Creating and Using a Budget *

Overview

Use the **Budgets** module to perform detailed planning of your company's annual expense and sales budgets and track the usage of budget items in real-time. The module offers various tools to supervise purchasing and sales processes, from the order stage to the invoicing stage. You can appropriate funds to budget items, maintain budget versions, link each transaction document to the relevant budget item, and evaluate performance against planning at every stage.

Aim

This document explains how to create and use a budget in ***Priority***:

- Primary settings
- Setting Up the Budget Tree
- Building the Budget Tree
- Linking Budget Items to GL Accounts
- Creating a Budget Version
- Revising a Budget Version that is "Approved" or "In Effect"
- Routine Budget Usage
- Transition Between Fiscal Years
- Comparing Budgeted vs. Actual Expenses and Income

Settings

Checking the Financial Constants

Ensure that the financial constants related to budgeting—which affect the functionality across the entire system—are correctly defined. Open the Financial Constants form, and check the values assigned to the following constants:

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* Customers are strongly advised not to use the procedure without prior testing to make sure they fit their own requirements and work practices.

- **BudCheck** – Choose whether to alert when a budget deviation occurs or block the transaction/document. In addition, this constant determines the period of the deviation check (yearly/biannualy/quarterly/monthly).
- **BudPRPrice** – Define the budget usage calculation method in an open purchase requisition – according to the standard cost in the part catalogue or the estimated cost in the requisition.
- **BudOrdPeriod** – Define the budget usage period to be considered in orders (sales and purchase orders) and purchase demands. The budget usage refers to the expected inventory transaction date. You can define the budget usage period for a previous, current and subsequent budget year.
- **BudgetCurr** (for non-US users) – Choose the budget currency – local or secondary currency (e.g., USD).
- **BudExpensesOnly** – Select which accounts are considered when calculating the actual budget usage -– all accounts or only P&L and Balance Sheet accounts marked as included in the budget.
- **BudPrdSprt** – Choose whether a periodic budget deviation check considers previous periods within the year or only the designated period.
- **BudValid** – Choose whether to allow different budget definitions for each budget item or whether they must inherit all definitions from the upper-level budget items and the predefined values in the budget definition forms.
- **BudgetAddVat** – Select whether VAT is added to purchase budget usage.
- **BudgetPostDate** – Select whether prepaid expenses are distributed over the budget period or whether the entire amount is used on the invoice date.
- **BudNoChange** – Choose whether you can change budget and profit center data for posted journal entries from closed periods.

Note: When working with a multi-company budget, all the constants listed here should have the same values in all companies with the same budget.

Approving Budget Versions

Priority offers you the option of requiring budget versions to be approved. Specifically, the budget version must be approved before it can be implemented. You can set up single or multiple approvers with a designated sequence in which they must sign.

Defining Budget Approvers

You can define a list of users who must approve budget versions and the sequence in which they sign. If you use this approval mechanism, no changes may be made to the version once there is a single signature. A budget version requiring approval cannot be implemented until it is fully approved.

1. Open the Budget Version Approvers form.
2. Choose each user and set the signature order.

Defining Users Authorized for Budget Deviation

You can authorize certain users to deviate from the budget. These users can record transactions (e.g., purchase invoices and journal entries) that deviate from budget appropriation. Whenever a budget item is linked to a transaction, these users are notified of any deviation via a warning message, even when unauthorized users receive an error message.

1. Open the Users Authorized for Deviation form.
2. Select the users authorized to deviate from the budget.

Tip: Run the **History of Auth'd Users-Deviatn** report from the Actions list to view any changes made to the list of users authorized to deviate from the budget.

Defining a Budget Deviation Check Status for Purchase Orders

If a purchase order based on a previous document (e.g., purchase requisition or vendor price quote) has no prices, you can define a status that, when assigned, will check for budget deviations in the order rows.

1. Open the Statuses for Purchase Orders form.
2. Mark the **Add Budget Control** checkbox for the relevant status.

   Note: You can create a new status by running the **BPM Flow Chart-Purchase Orders** from the Actions list. For more information on BPM settings, see the **User Interface Guide** found in the Priority Help Menu.

Procedure

Stage I: Setting Up the Budget Tree

Defining Budget Item Suffixes

1. Open the Budget Item Suffixes form.
2. In the **Budget Item Suffix** field, record the suffix code.
3. In the **Desc-Budget Suffix** field, record a description of the suffix.
4. In the **Bal Sheet/P&L Item** field, you can assign a balance sheet item or a P&L item to all budget items sharing this suffix. This affects how budget items are displayed in the Profit and Loss for Budgets report.

5. You can assign a type to the suffix (mainly for use with BI reports), which allows you to group similar suffixes (e.g., assign the "Communication Expenses" suffix type for "Telephone" and "Mail").

Note: Use the Budget Suffix Types form to define suffix types.

Defining Main Budget Categories and Subcategories

1. Open the relevant forms according to the depth of your budget hierarchy:
   - Define Budget – Level 1
   - Define Budget – Level 2
   - Define Budget – Level 3
   - Define Budget – Level 4
2. Define budget categories for each level by recording a **Budget Code** and **Budget Description**.

   Note: This code serves as a component in budget item codes. It is advisable to consider this now, as the number of characters used for budget items is limited to the width of the **Budget Item** field in the Budget Items form.
3. For each budget category in levels 1-3, leave the checkboxes **Allow Suffix** and **Allow Another Level** marked.

   By default, the system allows you the option either to create subcategories beneath each main category or to assign budget items to a main category directly (when building the budget tree). It also allows you to define rules that restrict the use of any given value to one of these options. To define such a rule, do one of the following:
   - To prevent the assignment of budget items to the current main category, clear the **Allow Suffix** checkbox. Consequently, only subcategories can be assigned to that main category value.
   - To prevent the creation of intervening subcategories between the current main category and its assigned budget items, mark the **Allow Suffix** checkbox and clear the **Allow Another Level** checkbox. Consequently, only budget items can be assigned to that main category value.

Stage II: Building the Budget Tree

A budget tree must contain at least two levels and up to five (including budget items with suffixes). Begin by defining the highest level of the tree, then work your way down.

1. Open the Budget Items form, switch to record view, and click the **Budget Structure** tab.
2. In the **Level 1** field, select one of your predefined values from the dropdown list. The value's description will appear automatically.

3. Mark the **Generate Budget Item** checkbox and move to any other field. The **Budget Item** and **Description** fields will fill in automatically.

4. In the **Definitions** tab, specify the **Date Opened**. The item's code and name appear automatically in the **Budget Item** and **Description** fields.

5. If you want to perform checks for budget deviations different from the default checks defined in the **BudCheck** and **BudPrdSprt** constants (see Settings), select the desired method in the **Check Budget Deviatn** and **Periodic Ctrl Type** fields, respectively.

6. Mark the **Multi-Year Budget** checkbox to consider this item when running the **Transfer Last Year's Balance** program. For more details, see the Transition Between Fiscal Years stage.

7. You can link the budget item to a balance sheet/profit and loss item in the **Bal Sheet/P&L Item** field. This affects how budget items are displayed in the Profit and Loss for Budgets report.

8. The default value **P** (for purchasing) appears in the **Type of Budget** field. Change it to **S** for a sales budget. All items in this budget will be assigned the defined type. If you plan to assign both sales budget (**S**) and purchasing budget (**P**) items to this category's subcategories, select **B** instead.

9. To define main budget categories under Level 1, open a new record, return to the **Budget Structure** tab and select the Level 1 value used in the previous record. Select a value from the Level 2 dropdown list, and mark the **Generate Budget Item** box. Repeat steps 3-4.

10. Do the same to define subcategories on the remaining levels.

Defining a multi-company budget item

The Budgets module supports a multi-company setup where several companies use a single budget.

Note: A company can manage both budget items simultaneously at the company and multi-company levels.

1. Mark the **Multi-Company** checkbox. Once the checkbox is marked, the company's name appears in the **Source Company** field.

2. In the **Partner Companies in Budget** subform, choose the companies defined in ***Priority*** as the partner companies for this budget item from the dropdown list. Review the following settings:

   – Ensure that the values of the **BudCheck**, **BudPrdSprt**, and **BudValid** constants are identical for the source and partner companies.

   – Ensure the budget currency is identical for the source and partner companies as defined in the **BudgetCurr** constant's value.

– Ensure that the budget's **Currency Name** is identical for the source and partner companies.

3. Once a company is added, an identical budget item is automatically added to this partner company.

4. If you remove a company from this form, the budget item from the removed company will be removed as well. However, if the budget of this item was already used, you cannot delete it.

5. Any change made in one of these budget items will be updated in the partner company as well, except for changes made in these fields: **Account No.**, **Bal Sheet/P&L Item**, **Project Number**, **Cash Flow** and **Bk Acc for Cash Flow** that can differ from one partner company to another.

6. To link a partner company to many budget items, run the Define Partner Comps. in Budget program (from **Financial > Budgets > Budget Maintenance**).

Note: Fiscal years and fiscal period definitions should be identical for all partner companies using the same budget item.

Stage III: Linking Budget Items to GL Accounts

There are four ways to link budget items to GL accounts:

Linking a Single Budget Item to a Single GL Account

If you designate a budget item when recording a transaction (e.g., in a purchase order), this determines which account appears as the default to be debited/credited (e.g., in the invoice). Similarly, if you designate the account when recording a financial transaction (e.g., in an invoice), the corresponding budget item appears as the default for the journal entry of this transaction.

1. Open the Budget Items form and retrieve the desired item. Click the **Definitions** tab and select the desired **Account No.**

2. Open the Chart of Accounts form and retrieve the desired GL account. Switch to record view, click the **Add'l Definitions** tab and select the budget item in the **Default Budget** field.

Linking a Single GL Account to Multiple Budget Items

You can assign a single GL account to multiple budget items. If you designate a budget item when recording a transaction (e.g., a purchase order), this determines which account appears as the default to be debited/credited (e.g., in the invoice).

1. Open the Budget Items form and retrieve the desired items. For each item, click the **Definitions** tab and select the desired **Account No.**

2. Open the Chart of Accounts form and retrieve the desired GL account. Switch to record view and click the **Add'l Definitions** tab. Leave the **Default Budget** field empty and mark the **Budget Mandatory** checkbox.

Linking a Single Budget Item to Multiple GL Accounts

You can assign a single budget item to multiple GL accounts. If you designate an account when recording a financial transaction (e.g., an invoice), this determines which budget appears as the default to be charged for the journal entry.

1. Open the Budget Items form and retrieve the desired item. Click the **Definitions** tab and make sure no **Account No.** is recorded.
2. Open the Chart of Accounts form and retrieve the desired GL accounts. Switch to record view, and click the **Add'l Definitions** tab. For each account, select the budget item in the **Default Budget** field.

Linking a Single Budget Item to a GL Account via a Profit/Cost Center

When you link a GL account to a budget item via a profit/cost center, whenever the profit/cost center is specified in a document (e.g., purchase order), the GL account and budget item automatically appear in the financial document (e.g., vendor invoice) based on it.

1. Open the Budget for Profit/Cost Ctr+Acct form.
2. Select the **Profit/Cost Center**, **Account No.**, and **Budget Item** in question.

Result

The system automatically debits the relevant expense account when budget items are assigned to journal entries. Conversely, when a GL account is assigned, the entry in question is automatically assigned the relevant budget item.

Stage IV: Creating a Budget Version

After building the budget tree, you should create a budget version through which funds can be appropriated for budget items. You can create multiple budget versions in which different sums are appropriated for each item. Budget versions provide flexibility in planning and revising budgets.

A suffix distinguishes budget items and populates the budget tree's lowest level. These are the items for which funds are appropriated.

Note that an appropriation for a multi-company budget item is made for all partner companies.

1. Open the Budget Versions form.
2. Select the **Fiscal Year**, **Version**, and **Description**.
3. To assign budget items to the version, perform one of the following:
   - Run the Add Budget Items to Version program.

- Run the Copy Version Incl. Appropriation or Copy Version W/out Appropriation programs to copy budget items from an existing budget version to another.

4. In the **Budget Versions** form, retrieve the version and move to the **Appropriations for Budget** Items subform.
5. Switch to record view and do one of the following:
   - If the budget is annual (i.e., without monthly sub-divisions), fill in the **Sum** for the first budget item.
   - If the budget is monthly, fill in the fields **Period 1** to **Period 12**.
6. Use the **Budget Target (Top Down)** parallel subform to define a target appropriation for the main and sub-categories of the current budget version.
7. Run the Print Budget Version (Tree) report to view budget appropriations and compare them with the targeted amounts.
8. If an approval list has been assigned to the budget version:
   - Move to the **Budget Version Approval** subform. The names of all version authorizers will appear.
   - Mark the **Approve** checkbox next to your **Name**.

     Note: You can only authorize the budget version when it is your turn in the signature order.
   - Once the version is fully approved, its status automatically changes to "Authorized".
   - Once all approvers have signed, change the version **Status** to "In Effect" in the upper-level form. The version that was previously in effect will automatically be assigned the "Out of Effect status".

Notes:

- Only one budget version can be in effect at a time for a given fiscal year. All other versions are drafts. Consequently, putting a given version into effect invalidates the existing version for that fiscal year. You can only make limited changes to a version that is in effect.
- You can define business process workflow for budget versions using the BPM Flow Chart - Budget Versions program. There are several predefined statuses for budget versions, to which you can add as many statuses as you like. You can define paths between these statuses, create workflow rules and set status properties. For detailed instructions on using BPM flow charts, see the **User Interface Guide**.

9. Use the Comparison of Budget Versions program to compare appropriations for budget categories and items in different versions of the same budget.

Stage V: Revising a Budget Version that is "Approved or In Effect"

1. Open the Change Version in Effect/Apprv'd form.
2. Retrieve the desired budget item.
3. Change the appropriated sum(s) in either the **Sum** field or in the fields from **Period 1** to **Period 12**.

Note: You can only appropriate a multi-company budget item or update the appropriated amount in the origin company (where the budget item was defined).

Stage VI: Routine Budget Usage

You must associate financial transactions with budget items to compare budgetary appropriations to actual expenses and revenues. You can do this in several ways:

- **Linking documents to budget items:** In the itemization subform of the document in question (e.g., purchase requisition, purchase order, purchase invoice), specify a **Budget Item** for each line item.
- **Linking journal entries to budget items**: In the **Itemized Entry** subform, specify a **Budget Item** for each entry item.
- **Selecting the account in financial documents:** The account selected in a financial document determines the budget item appearing in the journal entry, keeping with the method by which budget items are linked to GL accounts.

Results

- The budget item linked to each document will be copied to any future documents based on the current one (e.g., from a purchase requisition to a purchase order to a GRV to a multi-GRV invoice).
- When creating documents or journal entries that lead to a budget deviation during everyday work, relevant warnings or error messages will appear (according to the **BudCheck** financial constant definition).
- You can view budget usage broken down into actual usage (invoices) and planned usage (e.g., open orders, unbilled transactions).

Budget Usage in Distributed Prepaid Expenses

When adding a purchase invoice with a prepaid expense (involving an account marked as **Prepaid Exp/Inc Acct**) distributed over time, the budget is used according to the distribution periods, not the invoice date.

The budget control behaves accordingly.

When the budget is distributed over two years or more, the budget control checks the valid version of each year.

Example:

- On October 21st, a purchase invoice was added for the expense amount of $1000.
- The expense was distributed over 5 months; therefore, a $200 expense was recorded for each month.
- The budget control works monthly.

In October, November and December, the budget control verifies that there is a balance of $200 left to use in each month's budget, in the valid budget version for 2021.

In January and February, the monthly budget balance is checked against the valid version for 2022.

When working with a quarterly budget, the budget control verifies a balance of $600 to use in the valid budget version for 2021 and $400 in the valid budget version for 2022.

If you prefer to set your date rather than use the budget expense amount according to the period distribution, enter the usage date in the invoice line.

If the invoice is based on a purchase order that already includes budget usage dates, the system automatically copies the dates from the order lines to the invoice lines.

Stage VII: Transition Between Fiscal Years

Transferring Budget Balances from the Previous Year

You can transfer budget balances from the previous year to the current one. You can also transfer negative balances (for budget items that exceeded their appropriation), thus reducing the appropriation for this item in the current year.

If you want, you can designate certain budget items as multi-year. Then, when running a program that transfers budget balances, you can limit the transfer to those items.

To define a multi-year budget item:

1. Open the Budget Items form and retrieve the desired **Budget Item**.
2. Ensure the **Multi-Year Budget** checkbox is marked (in the **Definitions** tab).

   Tip: Leave the **Budget Items** form open.

To transfer budget balances from the previous year:

1. Run the Transfer Last Year's Balance program.
2. Select the version to which you are transferring budget balances. Balances will be transferred from the version in effect during the previous fiscal year to the chosen version.

3. Mark the **Negative Balances** checkbox to transfer negative balances (deviations from the previous year's budget).
4. Mark the **Only Multi-Year** checkbox to run this program exclusively for multi-year budget items.
5. Mark the **Sales Budgets Too** checkbox to transfer balances of sales budget items from the previous year to the current one and balances of purchase budget items.
6. Click **OK** to run the program. The budget balances will be transferred from the version in effect during the previous fiscal year to the chosen version.

To view the results:

1. Retrieve the desired budget item in the Budget Items form.
2. Move to the **Appropriation per Budget Version** subform and move to the desired budget **Version** (the version in effect for the fiscal year to which you have transferred budget balances).
3. The transferred balance appears in the **Balance from Prev Yr** field.

Budgeting Unbilled Transactions and Documents

Open PRs, Purchase Orders and Sales Orders:

When calculating actual expenses/income, the system considers the due date of open orders (and the **Best On-Hand** date of open PRs) and the value assigned to the **BudOrdPeriod** financial constant. The system considers one of the following as part of the current budget depending on these settings in the Financial Constants form:

- Leave the default value **0** so the budget usage period will be calculated according to the expected inventory transaction date, as long as the date falls within the current year. If the date is from the previous year or the following year, the budget usage period will be in the current period.

  Note: Next year's transactions are considered part of next year's budget.

- Change the value to **1** so the calculated budget usage period will always be the current period regardless of the expected inventory transaction date.
- Change the value to **2** so the budget usage period will be calculated according to the expected inventory transaction date.

  Note: Last year's transactions are included in last year's budget; next year's transactions are part of next year's budget.

Unbilled GRVs and Customer Shipments:

Like billed transactions, unbilled GRVs and shipment documents are always budgeted on the actual transaction date. For example, a receipt of goods dated last year belongs to last year's budget until the invoice is written. If the invoice was also dated last year, the

transaction remains in last year's budget. The transaction is moved to the current budget if it is dated this year.

Stage VIII: Comparing Budgeted vs. Actual Expenses and Income

1. To compare budget item appropriations to the actual budget usage, perform one or more of these steps:
   - Open the Budget Items form and retrieve the budget item in question.
   - Move to the **Budgeted vs. Actual** subform and view annual appropriation, the actual use and the budget balance.
   - Move to the **Monthly Budget vs. Actual-This Yr** parallel subform and view monthly appropriations, actual usage and budget balances.
   - When working with a multi-company budget: From the **Budgeted vs. Actual** or the **Monthly Budget vs. Actual-This yr** subform, move to the **Budget Usage by Company** (or **Monthly Budget Usage by Company**) subform to view the budget usage of a chosen item, detailed by the companies sharing this item.
2. Run the Budgeted vs. Actual report to compare budgeted revenues and expenses with actual revenues and expenses.
3. Run the Budgeted vs. Actual as of Date report to view relative budget usage from the beginning of the fiscal year until the designated date.
4. Run the Summary of Budgeted vs. Actual report to view the actual usage of the budget that originated only from journal entries and invoices.
5. Run the Profit and Loss for Budgets report to compare budgeted and actual expenses/income in a P&L format.
6. Run the multi-company budget usage reports Summary:Consolidated Budg/Actual and Consolidated Budgeted vs Actual to view multi-company and regular budget items, consolidated from all companies marked as multi-companies.
7. Run the Prepare for Budget Analysis-BI program, then the Budget Analysis (BI) report to analyze the management of your budget.
8. You can run additional reports from the main menu path: **Financials** > **Budgets** > **Budget Reports**.

Special Budget Appropriations

A special budget is usually a multi-year budget created for a special project (e.g., adding a new wing to a hospital or school) that may have several expenses/revenue items, each with its own budget (at different levels). To create a special budget, you must define special budget items and appropriate funds and authorize the appropriations.

1. To set a budget item as a special budget item, retrieve it in the Budget Items form and mark the **Special Budget** checkbox.
2. Open the Special Budget Appropriations form.
3. Select the **Date** and **Currency**. The **Document Number** appears automatically.
4. Select the budget item's **Start Date** and **End Date**.
5. Move to the **Appropriations per Budget Item** subform.
6. In the **Budget Item** field, select the desired item from the dropdown list.

   Note: Only items selected as **Special Budget** (in the **Budget Items** form) appear in the dropdown list.
7. In the **Appropriated Amount** field, enter the amount appropriated to this special budget item. This can either be an initial appropriation or an additional one.

   Notes:

   – The **Orig. Appropriation** field displays the amount of the initial appropriation for this special budget item.

   – The **Revised Budget** field displays the total amount appropriated for this budget item, including the current appropriation.
8. Return to the upper-level form.
9. Select the **Approval List Code** for this special budget item (in the **Approval** tab). The "00" list code appears automatically but may be revised.

   Note: The approval lists in this dropdown list are defined in the Appvl Lists for Special Budgets form.
10. The names of all approvers in the selected list appear in the **Special Budget Approval** subform. Each approver must mark the **Approve** checkbox next to their **Name** to approve the appropriation. Once the special budget item is fully approved, its **Status** is automatically changed to "Authorized".

    Note: To define statuses and business processes for special budgets, run the BPM Flow Chart - Special Budgets program. For more information on BPM settings, see the **User Interface Guide** found in the Priority Help Menu.
11. In the upper-level form, change the version **Status** to "In Effect".
12. Use the **Attachments** subform to attach any relevant files.

Tips:

- You can use the View Special Budget Appropriatns form to view appropriations for special budget items.

- You can view the various budgeted vs. actual reports for special budget items in the **Budget Reports** menu (path: **Financials > Budgets**).
  - Budgeted and actual amounts, spread over more than one calendar year, are displayed according to the years chosen in the dialog in the **From Fiscal Year** and **To Fiscal Year** fields.
  - A report generated for one calendar year displays the budgeted and actual amounts only in that year.
  - A report generated for over one calendar year displays the accumulated budgeted and actual amounts until the fiscal year chosen in the dialog.