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IMPROVE
FINANCIAL ANALYSIS

MICROSOFT
DYNAMICS AX 2012

— USING FINANCIAL DIMENSION VALIDATION
TOOLS TO IMPROVE FINANCIAL ANALYSIS

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MICROSOFT DYNAMICS AX 2012
— USING FINANCIAL DIMENSION VALIDATION TOOLS TO IMPROVE FINANCIAL ANALYSIS

Many companies want to analyze (i.e. 'slice and dice') their financial results by various dimensions – i.e. cost center, location, department, sales region, internal project, salesman, vehicle. However, in many ERP systems this does not work because:

1. The existing system limits the number of dimensions available.

2. The dimensions cannot be changed or expanded after the system is initially implemented.

3. The existing system requires that the user enters a value for each dimension which results in an unworkably long account string, causing unnecessary keystrokes for each financial transaction entered.

4. Unlike some ERP systems, AX supports general ledger transaction entry posting control/validation for all main account and financial dimensions combinations desired by a company. For example a business may require that a sales region financial dimension be mandatory for sales and expense transactions but be disallowed for other transaction types e.g. fixed asset transactions. This feature enables a business to track and analyze different types of financial transactions using only dimensions that are relevant for the nature of those transactions. Financial analytics are only as good as the underlying data. If the dimension values are incorrect, the analysis will also be incorrect.

Microsoft Dynamics AX 2012 offers functionality and tools to address each of these issues, resulting in the ability to analyze or 'slice and dice' your business results in an unlimited number of dimensions. Let's look at dimensions in Microsoft Dynamics AX 2012 first and then at the available functionality and validation tools.

FINANCIAL DIMENSIONS
Microsoft defines Financial Dimensions as "data classifiers that are used for financial reporting". As noted above, these can be such classifiers as cost center, location, department, internal project, salesman, vehicle, etc. Additionally, Financial Dimensions can be other values which are already in the system – such as employees (to track expenses by employee) or customer (to track expenses by customer).

A few key points about Financial Dimensions in Microsoft Dynamics AX 2012

1. The number of Financial Dimensions available in Dynamics AX is virtually unlimited.

2. Financial Dimensions can be added or changed after the system is implemented (on going-forward basis). This means that your financial analytics can grow and change as your business grows and changes.

3. Dynamics AX 2012 offers many tools to a) define which Financial Dimension(s) are required, allowed or not available by general ledger account and legal entity and b) define which combinations of general ledger accounts and Financial Dimensions are valid.
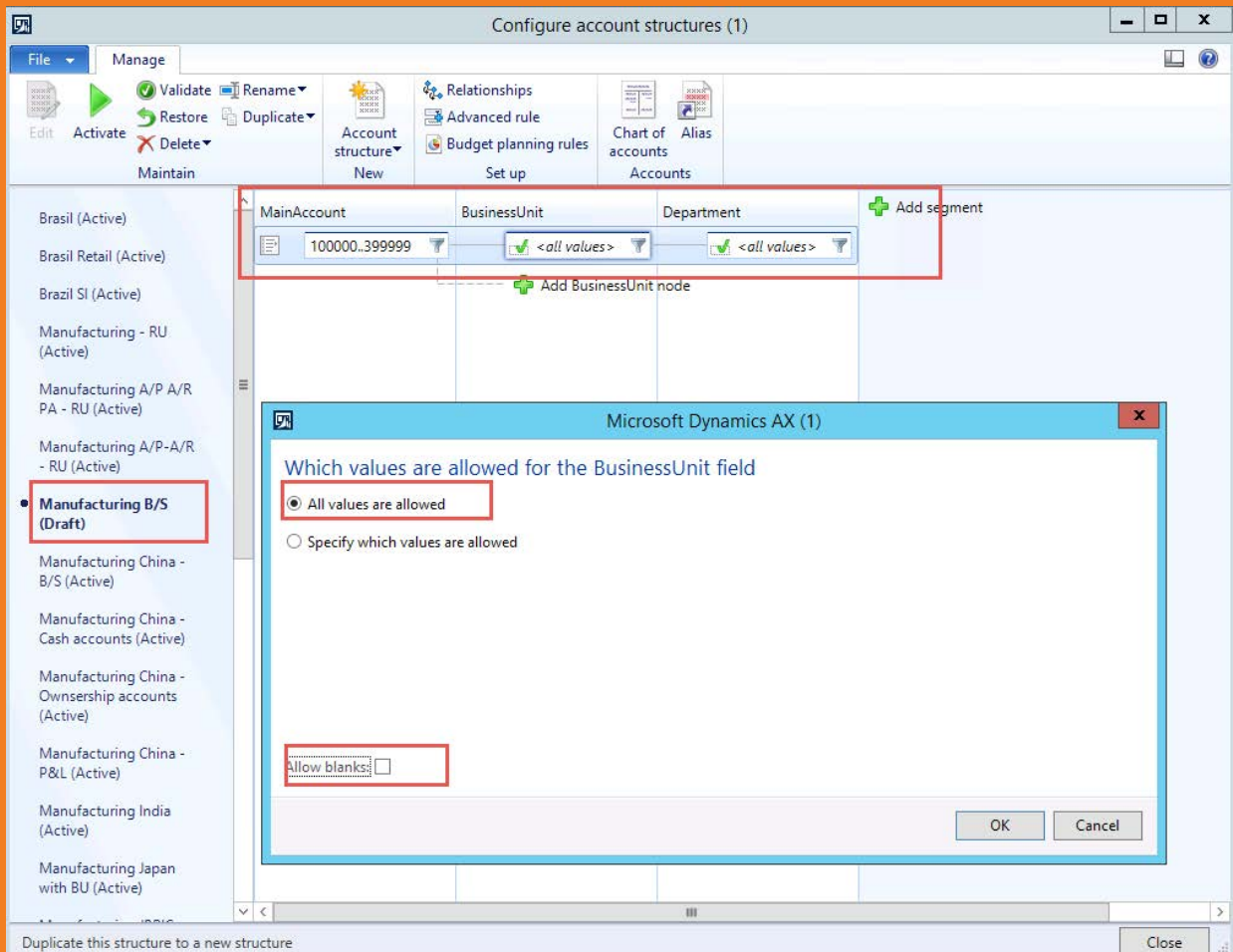
DYNAMICS AX 2012
TOOLS TO VALIDATE FINANCIAL DIMENSION VALUES AND COMBINATIONS
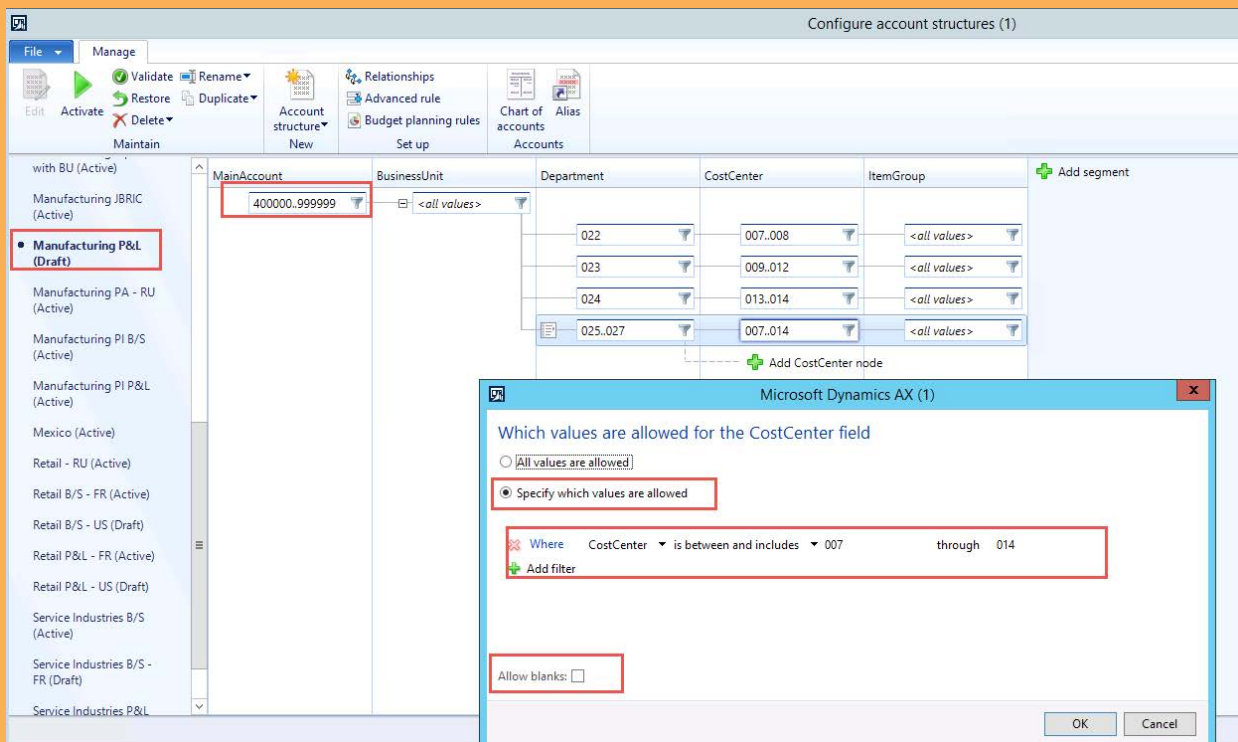
ACCOUNT STRUCTURES
One of the primary tools to validate Financial Dimension values and combinations is Account Structures. In the screen shot below, you will notice that these are the Financial Dimension rules for the balance sheet accounts for manufacturing companies in the US. Other companies in other countries could have different validation rules.
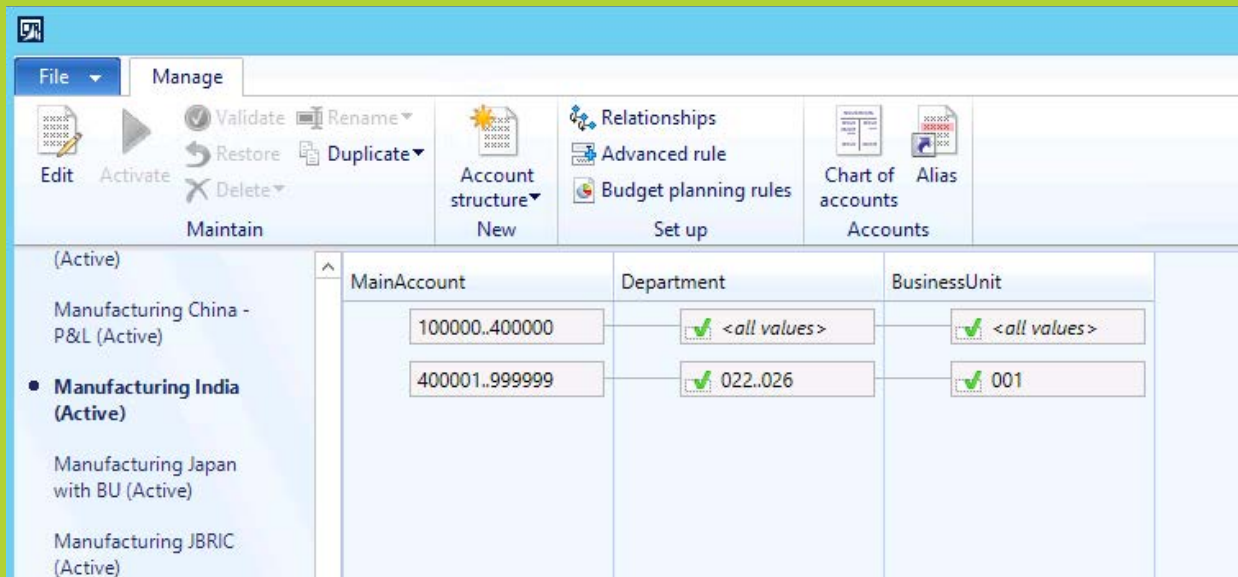
In this example, all the general ledger accounts from 100000 through 399999 have the ability to add a Business Unit Financial Dimension and a Department Financial Dimension. If we drill down into the validation rules for the Business Unit Financial Dimension, you will see that all valid values are allowed but that a business unit must be entered (allow blanks is not checked) for each transaction to be posted to these accounts. (In Financial Dimension Valid Value section below, we will look at how to define valid financial values by legal entity).

The next screen shot shows the Account Structure for the P&L accounts for manufacturing companies in the US. As you would expect, the users can enter more Financial Dimensions for transactions to general ledger accounts 400000 through 999999 – business unit, department, cost center, and item group. Different validation rules can be established for each Financial Dimension.
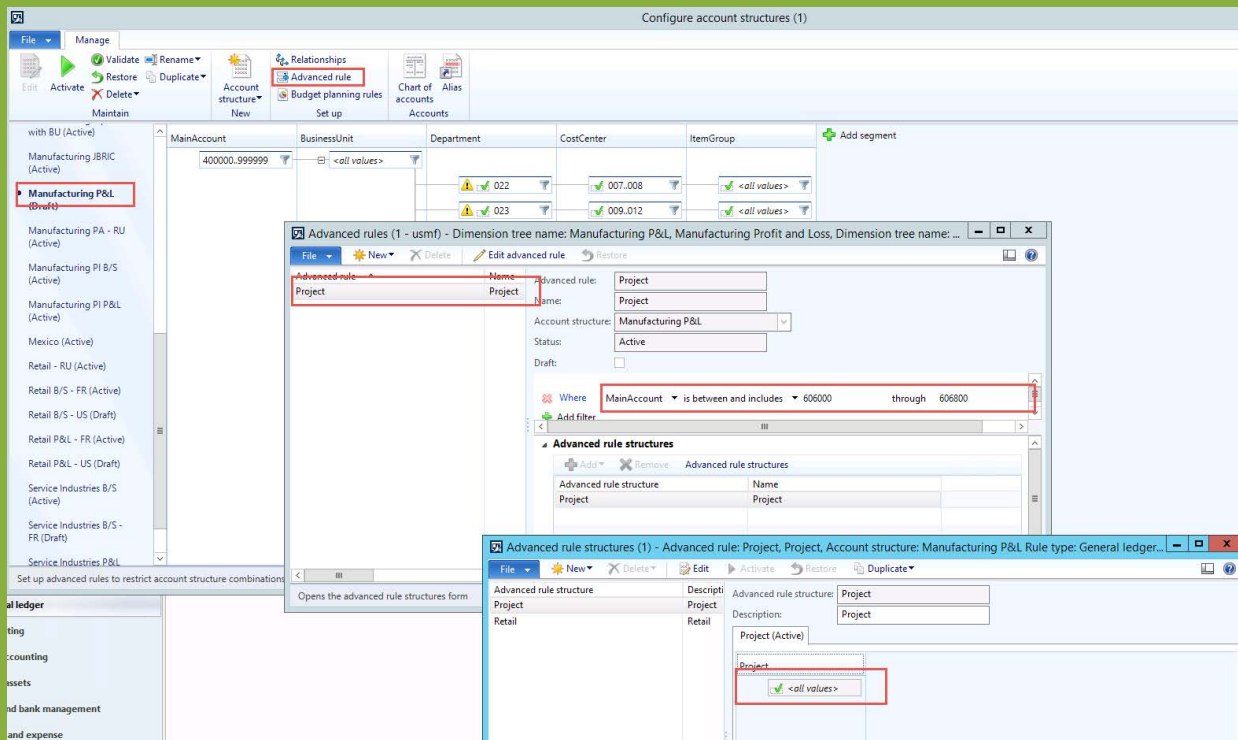
ADVANCED RULES

In this example, a business unit, department, cost center and item group Financial Dimension is required for every transaction. (Note that this is the validation rule for the Account Structure. See Advanced Rules below for additional validation.)

Based upon this validation rule, the available values for cost center and item group depend upon the department. If the Department Financial Dimension is 25 through 27, only values of 007 through 014 are available for Cost Center and all values are available for Item Group. More than one validation rule can be established within each Account Structure.

Establishing general ledger account and Financial Dimension validation using Account Structures works very well for broad groups of accounts. But what if you want to have special validation for a few accounts? Dynamics AX 2012 offers Advanced Rules to handle that situation. Advanced Rules work within Account Structures.

Let's assume that in the manufacturing company discussed above, you want to allow an internal project code to be entered on certain accounts. Using the Account Configuration discussed above plus the Advanced Rule for project, the user can enter a Project Financial Dimensions for all transactions posting to accounts from 606000 through 606800.
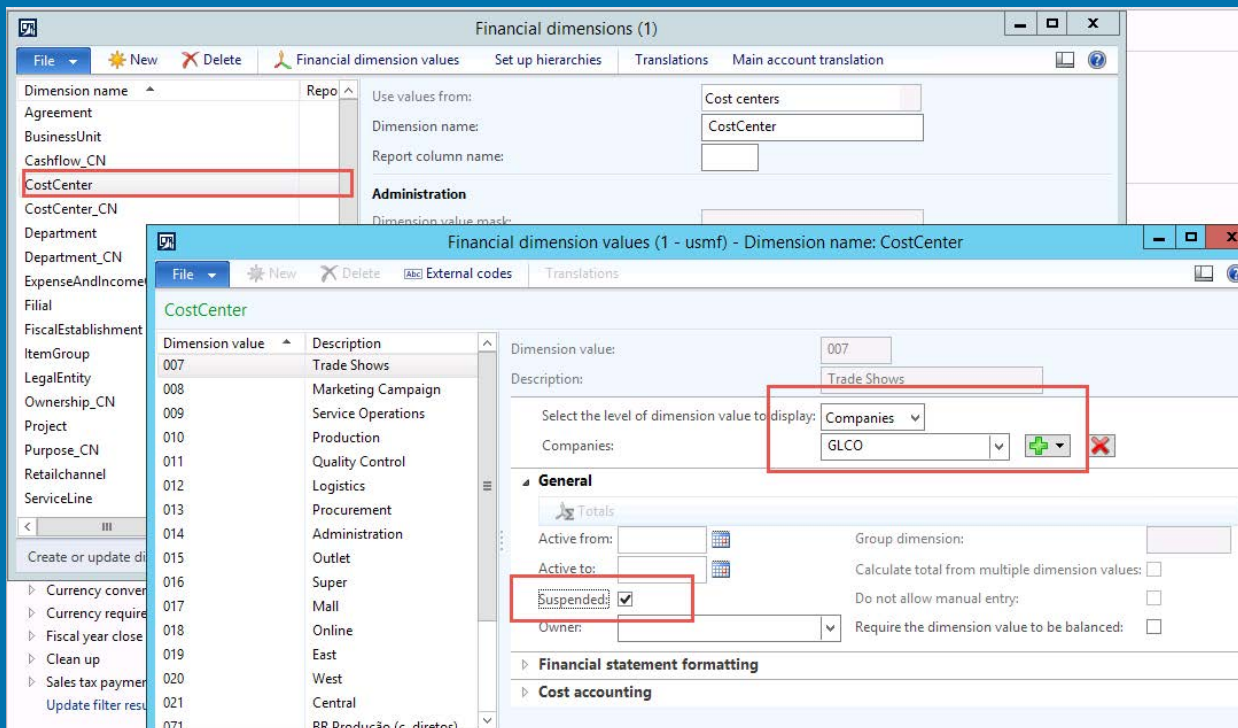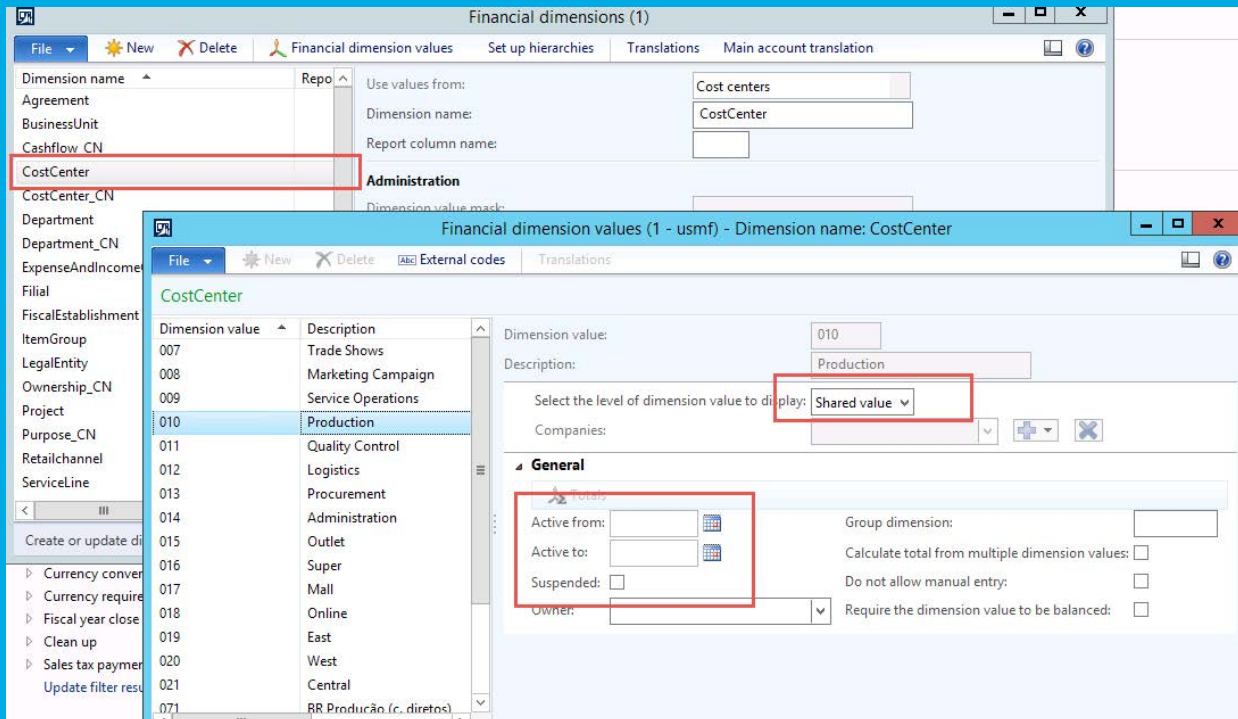
FINANCIAL DIMENSION VALID VALUES

Another valuable tool available from Microsoft Dynamics AX 2012 is the ability to define valid Financial Dimension values by legal entity.

In this example, the Cost Center Financial Dimension value of 010 is available to be used by all companies. Note that a Financial Dimension value can be suspended and/or have effective To/From dates, thus ensuring that only correct values are entered as your company adds and modifies Financial Dimensions.

In this scenario, company GLCO does not attend trade shows and, therefore, cannot post transactions to the Cost Center Financial Dimension of trade show.

FINANCIAL DIMENSION DEFAULT TEMPLATES

Another tool available from Dynamics AX 2012 is Financial Dimension Default Templates. Default templates are very useful when you have transactions which are posted to the same financial dimensions in the same percentages on a recurring basis. Using a default template, you can define the applicable percentages and Financial Dimension values only once. When entering the transaction, you select the default template and the transaction amount is automatically split to the specified Financial Dimensions.

In this example, many advertising purchases are charged to the same group of Financial Dimensions in a defined percentage. When purchasing this advertising, select this default template and the advertising amount will automatically be calculated and coded as below.
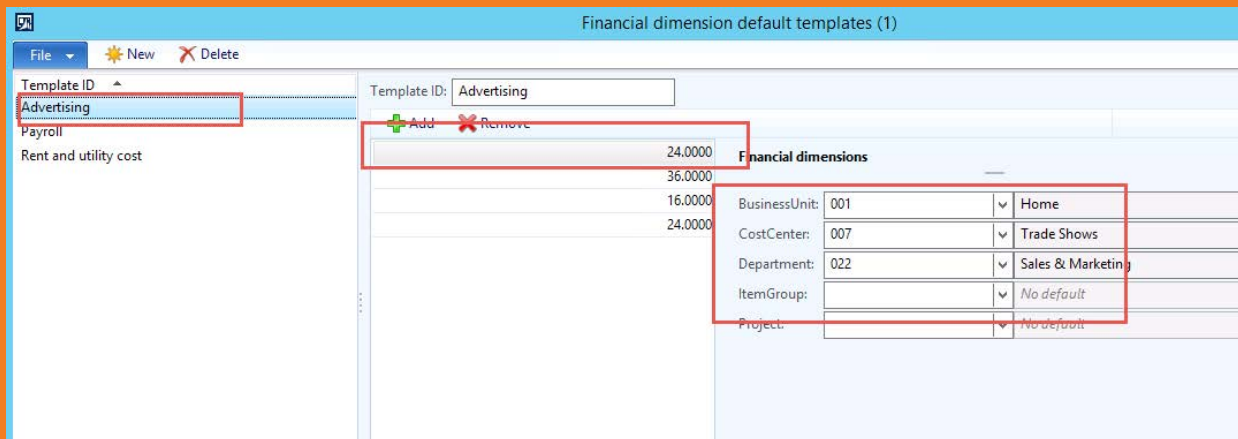
SUMMARY

Companies seldom change ERP systems because their old ERP system wasn't able to perform basic functions such as generate checks or maintain inventory. Often, businesses change ERP systems because the executives realize that their markets are changing and that they need accurate an-

alytical financial information to evaluate and manage their businesses from many different 'views'.

As companies change and grow, these business views will also change and grow. Dynamics AX offers a virtually unlimited number of Financial Dimensions which can be configured to accumulate financial information by these views. Configured, not modified. This functionality is out-of-the box in Dynamics AX.

The Financial Dimensions in Dynamics AX are very dynamic. New Financial Dimensions can be easily added as needed. Obsolete Financial Dimensions can be turned off. The financial results rendered in these views using Financial Dimensions are only as good as the underlying data. As discussed above, Dynamics AX has multiple tools to validate the Financial Dimensions data so that the resulting reports are valid and accurate.

With Microsoft Dynamics AX 2012, your company will have out-of-the-box functionality and tools to analyze or 'slice and dice' your business results in an unlimited number of 'views' or dimensions.

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