

Distribution Account

Last Modified on 01/17/2024 10:42 am EST

The purpose of this guide is to discuss the functionality of the General Ledger Distribution account in SedonaOffice. The Distribution account was first introduced in SedonaOffice with the 5.2 release.

Overview

The Distribution Account Type is a special kind of General Ledger account that takes on certain criteria as explained below. The most common use of this account type will be for shareholder distributions. The other area this account can be used for is adjustments to Retained Earnings as well as Retained Earnings entry in the initial Trial Balance setup for new customers.

Retained Earnings Explanation


Within SedonaOffice there is always one GL account setup as the company's Retained Earnings account. This account is has special properties; manual journal entries may not be posted against this account. The Retained Earnings account automatically generates its account balance by bringing forward the prior year's Net Income.

How the Distribution Account Works

The Distribution account, just like the prior year's Net Income will automatically adjust its balance at the end of the fiscal year to the Retained Earnings account. The Distribution account clears its balance each fiscal year just like Net Income.

Since Distributions are not an Expense, the display of the Distribution account will appear on your Balance Sheet under the Equity section.

In this example below, we see a Distributions entry of \$-100,000.00, this is actually a Debit entry, as the Equity section of the Balance Sheet normally has a Credit balance. (In this case a Distribution was made of \$100,000.) We also can see the current Retained Earnings amount and the Net Income for the current fiscal year.

May 17, 2010	Balance Sheet		Page# 2
9:07 AM	As Of 12/31/2009		
Equity			
	Equity		
	30100 Paid in Capital	250,000.00	
	30300 Distributions	(100,000.00)	
	30900 Retained Earnings	1,204,545.11	
	39999 Open Balance Equity Account	100.00	
	Net Income (Loss) Current Fiscal Year	266,659.48	
	Total Equity	1,621,304.59	

Year End Balance Sheet 12/31/2009

In this next example we can see the effects on the Retained Earnings account in the next fiscal year. Notice the Retained Earnings is now the sum of the previous year's Retained Earnings, Net Income and the Distributions.

May 17, 2010 9:09 AM	Balance Sheet As Of 1/31/2010	Page# 2
Equity		
	Equity	
30100	Paid in Capital	250,000.00
30900	Retained Earnings	1,371,204.59
39999	Open Balance Equity Account	100.00
	Net Income (Loss) Current Fiscal Year	0.00
	Total Equity	1,621,304.59

Next Year's Balance Sheet 01/31/2010

Account Setup

To setup a new GL Account as a Distribution Account Type, select the Account Type of DIST when creating the GL Account.

Chart of Accounts Edit

☐ Inactive

Account Code: 30300

Description: Distributions

Account Type: DIST

Distribution

Save Delete Close

Uses of the Distribution Account

There are many uses for the Distribution Account Type; here are three of the most common.

Shareholder Distributions

The most common would be for shareholder distributions. These distributions would appear on the balance sheet in

the current fiscal year and then roll into the Retained Earnings at year-end.

Data Conversion Trial Balance Setup

When initially entering your trial balance data you can create a Distribution Account Type up as “Retained Earnings from Setup”. Post your retained earnings figure into this account during your initial trial balance setup. This will then roll into the actual Retained Earnings at year-end.

Retained Earnings Adjustments

Create a Distribution Account Type to handle any retained earning adjustments. These adjustments are usually directed to be done by your CPA.