

## Accrual Basis Accounting – Direct Bill Posting Examples

The following are examples of how invoices post to the General Ledger for Direct Bill (DBI, CEI, CSI) transactions in AMS360. Direct Bill transactions can be posted through different Direct Bill Methods such as Customer Center, Direct Bill Entry or Direct Bill Statement. The examples that follow are for an **Agency that has elected Accrual for the Accounting Basis** method in Agency Setup>Accounting options.

Each Example is related to the Facts that are presented immediately prior to the Example(s). Each transaction is considered an Activity and correspond the Activity number in the GL positing grid.

All positive amounts indicate debit postings to the GL number indicated in the column heading; all amounts in parentheses represent credit postings. GL numbers may vary depending on company classification (insurance/brokerage), premium type (P&C, Life, etc.) and customer type (customer/broker).

### Facts

- **Company Setup > Billing Options** for carrier are set to: 1) Line of Business = Private Passenger Auto; 2) **Direct Bill – Customer Center**, 3) Bill Using Manually Entered Premiums is selected.
- Direct Bill policy, effective 02/15, is received from the carrier. The agency manually creates a new Direct Bill Private Passenger Auto policy and creates an invoice for **\$1,000 premium, 10% agency commission with 50% of agency commission to the producer.**

**Example #1: Direct Bill Invoice created with Customer Center as Bill Method**

**Accounting Events**

Date	Activity	Accounting Transaction
03/01	#1	Policy effective 03/01, invoice is posted as Direct Bill with Customer Center as the How Bill Method in the amount of \$1,000.00 premium, 10% agency commission, 50% to the producer.
04/01	#2	Commission statement received from ABC Insurance Company for the commission of \$100; deposited to operating bank account with offset to Direct Bill Commission Receivables.
04/30	#3	Commission Payable Statement created for producer and the 50% or \$50 is paid.

**General Ledger Postings**

Balance Sheet Accounts					Income and Expense Statement Accounts	
Date	Activity #	Operating Bank Account GL #11130	DB Commission Receivables – Insurance Co GL #11241*	Commissions Payable – Agency Business GL #21131**	P & C DB Commission Income – Insurance Companies GL #40121*	DB Commission Expense – Agency Business GL #51210**
03/01	#1		100	(50)	(100)	50
04/01	#2	100	(100)			
04/30	#3	(50)		50		

**Note:** In this example, no changes are made to the commission income at the time the Direct Bill Statement was processed and posted. Therefore, no general ledger postings result from the posting of the Direct Bill Statement. The only change to income will be if the commission was adjusted and posted through the Direct Bill Statement (see Example #2)

## **Example #2 – Commission Correction on Customer Center Invoiced items when changed in the Direct Bill Statement**

### **Facts and Processing Assumptions**

- **Company Setup > Billing Options** for carrier are set to: 1) Line of Business = Private Passenger Auto; 2) **Direct Bill – Customer Center**, 3) Bill Using Manually Entered Premiums is selected.
- Direct Bill policy, effective 02/15, is received from the carrier. On 03/01, the agency manually creates a new Direct Bill Private Passenger Auto policy and creates an invoice for **\$1,013 premium, 12.5% agency commission with 50% of agency commission to the producer.**
- During processing of a **Direct Bill Statement** including this item, it was determined that the company statement shows the agency commission as \$126.62, and **AMS360** calculated the agency commission as \$126.63. The amount \$126.62 is entered as the Commission Recd in the Direct Bill Statement and the check box in the “Reconciled” column is checked. This will result in a JE **Adjustment** of \$.01 when posting of the Direct Bill Statement.

### **Accounting Events**

<b>Date</b>	<b>Activity</b>	<b>Accounting Transaction</b>
03/01	#1	Policy effective 03/01, invoice is posted as Direct Bill with Customer Center as the How Bill Method in the amount of \$1,313.00 premium, 12.5% agency commission, 50% to the producer.
04/01	#2	Commission statement received from carrier and has \$126.62 agency commission listed; deposited to bank account with offset to Direct Bill Receivables General Ledger Account.
04/15	#3	Direct Bill Statement is created and the amount of \$126.62 is entered, and the check box in the Reconciled column is checked, which results in a JE Adjustment of \$.01. Statement is posted.
04/30	#4	Commission Payable Statement created for producer and the 50% or \$63.32 is paid.

**General Ledger Postings**

Balance Sheet Accounts					Income and Expense Statement Accounts	
Date	Activity #	Operating Bank Account GL #11130	DB Commission Receivables – Insurance Co GL #11241*	Commissions Payable – Agency Business GL #21131**	P & C DB Commission Income – Insurance Companies GL #40121*	DB Commission Expense – Agency Business GL #51210**
03/01	#1		126.63	(63.32)	(126.63)	63.32
04/01	#2	126.62	(126.62)			
04/15	#3		(.01)		.01	
04/30	#4	(63.32)		63.32		



### **Example #3 – Direct Bill Invoice created with Direct Bill Statement as Bill Method**

#### **Facts**

- **Company Setup > Billing Options** for carrier are set to: 1) Line of Business = Umbrella (C) ; 2) **Direct Bill – Direct Bill Statement**; 3) Bill Using Manually Entered Premiums is selected.
- Direct Bill policy, effective 02/15, is received from the carrier. On 03/01, the agency manually creates a new Direct Bill Commercial Umbrella policy and enters \$1,250.00 on the premium transaction line with Direct Bill Statement selected as the Bill Method.
- A Commission Statement is received from the carrier paying the agency \$125.00 (10% commission) for the policy.
- Agency producer/broker receives 50% of the agency commission.

#### **Accounting Events**

<b>Date</b>	<b>Activity</b>	<b>Accounting Transaction</b>
02/01	#1	Policy effective 03/01, Direct Bill policy is created and premium of \$1,250.00 is entered in the transaction premium line for Commercial Umbrella, with Direct Bill Statement as the How Billed method.
04/01	#2	Commission statement received from carrier with \$125.00 agency commission. Check is deposited into the bank and to Direct Bill Receivables General Ledger Account.
04/15	#3	Direct Bill Statement is created and the amount of \$125.00 is marked as Include in the statement and the full amount was received so the check box in the Reconciled column is checked. Producer is listed with 50% of agency commission. Statement is posted.
04/30	#4	Commission Payable Statement created for producer and the 50% or \$62.50 is paid.

**General Ledger Postings**

Balance Sheet Accounts					Income and Expense Statement Accounts	
Date	Activity #	Operating Bank Account GL #11130	DB Commission Receivables – Insurance Co GL #11241*	Commissions Payable – Agency Business GL #21131**	P & C DB Commission Income – Insurance Companies GL #40121*	DB Commission Expense – Agency Business GL #51210**
02/01	#1					
04/01	#2	125.00	(125.00)			
04/15	#3		125.00	(62.50)	(125.00)	62.50
04/30	#4	(62.50)		62.50		



## **Example #4 – Direct Bill Invoice created with Direct Bill Entry as Bill Method**

### **Facts**

- **Company Setup > Billing Options** for carrier are set to: 1) Line of Business = Workers Compensation (C) ; 2) **Direct Bill – Direct Bill Entry**; 3) Bill Using Manually Entered Premiums is selected.
- Direct Bill policy, effective 02/15, is received from the carrier. On 03/01, the agency manually creates a new Direct Bill Workers Compensation policy and enters \$8,675.00 on the premium transaction line with Direct Bill Entry selected as the Bill Method.
- A Commission Statement is received from the carrier paying the agency \$530.50 (6% commission) for the policy.
- Agency producer/broker receives 50% of the agency commission.

### **Accounting Events**

<b>Date</b>	<b>Activity</b>	<b>Accounting Transaction</b>
02/01	#1	Policy effective 03/01, Direct Bill policy is created and premium of \$8,675.00 is entered in the transaction premium line for Commercial Workers Compensation, with Direct Bill Entry as the How Billed method.
04/01	#2	Commission statement received from carrier with \$520.50 agency commission. Check is deposited into the bank and to Direct Bill Receivables General Ledger Account.
04/15	#3	Direct Bill Entry Statement is created and the amount of \$520.50. Producer is listed with 50% of agency commission. Statement is posted.
04/30	#4	Commission Payable Statement created for producer and the 50% or \$260.25 is paid.

**General Ledger Postings**

Balance Sheet Accounts					Income and Expense Statement Accounts	
Date	Activity #	Operating Bank Account GL #11130	DB Commission Receivables – Insurance Co GL #11241*	Commissions Payable – Agency Business GL #21131**	P & C DB Commission Income – Insurance Companies GL #40121*	DB Commission Expense – Agency Business GL #51210**
02/01	#1					
04/01	#2	520.50	(520.50)			
04/15	#3		520.50	(260.25)	(520.50)	260.25
04/30	#4	(260.25)		260.25		

\* If a Brokerage is used, the General Ledger account number will be #11242 for the Direct Bill Commission Receivables and when the direct bill item is posted, the income will post to General Ledger account number 40122.

\*\* If a Broker is assigned commission, and the agency has selected the “post Broker Payable and Expense amounts to the GL System Accounts” in the Agency Setup, the General Ledger accounts for brokers will be #21135 for the payable and #51120 for commission expense.