

Account assignment: allocating costs cleanly in procurement and financial accounting

Account assignment refers to the allocation of a business transaction – such as a purchase order, goods receipt or incoming invoice – to the correct G/L accounts, cost centres and cost types. In procurement, account assignment is a central quality step that determines whether costs are transparent, bookable and analysable. Faulty account assignments frequently lead to repostings, delayed approvals and unsatisfactory reports. For buyers and supply chain managers, a clean account assignment process with clear rules and responsibilities is therefore indispensable.

Key facts

- Account assignment is the allocation of documents and line items to G/L accounts, cost centres, cost types and, where applicable, projects or orders.
- In the procurement process, the account assignment is typically already set when the purchase requisition is created and is subsequently only checked.
- Purchase orders with account assignments can be released automatically as part of requester and budget checks.
- Typical account assignment fields are G/L account, cost centre, cost type, order/project, asset accounting key and, where applicable, tax code.
- Frequent causes of errors are incorrect cost centres, missing project account assignments and account assignments that are no longer valid due to long approval chains.
- An account assignment guide with allocation rules and examples measurably improves data quality.

Definition: account assignment

Account assignment is the factual allocation of a posting or document transaction to the accounts and reporting units of financial and cost accounting. It determines which expense or revenue arises, for which organisational unit it is incurred and from which budget it is funded.

Account assignment within the purchase order process

In the procurement process, the account assignment is created as early as the purchase requisition stage: the requester assigns their requirement item to a cost centre, cost type and – for capital expenditure – to an asset or project. This account assignment is carried through the purchase order and goods receipt to invoice posting, provided no deviations occur. It is thus the backbone of the subsequent budget check and cost control.

- Purchase requisition: requester sets the account assignment
- Purchase order: check whether the account assignment is factually plausible
- Goods receipt: posting to the account assigned to the purchase order
- Invoice: comparison of the account assignment with purchase order and goods receipt

Distinction: account assignment, posting, cost centre

Account assignment is not the posting itself, but the prior factual classification. Posting then takes place with system support on the basis of the account assignment. The cost centre is only one of several account assignment characteristics – alongside cost type, G/L account, order or project number and tax code.

Methods and approach for account assignment

A functioning account assignment process combines clear rules with operational support for requesters. The aim is to avoid errors early on rather than correct them later at great effort.

Account assignment rules and guides

In practice, short, practical account assignment guides have proven their worth, covering typical cases with examples: when is an item posted to a cost centre, when to a capital expenditure request project, when to stock? Such rules reduce follow-up queries and sustainably improve data quality.

- Allocation matrix: category typical G/L account
- Rules for capital expenditure, maintenance, sales, administration
- Examples of typical error cases with suggested corrections
- Contact persons for special cases

Automation via catalogue and commodity groups

For catalogue purchases, the account assignment can be largely automated, because the commodity group and supplier already largely determine the factual allocation. The catalogue structure must be properly maintained for this purpose. Spot purchases outside catalogues, by contrast, require manual input and are typically the main source of account assignment errors.

Account assignment with framework agreements and call-offs

With framework agreements, a template account assignment is often used, which can be overwritten at the call-off. It is important that the cost centre is recorded correctly for each call-off item, otherwise expenses are attributed to the wrong unit – with consequences for internal cost allocation and supplier performance evaluation at category level.

Account assignment, budget and approval process

The account assignment is the anchor for budget checks and approval workflows. Without a valid account assignment, the system can neither check whether budget is available nor identify the correct approver.

Budget availability check

As soon as the account assignment is set, the system typically checks whether sufficient budget is available on the cost centre or project. The check can be configured as a warning or as a hard block. This mechanism makes it possible to systematically prevent budget overruns instead of discussing them retrospectively.

Approval according to account assignment

Many approval strategies use account assignment characteristics as criteria: the cost centre determines

the functional approver, the account level or cost type determines the additional approval step. This accelerates standard purchases and keeps the effort for special cases low.

Key KPIs relating to account assignment

The quality of the account assignment can be made measurable. KPIs show where rules or system support need to be improved.

Account assignment error rate and rework

Typical KPIs are the rate of repostings after invoice receipt, the share of purchase orders without a complete account assignment at first submission to accounting, and the average processing time for account assignment corrections. In practice, target values are often set in the range of below five per cent reposting rate, depending on the maturity of the process.

Reliability of the cost reports

Indirectly, account assignment quality is reflected in the reports: if cost centre and project comparisons are plausible and contain no conspicuous collective or lump-sum postings, this indicates stable account assignment discipline. Regular plausibility analyses complement the operational KPIs.

Risks and controls in account assignment

Account assignment errors are often seemingly harmless but consequential weaknesses: they distort reports, delay payments and complicate audits.

Typical risks

Frequent error patterns are incorrect or inconsistent cost centres across departments, account assignments to completed projects and incorrect tax codes on international orders. Especially in international procurement with different tax rates, this leads to subsequent correction effort and discussions with tax advisors.

- Incorrect cost centre or cost type
- Account assignment to a completed project or budget
- Missing or incorrect tax coding
- Unplausible distribution key for multiple account assignments

Controls and compliance

Effective controls operate at several points: plausibility checks in the system, four-eyes review for critical account assignments and periodic spot checks by the accounting department. Legal and tax details – for example regarding input tax deduction or GoBD requirements for posting documentation – should be clarified with tax advisors or auditors on a case-by-case basis.

Current developments: automation and AI-supported account assignment

Account assignment is increasingly being automated. Modern systems automatically suggest account assignments based on historical postings, commodity groups and supplier information.

Suggested account assignment and the confirmation principle

In practice, the propose-and-confirm principle has proven its worth: the system suggests an account assignment, which the requester confirms or corrects. This accelerates the process without transferring functional responsibility – and continuously improves data quality.

Interfaces to ERP and reporting

A clean account assignment is a prerequisite for reliable cross-departmental reports, cost centre comparisons and capital expenditure controlling. Companies that closely integrate their procurement and finance systems typically achieve significantly shorter cycle times and less manual reconciliation work here.

Typical metrics

Reposting rate: typically < 5 %

Share of invoices requiring an account assignment correction after posting

Complete account assignment at purchase requisition: > 98 %

Share of line items with a complete account assignment without follow-up queries

Processing time for account assignment corrections: typically 1–2 working days

Clarification time until correct posting

Practical example

A medium-sized mechanical engineering company with around 400 employees had high reposting rates: invoices were frequently not automatically matched to the purchase order due to incomplete account assignments and instead ended up in manual clarification. The accounting department corrected dozens of documents every week, and cost centre managers complained about distorted month-end results.

- Introduction of a short account assignment guide with an allocation matrix for all procurement categories
- Automatic account assignment suggestions in the purchase order system based on the catalogue structure and historical postings
- Mandatory account assignment check before purchase order release with spot checks by the accounting department
- Monthly evaluation of the reposting rate with target management for the departments concerned

Conclusion

Account assignment is an inconspicuous but important indicator of process quality in procurement. It determines budget transparency, approval speed and the reliability of cost reports. Investment in clear rules, catalogue support and system-based account assignment suggestions quickly pays off through less rework and more reliable reporting. Those who view account assignment merely as a financial accounting posting step underestimate its importance for steering the entire procurement process. A clean account assignment process is therefore part of the essential toolkit of professional procurement.

Frequently asked questions

What does account assignment mean?

Account assignment is the allocation of a document or posting transaction to G/L accounts, cost centres and cost types in financial and cost accounting. In procurement, the account assignment is typically already set at the purchase requisition stage. It determines where the budget comes from and which cost centre bears the expense.

Who performs the account assignment in the procurement process?

As a rule, the requester performs the account assignment, because they are best placed to judge the purpose of the purchase. For catalogue orders, the system takes over the account assignment based on the commodity group. In special cases, cost centre managers or Controlling provide support – for example with capital expenditure or project account assignments.

What happens with an incorrect account assignment?

Incorrectly assigned documents must be reposted, which takes time and distorts reports. Invoice posting is also often delayed because automatic matches between purchase order and invoice fail. Recurring errors usually indicate unclear account assignment rules.

Which account assignment fields are there?

Typical fields are G/L account, cost centre, cost type, order or project number and tax code. Depending on the system, cost type groups, internal orders or asset accounting characteristics are added. Which fields are mandatory is defined by the company in its account assignment concept.

How can account assignment quality be measured?

Typical KPIs are the reposting rate, the share of complete account assignments at purchase requisition and the processing time for corrections. In practice, target values are often set at below five per cent repostings. Regular plausibility analyses of the cost reports complete the picture.