

## Posting Example - Accrual Basis Accounting

The following example represents the posting of accounting transactions in **AMS 360** for an agency who chooses Accrual Basis Accounting in **Agency Setup**.

To understand the example, read through the Accounting Events below the chart and then trace the postings by following the number code in brackets [x].

Note: All positive amounts indicate debit postings to the GL number indicated; all amounts in parentheses represent credit postings.

Balance Sheet Accounts										Income Statement Accounts					
Trust Bank Account #11120		Operating Bank Account #11130		A/R Agency Bus #11211		Deferred Std A/R Agency Bus #11212		A/P Ins Cos. #21111		Comm Payable - Agcy Bus #21131		Agency Bill Comm Income #40111		AB Comm Expense #51110	
250	[1]			(250)	[1]										
				1000	[2]	(1000)	[2]								
						1000	[3]	(900)	[3]	(50)	[3]	(100)	[3]	50	[3]
750	[4]			(750)	[4]										
(900)	[5]							900	[5]						
(100)	[6]	100	[6]												
		(50)	[7]							50	[7]				

Date	Accounting Event:
4/1	[1] Customer receipt of \$250 posted to bind coverage effective 4/10 - New Business Auto Policy
4/1	[2] Agency bill invoice posted in AMS 360; \$1000 gross premium, 10% agency commission, 50% of agency commission to producer
4/10	[3] Daily Process is run on the policy effective date
4/10	[4] Customer receipt of \$750 balance posted
4/15	[5] Trust check issued to company for net premium of \$900
4/19	[6] Income transferred from trust to operating account
4/30	[7] Operating check issued to producer for \$50

### Key Points:

- Invoice posted with effective date greater than the system date is offset to a deferred account until the effective date is reached\*\*
- Income is not recorded in the Income Statement until the effective date is reached.
- Unlike Cash Basis accounting, receipting of cash has no effect on recording of income and/or expense.

\*\* Note: This example assumes that the effective date is within the 'number of days to invoice in advance' in Agency Setup