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## Purpose

This task outlines the steps required to record internal transactions by the University community.

## Definitions

**Internal Transactions** – Any type of transaction that transfers either an asset or dollars from one University department to another. Examples include internal purchases, transfers, contracts, contributions, services or goods.

**Unrestricted Funds** – Operating 11XXX, TDF 13XXX, unrestricted research funds 14XXX, specific purpose funds 16XXX and ancillary 7XXXX.

**Restricted Funds** – Funds provided by an external party that have specific restrictions on how the funds can be spent. Restricted funds include restricted research 4XXXX, trust funds 5XXXX/6XXXX and capital 8XXXX.

## Responsibility

### Executive Director, Financial Services:

1. Provide a process to the University community with respect to recording internal transactions.
2. Ensure transactions are recorded consistently across the University.
3. Ensure all transactions are reported accurately for the Board and Senior Administration in such documents as Board Reports and the annual Financial Statements, including the elimination of internal transactions.

### University Community:

1. Follow University policies and procedures for contributing funds.
2. Follow this procedure when recording transactions with other University departments.
3. Consult Financial Services Account Code Dictionary for descriptions of account codes.
4. Complete journal entries, internal requisitions and transfers as required.

## Frequency

Regularly, with operations

## Steps for the University Community

1. **Funds Held on Behalf of Others** (funds beginning with 54, 58 or 49) transactions

- a) These transactions look to be internal because we have funds created for these outside organizations, but they are really external transactions. Steps 2-6 below do not apply.
  - b) Use external revenue account code 3901 (Parking use 3981-3983) and expense codes to record these transactions.
2. **Providing funding** to another University department, no services or goods exchanged
- a) This is considered an internal contribution.
  - b) Examples include donating to another faculty's conference, event or contest.
  - c) DR account 6410 Internal Contributions
  - d) CR account 3801-3805 Sales to XXXXX (depending on the fund being used by the other department – see Appendix 1)
  - e) Where actual expenses can be identified, the expenses should be reallocated rather than an internal contribution – follow #6 below
  - f) Avoid internal contributions between restricted and unrestricted funds. For reporting purposes record actual expenses in the restricted fund whenever possible.
  - g) Revenue accounts 3808, 3809, 3810, 3811 are no longer used
3. **Selling goods** to another department
- a) This is considered internal sales of goods, such as equipment or assets.
  - b) Occurs when a department has surplus equipment and 'sells' it to a department who can use the equipment.
  - c) DR account 6412 Internal goods
  - d) CR account 3801-3805 Sales to XXXXX (depending on the fund being used by the other department – see Appendix 1)
  - e) Departments should not charge other departments GST on internal transactions
4. **Selling services** to another department
- a) This is considered internal sales of services.
  - b) Examples include internal charges for mileage or web development, additional security, housing or facilities charges.
  - c) DR account 6411 Internal Services
  - d) CR account 3801-3805 Sales to XXXXX (depending on the fund being used by the other department – see Appendix 1)
  - e) Departments should not charge other departments GST on internal transactions
5. **Flow-through Charges** to another department
- a) These are expenses that one department pays for and charges out to another department. These are allowed to be coded to an actual expense account because they are netted in our consolidation entry to Materials and Supplies expense at yearend.
  - b) Examples include internal rental, printing, utilities and telecom charges
  - c) DR account 6xxx (appropriate expense account)
  - d) CR account 3801-3805 Sales to XXXXX (depending on the fund being used by the other department – see Appendix 1)

6. **Purchasing goods on behalf of another department** (within fiscal year Apr– Mar)
- a) If this is done within the same fiscal year the internal requisition or JV is used to move the costs from one department to another. This is considered a new University purchase.
    - The 6XXX or 8XXX account must be the same for the debit and credit side
    - If GST is included in the cost of the good, the amount charged to the other department should be net of the GST rebate
  - b) If these costs are not in the same fiscal year (e.g. purchased in March and transferred in April), the original purchase entry is recorded in the purchase year. In the following year, the internal requisition or JV to record the costs in another department is:
    - DR account 6 XXX or 8 XXX (appropriate expense account)
    - CR account 3801-3805 Sales to XXXXX (depending on the fund being used by the other department – see Appendix 1)

The first year records an expense, the second year will record an expense and internal sale that is eliminated at year end with our consolidation elimination entry.

Authority	Contact	Last Update	Last Review
Carrie Takeyasu, Executive Director, Financial Services		December 2, 2013	December 2, 2013

### Appendix 1 – Internal Sales Revenue Account

Account	Types of Entries	Exceptions
3801	Revenue received from sales to operating departments (funds starting with 11XXX and 16XXX)	Revenue from: - Organization codes 65XX and 6120 use 3804 - Parking 78105-6542 use 3805 - Program code 6182 use 3901
3802	Revenue received from sales to research funds (funds starting with 13XXX, 14XXX, 40XXX-45XXX and 47XXX)	- Funds 49XXX use 3901
3803	Revenue received from sales to trust funds (funds starting with 50XXX, 52XXX, 60XXX, 65XXX)	- Funds 54XXX and 58XXX use 3901
3804	Revenue received from sales to Capital or Facilities (funds starting with 80XXX and any fund with organization codes 65XX and 6120)	- Parking 78105-6542 use 3805
3805	Revenue received from sales to ancillary departments (funds starting with 71XXX – 76XXX and Parking 78105)	- Funds 77XXX use 3901