CS Lucas and Accounting System Integration – FAQs

FAQ 01 – Are you able to integrate via AP/AR?

Approach 1: Direct GL Posting with CSL Treasury Subsidiary Ledger (Recommended)

The CSL treasury module will become the subsidiary ledger of ERP for treasury transactions. It replaces ERP AP/AR modules, which are not appropriate for treasury-related transactions. |

Process:

- CSL will generate general ledger journals for treasury instruments, which will be imported and posted to the general ledger account in ERP.
- These general ledger journals will be mapped to the ERP general ledger chart of accounts by CSL. These ERP accounts will act as "control accounts".
- CSL maintains detailed treasury transaction records to support the balances on these ERP control accounts and provide analysis thereof.
- Account reconciliation occurs between GL and CSL subsidiary ledger only.

Approach 2: AP/AR Module Integration

Maintains existing AP/AR structure with custom integration development.

Process:

- Additional transformation programs are required to read standard CSL general ledger integration files and transform these into suitable formats for updating AP/AR.
- Data flows through the AP/AR modules before the general ledger accounts are updated.
- Multiple processing layers and reconciliation points.

Recommendation: Approach 1 We strongly recommend **Approach 1** for the

following reasons:

- **Simplified Architecture** – Direct posting to GL using data organised specifically for this purpose.
- **Better Data Integrity** – A unified CSL treasury subsidiary ledger reduces the risk of discrepancies.
- **Less Maintenance** – There is no additional need to maintain a body of codes that transform the general ledger-ready journals for posting into AP/AR.
- **Proven Method** – Leverages CSL's tested standard integration capabilities

Approach 2 Limitations:

- Requires significant custom development and ongoing maintenance
- Complex multi-layer data flow increases error potential

Approach 1 provides a more robust, lower-risk, and lower-cost solution with minimised technical complexity.

FAQ02 – How should the accounting system treat reversal journals from CS Lucas?

The CS Lucas system maintains full control over all journal reversals and does not rely on the accounting system to initiate reversals.

Trade Amendment and Deletion Process

When users make trade amendments or deletions within the CS Lucas system:

- The system automatically generates a reversal journal if the original journals have already been posted
- All trades must receive approval before posting is permitted

Month-End Journal Processing

Month-end journals in the CS Lucas system are designed with automatic reversal functionality:

- Each month-end journal automatically generates a corresponding reversal journal
- Reversal journals are created on the first day of the following accounting period

Accounting System Integration

The accounting system should process all journals received from CS Lucas as standard journal entries, without requiring special handling or reversal procedures.

FAQ03 – Should the ERP system revalue journals posted by CS Lucas?

ERP system must NOT revalue any General Ledger chart of accounts items (except "Cash at bank") used for treasury transactions that CS Lucas system is posting to. If these journals are revalued or changed and booked (either manually or via integration), we will not be able to provide support to reconcile General Ledger balances (base and currency amount) to the CS Lucas system.

The reason revaluation is not necessary are as follows:

a) CS Lucas will book transactions using the appropriate accounting rate so that the base currency amount are correctly stated. Where necessary, CS Lucas will recompute the appropriate average period exchange rate from the archived end of day rate.

b) At month end, the CS Lucas system generates month end journals for the following purposes:

i) accruals for interest income and expenses.

ii) amortization/accretion journals.

iiii) revaluation journals to compute the FX gains and losses.

iv) revaluation if monetary assets and liability.

c) Unless otherwise stated, all month end journals above are reversing in nature posted on the following day of the month end.

d) Settlement journals for transactions booked in the CS Lucas assume these above month end journals and their reversal. These settlement journals computes the correct FX realized amount and analyze it between capital and revenue as appropriate.

e) The “Cash at bank” accounts are not revalued by CS Lucas. Therefore, the Cash at Bank account needs to be restated for month end revaluation in the usual manner by the ERP system.

FAQ04 – Is CS Lucas able to maintain entity-specific accounting exchange rates for journals?

Yes, CS Lucas is able to maintain entity-specific accounting exchange rates and automatically apply them in journals. This is achieved by setting up the rates and configuring entity preferences to ensure the correct rate is used in calculations.

FAQ05 – Can we use incremental adjustments or running balance method instead of reversing accruals each month?

While incremental adjustments may seem more efficient, our system uses monthly accrual reversals as the standard approach based on accounting best practices for journal management.

Our system reverses accruals each month to ensure that accrued amounts remain accurate and up-to-date with the most current underlying data, rates, and transaction activity. When accruals are reversed at month-end, the system recalculates amounts based on actual activity during the period, including any changes in balances, rates, or adjustments that may have occurred.

The reversal method provides several critical advantages over incremental adjustments:

Accuracy and Error Prevention: This approach prevents the accumulation of rounding errors and ensures that accrued amounts reflect the true position rather than carrying forward potentially outdated estimates. This is especially important for foreign exchange (FX) calculations, where transactions occur at different

rates. Incremental adjustments carry the risk of compounding errors that could occur if accruals were simply adjusted month-over-month, particularly when there are many movements in the month.

Transparency and Auditability: The reversal method provides greater transparency and auditability, as each month's accrual is calculated fresh from the actual data, making it easier to trace and verify calculations. This creates a clean, defensible audit trail for your calculations.

This systematic approach eliminates the risk of compounding errors and provides the reliability and accuracy required for proper financial reporting. The reversal method remains robust as complexity increases, handling high-volume transaction environments and complex calculations with consistent accuracy.

FAQ06 – Can I maintain independent accounting and reporting for my treasury and operational transactions?

Yes, CS Lucas TMS provides complete accounting capabilities that can operate independently from your operational accounting in the ERP system. To find out more, refer to this blogpost.