# Harmonizing Accounts

Your All-Access Pass to How our Account Numbers Work

2017 Financial Forum

November 21, 2017







# Agenda

- § Your Presenters
- § Help?
- § What's the Big Deal?
- § Anatomy of a Journal Entry
- § Revenues & Expenses
- § Recoveries
- § Capital Assets
- § Transfers
- § Salary accounts



# Your Presenters

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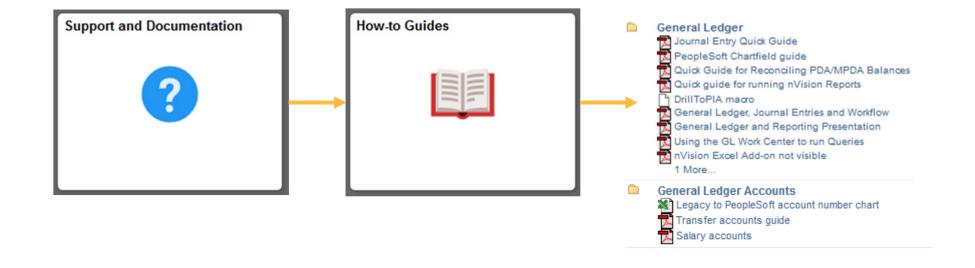


# Need Help?

- § Accounts Payable aphelp@mcmaster.ca
- § Accounts Receivable <u>acctrec@mcmaster.ca</u>
- § Workflow finworkflow@mcmaster.ca
- § Financial Services General Inquiries <a href="mailto:financial">finserv@mcmaster.ca</a>
- § Labour Distribution <a href="mailto:sylvest@mcmaster.ca">sylvest@mcmaster.ca</a>
- § Research Project Statement <u>assadaf@mcmaster.ca</u>
- § Hyperion morronep@mcmaster.ca
- § HST Related Inquiries <a href="mailto:hst@mcmaster.ca">hst@mcmaster.ca</a>



# Need Help?





# What's the Big Deal?

Statistics - May 1, 2016 to April 30, 2017

#### **Journal Entries**

- § 581 unique users with entries
- § 32,856 journal entries
- § 902,643 total lines
- § \$19,550,626,932 of journal entries

#### Vouchers

- § 804 unique users
- § 135,099 vouchers entered
- § 238,832 total lines

It is up to each user to ensure that the most appropriate account number is used.



What is a Journal Entry?

- § A way to record a transaction in the records or "books" of an organization
- § Consists of:
  - § A description
  - § A date
  - § Amounts recorded as Debits (Dr.) or Credits (Cr.)
  - § At least two lines of parameters (i.e. Chartfield)



Policy and Guidelines

§ Policy link:

http://www.mcmaster.ca/bms/pdf/JournalEntryPolicy.pdf

§ Guideline link:

http://www.mcmaster.ca/bms/pdf/GuidelineJournalEntries.pdf



Line Parameters, a.k.a. The Chartfield

#### Consists a combination of the following:

- § Business Unit (BU)
- § Fund
- § Account
- § Department
- § Program
- § Project\*

- § \*Project Costing (PC) BU
- § \*Analysis Type
- § \*Activity
- § \*Resource Type



#### **Account Number**

The account number in a Chartfield:

- § Brings meaning or substance to the transaction, and
- § Provides a way to store, categorize, structure and segregate transactional data for internal and external reporting



Account Number: Example

Does this have any meaning?

BU	FUND	DEPT.	PROGRAM	DR.	CR.
MAC01	20	10385	30000	\$10,000	
MAC01	20	10511	30000		\$10,000

How about this?

BU	FUND	ACCT.	DEPT.	PROGRAM	DR.	CR.
MAC01	20	600001	10385	30000	\$10,000	
MAC01	20	600001	10511	30000		\$10,000



# **Chartfield Categories**

#### Ownership / Responsibility:

- § Business Unit (BU)
- § Fund
- § Department
- § Program
- § Project\*

#### **Tracking Within Projects:**

- § \*Project Costing (PC) BU
- § \*Analysis Type
- § \*Activity
- § \*Resource Type

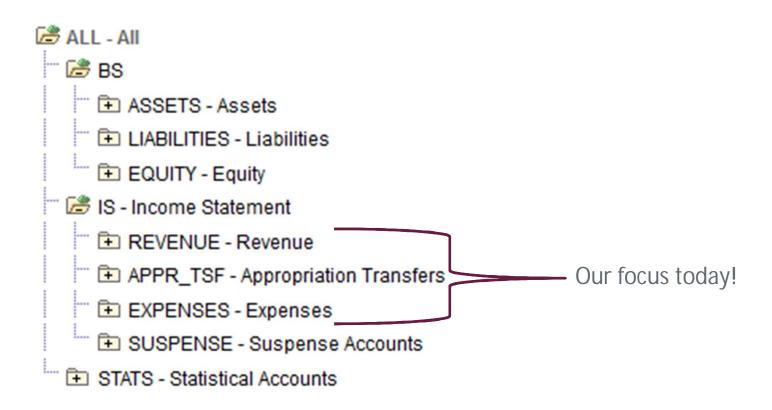
#### **Substance of Transaction:**

§ Account



## The Mosaic Account Tree

# **Summary View**



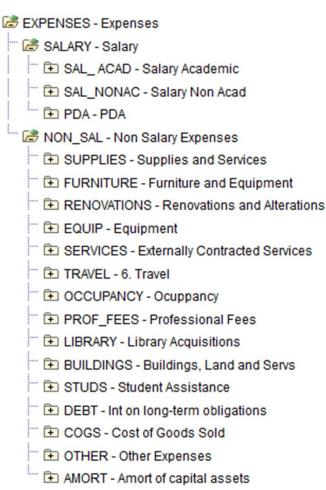


# The Mosaic Account Tree

Revenues & Expenses

```
REVENUE - Revenue

GRANTS - Grants and Contracts
FEES - Fees
SALES - Sales
INV_INC - Investment Income
OTHER_REV - Other Revenue
AMORT_CAP - Capital Amortization
```



# Recoveries

#### Overview

Types of Recoveries:

Internal: To another department within McMaster (MAC01).

External: To an external entity\*.

\* We have inter-company accounts with external entities (e.g. #210515 – MSU). As such, a recovery via a journal entry does not guarantee it is an internal recovery.



# Recoveries

#### Internal Recoveries

Internal Recoveries should use account numbers within the same Parent Node and where possible the same account number should be used.

For example, salary recoveries should use salary accounts for both the debits and credits of the journal entry. This minimizes allocation misstatements.

Dr. #500001 – FT Academic Salaries \$10,000

Cr. #500801 – Recovery Academic FT \$10,000

This keeps the overall wage expense for the University untouched.

Dr. #808000 – INT Recoveries \$10,000

Cr. #500801 – Recovery Academic FT \$10,000

This would show that we spent \$10,000 less on salaries.



# Recoveries

**External Recoveries** 

External Recoveries should use account numbers in the #490000 to #499000 range.



Overview

Used to capture expenditures that have a useful life of greater than 1 year.

In accordance with Capital Assets Policy:

http://www.mcmaster.ca/bms/pdf/capassets.pdf



# **Common Categories**

# **Equipment, Furniture & Vehicles > \$5,000**

```
#610000 – Equipment Major
```

#610015 – Office Furniture & Fixtures

#610010 – Vehicle Purchases



Common Categories, Continued

Computer Equipment > \$2,000

#610030 – Equipment – Computer

Computer Software & Systems\* > \$5,000

#610040 – Computer Software

\* Does not include periodic licenses (i.e. annual subscriptions)



#### Considerations

When considering the cost of an asset:

#### Include:

- § Net HST
- § Freight & delivery charges
- § Set-up costs
- § Foreign exchange

### Exclude:

- § Warranties or maintenance agreements
- § Training



Overview

The movement of funds between internal departments, budget envelopes, or funds within McMaster University with no impact on consolidated financial results.

e.g. Provost support of Faculties, Operating matching funds to Capital or Research

Transfers should disappear when consolidated



## Transfer account decision tree

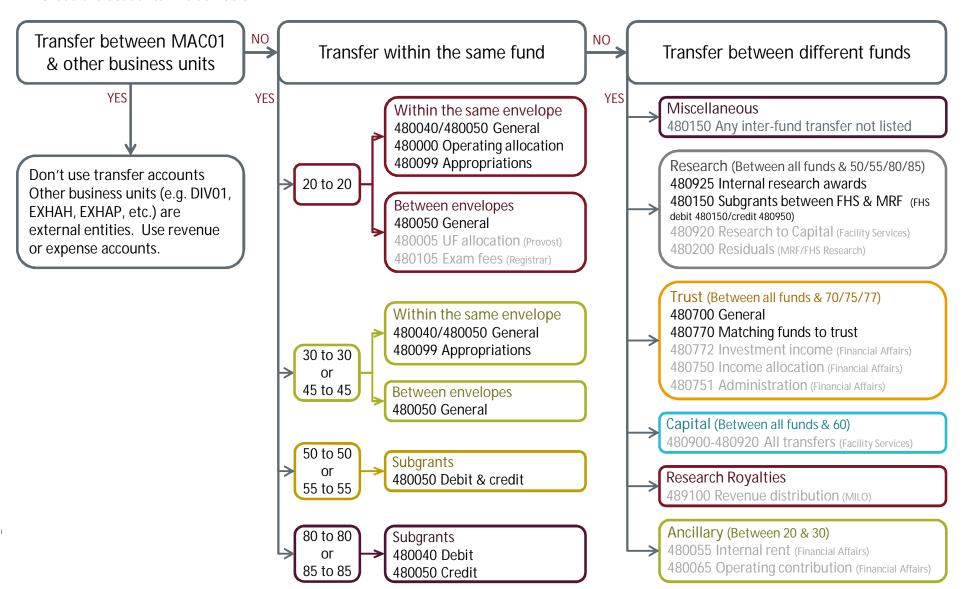
DO use transfer accounts on journal entries

DO use the same transfer account on both sides of the entry

DO use the accounts in black below

DON'T use on deposits, vouchers, purchase requisitions, etc.

DON'T use the accounts in gray below (reserved for the offices as shown)



## Example #1

Department A bought supplies worth \$1,000 on account 600001 and is splitting the 50% of the cost with Department B, which is in the same envelope.

#### Incorrect:

Dept B Dr. 20-600001 Materials & Supplies \$500

Dept A Cr. 20-480050 Int Rev Trnsfr-within FUND \$500

#### Preferred:

Dept B Dr. 20-600001 Materials & Supplies \$500

Dept A Cr. 20-600001 Materials & Supplies \$500



Example #1 (continued)

Department A bought supplies worth \$1,000 on account 600001 and is splitting the 50% of the cost with Department B, which is in the same envelope.

#### Incorrect:

Dept B Dr. 20-600001 Materials & Supplies \$500

Dept A Cr. 20-480050 Int Rev Trnsfr-within FUND \$500

#### Also correct:

Dept B Dr. 20-480050 Int Rev Trnsfr-within FUND \$500

Dept A Cr. 20-480050 Int Rev Trnsfr-within FUND \$500

#### Also correct:

Dept B Dr. 20-480040 Int Rev Trnsfr-within ENVELOPE \$500

Dept A Cr. 20-480040 Int Rev Trnsfr-within ENVELOPE \$500

# Example #2

Operating Department A shares \$10,000 of revenue from student fees with Ancillary Department B

#### Incorrect:

Dept A Dr. 20-480050 Int Rev Trnsfr-within FUND \$10,000

Dept B Cr. 30-480050 Int Rev Trnsfr-within FUND \$10,000

#### Correct:

Dept A Dr. 20-480150 Int Rev Trnsfr-BETWEEN FUNDS \$10,000

Dept B Cr. 30-480150 Int Rev Trnsfr-BETWEEN FUNDS \$10,000



# Example #3

Divinity College reimburses McMaster for credit card fees of \$100

#### Incorrect:

Dr. DIV01-20-480150 Int Rev Trnsfr-BETWEEN FUNDS \$100

Cr. MAC01-20-480150 Int Rev Trnsfr-BETWEEN FUNDS \$100

#### Correct:

Dr. DIV01-20-750002 Bank Charges \$100

Cr. MAC01-20-750002 Bank Charges \$100



# Complete Account Matrix

# www.mcmaster.ca/bms/pdf/tran\_accounts.pdf

	20	30	45	50/55	60	70/75/77	72/78	80/85
Fund	Operating	Ancillary	Specifically Externally Funded	Research	Capital	Trusts & Endowments	Cost of Practice	FHS Research
Transfers within the same Fund     General transfers								
Within the same budget envelope	480040	480040	480040					
To/from a different budget envelope	480050	480050	480050					
Specific transfers								
Operating allocation	480000							
University Fund specific allocations	480005							
University Fund funded priorities	480010							
Appropriation transfers	480099	480099	480099					
Deferred exam fee transfers	480105							
Internal research subgrants				480050				480040 Dr 480050 Cr
Research residuals				480200				480200



# **Salary Accounts**

Overview

Salary accounts are used to track payments by type of employee. The account should reflect the compensation group and type of appointment.

e.g. Full-time (permanent) faculty, part-time (contract) staff, hourly



# **Salary Accounts**

Account by Union Group

# www.mcmaster.ca/bms/pdf/lab\_ben\_map.pdf

# Salary accounts by union group

Code	Union Group	Account				
		500001 Academic Full Time				
CFA		500005 Academic Ceiling Guarantee				
		500131 Academic Teaching Track				
	Clinical Faculty	500111 Academic Admin Stipend				
		500002 Academic FHS Stipend				
		500121 Academic Contractually Limited Appointment				
		500141 Academic CAWAR				
CLF	Clinical Fellows	501007 Salary Post-Doctoral Fellows				
CLS	Clinical Scholar	501016 Clinical Scholars				
		522001 TA Graduate In Time FT				
CP1	Teaching Assistants CUPE Unit 1	522002 TA Graduate Over Time/Non Mac				
		522011 TA Undergraduate				
CP2	Sessional Faculty CUPE Unit 2	501012 Salary Sessional Lecture PT				



# **Salary Accounts**

#### Considerations

When determining the salary account, remember:

- 1. Don't use 541099
  - § System-generated when account is missing
- 2. Use 501012 for CUPE sessional faculty
  - § All other sessional part-time teaching including overload should use 501001
- 3. Full-time means permanent, part-time means contract
  - § Contract staff working 35 hours should use 541001

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