parent Departments	Subsidiary Departments
10 – Operations – Parent	11 – Operations – Sub
20 – R&D – Parent	21 – R&D – Sub
30 – Sales – Parent	31 – Sales – Sub
40 – Marketing – Parent	41 – Marketing – Sub
50 – G&A – Parent	51 – G&A – Sub

When Subsidiary have cost plus billing to the Parent, such cost plus amount will show in relevant Subsidiary Departments, not in Parent Departments.

This can separate the data between Parent operating entity vs. subsidiary billing to parent. During the consolidation process, the inter-company cost plus billing will be eliminated in Subsidiary Departments. This will make consolidation much easier to understand and maintain better financial reporting structure.

BudgetEngine supports multi currency with the following conversion rates

- Average Rate
- End of Month Rate
- Historical Rate
- Special Rate, user-defined

Each chart of account can be assigned one of the above conversion rates. This can be setup via menu /Setup/Chart of Account/Conversion Rate Assignment

Chart of Account Setup		Conversion Rate Assignment		
		Entity: Acme China		
Account No.	Description	Account Type	Conversion Rate	
System Account	Cash	Cash Balance	End of Month Rate	▲
1200	Accounts Receivable	Accounts Receivable	End of Month Rate	
1250	I.C. A/R - sub -> Parent	Accounts Receivable	End of Month Rate	
1300	Prepaid Expenses	Other Current Assets	End of Month Rate	
1500	Computer and Software	Fixed Assets	Historical Rate	
1600	A.D. Computer and Software	Accumulated Depreciation	Historical Rate	
1950	I.C. Investment in Sub	Long-term Investments	Special Rate #1	
2000	Accounts Payable	Accounts Payable	End of Month Rate	
2150	I.C. A/P - Prent - > Sub	Accounts Payable	End of Month Rate	
2110	Accrued Salary	Other Current Liability	End of Month Rate	
2300	Other Accrued Expenses	Other Current Liability	End of Month Rate	
2400	Deferred Revenue	Other Current Liability	End of Month Rate	
3000	Common Stock	Equity	Historical Rate	
3100	Preferred Stock	Equity	Historical Rate	
3950	I.C. Common Stock Parent	Equity	Historical Rate	
4000	Revenue	Income	Average Rate	
4950	I.C. Revenue - Sub -> Parent	Income	Average Rate	
5000	Cost of Revenue	Cost of Goods Sold	Average Rate	
6000	Salary	Expense	Average Rate	
6040	Payroll Taxes	Expense	Average Rate	
6050	Benefits	Expense	Average Rate	
6080	Consulting Expenses	Expense	Average Rate	
7000	Marketing	Expense	Average Rate	

BudgetEngine can automate most of consolidation eliminations. In case you need to create some special elimination, you can use special formula expression in Consolidation Spreadsheet.

fx = $-(\{Acme\ Company-Company\}Jan-2016_I.C. Revenue - Sub \rightarrow Parent)-(\{Acme\ China-Company\}Jan-2016_I.C. Revenue - Sub \rightarrow Parent)*100\%$

	Income Statement	Jan-2016 Acme China		
1	Revenue			
2	Revenue	0		0
3	I.C. Revenue - Sub -> Parent	110	(110)	0
4	Total Revenue	110	0	(110)

Spreadsheet, formula bar, right click, and select menu
Select Entity Data

Once a formula expression is defined for one month, you can Copy and Paste to other months.
You can select "Paste To" from the right click menu.
"Paste To" is different from "Paste".
"Paste To" can skip other un-related columns in Consolidation Spreadsheet

fx = $-(\{Acme\ Company-Company\}Jan-2016_I.C. Revenue - Sub \rightarrow Parent)-(\{Acme\ China-Currency\ Conversion\}Income\ Statement\}Jan-2016_I.C. Revenue - Sub \rightarrow Parent)*100\%$

	Income Statement	Jan-2016 Acme China	Jan-2016 Acme Company	Jan-2016 Elimination	Jan-2016 Consolidated	Feb-2016 Acme China	Feb-2016 Acme Comp
1	Revenue						
2	Revenue	0			0	0	
3	I.C. Revenue - Sub -> Parent	110		(110)	0	110	
4	Total Revenue	110	0	(110)	0	110	

Select four dimensions to define the source cell

- Copy
- Paste
- Paste by Format
- Paste by Value
- Paste by Formula
- Paste To**
- Edit Notes
- Show Edit History

Cell Selection

Entity: Acme China-Currency Conversion

Tab: Income Statement

Period: Jan-2016

Line: I.C. Revenue - Sub -> Parent

Ok Cancel

For each subsidiary Company entity, you can enter chart of account beginning balance in local currency in /Setup/Chart of Account/Beginning Balance.

But, for Currency Conversion in each subsidiary, you need to manually enter the following beginning balance in parent currency.

In each subsidiary Financial Statement view, change to Currency Conversion, In the very first month (you only need to enter beginning balance in the very first month)

- Balance Sheet: All the cells with Historical Rate
- Balance Sheet: Beginning Retained Earnings
- Cash Flow: Beginning Cash Balance

Balance Sheet	Jan-2018 (GBP)	RATE	Jan-2018 (USD)	Feb-2018 (GBP)	RATE	Feb-2018 (USD)
1 ASSETS						
2 Current Assets						
3 Cash	26,100	End of Month	36,279	29,700	End of Month	41,283
4 Accounts Receivable		End of Month	0		End of Month	0
5 Other Current Assets		End of Month	0		End of Month	0
6 I.C. A/R UK->US	49,500	End of Month	68,805	49,500	End of Month	68,805
7 Total Current Assets	75,600		105,084	79,200		110,088
8 Fixed Assets						
9 Equipment		Historical Rate	0		Historical Rate	0
10 Less: Accumulated Depreciation						
11 Accumulated Depreciation		Historical Rate	0		Historical Rate	0
12 Total Fixed Assets	0		0	0		0
13 Other Long-term Assets						
14 Investment in Sub		End of Month	0		End of Month	0
15 Foreign Tax Credit		End of Month	0		End of Month	0
16 Total other Long-term Assets	0		0	0		0
17 TOTAL ASSETS	75,600		105,084	79,200		110,088
18 LIABILITIES & EQUITY						
19 Current Liabilities						
20 Accounts Payable		End of Month	0		End of Month	0
21 Other Accrued Expenses		End of Month	0		End of Month	0
22 Deferred Revenue		End of Month	0		End of Month	0
23 I.C. A/P US->UK		End of Month	0		End of Month	0
24 Total Current Liabilities	0		0	0		0
25 TOTAL LIABILITIES	0		0	0		0
26 EQUITY						
27 Common Stock US		Historical Rate	0		Historical Rate	0
28 Common Stock UK	72,000	Historical Rate	100,080	72,000	Historical Rate	100,080
29 Beginning Retained Earnings	0		0	3,600		5,004
30 Current Period Profit	3,600		5,004	3,600		5,004
31 OCI-Cumulative Translation			0			0
32 Total EQUITY	75,600		105,084	79,200		110,088
33 TOTAL LIABILITIES & EQUITY	75,600		105,084	79,200		110,088

Cash Flow Statement	Jan-2018 (GBP)	RATE	Jan-2018 (USD)	Feb-2018 (GBP)	RATE	Feb-2018 (USD)
1 OPERATING ACTIVITIES						
2 Net Income	3,600	Average Rate	5,004	3,600	Average Rate	5,004
3 Adjustments to Net Income						
4 Depreciation Expenses	0	Average Rate	0	0	Average Rate	0
5 Amortization Expenses	0	Average Rate	0	0	Average Rate	0
6 Gain from Assets Sale/Disposal	0	Average Rate	0	0	Average Rate	0
7 Loss from Assets Sale/Disposal	0	Average Rate	0	0	Average Rate	0
8 Accounts Receivable	0	Average Rate	0	0	Average Rate	0
9 Other Current Assets	0	Average Rate	0	0	Average Rate	0
10 I.C. A/R UK->US	(49,500)	Average Rate	(68,805)	0	Average Rate	0
11 Investment in Sub	0	Average Rate	0	0	Average Rate	0
12 Foreign Tax Credit	0	Average Rate	0	0	Average Rate	0
13 Accounts Payable	0	Average Rate	0	0	Average Rate	0
14 Other Accrued Expenses	0	Average Rate	0	0	Average Rate	0
15 Deferred Revenue	0	Average Rate	0	0	Average Rate	0
16 I.C. A/P US->UK	0	Average Rate	0	0	Average Rate	0
17 Total Cash Flow from Operating	(45,900)		(63,801)	3,600		5,004
18 INVESTING ACTIVITIES						
19 Equipment	0	Average Rate	0	0	Average Rate	0
20 Total Cash Flow from Investing	0		0	0		0
21 FINANCING ACTIVITIES						
22 Common Stock US	0	Average Rate	0	0	Average Rate	0
23 Common Stock UK	72,000	Average Rate	100,080	0	Average Rate	0
24 Total Cash Flow from Financing	72,000		100,080	0		0
25 Total Change in Cash	26,100		36,279	3,600		5,004
26 Effect of Exchange Rate Changes on			0			0
27 Beginning Cash Balance	0		0	26,100		36,279
28 Ending Cash Balance	26,100		36,279	29,700		41,283

For any further questions

Please contact us

support@appcomputing.com

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