

Microsoft Dynamics AX

Bank reconciliation: Implementation considerations

This white paper focuses on the business scenarios related to bank reconciliation and the steps to take in each scenario.



White paper

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Bank reconciliation: Implementation considerations

Microsoft Dynamics AX 2012 R2 adds functionality to import an electronic bank statement and use it to reconcile the bank account. This white paper focuses on the business scenarios related to bank reconciliation and the steps to take in each scenario. If you are new to bank reconciliation functionality in Microsoft Dynamics AX 2012 R2, you should read the material listed below.

Prerequisites

Prerequisite	Link
Microsoft Dynamics AX 2012 R2 White Paper: Advanced Bank Reconciliation – Processing and Troubleshooting	http://www.microsoft.com/en-us/download/details.aspx?id=39090

Common business scenarios/process questions for bank reconciliation

The following are some of the common business scenarios and reconciliation process questions.

- 1) [How do you reconcile a bank statement when you create a payment in Microsoft Dynamics AX and the bank statement shows the payment?](#)
- 2) [How do you reconcile a bank statement when the bank charges a fee?](#)
- 3) [How do you reconcile a bank statement when the bank deposits an interest income?](#)
- 4) [How do you reconcile a bank statement when a vendor directly debits your bank account?](#)
- 5) [How do you reconcile a bank statement when there are payments in foreign currencies?](#)
- 6) [Are there any workflow capabilities in the reconciliation process?](#)
- 7) [How do you reconcile a bank statement when your organization has multiple bank accounts with the same bank in the same legal entity in Microsoft Dynamics AX?](#)
- 8) [How do you reconcile a bank statement when there are bank accounts in different legal entities?](#)

This white paper discusses each of these scenarios in depth and talks about variants when applicable. Note that, clicking on each of the scenario links above will directly navigate to the related section. This will be useful if the reader is already familiar with the functionality and wants to know more about a specific scenario by skipping the rest of the information.

Demo/test data prep

There are two parts to preparing the test data or the demo data for bank reconciliation.

- 1 Identifying the list of sample payments that must be posted in Microsoft Dynamics AX. These are needed for scenarios 1, 4, and 5.
- 2 'Cooking' sample bank statements based on the scenarios you plan to test or demo. These are needed for scenarios 1, 2, 3, 4, and 5.

Scenarios 6 through 8 are covered separately at the end of the document.

This section is organized into tasks that must be done to accomplish the end result.

Preparing the list of payments in Microsoft Dynamics AX

You need payments to be posted in Microsoft Dynamics AX which will later be reconciled with the statement. The number and the kind of payments that must be created depend on the scenarios you would like to test. This paper lists the transactions required for some of the key variants for scenarios 1, 4, and 5. The key attribute that gives rise to variants in this context is the method of payment. The following table lists the variants based on method of payment.

Tip: Think of cutting a check to a vendor today which the vendor deposits in the bank a week later to cash it. The cashed check transaction will reflect in your bank statement after the check is cashed. This must be reconciled to the payment that was posted in Microsoft Dynamics AX.

Payment attribute	Payment attribute value	Variant
Method of payment	Check	<ol style="list-style-type: none">1. Checks can be valid for as long as 180 days. Microsoft Dynamics AX lets you reconcile transactions that are as much as 180 days apart.2. Checks can be voided before they are sent out. Microsoft Dynamics AX does not make the voided check available for reconciliation.3. Checks can be voided after they are issued but before they are cashed. The voided checks are not be available for reconciliation.

Payment attribute	Payment attribute value	Variant
Method of payment	ACH	<p>4. ACHs usually show up in the bank statement after two or three days. Microsoft Dynamics AX lets you reconcile such ACHs and also checks that take up to 180 days to cash.</p> <p>5. ACH payments fail at times because of inaccurate payee bank details. The process to handle such failed payments during the reconciliation process is detailed later in this white paper.</p>
Method of payment	Wire	<p>6. Microsoft Dynamics AX lets you reconcile wire payments.</p> <p>7. Wire payments fail at times because of inaccurate payee bank details. The process to handle such failed payments during the reconciliation process is detailed later in this white paper.</p>
Method of payment	Direct debit	<p>8. Direct debit from the bank account. Either the company or an authorized outside vendor makes the debit. Examples are federal tax payments from the IRS website and monthly payroll payments where the payroll vendor draws money from the organization's bank account.</p>
Payment currency	Any foreign currency	<p>9. When you make a EUR payment out of a USD bank account, an exchange rate conversion occurs when the payment is posted. On the bank statement, the payment line reflects the exchange rate of the transaction.</p>

Task: Identify the list of applicable bank transaction types for the organization

Bank transaction types affect bank reconciliation in the following ways:

- The transactions in the bank statement are summarized by means of 'transaction codes mapping'.
- The payment transactions (also known as the bank documents) in Microsoft Dynamics AX are summarized by mapping them to payment methods.

Main accounts can be mapped to bank transaction types. The main account is the account to which Microsoft Dynamics AX posts transactions during the reconciliation process.

There are two kinds of transactions that are posted to these accounts:

- Penny differences encountered between a bank statement line and the Microsoft Dynamics AX bank document.
- 'New' transactions that don't exist in Microsoft Dynamics AX but are in the bank statement. These are discussed in scenarios 2 and 3.

The following table shows some typical bank transaction types.

Bank transaction type	Name
01	Check payment
02	ACH payment
03	Wire payment
04	Direct debit

Task: Map the bank transaction type(s) to the method of payment(s)

When the bank transaction types are identified and created according to the requirements, in the **Accounts payable** module go to the **Method of payment** setup form and complete the mapping to the bank transaction type as applicable. This mapping makes it possible for Microsoft Dynamics AX to summarize the payments.

Task: Creating payments

The following table shows the payments that must be created to test the preceding scenarios. It is assumed that the required bank accounts have already been created. Since payments in AX can be posted without generating if the setup is such, the below table explicitly calls out these two actions.

#	Payment method	Payment generated in AX?	Payment posted in AX?	Bank document status	Applies to variant
1	Check	Yes	No	Paid	1
2	Check	Yes	No	Paid	2, 3
3	ACH	Yes	No	-NA- (because we have not posted the payments yet)	4
4	ACH	Yes	No	-NA- (because we have not posted the payments yet)	5

#	Payment method	Payment generated in AX?	Payment posted in AX?	Bank document status	Applies to variant
5	WIRE	Yes	No	-NA- (because we have not posted the payments yet)	6
6	WIRE	Yes	No	-NA- (because we have not posted the payments yet)	7
7	Direct debit	Yes	No	-NA- (because we have not posted the payments yet)	8
8	WIRE	Yes	No	-NA- (because we have not posted the payments yet)	9

Tip: Check payments are available as a bank document for reconciliation after they have been generated and prior to posting. However, electronic payments must be posted to make them available as a bank document.

Task: Void a check payment before posting the payment journal

There can be cases where you print a check in Microsoft Dynamics AX, but soon after, your business decides to hold that payment. In such cases, if you choose to void the check, you would 'reject' the check. The objective of this scenario is to prevent the rejected check transaction (also called as the bank document) from showing up during reconciliation.

Take the following steps to 'reject' the check payment.

- 1 Select the payment line in the payment journal in which the check was generated.
- 2 Note the check number. The check number will be used later to confirm that the check does not appear in Microsoft Dynamics AX.
- 3 Go to **Payment status > Reject**. In the dialog box that asks if you are voiding the check, click **Yes**.
Note: When the check is rejected, the status of the payment line becomes **Rejected**.
- 4 In the **Cash and bank management** module, go to the bank document list to verify that the bank document corresponding to the check number that you noted in step 2 does not exist.
- 5 Go to the payment journal line for this check payment and update the status of the payment line to **None** by using the **Payment status** menu.
- 6 Generate the check for this payment line to get a new check number. Now you have a check payment that you will use, later in the process, to void a payment after having posted it. The key was to first confirm that when a check is voided before posting, it is not available for reconciliation.

Task: Back up the database

You might want to make a backup of the Microsoft Dynamics AX database.

Task: Post the payments

Post all the payments that were created.

Task: Void a posted check payment that never got cashed

There could be scenarios where a business decides to void a check payment after the payment is posted, for example, if the check got lost in transit. In this case, take the following steps to void the check payment.

- 1 Go to **Cash and bank management > Common > Bank accounts**.
- 2 Select the bank account from which the check was generated.
- 3 On the **Action Pane**, click **Transactions**.
- 4 Select the check payment to cancel.
- 5 On the **Action Pane**, click **Checks**.
- 6 Click **Payment reversal**.

Note: The **Reconcile** check box is selected by default. This ensures that the cancelled payment does not show up for reconciliation.

- 7 Click **OK** to complete the cancellation process. When this process is completed, the invoice(s) that were associated with this check payment now have a status of **Open** and are available to be paid later.
- 8 Verify that the status of the corresponding bank document is set to **Rejected** and the reconciliation flag is selected.
- 9 Note the check number for later use.

The process to handle failed electronic payments (ACH and wire) is covered later.

Preparing sample bank statements in BAI2 format

The next step is to receive from the bank a statement that reflects the payments that were made previously plus any extra transactions that correspond to bank fees and such. In order to create bank statements, it is necessary to get an idea of the format of the electronic bank statements that your bank supports. One format banks use to generate an electronic account statement is the BAI2 format. The BAI2 format defines a set of codes that are used to represent information in the statement. ERP systems that support consumption of files in this format will know how to process these files. It is worth mentioning that, the BAI2 formats can be different for different countries. This exercise will take the BAI2 format as supported by Wells Fargo Bank in the United States.

This section discusses some of the key BAI2 codes that help achieve bank reconciliation tasks.

Find out from your bank which format they support for electronic bank statements. Not all banks support BAI2. If your bank supports a format other than BAI2, you have to prepare the statement based on that format. However, the

concepts will be the same. When you have your bank statement mock-up in the specific format, you can proceed to the following sections.

If Microsoft Dynamics AX does not support your bank’s format, you have to first add the required support to import the statement in that format. That discussion is out of this article's scope.

Tip: The most common file extensions for BAI2 files are .txt and .csv. Because these files will be imported into Microsoft Dynamics AX, the files must have .csv as the file extension.

The following illustration shows a sample BAI2 file.

```

01, [REDACTED], [REDACTED], 140425, 1119, 01, 080, , 2/
02, [REDACTED], [REDACTED], 1, 140424, , , /
03, [REDACTED], USD, 015, 0, , , 020, 2305013, , , 040, 1009856307, , , 045, 0, , , 050, 1287204, , /
88, 057, 1009856307, , , 072, 0, , , 074, 0, , , 100, 131478674, 2, , 400, 131478674, 43, /
16, 347, 108000000, , , 00000000000, /
88, OTHER REFERENCE: [REDACTED] /
88, SWEEP TRANSFER FROM INVESTMENT /
16, 475, 30800000, , , 00000130432, /
88, OTHER REFERENCE: [REDACTED] /
88, CHECK /
16, 656, 77200000, , , 00000000000, /
88, OTHER REFERENCE: [REDACTED] /
88, SWEEP TRANSFER TO INVESTMENT /
49, [REDACTED], 138 /
98, [REDACTED], 1, 140 /
99, [REDACTED], 1, 142 /
  
```

The following table explains the usage of the attributes highlighted in yellow in the preceding illustration. Only the fields highlighted in yellow are explained because that is the minimum that must be modified for the scenarios to work.

Line	Description
Line 1	This is the date on which the statement is sent.
Line 2	This is the date the statement is for.
Line 5	<p>'16' is the code used to represent transactions.</p> <p>'347' is the code for the 'SWEEP IN' transaction type. This code is specific to the bank.</p> <p>'108000000' is the amount of the transaction.</p> <p>Note: The last two digits represent the decimal places. In this example, the amount is 1,080,000.00.</p>
Line 8	<p>'16' is the code used to represent transactions.</p> <p>'475' is the code for the 'CHECK PAYMENT' transaction type. This code is specific to the bank.</p> <p>'30800000' is the amount of the transaction.</p> <p>Note: The last two digits represent the decimal places. In this example, the amount is 308,000.00.</p>
Line 11	<p>'16' is the code used to represent transactions.</p> <p>'656' is the code for the 'SWEEP OUT' transaction type. This code is specific to the bank.</p> <p>'7720000' is the amount of the transaction.</p> <p>Note: The last two digits represent the decimal places. In this example, the amount is 772,000.00.</p>

Task: Identify the BAI2 codes used by your bank for various transaction types

BAI2 supports several different codes for similar purposes. It is possible that two banks that use the BAI2 format could still use different codes for the same transaction type. So you need to get the list of codes supported by your bank.

Task: Map your bank's BAI2 codes to a Microsoft Dynamics AX bank transaction type

When you have the list of BAI2 codes that your bank uses, you need to map these codes to the bank transaction types that you created earlier in Microsoft Dynamics AX. This mapping is what will summarize the statement based on transaction types as understood by the organization during the reconciliation process. To perform the mapping, go to **Cash and bank management > Setup > Bank reconciliation > Transaction code mapping**. The following illustration shows how this looks in Microsoft Dynamics AX.

Statement transaction code	Name	Bank transaction type
168	ACH return	15
169	Incoming ACH deposit	3
195	Incoming wire deposit	1
206	Book transfer received	17
208	Incoming wire deposit	1
238	Interest income	11
254	Check reversal	16
301	Check deposit	2
347	Sweep deposit	20
469	ACH payment	5
475	Check payment	6
495	Wire payment	4
506	Wire payment	4
508	Wire payment	4
656	Sweep withdrawal	21
698	Bank fee	10
699	Wire payment	4

Task: Create the BAI2 samples

Take the following steps to create the file.

- 1 Create a blank file in Notepad.
- 2 Type the data from the sample BAI2 file illustrated on the preceding page. Your file must look exactly the same as the sample BAI2 file except for the blocked fields. You can type **TEST** in these blocked fields for now.
- 3 Save the file.
- 4 Update the file with relevant data.
 - a Update the dates.
 - b Add transactions to accommodate several variants. You will need eight transactions in total, represented by eight lines that start with code '16'.

c Update the transaction types in these transactions accordingly. In the sample BAI2 file, the transaction types are in the lines that start with code '16' and are 347, 475, and 656. However, you must update these with the codes that you got from your bank. You will need the codes for the following transaction types.

- Check payment
- ACH payment
- Wire payment
- Direct debit payment
- Bank fee
- Bank interest

Tip: For testing purposes, creating one file per payment provides flexibility, because this allows you to import only a specific payment.

Name the file to reflect the payment method. This lets you identify the payment that you want to import by looking at the file name.

In Microsoft Dynamics AX, the default codes for opening and closing balances are 010 and 015 respectively. It is not uncommon for banks to use different codes for these, so you need to find out from your banks what codes they use. If your banks use different codes than the Microsoft Dynamics AX defaults, you have to customize the XSLT to map to the new codes.

To keep things simple in the beginning, keep the opening and closing balances in the sample statements as **0** (zero).

Importing bank statements

Manual import of statements

When the sample bank statement is available, manually import the statement. It is assumed that the inbound ports are already configured with appropriate XSLTs based on the format of the files to be imported. If this configuration is not done, you must complete this configuration before you can import the statement. [This](#) article explains the topic in detail.

Take the following steps to manually import the bank statement.

- 1 Open the **Cash and bank management** module in the legal entity where you want to import the statement.
- 2 Go to **Common > Bank statements**.
- 3 On the **Action Pane**, go to **Import > Import bank statement**.
- 4 Select the bank account for which you want to import the statement.
- 5 Select the statement format applicable to the selected bank account.
- 6 Specify the file folder where the file resides.
- 7 Select the file to import.
- 8 Click **OK**.

When the import is completed, Microsoft Dynamics AX will display a dialog box that confirms that the file was imported successfully.

Batch import of statements

Alternatively, you can schedule a batch job to import the statements on a periodic basis.

Take the following steps to schedule a batch job.

- 1 Open the **Cash and bank management** module in the legal entity where you want to import the statement.
- 2 Go to **Common > Bank statements**.
- 3 On the **Action Pane**, go to **Import > Import bank statement**.
- 4 Select the bank account for which you want to import the statement.
- 5 Select the statement format applicable to the selected bank account.
- 6 Specify the file folder where the file resides.
- 7 Select **Import all files in this folder**.
- 8 Click **Batch** and configure the batch as you would normally do in Microsoft Dynamics AX.
- 9 Click **OK**.

Now you can put one or more files into the folder for the batch to import.

Tip: The batch job will only import .csv files. If you have .txt files, the files will not be imported by the batch.

Reconciling bank statements

Manual creation of a reconciliation journal

Microsoft Dynamics AX uses a reconciliation journal to reconcile transactions. Now that we have some un-reconciled payments and an un-reconciled bank statement, let's begin the reconciliation process. Take the following steps to create a reconciliation journal.

- 1 Open the **Cash and bank management** module in the legal entity where you want to reconcile.
- 2 Go to **Journals > Bank reconciliation**.
- 3 Click **New** to create a new reconciliation journal.
- 4 Select the bank account to reconcile.

Note: The cutoff date defaults to the system date. The cutoff date is the date up to which the transactions will be selected for reconciliation in this journal. For example, if you have un-reconciled transactions for a week, you can decide if you want to reconcile day by day or all at once by setting the cutoff date appropriately. If the specified cutoff date results in multiple bank statements, Microsoft Dynamics AX puts all the statement lines into the journal.

- 5 Click **Lines** to open the journal.

The journal displays the unmatched bank statement lines on the upper-left grid and the unmatched Microsoft Dynamics AX payments or bank documents in the upper-right grid.

Tip: A bank statement that is partially reconciled is included in the reconciliation journal as long as the cutoff date criteria is met.

Manual matching

Let's manually match bank statement lines with Microsoft Dynamics AX bank documents for scenarios 1, 4 and 5. The steps to manually match a payment are the same regardless of the payment type. There are functional differences across payment types during matching. These differences are discussed in the subsections.

Transactions can be matched based on transaction date and transaction amount. Other attributes of a transaction can also be considered for matching. The significance of this exercise is for you to keep track of those attributes on the bank statement lines and Microsoft Dynamics AX bank documents that you will use for manual match. These are the attributes that will be used later to build rules for automatic matching.

You can allow validation of transaction types during manual matching. For example, do you want to prevent the user from accidentally matching a check payment to an ACH payment because the amount, the date, and so on were exactly the same and the user made an error while matching? It is generally a good idea to enable this validation, to have Microsoft Dynamics AX prevent such mistakes. This is configured in **Cash and bank management > Cash and bank management parameters > Bank reconciliation > Check transaction type mapping**.

Task: Matching check payment

The key consideration for matching a check payment is to configure Microsoft Dynamics AX to allow for date differences between the date on which payment was posted and the date the check was cashed. This is configured as follows.

- 1 Go to **Cash and bank management > Setup > Cash and bank management parameters > Bank reconciliation > Check date difference**.
- 2 Enter the number of days for the allowed threshold. Typically, this is set to 180 days. This setting applies to all payment methods. This is the only place to configure the threshold for manual matching. This setting can be overridden for each payment method when the matching rules for automatic matching are created.

Tip: Set the threshold at the parameters level to the max number of days that has been identified across all payment types.

Task: Matching ACH payment

Follow the same steps as outlined for check payment to configure the threshold for date differences. ACH payments typically show up after a couple of days in the bank statement. The threshold for ACH payments could be set to two days. If this threshold is already set to 180 days for check payments, then there is nothing that needs to be done for ACH payment because only one threshold can be set for manual matching, which applies to all payment methods.

Task: Matching wire payment

Follow the same steps as outlined for check payment to configure the threshold for date differences. Wire payments typically show up a day after in the bank statement. The threshold for wire payments could be set to one day. If this threshold is already set to 180 days for check payments, then there is nothing that needs to be done for wire payment because only one threshold can be set for manual matching, which applies to all payment methods.

Task: Matching direct debit payment

Follow the same steps as outlined for check payment to configure the threshold for date differences. Direct debit payments can show up the next day or a few days later depending on the business process of the organization. As mentioned earlier, there are a couple of variants to consider for direct debits. In one variant, the organization initiates the direct debit payment directly out of the banking portal. In the other variant, the vendor pulls money out of the organization's account according to established instructions. In either of these cases, the business process will determine when the money gets pulled out of the bank account, and the threshold for date differences must be determined accordingly. If this threshold is already set to 180 days for check payments, then there is nothing that needs to be done for direct debit payment because only one threshold can be set for manual matching, which applies to all payment methods.

An interesting topic of discussion is the matter of how direct debit payments can be made in Microsoft Dynamics AX. The way this is usually done is by setting up a method of payment for direct debit that has the payment type set to 'other'. This ensures that when the payment is posted, the accounting impact is recorded in Microsoft Dynamics AX.

Tip: Another key consideration is to make sure that the corresponding bank transaction type is created for direct debits and is mapped to its method of payment.

Task: Matching foreign currency transaction

In addition to all the previous considerations for manually matching the transactions, foreign currency transactions have something unique about them that must be considered: currency rate translation differences that will most likely occur because of exchange rate differences between the time the payment is posted and the time the bank actually processes the transaction. In order to allow for such tolerances, take the following steps.

- 1 Go to **Cash and bank management > Common > Bank accounts**.
- 2 Edit the appropriate bank account.
- 3 Click the **Reconciliation** FastTab.
- 4 Enter an appropriate value in the **Allow penny difference** field.

The **Allow penny difference** setting applies across all the methods of payments and is used during manual matching but can be overridden.

Any penny differences found during matching are posted as the correction amount when reconciled to the main account that is mapped to the corresponding bank transaction type. As a result, it is advisable to configure an appropriate main account in those bank transaction types that can have such penny differences. Typically, the main account corresponding to currency rate gain/loss is set for this purpose.

Tip: appropriate account for recording the correction amounts can also be set up to handle scenarios where the bank statement line has an amount different to what is recorded in AX. This is not necessarily a foreign currency transaction but, a discrepancy caused due to other reasons on a transaction which is in the accounting currency.

Task: Matching 'new' transactions in Microsoft Dynamics AX

At times, there will be transactions in the bank statement(s) which are not yet posted in Microsoft Dynamics AX because they did not originate from Microsoft Dynamics AX but from an external source, for example, bank fees or bank interest. These must be posted in Microsoft Dynamics AX as part of the reconciliation process. This section describes the process to reconcile such transactions.

As we have seen already, the matching process matches a bank statement transaction to a bank document in Microsoft Dynamics AX. However, in the case of transactions that did not originate in Microsoft Dynamics AX and don't exist during reconciliation time, there is a way to reconcile one-sided transactions. This is done by identifying these transactions as new, a process described in the following steps.

- 1 Open the reconciliation journal that has some transactions in the bank statement that do not exist yet in Microsoft Dynamics AX.
- 2 Select one such bank statement line in the reconciliation journal.
- 3 Select **Mark as new**.
The selected transaction moves to the reconciled section of the journal form.

Task: Posting of 'new' transactions in Microsoft Dynamics AX

Reconciling new transactions is one part of managing new transactions in the reconciliation process. The other part is to post these transactions in Microsoft Dynamics AX. Take the following steps to post the new transactions.

- 1 Go to **Cash and bank management > Common > Bank statements**.
- 2 Open the bank statement that has the new transaction(s).
- 3 Select the transaction.
- 4 Click **Distribute amounts** to complete the coding.
- 5 Click **Post** to post the transaction.

The posting of new transactions is independent of the reconciliation of the new transaction in the reconciliation journal. In other words, you can post the new transactions before or after clicking **Reconcile** in the reconciliation journal.

The bank statement line(s) can be marked as new directly in the bank statement without having to mark them as new in the reconciliation journal. If the transaction was marked as new in the reconciliation journal, it shows up in the bank statement as new.

Tip: This is a good topic to discuss to establish a process for posting the new transactions. The agreed upon process will determine which path to take in terms of marking the transactions as new. You could have the accounting team post these transactions first in Microsoft Dynamics AX by using a business process. You can then go through the matching process for these transactions as you would with any other transactions.

Matching by using rules and rule sets

Rules for matching can be defined based on the attributes of bank statement lines and bank documents in Microsoft Dynamics AX. When you have defined such rules, you then have the option of manually invoking these rules from the reconciliation journal. This makes matching easier than doing it manually.

Task: Creating matching rules

You can define a rule like 'match a statement line with the bank document if the dates of transactions are same or within the defined tolerances AND the amounts are same or within the defined tolerances' and use it for automatically matching all the transactions that fit the criteria defined in the rule. This section discusses some of the key considerations for creating rules and rule sets. The actual steps for creating a rule or a rule set are covered in the prerequisite reading material.

When you are ready to define the rules, ensure that you have identified all the parameters that must be used to identify different types of transactions as discussed earlier. For example, we have to provide a 180-day threshold for check payment versus a 2-day threshold for ACH payments. This directly translates into two separate rules because two different values need to be specified for the threshold. Knowing this level of detail regarding other criteria to be used for matching is crucial in determining the number of rules required and the rules themselves.

Matching rules are shared across legal entities. It becomes quite efficient to define rules if reconciliation is to be performed in more than one legal entity.

Matching rules are independent of the bank or bank accounts. Define the rules such that they can be applicable to all bank accounts across all banks, if the organization has multiple banking relationships. This approach not only helps streamline the process but also makes it easy to maintain the rules.

Matching rules can be defined to identify new transactions by using the **Mark new transactions** rule type.

Task: Creating a matching rule set

The matching rules can be organized into rule set(s). A rule set lets the user complete all the rules in the rule set in a specified sequence without the user having to complete each rule one at a time. The sequence in which the rules appear, from top down, is how the rules are completed in a rule set. It is important to pay attention to the sequence in which the rules are ordered in a set.

The rule set is also shared across legal entities, making it very easy to maintain and use.

The rule sets are independent of the bank account or the banks. If the rules are streamlined to begin with, the rule sets can also be streamlined for consistency and easy maintenance.

Task: Implementing the rules and the rule set

When the rules and the rule set have been defined, these can be used during reconciliation from the reconciliation journal. Take the following steps to use the rules and the rule sets.

Note: You must un-match all the transactions that have been matched if you are planning to use the same set of transactions.

- 1 Open the reconciliation journal that already has bank statement lines and a bank document.
- 2 Click **Run matching rules**.
- 3 Select either a specific rule or a rule set and click **OK**.

Tip: A default rule set can be set for the bank account.

Reconciliation

After the transactions have been matched, the next step is to complete the reconciliation. This is done by clicking **Reconcile** on the reconciliation journal details form.

After the transactions have been reconciled:

- The bank statement line and the bank document that were matched are reconciled. You can confirm this by going to the **Bank document** list page and verifying that **Reconciliation** is selected.
- If there were any correction amounts resulting from penny differences, these amounts will post to the corresponding main accounts according to the bank transaction type.

Reconciled transactions can be unreconciled by taking the following steps.

- 1 Go to the **Bank document** list page and select the bank document to unreconcile.
- 2 Click **Reconciliation relations**.
- 3 Unlink the bank statement line and the bank document.
- 4 Verify that the bank document is unreconciled by verifying that **Reconciliation** is not selected.

Automatic creation of reconciliation journals and automatic matching

When all of the setup has been completed, the bank statement import, reconciliation journal creation, and matching rules running processes can be automated. Follow these steps to automate the import process.

- 1 Go to **Cash and bank management**.
- 2 Go to **Common > Bank statements**.
- 3 On the **Action pane**, go to **Import > Import bank statement**.
- 4 Select the bank account for which you want to import the statement.
- 5 Select the statement format applicable to the selected bank account.
- 6 Specify the file folder where the file resides.
- 7 Select **Import all files in the folder**.

- 8 Select **Reconcile after import**.
- 9 Click **Batch** and configure the batch according to your requirements.
- 10 Click **OK**.

The automatic process will stop after matching. This will not reconcile the transactions. This lets the user make any changes needed to the reconciliation journal before it is reconciled.

The cut-off date for the reconciliation journal is always the system date.

Workflow

The reconciliation journal can be workflow enabled. The reviewer of the reconciliation journal will have a read only view of the journal. When the journal has been approved, it can be reconciled.

Other considerations

Following are a few other topics that are important to understand when planning to implement bank reconciliation. Note that these topics help answer questions 7 through 10 in the scenarios listed earlier.

Mapping of statements to a bank account

When importing bank statements, it is important to select the bank account for which the statement file is being imported with an expectation that the statement will get imported for the chosen bank account. This is also how Microsoft Dynamics AX works.

However, when requirements get a bit more complex where the organization has multiple bank accounts with the same bank, this intuitive experience soon poses challenges.

Determine how the statement file is organized for the multiple accounts

Let's take an example where a legal entity, LE1, has three bank accounts, A1, A2, and A3, with National Bank. There are two ways the bank statement file could be organized.

The first option is a separate statement file for each bank account. In other words, the bank sends us three files, one for each bank account in LE1. The question to ask now is, how will Microsoft Dynamics AX know which statement file applies to which bank account? There are a couple of different ways this can be accomplished.

- a) Have a separate folder for each bank account – in this approach, there will be three folders. The business process must ensure that each bank statement file goes into the correct folder. After this is done, when scheduling the batch job, the **bank account must be selected**. The key here is that Microsoft Dynamics AX is told which bank account the statement file must be applied to when the batch is scheduled. Having separate folders helps accomplish this.
- b) Have a separate folder for each bank – in this approach, there will be just one folder for National Bank. The business process must ensure that all of the three bank statement files go into this common folder. After this is done, when scheduling the batch job, the **bank account must not be selected**. The key here is that Microsoft

Dynamics AX is not told which bank account to apply the statement file to while scheduling the batch. In the absence of mapping between the bank account and the bank statement file, Microsoft Dynamics AX uses its logic to determine this mapping and take appropriate action. The mapping rules are described in detail in the next section.

Tip: It is a common practice to have just one folder for each bank of a legal entity.

The second option is, for all the three bank accounts, just one consolidated statement file in LE1. There are two questions to ask now. How will Microsoft Dynamics AX know which statement to apply to which bank account? And does Microsoft Dynamics AX have the capability to split the single file into individual statements during import? The answer to the latter question largely depends on the format of the statement file. As an example, we know by now that Microsoft Dynamics AX supports BAI2 format and that BAI2 format supports consolidated statement files. So, for BAI2 files, Microsoft Dynamics AX can handle consolidated statement files during import. The answer to the first question is the same as (b) above. When scheduling the batch, the **bank account must not be selected**. Not having the static mapping will force Microsoft Dynamics AX to trigger its logic to determine this mapping and take appropriate action. The mapping rules are described in detail in the next section.

Tip: It is common for the banks to provide consolidated bank statement files.

Rules for mapping of bank statement to the bank account

Based on whether a default bank account is specified during import and whether a match is found, Microsoft Dynamics AX determines what action to take on the import.

The following table shows which actions are taken in different cases.

Matching bank account found in Microsoft Dynamics AX	Default bank account specified in import dialog	Action taken
No	Yes	Map the statement(s) to the default account
No	No	Error
Yes	Yes	Error – if the matched account is not the same as the default account
Yes	Yes	Map the statement(s) to the default account if the matched account is the same as the default account
Yes	No	Map the statements to the matched accounts

The next thing to understand is what constitutes a match. The following table summarizes the rules that are applied and the sequence in which they are listed. **Note:** One or more of the following conditions being true constitutes a match.

Sequence	Condition	Operator
1	The Bank name in statement in the Bank account setup is the same as the statement file AND the Bank account number in the Bank account setup is the same as in the statement file.	OR
2	IBAN OR SWIFT is the same as in the statement file AND the Bank account number in the Bank account setup is the same as in the statement file.	OR
3	The Bank account number in the Bank account setup is the same as in the statement file.	OR
4	The Bank name in statement in the Bank account setup is the same as in the statement file.	OR
5	IBAN is the same as in the statement file.	OR
6	SWIFT is the same as in the statement file.	OR
7	The routing code is the same as in the statement file.	-NA-

AIF inbound port

By legal entity

The inbound port that is used for importing bank statements must be mapped to a legal entity. It is a design requirement that, if there is more than one legal entity for which statements must be imported, each legal entity must have its own inbound port configured for import.

Tip: It is not required to restrict the inbound port to a legal entity if there is only one legal entity for which statements will be imported. In such cases, the statement is imported either manually or by using a batch job.

By bank (not bank account)

There must be separate inbound ports for each bank (not bank account) used by a legal entity. As an example, if a legal entity in Microsoft Dynamics AX has bank accounts with National Bank and Country Bank, two inbound ports must be configured, one for each bank, with the corresponding information to import the bank statements.

Folders

The folder structure used to store the incoming bank statement files becomes an important factor to consider if batch jobs are used to import the statement files. Separate inbound ports for each of a legal entity's banks must be configured and there must be a separate folder for each bank of a legal entity.

Tip: The inbound port is only used as a way to configure the necessary transformations for use during import. The inbound port has no influence on the decisions regarding folders.

Tip: Having one folder for each bank is only a recommendation. As explained previously, the best option depends on how the statement files are provided by the bank and the organization's preference regarding the number of folders to have.

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