

QuickBooks for Nonprofits: Allocating Costs to Program and Activity Classes with ManagePLUS Gold



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Overview

This paper shows a faster, easier, and more automated way to allocate income and expense from cost pool or "overhead" classes to other classes in nonprofit organizations (NPOs), using [ManagePLUS Gold for QuickBooks](#). It demonstrates:

- ✓ **Allocating indirect expense using drag-and-drop**, with very little typing.
- ✓ **Allocating indirect expense among multiple classes** based on *management quantities* ("cost drivers")—things like staff hours or direct program spending—which you have associated with individual classes.
- ✓ **Creating allocation Journal Entries (JEs) automatically.**
- ✓ **Sending the JEs to QuickBooks with a single mouse click.**

The examples in this paper are very visual (lots of screen shots), but they also (1) serve as partial user's guide for working with ManagePLUS Gold in a NPO, and (2) include specific examples related to the accounting requirements for NPOs *working with Federal grants and contracts*. So if you're only wanting a general idea of how ManagePLUS Gold might benefit the accounting processes in your organization, feel free to skip the technical details for now and "just look at the pictures". You can always come back for the details later.

★ Want to go directly to the visual examples? Jump ahead to the [Creating allocations](#) topic to see drag-and-drop allocation in action!

Using Classes for Activity-Based Costing in Nonprofit Organizations

QuickBooks is a good choice for many nonprofit organizations (NPOs) because it is easy to use and flexible enough to support the specialized accounting needs of NPOs. One of the great features QuickBooks offers for NPOs is the *classes* feature.

Classes let you identify revenue and expenses with specific programs and activities of your organization, not just the financial (income and expense) categories in your chart of accounts. Setting up classes in QuickBooks to represent your organization's programs and activities, and assigning those classes when coding transactions, provides two major benefits:



- 1. It allows evaluating each program or activity separately, independent of the others**, by associating revenues and costs with specific programs and activities. This supports a form of cost accounting known as activity-based costing (ABC). ABC is a valuable management tool because it gives managers, lenders, boards, and funding sources the information they need for separately considering the effectiveness (benefits vs. costs) of each program and activity. ABC lets you prepare a profit and loss report for *each* program and activity, independent of the others. Audited reports normally provide this kind of cost information, separately for each major program of the organization.
- 2. It supports meeting external reporting requirements** such as for Federal filings. IRS Form 990 requires that expenses be broken down into Program, Management, and Fundraising

categories. Using classes to represent programs and activities such as fundraising helps to get this done.

Deciding which class to assign when entering a transaction is simple in most cases. Donations received at your organization's booth during an annual charity event are fundraising income, and if you have a Fundraising class that's the one you'll choose when recording the receipt of those funds.

But what about things like office rent? Printer and photocopy paper? Payroll expenses of your IT department? These may be related to all—or at least several—of the organization's programs and activities, not any specific one. When entering transactions for things like these, the usual approach is to assign them to any of several "cost pool" classes you've set up for gathering categories of non-program-specific costs, usually referred to as indirect expenses. For instance, you might assign the above-mentioned expenses to a Management & Governance class. Then at the end of the accounting period (month, quarter, year), you would allocate the amounts accumulated for Management & General to program- and activity-specific classes.

★ Office rent, copy paper, IT salaries, and so on would be referred to as *overhead expenses* in a for-profit business. The idea is the same in a NPO: indirect expenses pertain broadly to several departments/activities/segments of the organization and must be *allocated* among the program and activity classes to which they provided benefits. Assigning and allocating costs to activities of the business/organization which are responsible for them or benefit from them, is the essence of activity-based costing.

In QuickBooks, allocation is typically accomplished by:

- 1. Determining a basis on which to allocate each cost pool** to specific programs and activities. If your organization has a building used both for office space and for assembling personal hygiene kits for distribution in poverty-stricken areas, you could allocate the building's depreciation expense based on the number of square feet devoted to each activity—i.e., to classes named Management & Governance, and Public Health Program #1, for instance.
- 2. Calculating the dollar amounts involved.** For example, if 1600 square feet is devoted to office space and 6400 square feet is devoted to health kit assembly (a total of 8000 square feet), Management & Governance should be allocated 1600/8000 of the total depreciation expense for the building.
- 3. Making Journal Entries (JEs)** to assign the dollar amounts to those classes receiving the allocations.

Allocation frequently involves several receiving or "target" classes, so quite a few calculations may be necessary—you might need to allocate the Management & Governance cost pool among Fundraising, Member Development, Public Education, Habitat Restoration, Lobbying, etc. So steps 1 and 2 are typically done outside of QuickBooks, in a spreadsheet such as Microsoft Excel. Step 3 however, requires manually making JEs in QuickBooks, and is subject to the usual typing errors, transposition errors, and same old "debits vs. credits" confusion which can muddle data entry from time to time, especially for inexperienced accountants.

This paper shows how to **automate all three of these steps**—yes, even the creation of JEs—with an inexpensive QuickBooks add-on called [ManagePLUS Gold for QuickBooks](#). ManagePLUS Gold provides a quick, easy, approach for calculating and entering allocations, which is also more automated and less error prone than the common spreadsheet-and-Journal-Entry approach. For detailed information about the ManagePLUS Gold product, go here:


 <http://www.goflagship.com/products/mphome.htm>


"How do I get started with activity-based costing?"

This paper doesn't spend much time on either accounting theory or on ideas for setting up QuickBooks classes and accounts. A number of excellent resources are available as books, and as white papers, blog articles, etc. on the Web. One of the best of these is a paper by Christine L. Manor, CPA, titled *Using Classes in QuickBooks to Track Activities*. It is a free download available at several locations on the Web. Here's one of them:

 <http://nccsdataweb.urban.org/kbfiles/309/manor-Using-classes-v4.doc>

Christine's paper is brief (15 pages), well written, and well worth printing out to use as a reference if you are getting started with accounting for a NPO. (Christine also has authored a book which may be helpful, [*QuickBooks for Not-for-Profit Organizations*](#), though I have not yet reviewed it personally.)

 If you are unfamiliar with using classes in NPOs the information in Christine's paper is *nearly essential* for understanding the ideas presented in *this* paper. So if you need some background information please read Christine Manor's paper.

 Update: Upon learning that I had cited her paper, Christine Manor was gracious enough to review this paper and provide valuable comments. So you are reading an updated version which incorporates some of her suggestions. However, any errors or omissions remain fully my responsibility. - *the Author*.

QuickBooks itself also offers some assistance with accounting for a NPO. The sample QuickBooks company file for nonprofits has a broad range of transactions, plus a good example Chart of Accounts and Classes list to help you get started. And as you probably already know, a separate edition of QuickBooks is available for NPOs, called *QuickBooks Premier for Nonprofits*.




QuickBooks Premier for Nonprofits doesn't really offer any unique features. It's mostly a repackaging of standard QuickBooks Premier features for marketing purposes. For instance, the "special" nonprofit reports in this edition are simply re-labeled or customized versions of reports available in all Premier editions.

Among the QuickBooks Premier editions, my personal preference is *QuickBooks Premier Accountant* because it *really does* offer features not available in other Premier editions, such as Client Data Review.

ABC and Federal grants and contracts

If your NPO receives Federal grants or has Federal contracts, you must follow the accounting requirements defined in Office of Management & Budget Circular A-122 (http://www.whitehouse.gov/omb/circulars_a122_2004/). That document prescribes very specific ABC approaches you must use for allocating the organization's expenses to its programs and activities.

 In a for-profit business, allocation methods are the choice of accountants

and/or managers. They may be based on a simple estimate ("I think 10% of Office & Administrative expense should be charged to Department A") or on some physical or financial factor related to the classes receiving the allocations—tons of production, gallons of fuel consumed, dollars of direct expense, etc.

➔ In nonprofits working with Federal programs, cost allocation is constrained by Circular A-122's rules about the *specific* allocation bases which must be used for different kinds of indirect costs.

The rules in Circular A-122 are quite specific but most of them aren't anything unusual. The examples in this paper should help you with allocating expenses according to the Circular A-122 requirements.

A Few "Ground Rules"...

Examples

To prevent accounting details from clouding your view of the basic allocation ideas, the examples in this paper are based on a simplified set of classes. You'll likely use a more comprehensive set of classes in your organization—the "real world" Classes list proposed in the Manor paper mentioned above has more than 30 classes in it, for example.

And understand that these are *contrived* examples. Hopefully seeing a few numbers which don't appear to be realistic (because they aren't!) won't distract from the information being conveyed. The examples were built for simplicity, not reality.

Glossary

Definitions of few important terms:

activities Refers to various activities/areas/departments/segments of your organization which you have identified as distinct from others, such as Fundraising, Member Development, Management & Governance, IT Department Costs, Facilities Costs, Habitat Restoration, Public Education, etc.

Identifying activities divides the work within the organization into "chunks" which can be evaluated separately for management decision making ("Is our IT department cost effective, or should we consider hiring outside IT services?"). You'll normally set up a QuickBooks class for each major activity, so you can separately track the revenue and expense associated with it.

programs Programs are a subset of the organization's activities. This term implies activities which deliver goods and services to the organization's beneficiaries; activities which represent the organization's primary missions, goals, and work.

Their analog in the for-profit business world would be a **profit center**. While the goal is not profits in an NPO the concept is still similar, because programs represent the "output" of the organization.

supporting services Any major activity which isn't a program is normally a supporting service,

which makes supporting services the "other" subset of the organization's activities. This term implies activities which are necessary to the overall functioning of the organization but are only indirectly related to delivering goods and services to the organization's beneficiaries.

Their analog in the for-profit business world would be a **cost center** or **support center**—areas of the business which don't directly produce an output of the business but are nonetheless necessary for the business to function.

Steps for Allocating Income and Expense

When you've reached the end of an accounting period and you're ready to allocate cost pool (overhead) classes with ManagePLUS Gold, typically you'll follow these steps:

1. **Prepare for allocation** by selecting an accounting period to work with in ManagePLUS Gold, refreshing transactions and lists from QuickBooks, and updating management quantities associated with your classes.
2. **Create allocations.** Most of your effort will be needed the first time you use ManagePLUS Gold. Creating allocations in subsequent periods will be much quicker: you'll just review (and if necessary, adjust) your allocation setups, then send Journal Entries to QuickBooks.
3. **Find and fix "unclassified" amounts.** These result when no class was assigned to some transactions. Such amounts need to be assigned a class so that nothing gets "missed" in the accounting for revenue and cost flows to your various program and activity classes.
4. **Send allocation Journal Entries to QuickBooks**—with just a click of the mouse.
5. **View your allocations in reports** such as the Profit and Loss by Class report in QuickBooks, or ManagePLUS Gold's Profit Analysis report.

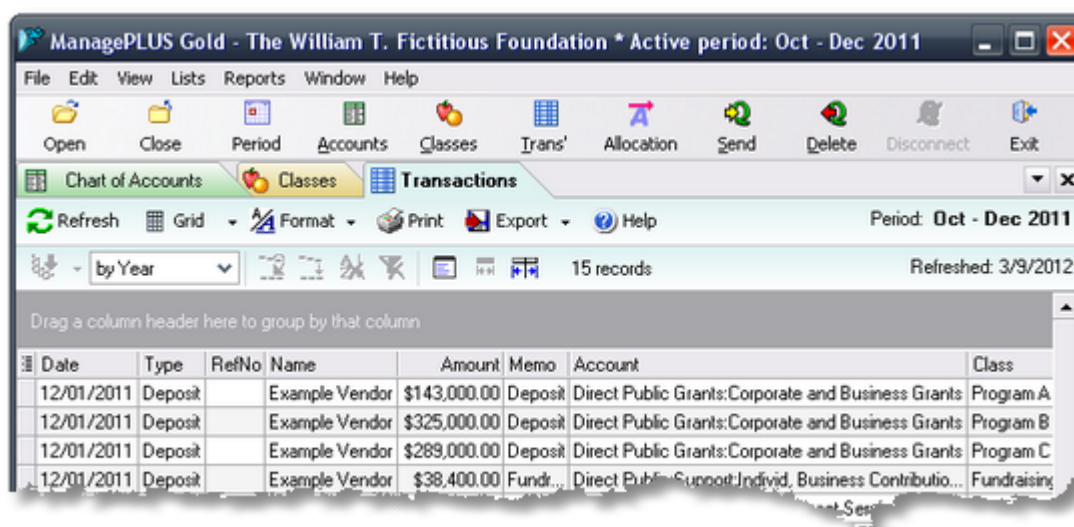
1. Preparing to allocate

This section describes things you should (*almost always*) do before creating allocations with ManagePLUS Gold.

First, a few basics...

Since this is a "crash course" in using ManagePLUS Gold, here are a couple things you ought to know:

- Here's a look at the ManagePLUS Gold main window; in this case, after opening the Chart of Accounts, Classes, and Transaction tabs:



- Most of the program's commands are accessible via toolbar buttons and from the main menu.
- The *main toolbar* is the one at the top, which begins with *Open*, *Close*, *Period*, etc. buttons.
- Each tab also has its own toolbar, with buttons for commands that work within that tab. In the illustration above, the Transactions tab toolbar has buttons for *Refresh*, *Grid*, *Format*, etc.

★ Why all the different colors? User-definable colors identify data in the program's windows and reports. For example, the Classes tab is colored gold in the screen shot above, so class-related data will be highlighted in gold on certain reports.

Select an accounting period to work with



- **Click the Period button** in the main toolbar, then either select an existing accounting period or define a new one. An accounting period can be any range of dates you want, though you'll typically work with a standard period such as a month, quarter, or year.

★ You work with *one* specific accounting period at a time in ManagePLUS Gold, referred to as the *active accounting period*.



When defining a new accounting period you'll usually copy your allocation setups from a prior period, to use them as a starting point for the new period's allocations.

See: [Re-using your allocation setups](#) in the Miscellaneous Ideas & Tasks section.

Refresh accounts, classes, transactions

You need to refresh ManagePLUS Gold's copy of your QuickBooks data to be sure it is current.

1. Open the **Chart of Accounts, Classes, and Transactions** tabs by clicking on their buttons in the main toolbar.



2. After you open each tab, click on its **Refresh** button to refresh that window's data from QuickBooks:



- ★ You aren't *required* to refresh everything: if your Chart of Accounts and Classes lists haven't changed, you really only need to refresh transactions. But refreshing everything takes seconds and is good insurance against working with outdated data.

Update management quantities (cost drivers) associated with your classes



Management quantities are physical or dollar amounts which you associate with individual classes in ManagePLUS Gold. They can be anything you want, but typical examples would be staff hours spent on each of your organization's programs, square feet of building space, or direct spending on each program.



Cost driver is the more standard activity-based costing term. They're called *management quantities* in ManagePLUS Gold because they have several alternate uses, not just as cost allocation bases.

Associating management quantities with your classes lets you allocate to multiple classes *automatically* in proportion to a particular allocation basis (staff hours, direct spending, etc.), the same as if you had done calculations in a spreadsheet—but without having to create spreadsheet formulas.

See: [Assigning management quantities](#) in the First-Time Setup section.

This step is only necessary for allocations which are to be done on a specific basis such as

staff hours or direct program spending—which is the case for most of the cost allocation methods allowed for NPOs.

For this paper's simplified example, management quantities representing staff hours devoted to each program are associated with the organization's program classes. Here is a screen shot of the Classes window with the staff hours entered:

Classes		Management Quantities			
Name	Alloc. Type	A Mgmt Qty	A unit	B ...	B ...
Program A	P Profit center	100	hour		
Program B	P Profit center	425	hour		
Program C	P Profit center	315	hour		
Mgmt & Govern	C Cost center				
Salaries	C Cost center				
Office & Admin	C Cost center				
IT Dept.	C Cost center				
Travel	C Cost center				
Fundraising	C Cost center				

★ Program A, Program B, and Program C represent fictitious programs. Real-world examples might be Public Education, Habitat Restoration, or Cancer Research.

★ See [Assigning management quantities](#) in the First-Time Setup section for information about entering management quantities.

2. Creating allocations

Creating allocations in ManagePLUS Gold is mostly a simple, drag-and-drop process. It takes a few minutes to set up allocations the first time you do it. But the *next* time it won't take long at all, because you can re-use your allocation setups in subsequent accounting periods.

★ See [Re-using your allocation setups](#) in the Miscellaneous Ideas & Tasks section.

This section tells how to explore allocation information in the ManagePLUS Gold Classes window, and how to create or change allocations among classes.



Comment from Christine L. Manor, CPA:

"Reading your paper may suggest to some people that all administrative costs can be allocated. That is true, with some caveats."

"Truly common costs like rent should be allocated to all classes, program and supporting. Some supporting costs, like IT, may also need to be allocated to all the rest of the classes. Admin and Fundraising costs need to stay in their own classes for audited reports and the Form 990. Some organizations may want to allocate Admin and Fundraising to the rest of the classes for a "fully-loaded" picture of each class. This should be done "below the line." A special Other Expense account should be used."

"OMB A-122 (http://www.whitehouse.gov/omb/circulars_a122_2004/) is the guiding document for how recipients of federal awards (contracts and grants) must account for overhead expenses."



To assure that your allocation methods pass muster for audited reports and for Federal reporting (IRS Form 990), seek the advice of a qualified accounting professional before implementing them.



Carefully document your allocation methods so that you can defend the rationale on which they are based, to anyone who asks. ManagePLUS Gold helps with this, because it can preserve the details of allocation methods you used in each accounting period.

About the Allocation Information columns

Both the Classes and Chart of Accounts windows have columns devoted to allocation-related details, the headings of which have a **lavender** background by default, as you can see in the screen shot below.

The purpose of these columns isn't as cryptic as it may at first appear. To learn the purpose of any column, just **double-click** any cell in it. That will display a dialog with details about how the cell's amount was calculated. For instance, double-clicking the cell indicated by the **red box** in the screen shot below will open the dialog shown beneath it.



Besides double-clicking, you may also right-click on a cell and choose **Edit / View cell details** from a pop-up menu.

Classes

Classes		Management Quantities				Allocation Information						
Name	Alloc. Type	A Mgmt Qty	A unit	B ...	B...	Direct from Tr...	Indirect ...	Total bef...	IN (allocation...	Available to AL...	OUT (allo...	Un
Program A	Profit center	100	hour			\$4,110.22				\$4,110.22		
Program B	Profit center	425	hour			\$138,027.41				\$138,027.41		
Program C	Profit center	315	hour			\$119,958.56				\$119,958.56		
Mgmt & Govern	Cost center						\$235,189.4	\$235,189.4		\$235,189.4		
Salaries	Cost center					\$84,000.41		\$84,000.41		\$84,000.41		
Office & Admin	Cost center					\$77,644.12		\$77,644.12		\$77,644.12		
IT Dept.	Cost center					\$59,332.00		\$59,332.00		\$59,332.00		
Travel	Cost center					\$14,212.88		\$14,212.88		\$14,212.88		
Fundraising	Cost center					-\$38,400.00		-\$38,400.00		-\$38,400.00		

Available to Allocate

Class name: Office & Admin (Cost center class)

Class' full name: Mgmt & Governance:Office & Admin

Allocation type assigned to this class: (Cost center class)

Detail lines show how this cell was calculated:

- Direct from transactions: \$77,644.12
- Indirect, from sub levels: \$0.00
- IN from other accounts & classes: \$0.00
- Available to allocate: \$77,644.12**

"Help bubbles" provide information about each detail line

The dialog shown above explains the *Available to Allocate* cell on the Office & Admin class' row. It tells us that the entire amount available to allocate from Office & Admin comes directly from QuickBooks transactions (i.e., the *Direct from transactions* line). We can also see that Office & Admin has not received allocations from any other classes, because the *IN from other accounts & classes* line is zero.

The *OUT (allocated to others)* column is the most important one!

Double-clicking it opens the *Allocated OUT (to others)* dialog, which lets you **create or edit allocations**, as you will see later.

Classes

Classes		Management Quantities			Allocation Information					
Name	Alloc. Type	A Mgmt Qty	A unit	B ...	Direct from Tr...	Indirect ...	Total bef...	IN (allocation...	Available to AL...	OUT (allo...
Program A	Profit center	100	hour		\$4,110.22				\$4,110.22	
Program B	Profit center	425	hour		\$138,027.41				\$138,027.41	
Program C	Profit center	315	hour		\$119,958.56				\$119,958.56	
Mgmt & Govern	Cost center					\$235,189.4	\$235,189.4		\$235,189.4	
Salaries	Cost center				\$84,000.41		\$84,000.41		\$84,000.41	
Office & Admin	Cost center				\$77,644.12		\$77,644.12		\$77,644.12	
IT Dept.	Cost center				\$59,332.00		\$59,332.00		\$59,332.00	
Travel	Cost center				\$14,212.88		\$14,212.88		\$14,212.88	
Fundraising	Cost center				-\$38,400.00		-\$38,400.00		-\$38,400.00	

Allocated OUT (to others)

IT Dept. (Cost center class)

Available: \$59,332.00

Options: [Tree Options menu button]

Cost or profit centers:

Cost or profit centers	Allocation
Program A	100.00
Program B	425.00
Program C	315.00
Mgmt & Governance	
Salaries	
Office & Admin	20%
IT Dept.	
Travel	
Fundraising	40%

The left pane's grid lists your formulas for allocating this account or class.

The right pane's tree shows your cost centers and profit centers, and amounts allocated to them.

0.00% unallocated = \$0.00

OK Cancel

The examples which follow refer to many of the features of the *Allocated OUT (to others)* dialog, labeled above.

Example 1: Allocating Office & Admin expense, based on staff hours

- ⚠ This allocation scenario is only an example, to show how to accomplish this type of allocation using ManagePLUS Gold. Consult Office of Management & Budget Circular A-122 (http://www.whitehouse.gov/omb/circulars_a122_2004/) or seek the advice of a qualified accounting

professional before applying allocations.

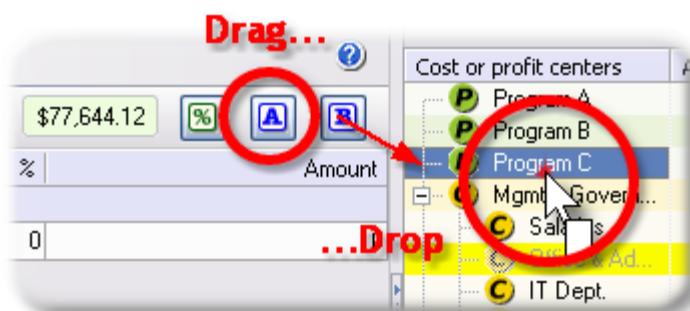
The number of staff hours devoted to each program seems to be a reasonable basis for allocating overhead expenses ("cost pool" classes) to the various program classes. Let's do that for Office & Admin expense:

1. Double-click the *OUT (allocated to others)* cell for the Office & Admin class.

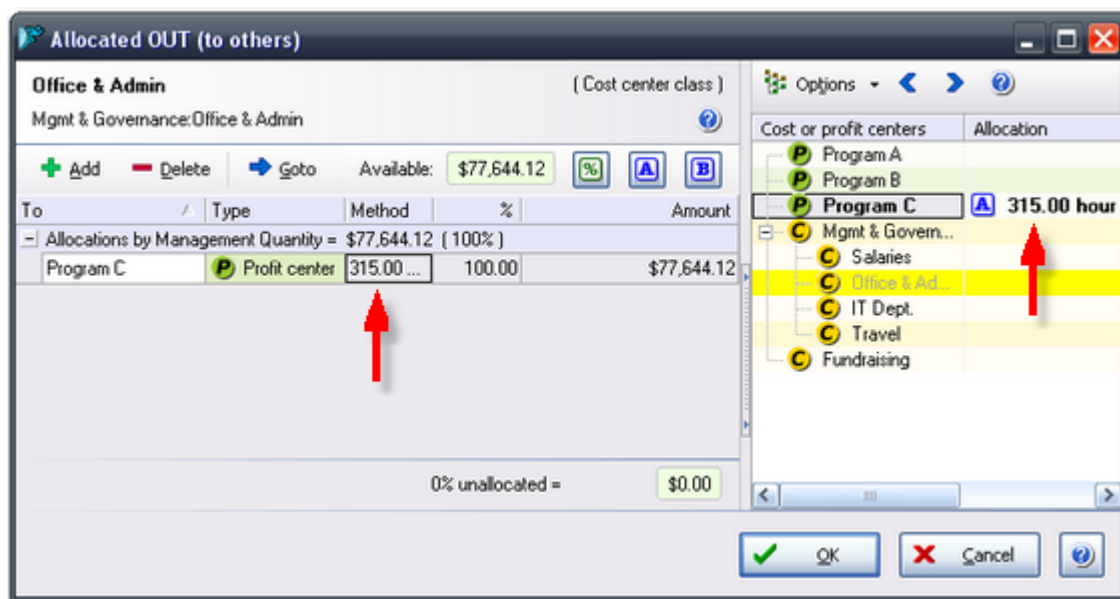
This is illustrated by the example in the screen shot shown above, except there won't be any allocation lines in the left pane yet.

2. Drag the [A] token into the right pane and drop it onto Program C.

★ Classes can have two management quantities associated with them—an "A" and a "B" quantity. Dragging the [A] token creates an allocation based on the "A" management quantity. (See [Assigning management quantities](#) in the First-Time Setup section.)



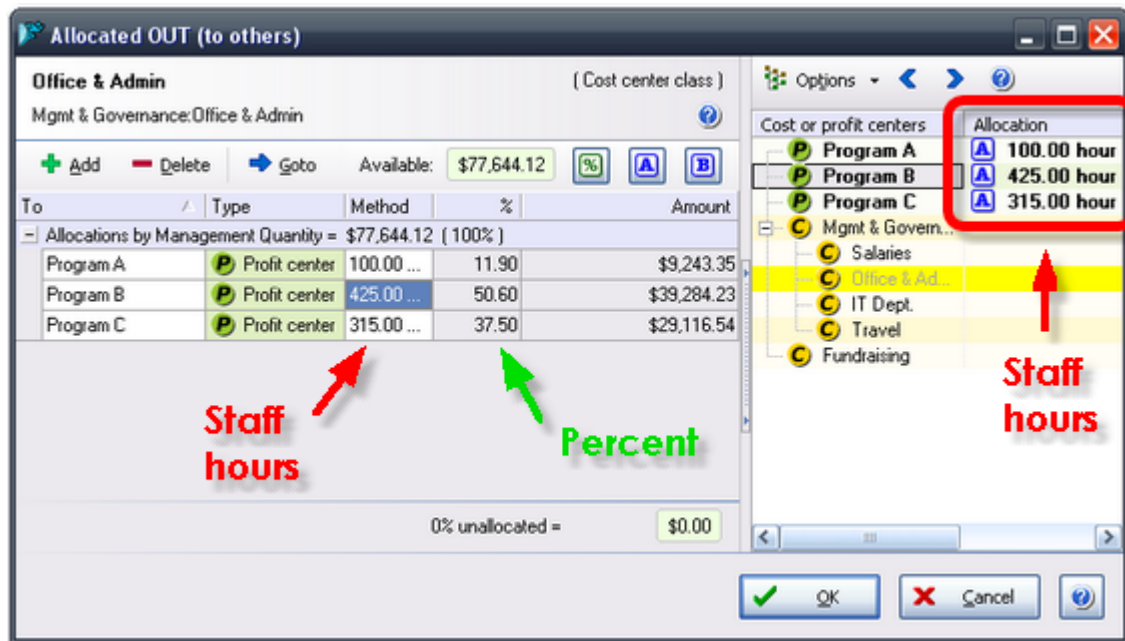
This creates an allocation from Office & Admin to the Program C class based on the management quantity we associated with Program C (315 hours):



3. Drag the [A] token again, but drop it onto Program A this time

4. Finally, drag the [A] token and drop it onto Program B.

When you're done, the dialog will appear as follows:



A couple things to note:

- All three allocations were made without typing anything.
- The % and *Amount* columns were calculated automatically.

5. Click OK to close the dialog.

After you do, notice that the three allocation amounts appear in the *IN* (allocations from others) cells of the program classes (the **red box** in the screen shot below). Also, the *OUT* (allocated to others) amount is \$77,644.12 for Office & Admin, while the *Unallocated* cell is now blank (zero), as illustrated by the **blue box** in the screen shot.

Class	Alloc. Type	Management Qty	IN (allocation...)	Available to Al...	OUT (allo...)	Unallocated
Program A	Profit center	100 hor	-\$9,243.35	-\$5,133.13		-\$5,133.13
Program B	Profit center	425 hor	-\$39,284.23	\$98,743.18		\$98,743.18
Program C	Profit center	315 hor	-\$29,116.54	\$90,842.01		\$90,842.01
Mgmt & Govern	Cost center			\$157,545.29		\$157,545.29
Salaries	Cost center			\$84,000.41		\$84,000.41
Office & Admin	Cost center			\$77,644.12	\$77,644.12	
IT Dept.	Cost center			\$59,332.00		\$59,332.00
Travel	Cost center			\$14,212.88		\$14,212.88
Fundraising	Cost center			-\$38,400.00		-\$38,400.00

Example 2: Allocating Travel expense, by percentages

⚠ This allocation scenario is only an example, to show how to accomplish this type of allocation using ManagePLUS Gold. *Allocating by fixed percentages may not be allowed for most expense types in NPOs.* Consult Office of Management & Budget Circular A-122 (http://www.whitehouse.gov/omb/circulars_a122_2004/) or seek the advice of a qualified accounting professional before applying allocations.

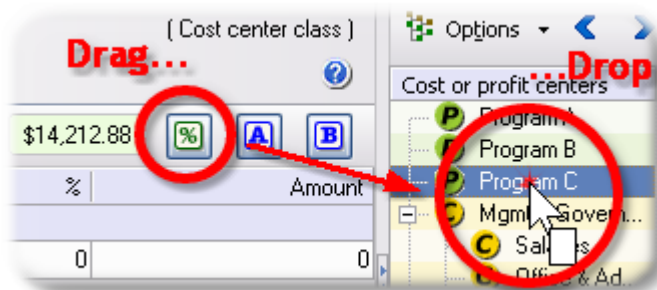
How should we allocate management's travel expenses? We could allocate them based on staff hours, but one of the managers has told us that more travel expense should be allocated to Program C—it's a relatively new program and they devoted a lot more travel to it, in getting it started. Staff hours aren't a good fit for doing this, so we can allocate by using percentages.

⚠ If you are unfamiliar with using classes in NPOs, or with activity-based costing, the information in Christine's paper is *nearly essential* for understanding the ideas presented in *this* paper. So if you need some background information please read Christine Manor's paper before continuing.

1. **Double-click the *OUT* (allocated to others) cell for the Travel class.**

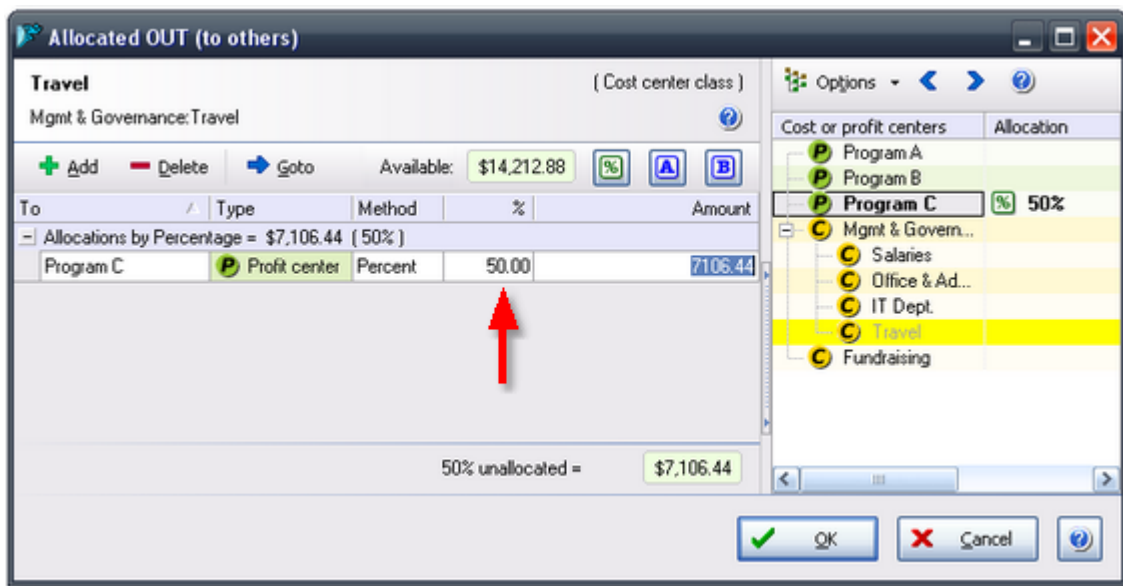
The *Allocated OUT (to others)* dialog will open.

2. **Drag the [%] token into the right pane and drop it onto Program C.**



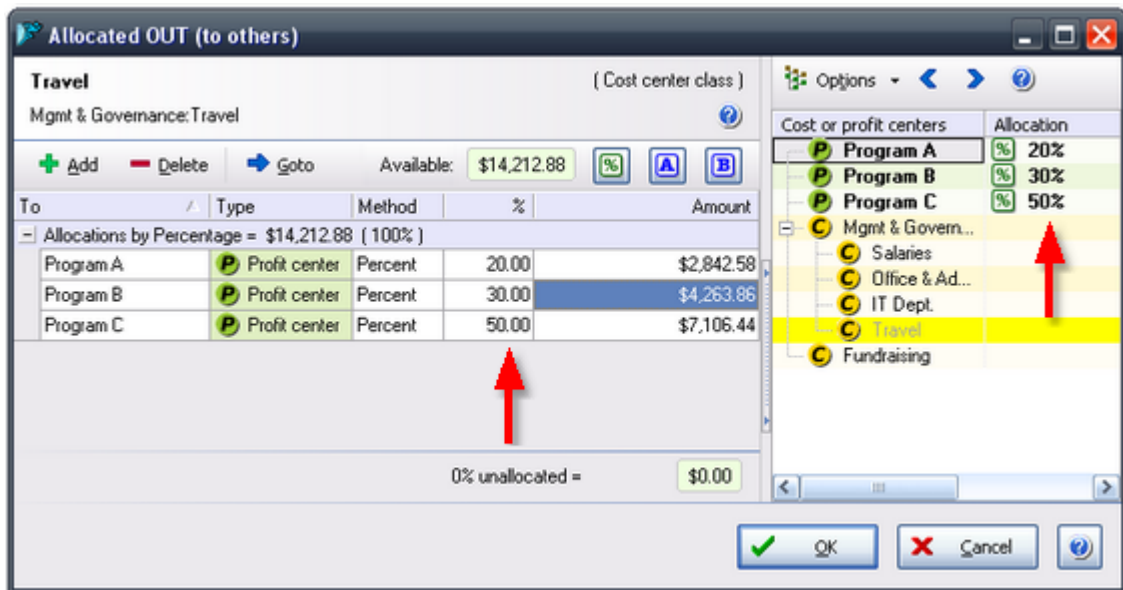
Management has told us to allocate 50% of travel expenses to Program C, so...

3. **Type 50 in the % column of the new allocation line, then press the Enter key.**



4. Drag the [%] token again, and drop it onto Program A.
5. Type 20 in the % column of the new allocation line, then press Enter.
6. Finally, drag the [%] token once more and drop it onto Program B.

ManagePLUS Gold keeps track of the remaining unallocated percentage and auto-fills the % column, so this time you don't have to type anything. Here's how the dialog should look:



7. Click OK to close the dialog.

In the Classes window, notice that amounts in the *IN (allocations from others)* column have increased again for the three program classes—by the amounts of our just-now-added allocations. Let's have a look at one of them...

8. Double-click the *IN (allocations from others)* cell for **Program C**,

That will open the *Allocated IN (from others)* dialog, shown below. It lists the allocations Program C has received from Office & Admin and from Travel—the allocation we just now created, in the prior steps.

From	Type	Amount
Mgmt & Governance: Office & Admin	Cost center	-\$29,116.54
Mgmt & Governance: Travel	Cost center	-\$7,106.44

Allocated IN (from others) **-\$36,222.99**

Close

9. Click **Close** to close the dialog.

Example 3: Allocating IT Department expense, by percentages and staff hours

⚠ This allocation scenario is only an example, to show how to accomplish this type of allocation using ManagePLUS Gold. *Allocating by fixed percentages may not be allowed for most expense types in NPOs.* Consult Office of Management & Budget Circular A-122 (http://www.whitehouse.gov/omb/circulars_a122_2004/) or seek the advice of a qualified accounting professional before applying allocations.

Management believes it would be reasonable to allocate IT Department costs:

- 20% to Office & Admin
- 40% to Fundraising
- The remaining portion to program classes, based on staff hours.



➔ But wait! We already allocated Office & Admin's expenses back in Example 1! After we allocate some of the IT Department expense to Office & Admin, *won't we have to go back and re-allocate Office & Admin again?*

No, because ManagePLUS Gold works like a spreadsheet. If one formula depends on another, changing the first one automatically updates the second one. The IT Department expenses we allocate to Office & Admin here, will automatically flow through to the program classes which are targets of Office & Admin's allocations.

In other words, allocations can "cascade" through any number of classes.

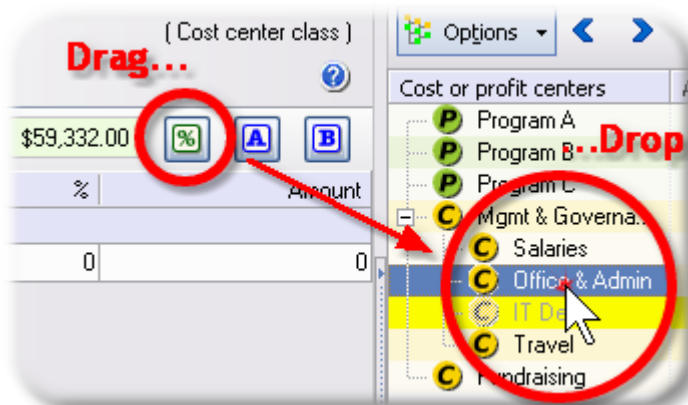
Make the percentage allocations first

We make the percentage allocations first, so that whatever amount is left over can be allocated based on staff hours.

1. Double-click the *OUT (allocated to others)* cell for the IT Dept. class.

The *Allocated OUT (to others)* dialog will open.

2. Drag the [%] token into the right pane and drop it onto Office & Admin.





→ "Hey, wait a minute...can we do that? I thought we could only allocate to program classes..."

It's quite common for support center or "cost center" activities to allocate expense to other cost centers or support centers. In fact, handling some allocations this way can make them *more accurate*.

How? The manager of the IT Department may not have a good idea of what portion of his department's effort was devoted to each program—unless IT only worked *directly* with individual programs, which it doesn't. But he may have a good idea of what portion of the IT Department's time was spent supporting the main office staff (Office & Admin) and on fundraising activities.

Using the best estimates provided by support activity managers, about how their department contributed to other activities (whether directly to programs, or to other support activities) should ultimately result in the most accurate allocation of expenses to programs.

3. Type 20 in the % column of the new allocation line, then press the Enter key.

4. Drag the [%] token again, and drop it onto Fundraising.

5. Type 40 in the % column of the new allocation line, then press Enter.

The dialog should now look something like this. As the red box indicates, 40% of IT Dept. expense remains unallocated at this point.

Allocated OUT (to others)

IT Dept. (Cost center class)

Mgmt & Governance:IT Dept.

Available: \$59,332.00

To	Type	Method	%	Amount
- Allocations by Percentage = \$35,599.20 (60%)				
Fundraising	Cost center	Percent	40.00	23,732.80
Mgmt & Governanc...	Cost center	Percent	20.00	\$11,866.40

40% unallocated = \$23,732.80

Options: Cost or profit centers Allocation

- Program A
- Program B
- Program C
- Mgmt & Governanc...
- Salaries
- Office & A... 20%
- IT Dept.
- Travel
- Fundraising 40%

OK Cancel

Now, make the remaining allocations, based on staff hours

6. Drag the [A] token into the right pane and drop it onto Program A.
7. Drag the [A] token again, and drop it onto Program B.
8. Finally, drag the [A] token and drop it onto Program C.

When you're done, the dialog should appear as follows. Note that the upper part of the left pane shows the *percentage-based* allocations, and the lower part shows *management quantity-based* allocations.

Allocated OUT (to others)

IT Dept. (Cost center class)

Mgmt & Governance: IT Dept.

Available: \$59,332.00

Options

To	Type	Method	%	Amount
Allocations by Percentage \$35,599.20 (60%)				
Fundraising	Cost c...	Percent	40.00	\$23,732.80
Mgmt & Governance: Office & Admin	Cost c...	Percent	20.00	\$11,866.40
Allocations by Management Quantity = \$23,732.80 (40%)				
Program A	Profit c...	100.00 hour...	4.76	\$2,825.33
Program B	Profit c...	425.00 hour...	20.24	\$12,007.67
Program C	Profit c...	315.00 hour...	15.00	\$8,899.80
0% unallocated =				\$0.00

Cost or profit centers Allocation

- Program A 100.00 hour
- Program B 425.00 hour
- Program C 315.00 hour
- Mgmt & Governance
- Salaries
- Office & Admin 20%
- IT Dept
- Travel
- Fundraising 40%

OK Cancel

9. Click **OK** to close the dialog.

Here's how the Classes window should look now. The **blue box** shows that no *Unallocated* amounts remain for Office & Admin, IT Dept., or Travel (it's empty; meaning the cells are zero). The **red box** shows allocation amounts *received* by the various classes (expense amounts appear as *positive* numbers for "cost center" classes and as *negative* numbers for "profit center" classes).

Classes		Manager
Name	Alloc. Type	A Mgmt Qty
Program A	P Profit center	100 hou
Program B	P Profit center	425 hou
Program C	P Profit center	315 hou
Mgmt & Govern	C Cost center	
Salaries	C Cost center	
Office & Admin	C Cost center	
IT Dept.	C Cost center	
Travel	C Cost center	
Fundraising	C Cost center	

Allocation Information			
IN (allocation...)	Available to Al...	OUT (allo...	Unallocated
-\$16,323.92	-\$12,213.70		-\$12,213.70
-\$61,559.59	\$76,467.82		\$76,467.82
-\$49,572.68	\$70,385.88		\$70,385.88
	\$84,000.41		\$84,000.41
	\$84,000.41		\$84,000.41
\$11,866.40	\$89,510.52	\$89,510.52	
	\$59,332.00	\$59,332.00	
	\$14,212.88	\$14,212.88	
\$23,732.80	-\$14,667.20		

There's a lot more we could explore, but these examples give you an idea of how quick and easy it is to make allocations with ManagePLUS Gold.

3. Finding and "fixing" unclassified amounts

A primary goal of activity-based costing is to fully charge all revenue and expense with the organization's various programs. Otherwise, profit and loss reports for each program may underestimate the costs of providing those programs, and distort management's view of program benefits versus delivery costs.

To capture all revenue and expense in this way, every transaction involving income or expense should be assigned a class when it is entered. But forgetting to assign a class is easy to do, so it's important to check for unclassified amounts and assign the appropriate class(es) to them.

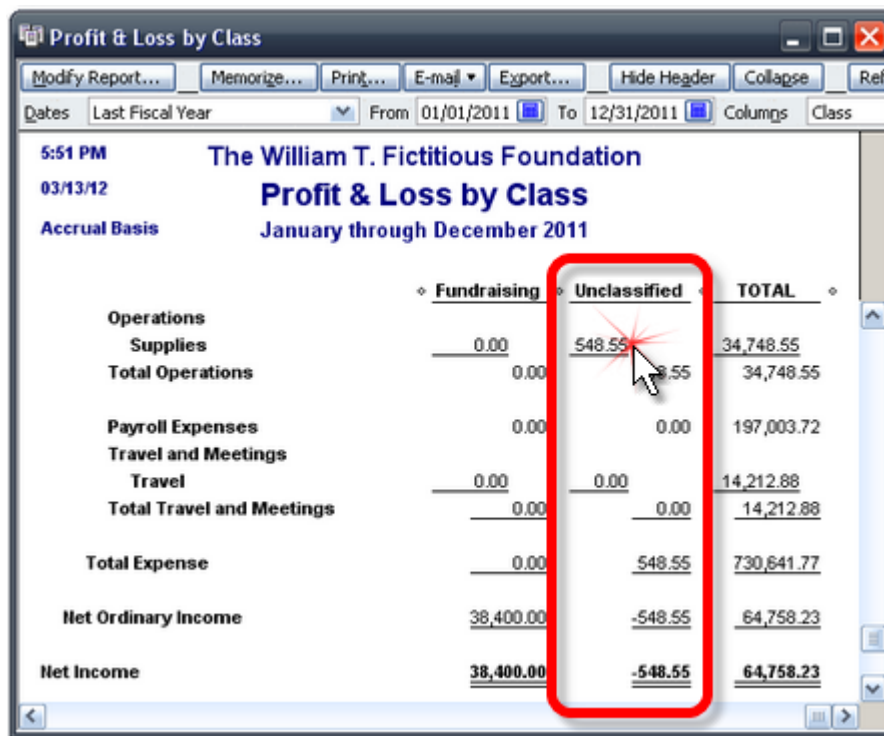
Both QuickBooks and ManagePLUS Gold offer easy ways to find and "fix" unclassified amounts, and each has advantages:

- **The QuickBooks approach is best** when you need to evaluate unclassified transactions individually and want to assign classes directly to the original transactions.
- **The ManagePLUS Gold approach is best** for "wholesale" assignment of an unclassified amount to a class. It is equivalent to making Journal Entries to classify unclassified amounts but is much easier—it works with drag-and-drop simplicity.

Finding and fixing unclassified transactions in QuickBooks

1. **Open a Profit and Loss by Class report** for the accounting period you are working with.
2. **Scroll to the far right side** of the report.

If a class was not assigned to any transaction(s), a column named *Unclassified* will be present.



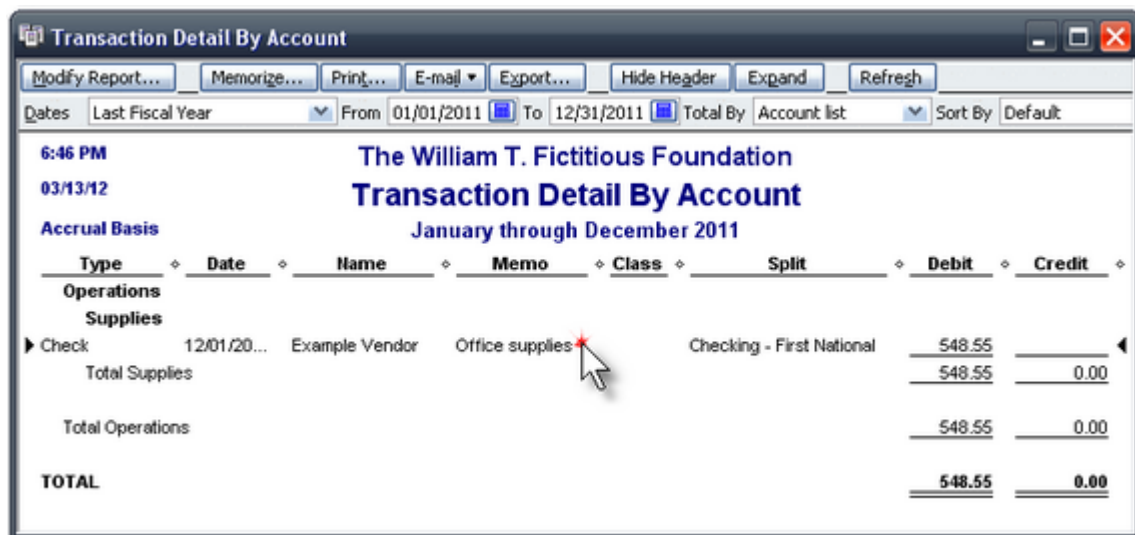
Profit & Loss by Class
The William T. Fictitious Foundation
January through December 2011

	Fundraising	Unclassified	TOTAL
Operations			
Supplies	0.00	548.55	34,748.55
Total Operations	0.00	548.55	34,748.55
Payroll Expenses	0.00	0.00	197,003.72
Travel and Meetings			
Travel	0.00	0.00	14,212.88
Total Travel and Meetings	0.00	0.00	14,212.88
Total Expense	0.00	548.55	730,641.77
Net Ordinary Income	38,400.00	-548.55	64,758.23
Net Income	38,400.00	-548.55	64,758.23

3. Double-click any number in the *Unclassified* column to open a list of unclassified transactions for the account listed on that row.

★ Or, you can double-click the amount on the *Net Income* row to open a list showing all unclassified income and expense transactions.

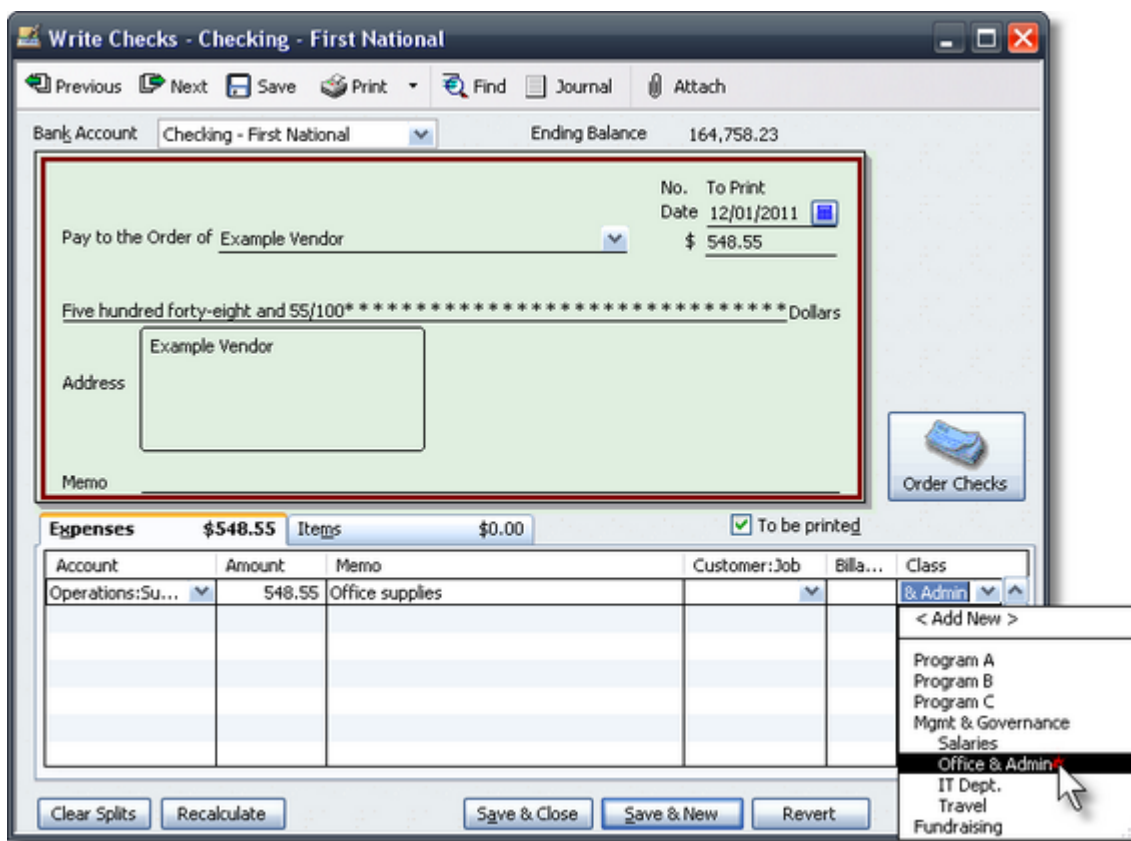
If we double-click the \$548.55 amount on the *Supplies* row, a window like this will open:



Transaction Detail By Account
The William T. Fictitious Foundation
January through December 2011

Type	Date	Name	Memo	Class	Split	Debit	Credit
Operations							
Supplies							
Check	12/01/20...	Example Vendor	Office supplies		Checking - First National	548.55	
Total Supplies						548.55	0.00
Total Operations						548.55	0.00
TOTAL						548.55	0.00

4. If we double-click a transaction line as shown above, the original transaction will open and we can assign a class to it (Office & Admin in this case):



You can find and fix all unclassified amounts using these same techniques.

★ Or...there's Client Data Review. If you have the QuickBooks Premier (or Enterprise) Accountant edition, its Client Data Review (CDR) feature gives you another alternative for reclassifying transactions. CDR will let you apply classes to batches of transactions if desired, which is obviously faster than classifying transactions individually.

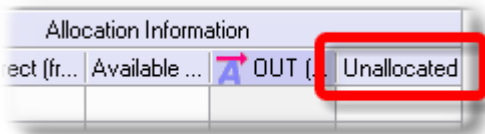
But CDR won't allow you to split unclassified amounts among *multiple* classes or change dollar amounts of existing class splits. For that you need to either (1) edit the original transactions, or (2) use Journal Entries to assign amounts to classes, or (3) use a tool like ManagePLUS Gold, as described below.

Finding and fixing unclassified transactions in ManagePLUS Gold

1. Go to the **Chart of Accounts window** by clicking on either the Accounts button in the toolbar or on the Chart of Accounts tab if it is already open.



2. Scroll to the right in the Chart of Accounts window, until the *Unallocated* column is visible.



3. **Scroll downward**, looking for numbers in **red boldface** in the *Unallocated* column...as illustrated by the **blue box** in the screen shot below.

When an account has unclassified amounts, they show up in the *Unallocated* column. Amounts from subaccounts are totaled at the parent account level and shown there in **red boldface** text. This screen shot shows the same \$548.55 unclassified amount for Supplies expense, as in the QuickBooks examples above.

Accounts		Allocation Information				
Name	Type	Direct from...	Indirect (fr...	Available t...	OUT (...)	Unallocated
Rent, Parking, Utilities	Expense					
Operations	Expense		\$548.55	\$548.55		\$548.55
Books, Subscriptions, Referenc	Expense					
Postage, Mailing Service	Expense					
Printing and Copying	Expense					
Supplies	Expense	\$34,748.55		\$548.55		\$548.55
Telephone, Telecommunication	Expense					
Other Types of Expenses	Expense					

★ The **red boldface** text is applied at the parent account level to let you know that you have the option of applying a class(es) to the entire unclassified amount *directly from the parent account*, rather than having to do so individually for each subaccount.

4. If we **double-click the OUT (allocated to others) cell** on the *Supplies* row, the *Allocated OUT (to others)* dialog will open, where we can assign the unclassified amount to a class—or split it among any number classes, if we want.

In this case we want to assign the entire amount to the Office & Admin class, just as we did in [the QuickBooks example](#).

5. We **allocate 100%** of it to Office & Admin, by **dragging the [%] token onto Office & Admin** in the right pane.

Here's the result. As the **red arrows** indicate, ManagePLUS Gold has allocated 100% to Office & Admin.

Allocated OUT (to others)

Supplies [Expense account]

Operations: Supplies

+ Add - Delete → Goto Available: \$548.55 [%] [A] [B]

To	Type	Method	%	Amount
- Allocations by Percentage = \$548.55 (100%)				
Mgmt & Governance:Office & ...	Cost.c...	Percent	100.00	\$548.55

0.00% unallocated = \$0.00

Options < > ?

Cost or profit centers Allocation

- Program A
- Program B
- Program C
- Mgmt & Governance
 - Salaries
 - Office & Admin [%] 100%
 - IT Dept.
 - Travel
 - Fundraising

OK Cancel ?

★ Could we have split Supplies expense among several classes? Yes. All of the same allocation methods shown earlier in the [Creating allocations](#) section are available here too.

6. Click OK to close the dialog.

➔ Though we've assigned Supplies expense to the Office & Admin class here in ManagePLUS Gold, the result won't show up in QuickBooks until we [send Journal Entries to QuickBooks](#), as described in the next section.



For some expenses the easiest way to assign classes is to do so after completing the accounting period.

Consider something like a utility expense—electricity for instance—which you always split among two or more classes according to a set percentage; maybe 60% to Office & Admin, and 40% to the IT Dept.

Using QuickBooks' memorized transaction feature simplifies splitting the electricity bill among classes somewhat, and QuickBooks' calculator capabilities help too, but still you have to manually calculate the dollar amount of each split. Especially if you (or whoever is entering transactions) are splitting the expense among *more than two* classes, this both takes extra time and introduces more opportunity for errors—like mistyping the desired percentage of one of the splits.

An easier way, is to simply leave electricity expense unclassified when you enter it. Then use ManagePLUS Gold at the end of the accounting period to split electricity expense among the desired classes, using the drag-and-drop approaches shown in this paper.

This works well for many expense types which don't necessarily need to be classified at the time of transaction entry. It also works in those situations where you've "inherited" a set of QuickBooks records and are asked to generate some meaningful management information from them!

4. Sending allocation Journal Entries to QuickBooks

Sending Journal Entries to QuickBooks

1. Click the **Send button** in the main toolbar, then follow the prompts.



That all there is to it. When the process has finished—it takes just seconds—all of your ManagePLUS Gold allocations will be represented in QuickBooks as Journal Entries.

Things to know:

- The JEs created in QuickBooks will be dated as of the last day of the active accounting period.
- ManagePLUS Gold may update the QuickBooks Chart of Accounts before it sends the JEs. (See [What goes on behind the scenes](#), below, for details.)
- To see the JEs before sending them, look at the [Seeing your allocation transactions in ManagePLUS Gold](#) topic in the Miscellaneous Ideas & Tasks section.

Updating allocations and re-sending the Journal Entries

Suppose you've created allocations in ManagePLUS Gold and sent their Journal Entries to QuickBooks. But later you edit some transaction amounts on which the allocations were based. Or maybe you decide to change allocation percentages or methods, or change some of the management quantities referred to by your allocation setups. How can you update your allocations?

1. Open ManagePLUS Gold to the desired accounting period.

By default, it opens to the same period you worked with last time.

2. Refresh transactions from QuickBooks.

This step is only necessary if you've made any transaction changes in QuickBooks, for the period.

3. Change your allocation setups or management quantities, etc., if desired.

This step is optional. If you only need to update allocations due to changes in the transaction amounts they are based on, you may leave your allocation setups unchanged: ManagePLUS Gold will automatically re-apply them to the updated transaction amounts.

4. Send Journal Entries to QuickBooks again.

ManagePLUS Gold will delete the old JEs and replace them with updated ones.

What goes on behind the scenes (the technical stuff)

When you click on the Send button to send Journal Entries to QuickBooks, ManagePLUS Gold:

1. Deletes old allocation transactions from QuickBooks, for the active accounting period.

This assures no old transactions (created by ManagePLUS Gold) exist in QuickBooks *within the dates of the active accounting period*. Transactions outside the active accounting period's date range are ignored.

2. Synchronizes with the QuickBooks Chart of Accounts.

When you add or change allocation formulas, ManagePLUS Gold builds a new set of allocation transactions. But before doing that, it creates accounts in the Chart of Accounts window, as needed, to mimic the cost center and profit center classes involved in the allocations. These ManagePLUS Gold-created accounts are added to the QuickBooks Chart of Accounts before transactions are sent. (In some cases, ManagePLUS Gold-created accounts may be deleted or renamed.)

See [How ManagePLUS Gold updates the QuickBooks Chart of Accounts](#), below, for details.

3. Sends the transactions.

This is the simplest part of the process. With old transactions deleted and the necessary accounts in place, ManagePLUS Gold simply sends the allocation JE transactions to QuickBooks.

How ManagePLUS Gold updates the QuickBooks Chart of Accounts

- It handles updating of the QuickBooks Chart of Accounts automatically.
- It creates, renames, and manages a group of Other Expense type accounts, with an account named *Allocated Expense (MP)* as the parent account, and a single level of subaccounts below it.
- It manages the names of these subaccounts and may rename them at any time, so that their names always correspond to the classes they represent.

★ While you may rename these subaccounts' in QuickBooks, your renaming may be temporary. If you later change any class names, and those classes are involved in allocation, ManagePLUS Gold will rename the corresponding subaccounts to correspond to the names of the classes they represent.

- You *may* freely rename the the *Allocated Expense (MP)* account, and ManagePLUS Gold will leave the new name unchanged.

How *Allocated Expense (MP)* subaccounts are named

The names of these subaccounts mimic the "path" to the classes they represent. So if you have a class named:

Equipment:Fork Lifts

ManagePLUS Gold will create a subaccount named:

Equipment_Fork Lifts

(An underscore (_) is substituted for the colon (:) which separates the class name levels.)

What identifies ManagePLUS Gold transactions in QuickBooks?

- All have "MP~" in their Reference Number and Memo fields.

⚠ Do not use "MP~" in the Reference Number or Memo fields of your own transactions, or ManagePLUS Gold may delete them as part of managing its own transactions in QuickBooks.

5. Seeing your allocations in reports

After [sending Journal Entries to QuickBooks](#) you can see their effect in the Profit and Loss by Class report. Or, you can use the Profit Analysis report In ManagePLUS Gold, which offers some unique advantages.

Finding allocations in the Profit and Loss by Class report (QuickBooks)

1. Choose **Reports > Company & Financial > Profit and Loss by Class** from the QuickBooks main menu.
2. Set the report's date range to match the accounting period you are working with.

3. Scroll down to the bottom of the report and look for the *Allocated Expense (MP)* section, indicated by the **green bracket** in the screen shot below.

Profit & Loss by Class
 The William T. Fictitious Foundation
 Profit & Loss by Class
 October through December 2011

12:08 PM
 03/14/12
 Accrual Basis

	Program A	Program B	Program C	(Mgmt & Gov...)	(Mgmt & Gove...)
Travel	0.00	0.00	0.00	0.00	0.00
Total Travel and Meetings	0.00	0.00	0.00	0.00	0.00
Total Expense	138,889.78	186,972.59	169,041.44	84,000.41	77,844.12
Net Ordinary Income	4,110.22	138,027.41	119,958.56	-84,000.41	-77,844.12
Other Income/Expense					
Other Expense					
Allocated Expense (MP)					
Office & Admin	9,243.35	39,284.23	29,116.54	0.00	0.00
Mgmt & Governance_Travel	2,842.58	4,263.86	7,106.44	0.00	0.00
Allocated Expense (MP) - Other	0.00	0.00	0.00	0.00	-77,844.12
Total Allocated Expense (MP)	12,085.93	43,548.09	36,222.98	0.00	-77,844.12
Total Other Expense	12,085.93	43,548.09	36,222.98	0.00	-77,844.12
Net Other Income	-12,085.93	-43,548.09	-36,222.98	0.00	77,844.12
Net Income	-7,975.71	94,479.32	83,735.58	-84,000.41	0.00

Notice that the Journal Entries from ManagePLUS Gold have:

- Posted allocations to subaccounts of *Allocated Expense (MP)*.
Example: Allocations from the Office & Admin class to Program A, Program B, and Program C are shown on the Office & Admin (subaccount) line, indicated by the **red box**.
- Posted offset amounts for those allocations to the *Allocated Expense (MP)* parent account.
Example: The **blue box** shows the Office & Admin offset amount.

Finding allocations in the Profit Analysis report (ManagePLUS Gold)

ManagePLUS Gold's Profit Analysis report:

- Is a profit and loss report for a single class or a "branch" of the of the class tree (a parent class and its subclasses).
- Is available at any time, so you can see the effects of your allocations immediately, without sending Journal Entries to QuickBooks.

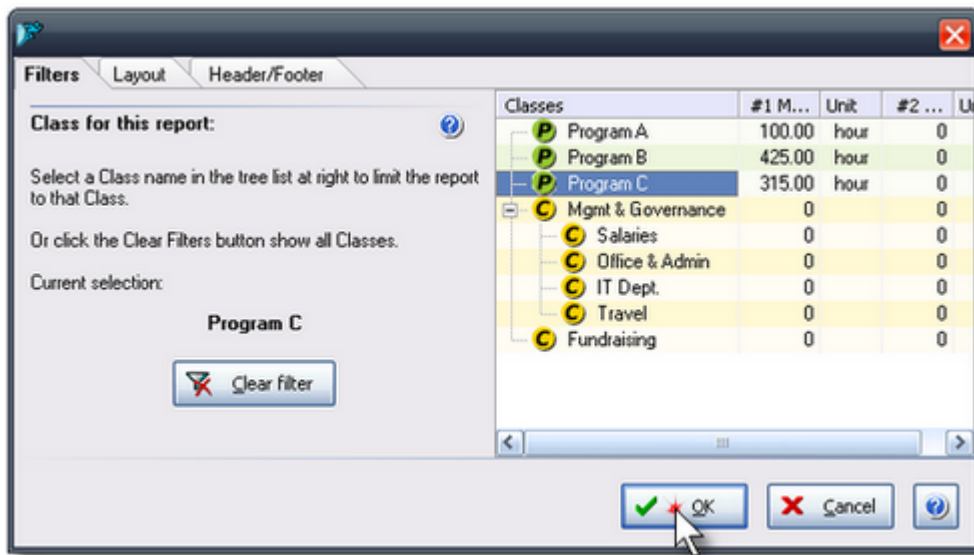
- Is created in ManagePLUS Gold's internal spreadsheet. Some report cells are "live": you can change data in them (play "what-if") and immediately see the effect on the entire report.
- Has columns with automatically-generated management statistics, such as showing each expense on a per-staff-hour basis (or other basis, depending on the management quantities you have used).

1. Choose Reports > Profit Analysis (for a class) from the ManagePLUS Gold main menu.

The *Modify Report* dialog will be displayed.

2. On the Filters tab, select the class you want to view in the report.

Here's an example with the Program C class selected:



3. Click OK.

The report will open in a new tab.

4. Scroll down to the bottom of the report and look for the *Allocated Expense (MP)* section, indicated by the **green bracket** in the example below..

Cell text = =SUM(B23,B35)

	A	B	C	D	K	L
1		Oct - Dec '11				
2	Profit or Cost Center Analysis for: Program C ← Red Arrow Oct 1 - Dec 31 '11 The William T. Fictitious Foundation Mar 17, 2012 6:37 PM					
21	Total Payroll Expenses	\$31,552.44	19%	of Expense		
22	Total Expense	\$169,041.44	58%	of Gross Profit		
23	Net Ordinary Income	\$119,958.56	143%	of Net Income		
24	Other Income/Expense					
25	Other Expense					
26	Allocated Expense (MP)					
27	From: Mgmt & Governance_Travel					
28	To: Program C	\$7,106.44	100%	of Mgmt & Governance_Travel	\$22.56	/hour
29	Total Mgmt & Governance_Travel	\$7,106.44	20%	of Allocated Expense (MP)		
30	From: _Office & Admin					
31	To: Program C	\$29,116.54	100%	of _Office & Admin	\$92.43	/hour
32	Total _Office & Admin	\$29,116.54	80%	of Allocated Expense (MP)		
33	Total Allocated Expense (MP)	\$36,222.98	100%	of Other Expense		
34	Total Other Expense	\$36,222.98	-100%	of Net Other Income		
35	Net Other Income	(\$36,222.98)	-43%	of Net Income		
36	Net Income	\$83,735.58				

Main Report **Class Info**

Things to notice:

- This report is for the Program C class, as indicated by the **red arrow**.
- The allocation of Office & Admin expense to Program C is shown in the **red box**.
- Several optional report columns are available to include in the report, many of which automatically calculate various statistics. The **purple box** illustrates one of them: it shows every expense line on a *per-management-quantity* basis. In this example we associated a number of staff hours with each program class, so the \$92.43 amount is the Office & Admin expense **per staff hour** for Program C. (For details, see [Assigning management quantities](#) in the First-Time Setup section.)
- Like QuickBooks reports, ManagePLUS Gold's reports can be exported to Excel if you want to make changes or additions (the *Export* button in **blue box**).

First-Time Setup

This section provides details on the setup steps required, the first time you use ManagePLUS Gold with a particular QuickBooks company. Setup typically takes ten minutes or so, but once you've done it, creating allocations for any period—and for any number of classes—takes only a couple minutes.

★ The steps shown below are the "brief" version. Consult the ManagePLUS Gold Help system for more detailed explanations, and tutorials.

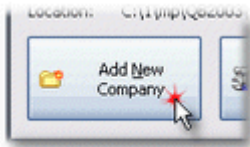
Connecting to a QuickBooks company, and basic "housekeeping"

1. Start QuickBooks and open the company file you want to work with.

2. Start ManagePLUS Gold.

The first time you start ManagePLUS Gold the *No Company Open* window will appear. (If not, choose **File > Open Company...** from the main menu.)

3. Click on the Add New Company button.

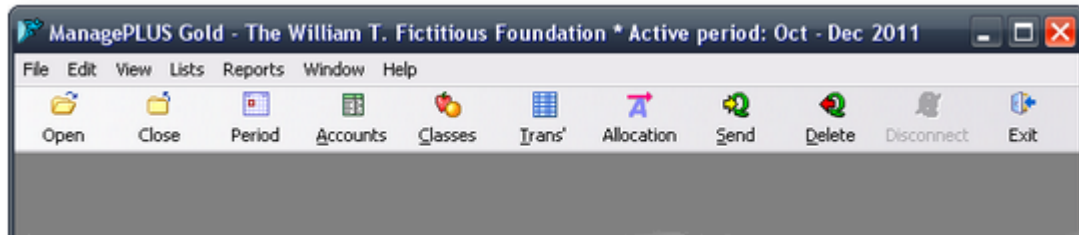


This will open the Connection Wizard to help you connect the ManagePLUS Gold company (the one you're adding) and the company that's open in QuickBooks. (ManagePLUS Gold companies correspond 1:1 to QuickBooks companies.)



4. Follow the **Connection Wizard prompts** to establish a connection and to configure QuickBooks to allow automatic access to accounting data by ManagePLUS Gold.

Once connected, the ManagePLUS Gold window will look something like this:



5. Click the **Allocation button** in the toolbar, or choose **View > Allocation features** from the main menu.



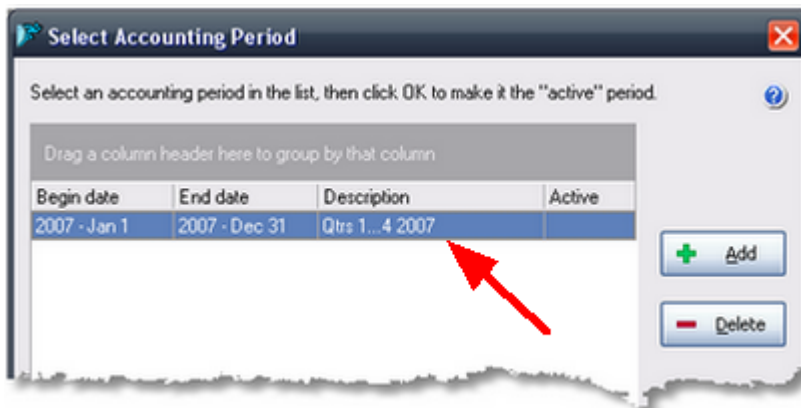
The Allocation features dialog will open:

6. Check mark *Enable allocation features* if it is not check marked already, then click **OK** to close the dialog.

7. Click the **Period button** in the toolbar.



The Select Accounting Period dialog will open.



8. Click the **Add button** to add (define) a new accounting period.



A pop-up dialog will ask for beginning and ending dates for the accounting period you want to add: enter the dates, then click OK to close the dialog.

9. **Be sure the period you defined is selected** (highlighted, as shown above), **then click OK** to close the dialog.

★ You must always select a specific accounting period to work with, referred to as the *active accounting period* in ManagePLUS Gold.

The reason is that ManagePLUS Gold manages extra data related to your accounts and classes *separately* for each accounting period. When you select a particular accounting period to work with, the supplemental data for that period automatically gets loaded as well.

What kinds of extra data? Among other things, you can associate *management quantities* with individual classes: things like hours of staff time devoted to a program, direct program spending, etc. ManagePLUS Gold can use the management quantities you enter to automate making allocations to classes, and to provide per-management-quantity statistics on reports—such as showing each expense on a per-staff-hour basis.

Refreshing lists and transactions from QuickBooks

1. **Click the Accounts and Classes buttons** in the toolbar, to open their windows.



The first time you click either button, ManagePLUS Gold may ask you to allow refreshing (importing) the lists from QuickBooks.

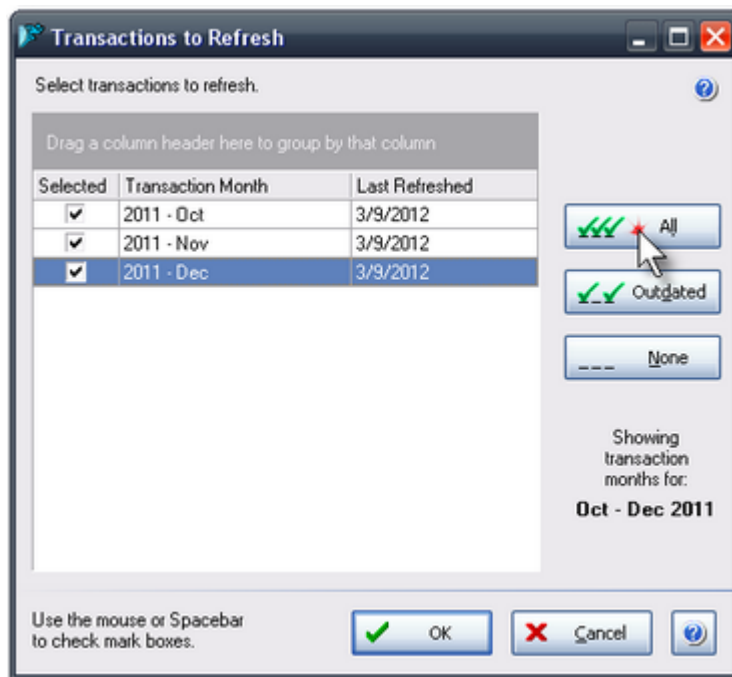
2. If asked, **click OK** to allow ManagePLUS Gold to refresh the list(s).
3. **Click the Transactions button** in the toolbar, to open the Transactions window.



If you're opening the window for the first time, ManagePLUS Gold won't have a copy of the period's transactions, either. So it will ask you to allow refreshing (importing) transactions from QuickBooks.

4. **Click OK** when asked, to allow refreshing transactions.

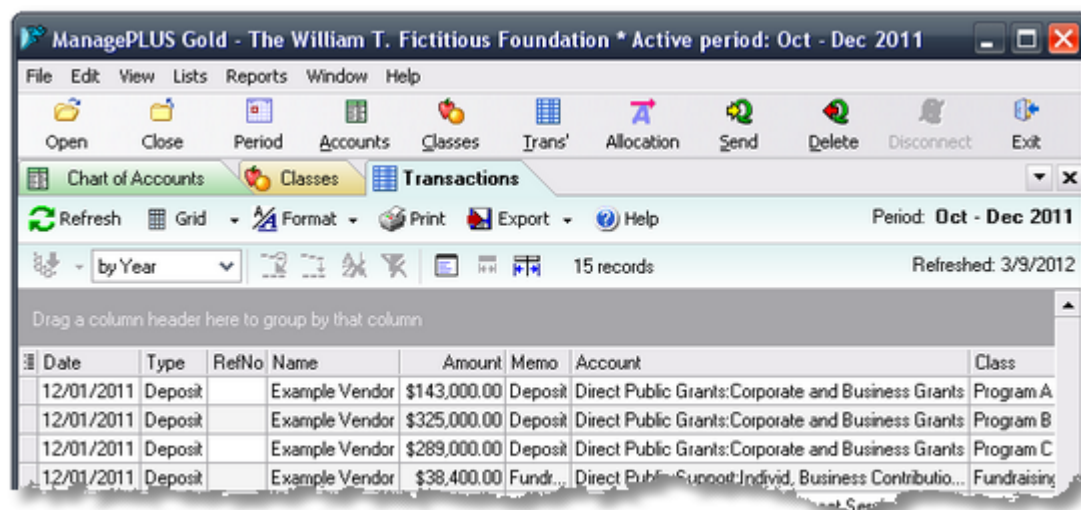
The Transactions to Refresh dialog will open, to let you choose which months' transactions you want to refresh.



5. Click the **All** button to select all transaction months of the accounting period, then click **OK**.

The reason you have the option of choosing which months' transactions to refresh, is to save time: if you know you've made changes in only one month's transactions, for example, you only need to refresh that month.

When the refresh has completed, ManagePLUS Gold will have three tabs open and will appear something like this:



Setting the allocation types for your classes

After you've refreshed classes for the first time, you need to identify the allocation type of each

class that you want to involve in allocations. ManagePLUS Gold was designed for the for-profit business world, so it uses the terms *profit center* and *cost center*, and you need to identify program classes as profit centers, and support service classes as cost centers. **This is something you need to do only once.**

★ Why is this necessary? It partly has to do with making allocation more "user friendly"—preventing certain kinds of allocation errors—by limiting which classes can be sources and which can be destinations for allocations. Cost centers (support services) can be both sources and destinations for allocations from other classes, but profit centers (programs) can only be destinations. This makes sense if you think about it: one support service class can logically contribute expenses to another, or to a program class, but a program class shouldn't ever contribute income or expense to a support service class.

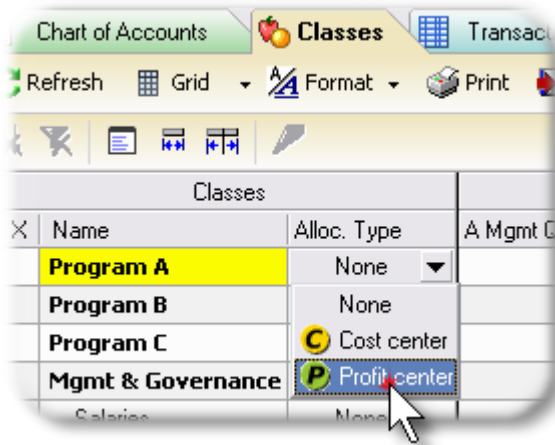
1. Click on the Classes tab.

2. Click in the *Alloc type* column on the desired row. (See the illustration below.)

A down arrow will appear.

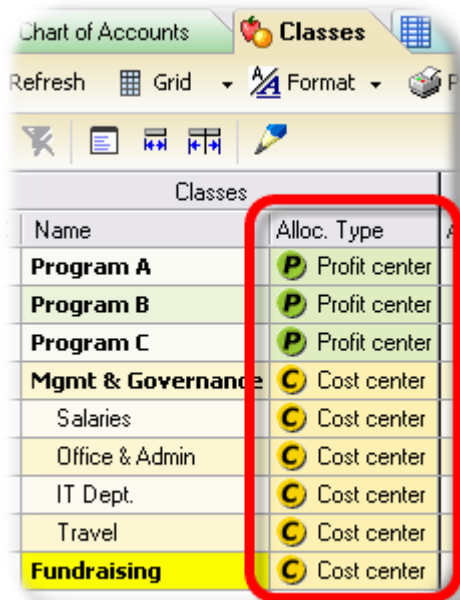
3. Click the down arrow, then select the desired type from the drop-down list.

This illustration shows the Program A class being identified as a profit center.



★ When you choose an allocation type for any class, *all parent and child classes within the same branch* of the class tree get assigned that same type.

4. Choose a type for each of the classes you want to use in allocations. For example:



Name	Alloc. Type
Program A	P Profit center
Program B	P Profit center
Program C	P Profit center
Mgmt & Governance	C Cost center
Salaries	C Cost center
Office & Admin	C Cost center
IT Dept.	C Cost center
Travel	C Cost center
Fundraising	C Cost center

Assigning management quantities (cost drivers)

Management quantities are physical quantities or dollar amounts which you associate with individual classes to use as *allocation bases* for allocating income or expense to those classes.

- ★ *Cost driver* is the more standard activity-based costing term. They're called *management quantities* in ManagePLUS Gold because they have several alternate uses, not just as a basis for cost allocation.

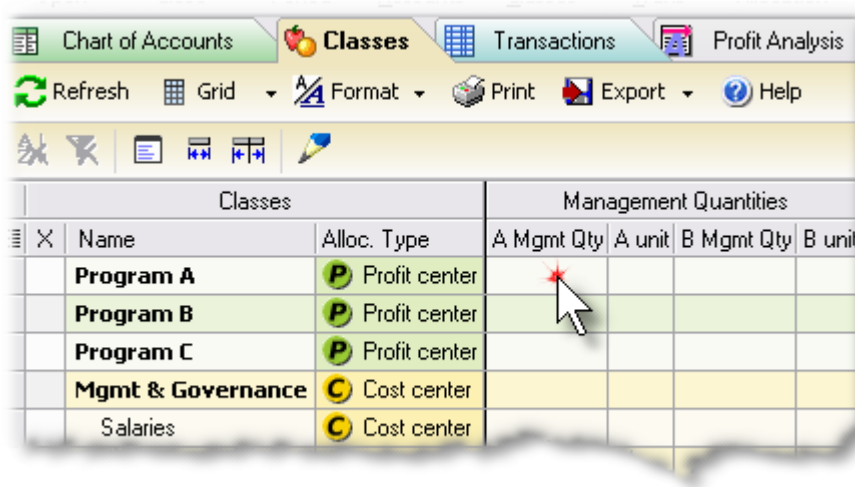
Assigning management quantities is only necessary for classes that are to receive allocations on the basis of some physical quantity (staff hours, square feet of building space) or financial amount (dollars of direct spending). Once you've established allocations based on management quantities, all you need to do in future periods is update the management quantities with numbers appropriate for the period. ManagePLUS Gold will automatically take care of allocating the periods' expenses based on them!

- ★ Allocations based on management quantities accomplish what you would do in a spreadsheet, only easier, with no responsibility to create spreadsheet formulas, and with fewer opportunities for introducing errors.
- ★ %APPGOLD% also uses management quantities to provide per-unit statistics on reports, such as showing revenues and expenses on a per-staff-hour basis, per-dollar-of-direct-spending basis, etc.

You choose the management quantities you want to define and use for each class. However, the examples in this paper allocate expense based on staff hours associated with individual programs, so we'll enter staff hours here.

1. Click on the Classes tab if you're not there already.

2. Click in a management quantity column where you want to enter information.



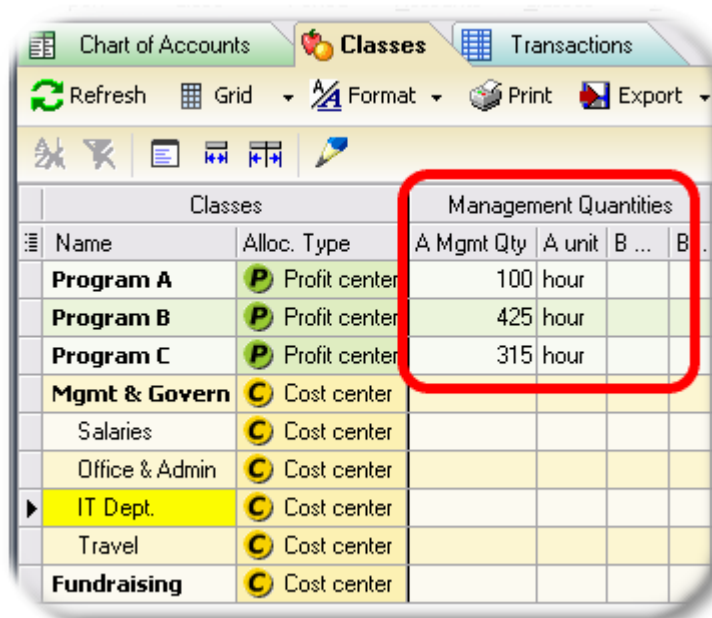
★ Notice that the Classes window gives you *two* management quantity columns, plus unit of measure columns for both of them. We'll only be using the "A" columns in this example, but if you supply management quantities in both the "A" and "B" columns for a class, you may allocate to that class based on either or both management quantities.

3. Type a quantity in the *A Mgmt Qty* column.

4. Enter an appropriate unit name in the *A unit* column, or select one from the field's drop-down list.

5. Repeat these steps for any classes which should have an associated management quantity.

Here's an example. We've associated staff hours with program (profit center) classes but could have done the same for cost center classes as well—and would have, if we intended to allocate amounts to them on a per-staff-hour basis.



Classes		Management Quantities			
Name	Alloc. Type	A Mgmt Qty	A unit	B ...	B ...
Program A	P Profit center	100	hour		
Program B	P Profit center	425	hour		
Program C	P Profit center	315	hour		
Mgmt & Govern	C Cost center				
Salaries	C Cost center				
Office & Admin	C Cost center				
IT Dept.	C Cost center				
Travel	C Cost center				
Fundraising	C Cost center				



Where do management quantities come from?

From wherever you want. In the case of staff hours, you might get them from timesheets or other payroll reports and/or records you keep with respect to staff time devoted to each program.

And if some other management data seems to make sense as a basis for making allocations, by all means consider using it for that purpose. You are in control of what management quantities to use, and where to get them...within the limits of allocation bases and methods prescribed by Office of Management & Budget Circular A-122 (http://www.whitehouse.gov/omb/circulars_a122_2004/).

Miscellaneous Ideas & Tasks

This section is a "catch-all" collection of details which didn't fit elsewhere and tasks you may want to do from time to time.

Re-using your allocation setups (when defining a new accounting period)

Usually when you define a new accounting period in ManagePLUS Gold you'll want to copy your allocation setups from another (usually prior) period. If you do, you may only need make minor adjustments to your allocation setups before using them for the new period.



If your allocations are mostly based on management quantities, updating the management quantities associated with your classes may be the only change needed before creating allocations for the new period.

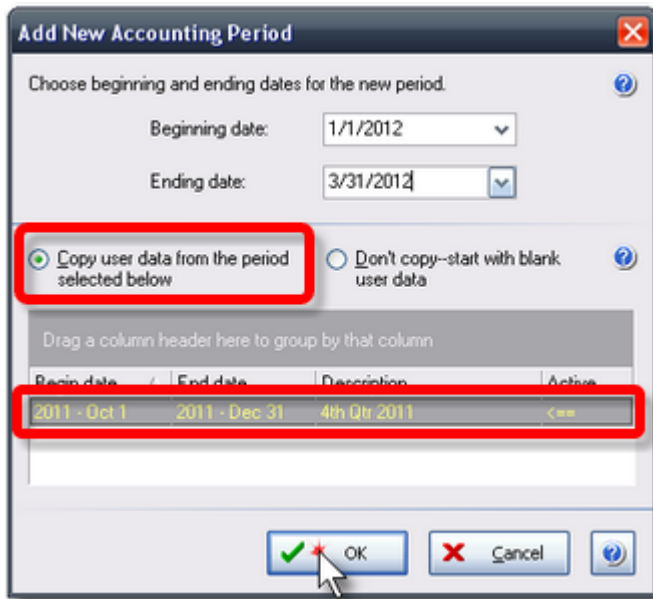
To re-use (copy) allocation setups when defining a new accounting period:

1. Click the **Period** button in the main toolbar.

The Select Accounting Period dialog will open.

2. Click the **Add** button in the Select Accounting Period dialog, to add (define) a new period.

The Add New Accounting Period dialog will open:



3. Enter beginning and ending dates for the new period.
4. Select the *Copy user data from the period selected below* option.
5. Select the accounting period you want to copy from, in the bottom part of the dialog, by clicking on it.
6. Click **OK** to create the new period and close the dialog.

Viewing allocation transactions in ManagePLUS Gold

ManagePLUS Gold automatically re-creates transactions for your allocations, every time you make even one small change in your allocation setups. These are the Journal Entries which will be [sent to QuickBooks](#) if you decide to do that, but you can view them in ManagePLUS Gold at any time:

1. Open the **Transactions** window by clicking its button in the main toolbar.



2. Scroll down toward the bottom of the Transactions window.

By default the transactions are sorted by Date. Because allocation transactions are always dated the last day of the accounting period they should be near the end of the list unless

you've changed the sort order by clicking on a column heading. (If so, just click the Date column heading again, to sort by Date.)

3. **Look for transactions** displayed in alternating shades of lavender, and with reference numbers which begin with *MP~* (for "ManagePLUS").

Date	Type	RefNo	Amount	Memo	Account	Class
12/01/2011	Check		\$43,444.12		Payroll Expenses	Mgmt & Governance: Office & Admin
12/01/2011	Check		\$84,000.41		Payroll Expenses	Mgmt & Governance: Salaries
12/01/2011	Check		\$14,212.88		Travel and Meetings: Travel	Mgmt & Governance: Travel
12/31/2011	General Journal	MP~1178	\$4,263.86	Allocate 30.00% of Travel (class) to Program B (clas...	Allocated Expense (MP) Mgmt & Governanc...	Program B
12/31/2011	General Journal	MP~1178	\$2,842.58	Allocate 20.00% of Travel (class) to Program A (clas...	Allocated Expense (MP) Mgmt & Governanc...	Program A
12/31/2011	General Journal	MP~1178	\$7,106.44	Allocate 50.00% of Travel (class) to Program C (clas...	Allocated Expense (MP) Mgmt & Governanc...	Program C
12/31/2011	General Journal	MP~1178	\$14,212.88	Offset Travel (class) allocations to classes MP~	Allocated Expense (MP)	Mgmt & Governance: Travel
12/31/2011	General Journal	MP~1179	\$39,284.23	Allocate 50.60% of Office & Admin (class) to Progra...	Allocated Expense (MP) _Office & Admin	Program B
12/31/2011	General Journal	MP~1179	\$9,243.35	Allocate 11.90% of Office & Admin (class) to Progra...	Allocated Expense (MP) _Office & Admin	Program A
12/31/2011	General Journal	MP~1179	\$29,116.54	Allocate 37.50% of Office & Admin (class) to Progra...	Allocated Expense (MP) _Office & Admin	Program C
12/31/2011	General Journal	MP~1179	\$77,644.12	Offset Office & Admin (class) allocations to classes l...	Allocated Expense (MP)	Mgmt & Governance: Office & Admin

➔ You cannot edit these transactions: ManagePLUS Gold automatically re-creates them, as needed.

Deleting allocation journal entries from QuickBooks

Normally there should be *no need* to manually delete ManagePLUS Gold's Journal Entries from QuickBooks. However, the option to delete them from QuickBooks is available if you should want to do so:

1. Open the desired company in QuickBooks.
2. Open ManagePLUS Gold to the desired company and accounting period.
3. Click the **Delete** button in ManagePLUS Gold's main toolbar.



ManagePLUS Gold will delete its Journal Entries from QuickBooks, with the following limitations. It deletes:

- Only Journal Entries with "MP~" in both the Reference Number and Memo fields.
- Only transactions within the dates of the active accounting period in ManagePLUS Gold. To delete Journal Entries for other periods you must open those periods and perform the deletion in each of them.



Tip: How to delete Journal Entries across several periods...

Define and open a new accounting period in ManagePLUS Gold which *spans the entire range of dates* covering the periods from which you want to delete Journal Entries. For example, to delete Journal Entries for the past three years, define an accounting period which spans that three-year period.

Expanded possibilities for the Classes list

Because ManagePLUS Gold lets you automate allocation of expense from a class to its subclasses, it opens up new possibilities for arranging the QuickBooks Classes list. For instance, you can more easily use multiple class levels (parent and child classes) instead of simply having all classes on the same level.

Here's a portion of a Classes list, in which *Education* and *Habitat Restoration* are classes representing two major program areas, and specific programs are represented as their subclasses:

Education
 Public Ed.
 In-school Programs
 Teacher Training
Habitat Restoration
 Direct
 Grants (outgoing)

- **Why have parent and child class levels?**

You can let parent class levels represent broader program areas, while child levels represent more specifically targeted or specialized areas or programs. The general idea of full costing is that expense assigned to a parent-level program class should be allocated across its subclasses on some reasonable basis, and ManagePLUS Gold makes doing that almost effortless.

- **Having multiple class levels can help you assign expense "closer" to its appropriate destination as you enter transactions.**

For example, suppose you hire a graphic and Web designer to develop educational resources that will be used in the organization's various educational programs--things like pamphlets, Web pages, classroom worksheets, teacher training materials, etc. While it would be possible to split this person's salary among specific educational program classes paycheck by paycheck, it may make more sense to always classify her salary with the *Education* class.

You will likely also have other expenses which are strictly related to education but not specific to any particular educational program. An example might be a purchase of video projectors which will be used across all of the organization's educational programs. Here again, you could assign the *Education* parent class to this transaction, to get the expense "closer" to its ultimate destination—the various educational program subclasses.

At the end of each accounting period then, you can use ManagePLUS Gold to allocate the expense accumulated at the *Education* class level, to each of its individual program subclasses.

It's important to remember that in ManagePLUS Gold, allocations can "cascade" to any number of classes. So you can use any number of program class levels if you want, and each parent level's accumulated expense can be allocated or "passed down" to its immediate child classes (subclasses), for as many levels as you have in your Classes list.

- **You can keep allocation formulas in place, to assure that expense accumulated for a parent-level class always gets fully allocated to its child-level subclasses.**

If you [re-use prior-period allocation setups](#) when defining new accounting periods, you can perpetually maintain allocation formulas which cause parent-level classes to always be fully allocated to their immediate subclasses. This helps assure that you won't forget to allocate expense accumulated for a parent class to its subclasses.

★ ManagePLUS Gold reminds you when a parent-level profit center class isn't fully allocated to its subclasses, by displaying an amount in the *Unallocated* column in **red boldface** text.

Why you need ManagePLUS Gold for QuickBooks

"A picture's worth a thousand words", so the saying goes, and hopefully the visual examples in this paper do a better job of showing why you need ManagePLUS Gold than any verbal description can. But here's a quick list of reasons why ManagePLUS Gold can help your accounting processes, along with links back to the examples and screen shots in this paper which demonstrate them.



ManagePLUS Gold...

- Lets you [allocate income and expense by drag-and-drop](#) between classes. No need to wrangle with a calculator, spreadsheet, or debits and credits.
- Lets you [assign classes to "unclassified" income and expense balances](#)—as when someone failed to specify a class when entering the original transaction. This happens via the same **drag-and-drop** action, but from accounts to classes in this case.
- Lets you [allocate by entering percentages](#), or based on "[management quantities](#)" you've associated with the destination classes for the allocations. For instance, you might associate a number of **staff hours** or **direct program spending** with your program classes, then allocate certain expenses to them on that basis. ManagePLUS Gold will handle all the calculations automatically—including recalculating everything, if you should happen to adjust any of the staff hours or direct program spending (etc.) entries.
- [Send Journal Entries to QuickBooks](#) for the period's allocations, with a single click of the

mouse.

- Reduces errors: you never have to fiddle with a calculator or spreadsheet formula, and can entirely avoid making journal entries manually.
- Provides greater detail about the source of allocated amounts on your Profit and Loss by Class reports. ManagePLUS Gold automatically manages an Other Expense-type account in the QuickBooks Chart of Accounts, and maintains subaccounts which mimic the source classes of the allocations, so allocation source detail automatically appears on your reports.
- Supports using a more detailed set of classes if you want, because allocations "cascade" through all of the classes they affect. For example: if you allocate expense from Class1 to Class2, and from Class2 to Class3, then Class1 will have contributed to the amount allocated to Class3. (There's no limit on the number of class levels involved.) This gives you finer control over allocating expense to the various areas of your organization...and thus, better management information.
- Lets you reuse your allocation setups for the "next" period's allocations. All you may need to do is update the management quantities (staff hours, direct program spending) associated with your classes. You may also adjust allocation formulas if desired, but often that won't be necessary. In any case, ManagePLUS Gold will calculate new allocations based on the updated management quantities and the accounting period's transaction amounts.
- Lets you re-create allocations for prior periods if necessary. ManagePLUS Gold maintains each period's allocation setups for as long as you want, and can re-apply them at any time. If an accounting error in January rendered January and February allocations incorrect, once you've corrected the error you can apply updated allocation JEs for January and February in minutes.

For more information

Visit the ManagePLUS Gold Web page, where you'll find descriptions, videos, and examples, as well as a link to download and install a full-working version of the software, for a 30-day free trial:

 <http://www.goflagship.com/products/mphome.htm>