Financial Management

Microsoft Dynamics 365 Finance Functional Consultant

KNOWLEDGE CHEATSHEET

FROM TRANSACTIONS TO FINANCIAL INSIGHT

Configure Ledger & dimensions → **Record** Journals & subledgers → **Close** Reconcile & revalue → **Report** Consolidate & analyze

01 Implement financial management

Ledger, accounts and dimensions

- **Ledger setup** connects a legal entity to its chart of accounts, fiscal calendar, accounting currency and reporting currency. A shared chart supports consistent account definitions across entities.
- **Main account types** distinguish balance sheet balances from profit and loss activity. Legal entity overrides refine account settings, such as suspension, active dates and dimension defaults.
- **Financial dimensions** analyze activity by department, cost center, product or other business attributes. Use dimensions for reporting detail instead of creating a separate main account for every combination.

Account structures and advanced rules

- **Account structures** define valid main account ranges, dimension segments and allowed combinations. Validate, activate and assign the structures to the ledger before using them.
- **Required dimensions** disallow blank values; optional dimensions allow blanks. An asterisk allows dimension values, while an allowed blank makes the segment optional.
- Use separate structures when account ranges need different segments. **Advanced rules** conditionally add requirements, such as a customer dimension only for selected revenue accounts.
- **Default dimensions** populate values; they do not enforce every valid combination. **Fixed dimensions** on main account overrides can enforce a particular value during posting.

Journal names, controls and approval

- **Journal names** specify purpose through journal type, voucher number sequence, defaults and approval settings. Use distinct names for different processes and audit trails.
- **Journal control** restricts permitted account types and account or dimension values. A default ledger offset alone does not restrict users to ledger transactions.
- **Private user groups** restrict journal availability; posting restrictions limit who can post. Assign security roles and organization access for the legal entities each user serves.
- **Ledger daily journal workflow** routes general journals for review before posting. Configure conditions, approver assignments and activation, then associate the workflow with the journal name.

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Recurring entries and subledger transfer

- **Periodic journals** store repeatable entries for retrieval into a journal. **Accrual schemes** spread recognition across periods; number sequences provide consistent voucher identifiers.
- **Asynchronous transfer** queues subledger entries immediately for processing as resources permit. **Scheduled batch** transfers at a configured time. Both depend on working batch processing.
- When a subledger voucher is missing from the ledger, inspect the **transfer status**, batch history and accounting errors before creating an adjustment that could duplicate the posting.

Allocations and accrual schemes

- **Main account allocation terms** automatically distribute a posting across destination account combinations. **Ledger allocation rules** calculate allocations that can be reviewed in an allocation journal.
- **Fixed percentage** uses stated shares; **fixed weight** uses relative weights; **equally** gives equal shares. **Basis** uses changing balances or measures, such as departmental sales.
- An allocation rule identifies **source**, **destination**, **offset** and calculation method. Review the source date range and destination dimensions before posting the resulting journal.
- **Accrual schemes** define deferral and recognition accounts, frequency, occurrences and posting dates. Apply the scheme to a journal transaction to spread prepaid expense or deferred income recognition.

Intercompany and centralized payments

- **Intercompany accounting** connects an originating legal entity to a destination legal entity. Configure the applicable direction, destination journal name and due-to/due-from balance sheet accounts.
- A journal can distribute expense or revenue to another entity while automatic **due-to/due-from entries** balance each entity. Intercompany trade also requires its sales and purchasing relationships.
- **Centralized payments** let one entity pay or collect for others. Align organization hierarchy, intercompany accounts, customer or vendor identities, and cash discount and exchange-difference handling.
- **Intercompany tax posting** determines whether tax follows the source or destination entity. Configure this with the applicable taxation settings rather than assuming expense ownership determines tax ownership.

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Currencies and exchange rates

- **Transaction currency** is the document currency. **Accounting currency** measures the entity ledger; **reporting currency** provides an additional ledger currency. Currency purpose is separate from a country name.
- **Exchange rate types** group rate sets for different purposes. Configure currency pairs, quotation factors, effective dates and providers before scheduling exchange rate imports.
- **Triangulation** converts through a reference currency when required. Verify the rate type, effective date and direction whenever a conversion is missing or unexpected.
- **Financial reporting translation** uses the account translation setup, such as current, average or historical treatment. Translation for reporting and revaluation of posted balances serve different purposes.

Foreign currency revaluation and settlement

- **Revaluation** updates foreign currency exposure and records unrealized gains or losses. **Settlement** can realize an exchange difference between the invoice and payment values.
- Run **Accounts payable** and **Accounts receivable** revaluation for open subledger transactions. Use bank revaluation for foreign currency bank balances and ledger revaluation for eligible main accounts.
- Avoid revaluing subledger control balances again in General ledger. Configure gain/loss accounts and inspect the valuation date, rate date, currency and previous revaluation before rerunning.
- For customer or vendor revaluation, **Standard** includes gains and losses; **Minimum** recognizes losses under its valuation approach; **Invoice date** restores the original invoice valuation. Ledger settlement has separate gain/loss automation settings.

Fiscal calendars and period access

- **Fiscal calendars** define years and periods for ledgers, budgets and asset depreciation. Period boundaries can represent patterns such as 4-4-5 or 4-5-4.
- **Ledger calendars** control period status and module access for each legal entity. Keep a period open with restricted module or user-group access when only selected teams may post.
- **On hold** temporarily blocks posting and can be reopened. **Permanently closed** prevents reopening. Use a closing period to separate adjustment entries from ordinary operating activity.
- **Financial period close workspace** tracks tasks across entities using task areas, templates, closing roles, resources and schedules. Task completion does not itself enforce posting-period access.

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Year-end close and retained earnings

- Prepare the next fiscal year, reconcile subledgers and review **main account types**. Balance sheet balances carry forward; profit and loss closes into **retained earnings**.
- **Year-end close templates** group legal entities and identify retained earnings accounts. Configure whether profit and loss dimension detail transfers in full or closes to selected dimension values.
- **Delete existing year-end entries** controls replacement of prior close results when rerunning. Closing-transaction creation and permanent closure are separate choices; preserve reopening when late adjustments are expected.
- After late prior-year adjustments, rerun the close and verify opening balances. **Ledger settlement awareness** can carry eligible unsettled transactions into opening balances at transaction detail.

Consolidation and eliminations

- **Consolidate online** combines entities in the same environment into a consolidation entity. **Consolidate with import** brings balances from external systems. Map differing source accounts to consolidation accounts.
- **Elimination rules** remove intercompany balances or activity. Run them with consolidation or as an elimination proposal, posting to an entity enabled for financial eliminations.
- Review **currency translation**, ownership percentages and consolidation differences. Multilevel groups may need consolidation through intermediate parents before the final group result.
- Inspect consolidation results through the consolidation entity's **trial balance**, financial reports and consolidation inquiries. **Financial reporting** can also aggregate companies through reporting trees without posting consolidated balances.

Trial balance and financial reports

- **Financial dimension sets** define combinations and order for balance inquiries, such as Main account + Department. Account structures validate transactions; dimension sets organize balances.
- **Row definitions** select accounts and calculations. **Column definitions** select periods, actuals, budgets and comparisons. **Reporting trees** define organizational units, dimension filters and company rollups.
- **Report definitions** combine building blocks. **Report groups** bundle reports; schedules automate generation. Choose closing-period inclusion deliberately when reporting adjusted and unadjusted results.

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Public sector funds and posting definitions

- **Funds** maintain self-balancing resources and activity, using a mapped financial dimension. Governmental funds include general and special revenue funds; proprietary funds include enterprise and internal service funds; fiduciary funds include trust funds.
- **Posting definitions** match transaction accounts and dimensions to generate additional balanced entries for supported transaction types. They differ from posting profiles that select subledger control accounts.
- **Derived financial hierarchies** categorize posted data using account and dimension filters. Create the category hierarchy, assign its derived-financial role, associate the legal entity and activate node filters.

Sales tax calculation and posting

- **Sales tax codes** define rates and calculation rules. The intersection of the **sales tax group** and **item sales tax group** determines applicable codes on a transaction.
- Default the sales tax group from the customer or vendor and the item sales tax group from item or category setup. Inspect the actual line values and common codes when tax is missing.
- **Ledger posting groups** connect tax codes to payable, receivable, settlement and use-tax accounts. Use separate posting groups when jurisdictions require separate ledger balances.
- **Tax authorities** identify recipients; **settlement periods** define reporting cycles. Link an authority to a vendor when tax remittances should use normal vendor payment processing.

Use tax, recovery and settlement

- **Use tax** records self-assessed tax through the relevant tax-group code setting and ledger posting setup. It must not incorrectly increase the amount owed to the supplier.
- **Recoverable tax** and **nonrecoverable tax** require appropriate tax-code deduction settings and posting accounts. Nonrecoverable amounts become part of expense or asset cost as configured.
- **Settle and post sales tax** calculates the settlement liability for a period. Reconcile posted tax transactions, settlement accounts and the remittance vendor before paying.
- **Conditional sales tax** recognizes tax based on payment settlement rather than ordinary invoice-based timing. Confirm taxation rules, exemptions, delivery information and report basis when tax results differ.

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Bank accounts and payment controls

- **Bank groups** provide shared bank details. **Bank accounts** hold the individual account number, currency, ledger account and reconciliation settings. Configure account credit limits to control overdraft exposure.
- **Methods of payment** define bank or ledger offsets, formats and payment controls. Require payment references or generated-check status when those are prerequisites for posting.
- **Positive pay** sends issued-check information to a bank for fraud checking. Configure the bank-specific format and generate the file for the correct accounts and date range.
- **Bridging accounts** separate payment recognition from bank clearing. **Deposit slips** group receipts for deposit; preparation is a separate step from posting the payment journal.
- **Letters of credit** support bank-backed payment arrangements for trade. A **promissory note** records a promise to pay; neither replaces statement reconciliation or invoice settlement.

Advanced bank reconciliation

- **Advanced bank reconciliation** imports electronic statements and matches them to Finance bank transactions. Configure statement format, bank account identifiers, number sequences and account reconciliation options.
- **Matching rules** compare references, dates, amounts and transaction types. Put rules into ordered **matching rule sets**; automatic matching still requires review of exceptions.
- Import statements through the configured bank statement process or data entities. Validate supported formats, such as **BAI2**, and ensure the import belongs to the right bank account.
- Record statement-only **fees or interest** with appropriate bank transaction types and accounts. Resolve unmatched items and differences before marking the reconciliation complete; use an open posting period for corrections.

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Cash flow forecasting

- Identify **liquidity accounts** and configure forecast behavior across receivables, payables, budgets and ledger activity. Terms of payment and timing assumptions determine expected cash dates.
- **Dependent accounts** forecast related amounts as percentages of another main account. Sales tax settlement timing and purchasing or sales delays also affect expected cash movement.
- **Total** rebuilds the cash flow forecast; **New** adds new transactions. Recalculate before analysis and distinguish forecasted liquidity from the bank's current or pending balances.

Cost accounting concepts

- **Cost objects** are products, departments or other targets for cost analysis. **Primary cost elements** represent costs from financial accounting; **secondary elements** represent internal cost flows.
- **Statistical dimensions** hold nonmonetary measures such as area or machine hours. An **allocation base** uses these measures or other data to distribute costs.
- **Cost distribution** preserves the original primary element without reciprocal processing. **Cost allocation** redistributes balances and can recognize reciprocal services. Cost behavior distinguishes fixed, variable and semi-variable costs.
- **Cost control units** organize cost-object structures. Cost accounting analyzes source data independently; its allocations do not rewrite source ledger transactions. Statements compare actuals, budgets and deviations.

Inventory costs and posting integration

- **Item model groups** select inventory valuation behavior, such as FIFO, weighted average, standard cost or moving average. **Item groups** help select inventory posting accounts.
- **Standard costs** use approved active cost records. **Planned costs** support simulations. Pending cost activation and blocking settings keep reviewed costs separate from current valuation.
- **Physical updates** record receipts or deliveries; **financial updates** record invoices. Separate posting types and accounts support each stage. Check item model group posting flags when a receipt creates no ledger entry.
- **Inventory close** settles transactions under applicable periodic costing models. Standard cost and moving average use different valuation mechanics; distinguish valuation configuration from physical stock counting.

Receivables & Revenue

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CUSTOMER BALANCES AND EARNED REVENUE

Invoice Create receivable → **Collect** Receive & settle → **Control** Credit & aging → **Recognize** Release deferral

02 Implement receivables, credit, collections and billing

Customer groups and posting profiles

- **Customer groups** cluster customers for defaults and reporting. **Customer posting profiles** select receivable summary accounts and document settings using Table, Group or All; the most specific match wins.
- The **Summary account** is the receivables control account. The **Liquidity account for payments** supports cash forecasting. Profiles can also supply interest codes and collection letter sequences.
- **Sales revenue accounts** come from the applicable sales or item posting setup. Terms of payment default through customer setup; they are separate from receivable summary-account selection.

Payment terms, installments and discounts

- **Terms of payment** calculate a due date; **payment days** adjust payment timing to specified days. A **payment schedule** splits an invoice into installments.
- **Fixed quantity** divides by a number of installments; **fixed amount** divides by an amount; **specified** defines unequal percentages or intervals; **total** keeps one total payment.
- **Cash discount codes** define early-payment percentages and deadlines. Chain the next discount codes in order, starting with the first offer, and test settlement dates against each tier.
- **Payment fees** charge for a payment service. **Interest** charges for overdue balances. These differ from sales order charges and early-payment cash discounts.

Invoices, prepayments and settlement

- **Free text invoices** bill services or other amounts without a sales order. For recurring invoices, create a template, assign it to customers, define frequency and dates, then generate and post.
- **Customer prepayments** record cash before an invoice. Use the appropriate prepayment profile, then settle the payment against the invoice when the sale is invoiced.
- **Settlement** applies payments, credit notes and invoices against each other. Review marked amounts, cash discounts, exchange differences and remaining open balances before posting.
- **Customer refunds** use an appropriate payment method and journal. Check generation and payment-status controls can require the refund instrument to be generated before posting.

Receivables & Revenue

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CUSTOMER BALANCES AND EARNED REVENUE

Invoice Create receivable → **Collect** Receive & settle → **Control** Credit & aging → **Recognize** Release deferral

Credit limits and sales order holds

- **Credit exposure** can include posted balances, delivered goods and open orders. Balance + All is broader than a balance-only check; a customer's mandatory setting can require checking.
- **Credit management blocking rules** evaluate conditions such as overdue amounts, days overdue, account status, expired limits and credit utilization. **Exclusion rules** can permit processing despite a blocking rule.
- **Customer credit groups** manage shared credit exposure for related customers while individual limits can still matter. Do not infer available credit solely from a parent company's limit.
- Review and release **credit management holds** through the release process with the appropriate reason and approval. A changed order value or payment term does not by itself establish an authorized release.

Aging, collection letters and write-offs

- **Aging period definitions** create overdue buckets. Generate an **aging snapshot** for collections balances; customer pools filter the accounts assigned to collection work.
- **Collection letter sequences** define escalation steps, timing and fees. Assign the sequence through the posting profile, create letters for eligible balances, review, print and post as required.
- **Interest notes** communicate calculated overdue interest or fees. Waiving, reinstating and reversing interest serve different business purposes; preserve the audit trail for the chosen action.
- **Write-offs** clear eligible customer balances against ledger accounts using a journal and reason code. Configure collection process hierarchy and quiet days for automated follow-up without excessive contact.

Credit card authorization data

- **Address verification** compares submitted billing data with the payment provider's result. Configure acceptance criteria deliberately rather than accepting every authorization response.
- **Level 1** supplies basic transaction data; **Level 2** adds address and tax information; **Level 3** adds line details. Match the configured support level to the provider's capabilities.

Revenue schedules and allocation

- **Revenue allocation** determines the accounting value assigned to each contract element. **Deferral** determines when that value becomes earned revenue; customer billing and recognition dates can differ.
- In the **Revenue recognition** feature, released product setup and sales order line revenue schedules drive deferral. Confirmation creates an expected schedule; invoicing creates the actual recognition schedule.

Receivables & Revenue

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CUSTOMER BALANCES AND EARNED REVENUE

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- **Recognition basis** allocates revenue across occurrences, such as equal months or actual days. Contract dates, recognition conventions and milestones determine the applicable timing.
- **Essential**, **nonessential** and **post-contract support (PCS)** are revenue allocation classifications. Revenue price can differ from the customer-facing sales price; configure component relationships before allocation.

Deferred revenue and reallocation

- **Deferred revenue** holds unearned amounts; recognition journals release due schedule amounts to revenue. Configure deferred cost of goods sold when related cost recognition is also deferred.
- **Partial invoice revenue clearing** handles applicable partial invoicing or reallocation postings. Review clearing balances and recognition journals before posting.
- **Reallocation** redistributes accounting revenue prices after contract changes. Review affected sales orders, posted invoices and correcting entries; changing billing terms can also require schedule review.

Recurring contract billing and deferrals

- **Subscription billing** includes recurring contract billing, revenue and expense deferrals, and multiple element revenue allocation. Enable the required modules; Revenue recognition and Subscription billing cannot run together.
- **Billing schedules** hold recurring lines, frequency, dates and pricing. Choose pricing for fixed, usage or tiered charges; invoice generation filters determine which schedule lines are included.
- **Invoice consolidation** groups eligible billing transactions. Contract termination can stop future billing and create credits for already billed periods according to the termination date and refund settings.
- **Deferral defaults** identify eligible transactions, accounts and templates. Start-date rules and recognition schedules control timing; verify item or category relations match the actual transaction. Project fees need their applicable deferral defaults.

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FROM INVOICE TO PAYMENT

Capture Invoice or expense → **Validate** Match & apply policy → **Approve** Route workflow → **Pay** Propose & settle

03 Implement payables and expense management

Vendor master data and posting

- **Vendor groups** support common defaults and reporting. **Vendor posting profiles** select payable summary accounts for individual vendors, groups or all vendors; use groups to separate domestic and international liabilities.
- **Vendor bank accounts**, payment methods, terms and cash discounts drive payment processing. A shared party can have vendor accounts in different legal entities.
- **1099 reporting** uses vendor tax identification and reporting setup together with transaction-level reportable amounts and boxes. Review transaction classifications before generating the reporting output.

Vendor invoice entry paths

- **Invoice journal** posts a non-purchase-order invoice in one step. **Invoice register** records an arriving invoice and accrual for later processing through the invoice pool or approval journal.
- **Pending vendor invoices** support purchase order and non-purchase-order invoices with header or line workflow review. Use this path when the process requires detailed invoice approval.
- **Product receipt quantity** invoices received goods; **registered quantity** uses registered arrivals; **ordered quantity** uses the order quantity. Receive-now quantities support partial quantities; inspect the chosen basis before invoicing.

Invoice matching and validation

- **Two-way matching** compares invoice prices with purchase order prices. **Three-way matching** also compares invoice quantities with product receipts. Invoice-total and charges matching are additional checks.
- Enable matching validation and tolerances in **Accounts payable parameters**. Set company defaults, then permit targeted overrides for vendors, items or item/vendor combinations when required.

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- **Discrepancy handling** determines whether differences may post with a warning or require approval. A matching result and a workflow approval are separate controls.
- **Vendor invoice policies** detect policy violations in the vendor invoice process. They do not apply to invoice-register or invoice-journal entries; invoice matching is configured separately.

Invoice automation, charges and prepayments

- **Vendor invoice automation** can import invoices, match receipts and submit eligible invoices to workflow. Automatic approval must follow explicit conditions; unresolved exceptions require review.
- **Charge codes** define debit and credit treatment. Freight expensed to a ledger account debits expense and credits Customer/Vendor; a capitalized charge debits Item and increases item cost.
- **Auto charges** apply recurring charges by the configured account, item and other criteria. Confirm charge allocation when a header charge must affect individual invoice lines.
- **Purchase order prepayments** use a prepayment request or invoice tied to the order, a payment, and application to the final invoice. Keep deposits distinct from final expense or inventory recognition.

Payment proposals and electronic payments

- **Payment proposals** select open invoices using criteria such as due date, cash discount date, vendor and method of payment. Review the proposal before creating and posting payment lines.
- The method of payment's **Period** controls grouping, such as one payment per invoice or a total for eligible invoices. Payment days and calendars support regular payment runs.
- **Electronic reporting (ER)** configurations define electronic payment output. Import the model and required format dependencies, select the format on the payment method, then generate the payment file.
- **Vendor aging** separates balances into periods. Details show transactions; payment positioning controls presentation of unsettled payments. Correct due or discount dates on the affected transactions when permitted.

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Vendor collaboration and purchasing commitments

- **Vendor (external)** supports operational collaboration, such as purchase order responses, consignment visibility and invoices. **Vendor admin (external)** adds contact maintenance and user-access requests.
- Link an external user to the correct **vendor contact and accounts**, then assign the required external roles and access. Keep vendor contact administration separate from internal employee permissions.
- **Purchase agreements** record quantity or value commitments for products or categories. Agreement fulfillment tracks releases; this differs from budget encumbrance accounting.

Expense categories, payments and policies

- **Shared categories** standardize classification across legal entities and can support project accounting. Entity-specific expense categories add local ledger, tax and reimbursement settings.
- **Expense payment methods** distinguish corporate-paid, employee-paid and personal expenses. Configure the worker and reimbursement route so an employee-paid business expense becomes the correct payable.
- **Expense policies** enforce receipt thresholds, prohibited categories, limits and required information. Policy organization precedence resolves overlapping department and legal entity rules.
- Set **policy evaluation timing** for early validation while lines are entered. Receipt requirements and per-diem rules are separate settings; meal deductions and location rates affect per-diem amounts.

Expense workflow, receipts and audit

- **Expense workflows** route reports or lines to managers and expenditure reviewers. Use conditions and rejection rules for missing projects, unsupported expenses or extra review thresholds.
- **Delegation** lets an authorized person act for another employee. Workflow participants have distinct submit, approve, return, reject and delegate actions; approval does not replace posting permissions.
- **Mobile receipts** and imported corporate card transactions support expense creation and matching. Configure the required expense features and services, then check worker, card, date and amount associations.
- **Audit policies** identify exceptions; aggregate queries detect combined spending over a threshold, while sampling selects a subset. Tax recovery requires the relevant expense, tax and processing status.

Budgeting

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PLAN, AUTHORIZE AND MONITOR

Plan Scenarios & stages → **Approve** Register entries → **Control** Funds & reservations → **Review** Budget versus actual

04 Manage budgeting

Budget models, codes and register entries

- **Basic budgeting** needs parameters, number sequences, budgeting dimensions, budget models and budget codes. It supports comparison with actuals without requiring budget control.
- **Budget models** identify budgets or forecasts and can use submodels for combined inquiry. **Budget codes** classify entries as original budget, transfer, revision or other budget types.
- **Budget register entries** identify a model and code, with dated account/dimension amounts and revenue or expense amount types. Create them manually, through the Excel add-in or through Data management.
- **Update budget balances** makes approved entries effective. A workflow associated with a budget code controls approval and balance updates, preserving an audit trail of modifications.

Budget transfers and allocations

- **Budget allocation terms** distribute amounts across account and dimension combinations. **Period allocation keys** spread amounts over periods using predetermined shares.
- **Budget transfer rules** constrain permitted transfers, such as between selected revenue and expense accounts. Associate the appropriate code and workflow when transfers require approval.
- Generate budgets from suitable sources, including prior actuals and **fixed asset budget proposals**. Review dates, multipliers, dimensions and revenue/expense treatment before updating balances.

Budget control scope and available funds

- **Budget control** specifies the checked dimensions, main accounts, time interval, rules and budget model for each budget cycle time span. Match control granularity to the budget amounts entered.
- **Budget funds available** is a configurable calculation: budget amounts and adjustments less selected actuals and reservations. Include unposted activity when the organization needs conservative availability.

Budgeting

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PLAN, AUTHORIZE AND MONITOR

Plan Scenarios & stages → **Approve** Register entries → **Control** Funds & reservations → **Review** Budget versus actual

- **Documents and journals** select where budget checks occur and whether they run at line or document level. Purchase requisitions create pre-encumbrances; purchase orders create encumbrances when configured.
- **Posting definitions** can generate balanced commitment entries for supported transactions. Budget reservations and ledger encumbrance accounting are related but separate configurations.

Thresholds, overrides and monitoring

- **Budget thresholds** warn before the full budget is consumed. **Over-budget permissions** determine whether user groups may exceed the threshold or budget; configure exceptions deliberately.
- **Budget control rules** define the controlled dimension ranges. **Budget groups** can pool selected budgets for a secondary check; a group does not automatically authorize every overspend.
- Activate the configuration and turn budget control on before relying on reservations. Switching it off interrupts tracking; use **budget control data maintenance** where supported to reprocess missing eligible data.
- **Ledger budgets and forecasts workspace** compares actuals with budget. Configure expense and revenue dimension sets and thresholds to identify overspending and underperforming revenue.

Budget planning processes and workflow

- **Budget cycles** define the planning horizon. **Scenarios** hold alternatives such as baseline, requested and approved amounts. A plan is planning data until transferred to budget register entries.
- **Budget planning hierarchies** define organizations that submit and aggregate plans. Configure a process with its cycle, ledger, account structure, hierarchy, workflow, stage rules and layouts, then activate it.
- **Stages** control progress and whether users can add or modify lines. **Allocation schedules** and stage-allocation workflow tasks populate scenarios at the required stage.
- **Distribute** pushes amounts to associated plans; **aggregate** rolls amounts into a parent. Other methods copy scenarios or apply allocation terms, period keys or ledger allocation rules.

Budgeting / Fixed Assets & Leasing

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THE ASSET LIFECYCLE

Create Group & books → **Acquire** Record value → **Depreciate** Profile & proposal → **Dispose** Sale or scrap

Planning templates and budget review

- **Excel budget plan templates** expose the layout's columns and data through the Office data connector. Refresh and publish with the correct entity mappings and permissions.
- **Justification documents** explain assumptions; worksheets hold budget line data. Workforce planning and project budgets provide different inputs from ordinary ledger revenue and expense budgets.
- In **budget versus actual** inquiries, compare by period and selected dimensions, then drill into register entries or ledger transactions. Check model, date range and included submodels before interpreting variances.

05 Manage fixed assets and asset leasing

Fixed asset groups, books and layers

- **Fixed asset groups** provide defaults, numbering and capitalization thresholds. **Books** define valuation and depreciation treatment; group book setup supplies books to newly created assets.
- **Posting profiles** select accounts by transaction type, book and asset relation. Missing acquisition accounts require profile setup, not merely creation of a new ledger account.
- **Posting layers** separate accounting treatments. Set **Post to general ledger = No** for subledger-only books and use a journal name with posting layer None.
- **Derived books** replicate configured transaction types from a primary book at its posting interval. Keep a separate book when an independent interval or calculation is required; avoid duplicate acquisitions.

Asset creation and acquisition

- **Create an asset** establishes its record; **acquire an asset** records its value. Acquisition can use a fixed asset journal, a general journal with Fixed assets account type, purchasing or investment-project capitalization.
- **Purchasing integration** controls automatic asset creation and acquisition from receipts or invoices. Set the new-asset option and group on the order line, or reference an existing asset as appropriate.
- **Fixed asset determination rules** help choose groups from items or procurement categories. For individually tracked assets, structure purchase lines so each required asset can be created separately.
- **Capitalization thresholds** can affect automatic depreciation eligibility even when a record is created. If a proposal omits an asset, review the book's depreciation flag, status, dates and threshold outcome.

Fixed Assets & Leasing

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THE ASSET LIFECYCLE

Create Group & books → **Acquire** Record value → **Depreciate** Profile & proposal → **Dispose** Sale or scrap

Depreciation methods and conventions

- **Depreciation profiles** define the method, depreciation year and frequency. **Conventions** govern acquisition and disposal timing, such as full month, mid-month or half year.
- **Straight line service life** spreads depreciable cost over service life. **Straight line life remaining** recalculates using remaining life, making value adjustments behave differently.
- **Reducing balance** applies an accelerated rate to remaining value. **Consumption** follows usage such as miles or machine hours. **Bonus depreciation** records an additional initial allowance when configured.
- **Depreciation proposals** calculate journal lines for eligible asset books. Review depreciation basis, remaining life, residual value and run date before posting; use budget proposals for forecast depreciation.

Reclassification, transfers and splits

- **Reclassification** moves an asset to another group through a new asset identity and related book and transaction handling. Review the generated journals and history before completing it.
- **Transfers** change an asset's financial dimensions or responsibility; they are distinct from changing its asset group. **Acquisition adjustments** change value rather than classification.
- **Split fixed asset** divides value into another asset for separate tracking or partial retirement. Check the book values and accumulated depreciation allocated to each resulting asset.
- **Investment projects** can accumulate capitalizable costs in work in progress, then eliminate them into an asset. Maintenance costs can be tracked through suitable project arrangements without automatically capitalizing them.

Fixed Assets & Leasing

Microsoft Dynamics 365 Finance Functional Consultant

KNOWLEDGE CHEATSHEET

THE ASSET LIFECYCLE

Create Group & books → **Acquire** Record value → **Depreciate** Profile & proposal → **Dispose** Sale or scrap

Disposal and asset reconciliation

- **Disposal - sale** removes an asset sold to a customer; a free text invoice can record the sale. **Disposal - scrap** removes an asset without a sale.
- Disposal posting removes **acquisition cost** and **accumulated depreciation**, records proceeds where relevant and recognizes the resulting gain or loss through the posting setup.
- Reconcile **asset books** with ledger balances by transaction type and posting layer. A subledger-only tax book should not create duplicate ledger acquisition or depreciation expense.

Asset leasing schedules and automation

- **Lease books** hold the accounting treatment, payment terms, discount rate and schedules. Confirm the payment schedule before relying on lease liability, interest and right-of-use calculations.
- **Lease schedules** drive payment, liability amortization and asset depreciation or expense entries. Configure journal names, posting accounts and batch creation so recurring transactions are actually generated.
- **Termination proposals** account for ending a lease and require an eligible lease/book state. Reassessments or modifications update the agreement and related schedules through their applicable process.
- **Undiscounted payment forecasts** show future contractual cash requirements. Lease balance forecasts and movement reports answer different questions about balances and asset changes.