Working with Commissions and Accounting

Last Modified on 06/28/2022 3:50 pm EDT

> This guide provides information about how commissions impact the accounting system and explains how to set up your GL Accounts. It is intended for advanced users.
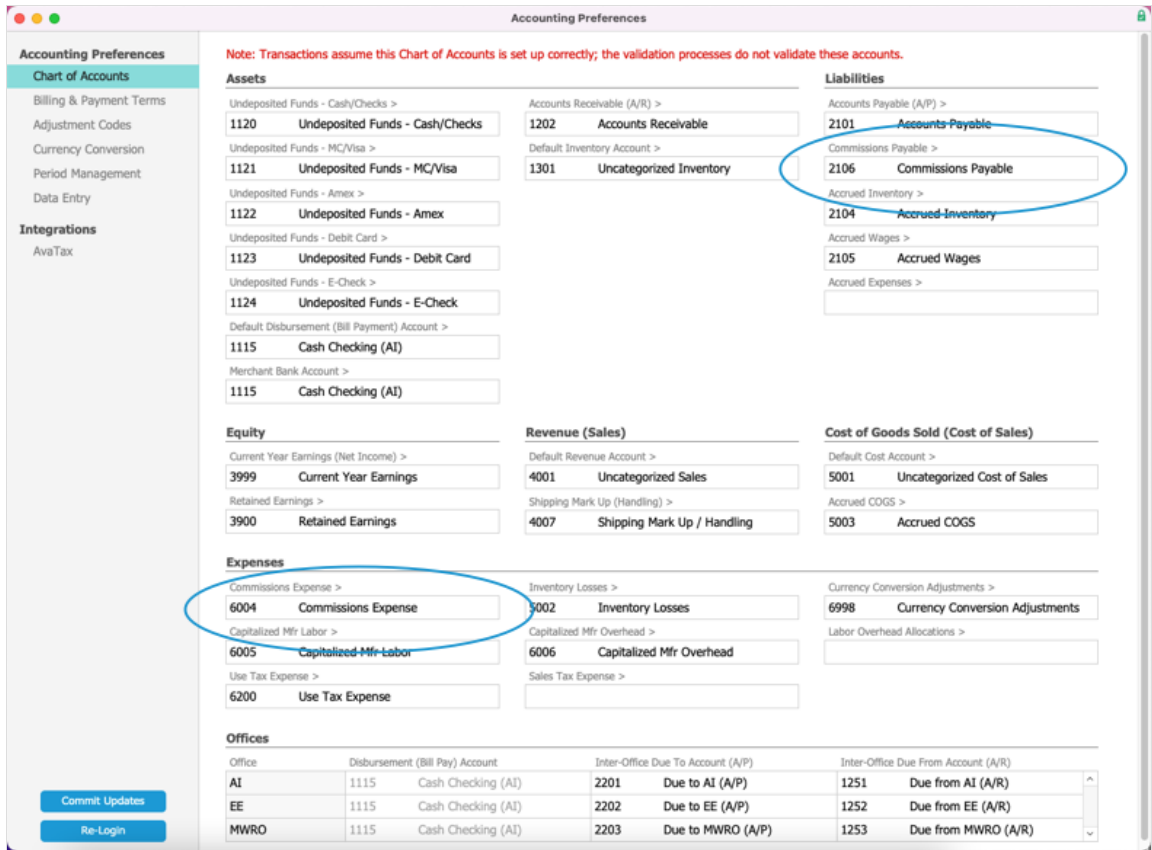
Overview of Accounting Aspects

Because commissions have an impact on accounting, posting a commission statement generates general ledger transactions. Depending on your workflow, you might post a commission statement and pay it on the same day, but you could also post statements periodically (e.g. letting the payables accrue, then paying off that payable at a later date).

When you generate and post a commission statement, aACE creates two general ledger transactions for each item on the statement. On one, the payable account is credited; on the other, the expense account is debited.

In a commission statement, the payable account is editable, meaning you can control which account accrues. For example, you could create a different GL account (https://aace6.knowledgeowl.com/help/adding-an-account-to-the-chart-of-accounts) for each of your sales reps. This account is where your payables start to accrue and show on the balance sheet as a liability. (Note: The Commissions Expense will show on the income statement.)

Setting Up the GL Accounts for Commissions

1. Make sure your aACE system has the necessary general ledger accounts (https://aace6.knowledgeowl.com/help/adding-an-account-to-the-chart-of-accounts):
   - A liability account — Can be titled "Commissions Payable" or similar.
   - An expense account — Can be titled "Commissions Expense" or similar.
2. After you have these two accounts in place, navigate from **Main Menu** > **Accounting** > **Preferences** > **Chart of Accounts**.
   - Liabilities section > **Commissions Payable** field > Select the liability account from Step 1.
   - Expenses section > **Commissions Expense** field > Select the expense account from Step 1.

3. Click **Commit Updates**.