

# SETTING UP ELIMINATIONS IN NETSUITE

# Agenda

TOPIC	MINUTES
Course Introduction	5
NetSuite Intercompany Setup	15
Elimination Companies	5
Intercompany Transactions	10
Elimination Entries	10
Elimination Considerations	5
Q&A	5

# Objectives

**By the end of this course, you will be able to:**

- **Set up a NetSuite instance with appropriate elimination companies**
- **Correctly set up intercompany accounts in order to eliminate**
- **Eliminate intercompany transactions at month end**
- **Explain why CTA-E entries occur and how foreign currencies affect the entry.**

# NetSuite Setup

## Set up the Intercompany Framework Setup>Company>Enable Features>Advanced Features

### Advanced Features

☒ EXPENSE ALLOCATION

ALLOW EXPENSES TO BE ALLOCATED.

☒ DYNAMIC ALLOCATION

DYNAMICALLY CALCULATE THE ALLOCATION WEIGHT BASED ON THE CURRENT STATISTICAL ACCOUNT'S BALANCE, WHEN THE ALLOCATION JOURNAL IS GENERATED.

☒ MULTIPLE BUDGETS

ALLOW CREATION OF MULTIPLE BUDGETING SCENARIOS.

☒ INTERCOMPANY TIME AND EXPENSE

ALLOW CREATION OF INTERCOMPANY TIME AND EXPENSES.

☒ AUTOMATED INTERCOMPANY MANAGEMENT

MANAGE INTERCOMPANY TRANSACTIONS AND AUTOMATICALLY GENERATE ELIMINATION JOURNAL ENTRIES

☐ AUTOMATED INTERCOMPANY DROP SHIP

MANAGE INTERCOMPANY DROP SHIP WORKFLOW AND AUTOMATICALLY GENERATE ELIMINATION JOURNAL ENTRIES

☒ INTERCOMPANY FRAMEWORK

DEFINE CRITERIA FOR INTERCOMPANY BUSINESS WORKFLOWS.

# NetSuite Setup

## Set up the Intercompany Preferences

- Accounting

### Intercompany Preferences

[Save](#) [Cancel](#)

[Accounting](#) [Transfer Price Methods](#) [Representing Entities](#) [System Notes](#)

#### Default Intercompany Accounts

RECEIVABLES ACCOUNT

1190 Intercompany Receivables

PAYABLES ACCOUNT

INCOME ACCOUNT

4900 Revenue : Intercompany Revenue

EXPENSE ACCOUNT

6900 General and Ad...tercompany Expense

COGS ACCOUNT

5900 COGS : Intercom...y Cost of Goods Sold

DEFERRED REVENUE ACCOUNT

NETTING CLEARING ACCOUNT  
IC Netting Clearing Account

#### Currency

TRADE CURRENCY

#### Transaction

CROSS CHARGE OUTPUT TYPE

Journal

CROSS CHARGE GROUPING

☒ SUMMARIZED

☐ DETAILED

#### Classification

☐ ALLOW PER-LINE CLASSIFICATION FOR NETTING SETTLEMENT

Default Cross Charge Classification Preference per Subsidiary


[Save](#) [Cancel](#)

# NetSuite Setup

## Set up the Intercompany Preferences

- Transfer Pricing for Interco Inventory Sales

The screenshot shows the NetSuite interface for setting up Intercompany Preferences. At the top, the Oracle NetSuite logo and a search bar are visible. Below the navigation bar, the 'Intercompany Preferences' section is active, with 'Setup' highlighted in the top menu. The 'Transfer Price Methods' tab is selected, showing two sections: 'Cross-Subsidiary Fulfillment' and 'Cross-Subsidiary Fulfillment Return'. Each section contains a 'TRANSFER PRICE METHOD' dropdown set to 'Cost plus' and a 'MARKUP RATE %' input field set to '0'. 'Save' and 'Cancel' buttons are present at the bottom of the form.

ORACLE NETSUITE  Search

Activities Payments Contract Renewals Transactions Lists Reports Analytics Documents Setup Customization Comm

### Intercompany Preferences

Save Cancel

Accounting **Transfer Price Methods** Representing Entities System Notes

**Cross-Subsidiary Fulfillment**

TRANSFER PRICE METHOD \* MARKUP RATE %  
Cost plus 0

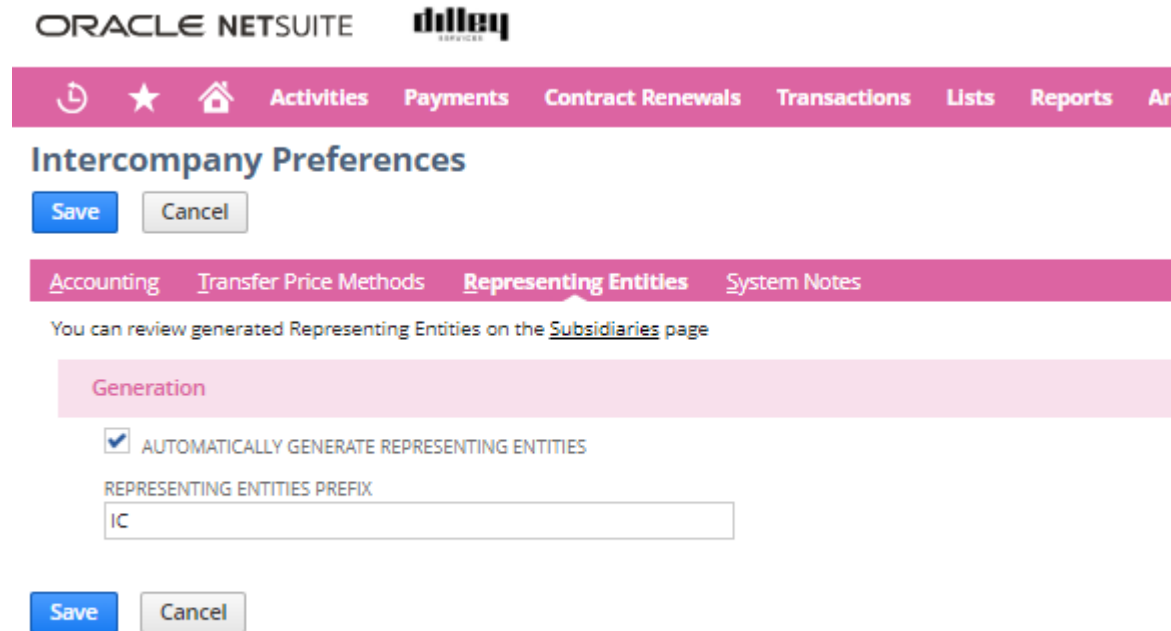
**Cross-Subsidiary Fulfillment Return**

TRANSFER PRICE METHOD \* MARKUP RATE %  
Cost plus 0


Save Cancel





# NetSuite Setup

## Set up the Intercompany Preferences Representing entities



The screenshot shows the NetSuite interface for setting up Intercompany Preferences. At the top, the Oracle NetSuite logo and a user profile icon are visible. Below this is a navigation bar with icons for a clock, star, home, and a list of menu items: Activities, Payments, Contract Renewals, Transactions, Lists, Reports, and an arrow icon. The main heading is "Intercompany Preferences". Below the heading are "Save" and "Cancel" buttons. A secondary navigation bar contains links for Accounting, Transfer Price Methods, Representing Entities (which is highlighted with a mouse cursor), and System Notes. A message states: "You can review generated Representing Entities on the [Subsidiaries](#) page". Below this is a section titled "Generation" with a checkbox labeled "AUTOMATICALLY GENERATE REPRESENTING ENTITIES" which is checked. Underneath is a text field labeled "REPRESENTING ENTITIES PREFIX" containing the value "IC". At the bottom of this section are "Save" and "Cancel" buttons.

ORACLE NETSUITE 

   Activities Payments Contract Renewals Transactions Lists Reports 

### Intercompany Preferences

[Save](#) [Cancel](#)

[Accounting](#) [Transfer Price Methods](#) [Representing Entities](#) [System Notes](#)

You can review generated Representing Entities on the [Subsidiaries](#) page

**Generation**

☒ AUTOMATICALLY GENERATE REPRESENTING ENTITIES

REPRESENTING ENTITIES PREFIX

IC

[Save](#) [Cancel](#)

# NetSuite Setup

## Set up the Representing Entities

- Setup>Companies>Subsidiaries>Generate Representing Entities

The screenshot shows the NetSuite interface with the 'Subsidiaries' page selected. A yellow circle highlights the 'Generate Representing Entities' button in the top navigation bar. Below the navigation bar, there is a table of subsidiaries with columns for Internal ID, Name, Elimination, Representing Vendor, and Representing Client. The table lists various subsidiaries including HEADQUARTERS, AMERICAS, Canada, Mexico, North, Peru, Test Investment in UK, US - East, US - West, xElimination-AMERICAS, ANZ, Australia, Australia2, New Zealand, xElimination - ANZ, ASIA, Hong Kong, Japan, Philippines, Singapore, xElimination - Asia, EMEA, Denmark, Germany, United Kingdom, xElimination EMEA, Shared Services, and xElimination HQ.

EDIT   VIEW	INTERNAL ID	NAME ▲	ELIMINATION	REPRESENTING VENDOR	REPRESENTING CLIENT
Edit   View	11	HEADQUARTERS	No	IC HEADQUARTERS	IC HEADQUARTERS
Edit   View	12	AMERICAS	No	IC AMERICAS	IC AMERICAS
Edit   View	16	Canada	No	IC Canada	IC Canada
Edit   View	23	Mexico	No	IC Mexico	IC Mexico
Edit   View	41	North	No	IC North	IC North
Edit   View	24	Peru	No	IC Peru	IC Peru
Edit   View	44	Test Investment in UK	No	IC Test Investment in UK	IC Test Investment in UK
Edit   View	17	US - East	No	IC US - East	IC US - East
Edit   View	1	US - West	No	IC US - West	IC US - West
Edit   View	39	xElimination-AMERICAS	Yes		
Edit   View	28	ANZ	No	IC ANZ	IC ANZ
Edit   View	8	Australia	No	IC Australia	IC Australia
Edit   View	40	Australia2	No	IC Australia2	IC Australia2
Edit   View	29	New Zealand	No	IC New Zealand	IC New Zealand
Edit   View	37	xElimination - ANZ	No	IC xElimination - ANZ	IC xElimination - ANZ
Edit   View	18	ASIA	No	IC ASIA	IC ASIA
Edit   View	30	Hong Kong	No	IC Hong Kong	IC Hong Kong
Edit   View	10	Japan	No	IC Japan	IC Japan
Edit   View	21	Philippines	No	IC Philippines	IC Philippines
Edit   View	20	Singapore	No	IC Singapore	IC Singapore
Edit   View	31	xElimination - Asia	Yes		
Edit   View	3	EMEA	No	IC EMEA	IC EMEA
Edit   View	9	Denmark	No	IC Denmark	IC Denmark
Edit   View	5	Germany	No	IC Germany	IC Germany
Edit   View	4	United Kingdom	No	IC United Kingdom	IC United Kingdom
Edit   View	35	xElimination EMEA	Yes		
Edit   View	38	Shared Services	No	IC Shared Services	IC Shared Services
Edit   View	19	xElimination HQ	Yes		



# NetSuite Setup

## Set up the Representing Entities

- **Prerequisites:**
  - **Enable Multisubsidiary Customer Feature**
  - **Make sure multi-currency customers and vendors include children**

# NetSuite Setup

## Set up the Intercompany Accounts

- **Lists>Accounting>Accounts>New**
  - **Make sure the Eliminate Intercompany Transactions box is ticked**
  - **Make sure the Include Children box is ticked**
  - **Set up intercompany payables (due to) as accounts payable, intercompany receivables (due from) as accounts receivable**
  - **Other account types (income, expense, long term investment) can also be set up to eliminate.**

# Quiz Question

**What box is required to be checked to set up an elimination-ready GL account?**

- 1. Revalue Open Balance for Foreign Currency Transactions**
- 2. Inactive**
- 3. Eliminate Intercompany Transactions**
- 4. No boxes are required to be checked**

# Quiz Question

What box is required to be checked to set up an elimination-ready GL account?

1. Revalue Open Balance for Foreign Currency Transactions
2. Inactive
3. Eliminate Intercompany Transactions
4. No boxes are required to be checked


# Elimination Companies


## Setting up Elimination Companies


- **Elimination Companies do not use a Country/Currency license**
- **Determine what the roll ups and the elimination points should be before adding new subsidiaries**
  - **Setup>Company>Subsidiaries**
  - **Make sure to select the correct parent subsidiary**
  - **Mark the “elimination” box.**


# Elimination Companies




ORACLE NETSUITE



 Help


 Feedback

 Peggy Evleth  
Dilley Svcs OW SRP - US - v16.2 - Standard - Administrator

ActivitiesPaymentsContract RenewalsTransactionsListsReportsAnalyticsDocumentsSetupCustomizationCommerceFixed AssetsSuiteCommerceNetgainSuiteAppsSupport

Subsidiary

ListSearchCustomizeMore




☐ SUBSIDIARY IS INACTIVE

NAME \*

New Elim Company


PARENT SUBSIDIARY \*

HEADQUARTERS : ANZ




☐ ALWAYS DISPLAY SUBSIDIARY NAME

SUBSIDIARY LOGO (FORMS)



SUBSIDIARY LOGO (PAGES)




WEB SITE


DOCUMENT NUMBER PREFIX

ADDRESS

MapEdit




STATE/PROVINCE



COUNTRY \*

Australia



LEGAL NAME


RETURN EMAIL ADDRESS

FAX

☒ ELIMINATION


LANGUAGE \*

English (U.S.)




FISCAL CALENDAR \*

Standard Fiscal Calendar




TAX FISCAL CALENDAR \*

Standard Fiscal Calendar



CURRENCY \*

AUD




EDITION

AU


ABN

ACN

TAXONOMY REFERENCE



TEST GEO REGIONS



RSM

# Intercompany Transactions

## Advanced Intercompany Journal Entries

- For accounts set up to eliminate, you must use Advanced Intercompany JE's. Transactions>Financial>Make Advanced Intercompany Journal Entries. This will automatically mark the entries to eliminate.
- For AP and AR type accounts you must use an intercompany customer or vendor (representing entity)

**Classification**

SUBSIDIARY \*  
Canada

TEST GEO REGIONS  
North

☐ APPROVED

NOTES

IMPORT PERMIT NO.

OPENAIR REVENUE RECOGNITION ID

**Lines** Communication Custom Tax Reporting OpenAir: Cost Data

0.00

Auto Balance Undo Auto Balancing Clear All Lines

SUBSIDIARY *	ACCOUNT *	DEBIT	CREDIT	TAX CODE	TAX RATE	MEMO	NAME	DEPARTMENT	CLASS	LOCATION	SCHEDULE	START DATE	END DATE	RESIDUAL	ELIMINATE	RELATED ASSET	TESTING COMMENTARY FIELD	EMIRATE	SHARED TRANSACTIONS CLASS (LINE)
:: Canada	1300 Prepaid Expenses		1,500.00																
:: Canada	1190 Intercompany Receivables	1,500.00					IC Mexico								Yes				
:: Mexico	1300 Prepaid Expenses	1,500.00																	
:: Mexico	2094 Intercompany Payable/Receivable - PAY		1,500.00				IC Canada								Yes				

# Quiz Question

**What value goes in the Name field in an advanced intercompany journal entry on the intercompany account line?**

- 1. Nothing is needed in that field.**
- 2. Any customer or vendor at random will work as long as a value is entered.**
- 3. The representing customer or vendor for the destination entity.**
- 4. The representing customer or vendor for the originating entity.**



# Quiz Question

What value goes in the Name field in an advanced intercompany journal entry on the intercompany account line?

1. Nothing is needed in that field.
2. Any customer or vendor at random will work as long as a value is entered.
3. The representing customer or vendor for the destination entity.
4. The representing customer or vendor for the originating entity.

# Elimination Transactions

## Elimination Journal Entries

- Elimination Entries can be posted either manually or by the system.
- Elimination Entries are posted to Elimination companies
- Elimination Entries are posted by going to Transactions>Financial>Make Journal Entries and posting to an elimination subsidiary

The screenshot shows the Oracle NetSuite interface for creating a journal entry. The top navigation bar includes 'ORACLE NETSUITE', a search bar, and user information for 'Peggy Evleth'. The main navigation menu has tabs for 'Activities', 'Payments', 'Contract Renewals', 'Transactions', 'Lists', 'Reports', 'Analytics', 'Documents', 'Setup', 'Customization', 'Commerce', 'Fixed Assets', 'SuiteCommerce', 'Netgain', 'SuiteApps', and 'Support'. The 'Transactions' tab is selected, and the 'Journal' form is open.

The form is divided into sections: 'Primary Information' and 'Classification'. In the 'Primary Information' section, fields include 'CUSTOM FORM' (set to 'Custom Journal Entry 2'), 'ENTRY NO.' (set to 'To Be Generated'), 'EXCHANGE RATE' (set to '1.00'), 'DATE' (set to '7/10/2023'), 'POSTING PERIOD' (set to 'Jul 2023'), 'CURRENCY' (set to 'USD'), 'APPROVAL STATUS' (set to 'Pending Approval'), and 'NEXT APPROVER'. There are also fields for 'DEBIT' and 'CREDIT' amounts, and a 'DEFER ENTRY' checkbox.

In the 'Classification' section, the 'SUBSIDIARY' dropdown menu is highlighted with a yellow arrow pointing to the 'TO SUBSIDIARY' dropdown menu. The 'SUBSIDIARY' dropdown is currently set to 'xElimination-AMERICAS'. There is also an 'APPROVED' checkbox and a 'NOTES' text area.

1117

APPROVED FOR POSTING INTERCOMPANY ELIMINATION

Edit Back Print Actions

Primary Information

ENTRY NO. 1117	DATE 12/31/2020	APPROVAL STATUS Approved
CURRENCY USD	POSTING PERIOD Dec 2020	NEXT APPROVER
EXCHANGE RATE 1.00	MEMO	

Classification

SUBSIDIARY xElimination-AMERICAS	NOTES	ALLOCATION - VENDOR
ACCOUNTING BOOK Primary Accounting Book		
<input type="checkbox"/> APPROVED		

Lines Communication Related Records System Information Custom Tax Reporting Collections Shared Transaction

76,539.62

ACCOUNT	DEBIT	CREDIT	MEMO	NAME	DEPARTMENT	CLASS	LOCATION	RELATED
3101 Cumulative Translation Adjustment-Elimination	36,156.68							
1190 Intercompany Receivables		10,000.00						
1190 Intercompany Receivables	10,000.00							
1190 Intercompany Receivables		20,000.00						
1190 Intercompany Receivables		1,000.00						
1190 Intercompany Receivables	25,000.00							
1190 Intercompany Receivables		15,000.00						
1190 Intercompany Receivables		25,000.00						
1190 Intercompany Receivables		2,500.00						
1190 Intercompany Receivables	1,000.00							
1190 Intercompany Receivables		600.00						
1190 Intercompany Receivables		1,450.50						
1190 Intercompany Receivables		989.12						
2001 Intercompany Payables	2,500.00							
2001 Intercompany Payables	1,109.15							
2001 Intercompany Payables	773.79							

Edit Back Print Actions

# Elimination Considerations

- Revaluation should be run for intercompany accounts prior to eliminations being run.
- Intercompany accounts should be reconciled prior to running revaluation in order to prevent errors accidentally ending up in CTA-E
- CTA-E elimination entries will occur automatically if there are intercompany revenue and expense items in companies that do not share the parent's functional currency. However, these amounts should not be large. A large CTA-E entry is a warning sign that something is out of balance in the intercompany accounts.

# Quiz Question

**What is not an element of CTA-E?**

- 1. Differences arising from out of balance intercompany amounts.**
- 2. Differences arising from intercompany revenue and expense items.**
- 3. Differences arising from translation of subsidiary financial information into the parent company's currency.**

# Quiz Question

What is not an element of CTA-E?

1. Differences arising from out of balance intercompany amounts.
2. Differences arising from intercompany revenue and expense items.
3. Differences arising from translation of subsidiary financial information into the parent company's currency.

# Q&A