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?
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.
Journal Entries
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)
Journal Entries
Policy and Guidelines

Policy link:


Guideline link:

Journal Entries
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
Journal Entries

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.
**Journal Entries**

Account Number: Example

Does this have any meaning?

<table>
<thead>
<tr>
<th>BU</th>
<th>FUND</th>
<th>DEPT.</th>
<th>PROGRAM</th>
<th>DR.</th>
<th>CR.</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAC01</td>
<td>20</td>
<td>10385</td>
<td>30000</td>
<td>$10,000</td>
<td></td>
</tr>
<tr>
<td>MAC01</td>
<td>20</td>
<td>10511</td>
<td>30000</td>
<td></td>
<td>$10,000</td>
</tr>
</tbody>
</table>

How about this?

<table>
<thead>
<tr>
<th>BU</th>
<th>FUND</th>
<th>ACCT.</th>
<th>DEPT.</th>
<th>PROGRAM</th>
<th>DR.</th>
<th>CR.</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAC01</td>
<td>20</td>
<td>600001</td>
<td>10385</td>
<td>30000</td>
<td>$10,000</td>
<td></td>
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<tr>
<td>MAC01</td>
<td>20</td>
<td>600001</td>
<td>10511</td>
<td>30000</td>
<td></td>
<td>$10,000</td>
</tr>
</tbody>
</table>
Journal Entries
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

Our focus today!
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

- EXPENSES - Expenses
  - SALARY - Salary
    - SAL_Acad - Salary Academic
    - SAL_NONAC - Salary Non Acad
    - PDA - PDA
  - NON_SAL - Non Salary Expenses
    - SUPPLIES - Supplies and Services
    - FURNITURE - Furniture and Equipment
    - RENOVATIONS - Renovations and Alterations
    - EQUIP - Equipment
    - SERVICES - Externally Contracted Services
    - TRAVEL - Travel
    - OCCUPANCY - Occupancy
    - PROF_FEES - Professional Fees
    - LIBRARY - Library Acquisitions
    - BUILDINGS - Buildings, Land and Servs
    - STUDS - Student Assistance
    - DEBT - Int on long-term obligations
    - COGS - Cost of Goods Sold
    - OTHER - Other Expenses
      - AMORT - Amort of capital assets
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.
Capital Asset Accounts
Overview

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

In accordance with Capital Assets Policy:

Capital Asset Accounts
Common Categories

Equipment, Furniture & Vehicles > $5,000

#610000 – Equipment Major
#610015 – Office Furniture & Fixtures
#610010 – Vehicle Purchases
Capital Asset Accounts
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)
Capital Asset Accounts
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
Transfer Accounts
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
**DON’T** use on deposits, vouchers, purchase requisitions, etc.
**DON’T** use the accounts in gray below (reserved for the offices as shown)
**DO** use the accounts in black below

Transfer between MAC01 & other business units

**DON’T** use transfer accounts
Other business units (e.g. DIV01, EXHAH, EXHAP, etc.) are external entities. Use revenue or expense accounts.

Transfer within the same fund

Within the same envelope
- 480040/480050 General
- 480000 Operating allocation
- 480099 Appropriations

20 to 20

Between envelopes
- 480050 General
- 480005 UF allocation (Provost)
- 480105 Exam fees (Registrar)

30 to 30 or 45 to 45

Within the same envelope
- 480040/480050 General
- 480099 Appropriations

Subgrants
- 480050 Debit & credit

50 to 50 or 55 to 55

Subgrants
- 480040 Debit
- 480050 Credit

80 to 80 or 85 to 85

Transfer between different funds

Miscellaneous
- 480150 Any inter-fund transfer not listed

Research (Between all funds & 50/55/80/85)
- 480925 Internal research awards
- 480150 Subgrants between FHS & MRF (FHS debit 480150/credit 480950)
- 480920 Research to Capital (Facility Services)
- 480200 Residuals (MRF/FHS Research)

Trust (Between all funds & 70/75/77)
- 480700 General
- 480770 Matching funds to trust
- 480772 Investment income (Financial Affairs)
- 480750 Income allocation (Financial Affairs)
- 480751 Administration (Financial Affairs)

Capital (Between all funds & 60)
- 480900-480920 All transfers (Facility Services)

Research Royalties
- 489100 Revenue distribution (MILO)

Ancillary (Between 20 & 30)
- 480055 Internal rent (Financial Affairs)
- 480065 Operating contribution (Financial Affairs)
Transfer Accounts
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
Transfer Accounts
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
Transfer Accounts
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
Transfer Accounts

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
Transfer Accounts
Complete Account Matrix

www.mcmaster.ca/bms/pdf/tran_accounts.pdf

<table>
<thead>
<tr>
<th>Fund:</th>
<th>20</th>
<th>30</th>
<th>45</th>
<th>50/55</th>
<th>60</th>
<th>70/75/77</th>
<th>72/78</th>
<th>80/85</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Operating</td>
<td>Ancillary</td>
<td>Specifically Externally Funded</td>
<td>Research</td>
<td>Capital</td>
<td>Trusts &amp; Endowments</td>
<td>Cost of Practice</td>
<td>FHS Research</td>
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<td>1. Transfers within the same Fund</td>
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<tr>
<td>To/from a different budget envelope</td>
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<td>Specific transfers</td>
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<tr>
<td>Operating allocation</td>
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<tr>
<td>University Fund specific allocations</td>
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<tr>
<td>University Fund funded priorities</td>
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<tr>
<td>Appropriation transfers</td>
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<td>480099</td>
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<td>Deferred exam fee transfers</td>
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<tr>
<td>Internal research subgrants</td>
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<tr>
<td>Research residuals</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

480040 Dr
480050 Cr
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

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