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## Purpose

This 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.

## Responsibility

### 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.

## 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 there are funds created for outside organizations, but they are really external transactions. Steps 2 to 6 below do not apply.
  - b) Use external revenue account codes and expense codes to record these transactions (refer to [Account Code Dictionary](#)).
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) The department making the contribution should debit account 6410 – Internal Contributions.
  - d) The department receiving the contribution should credit account 3808 – Internal Contributions.

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) The department receiving the goods should debit account 6412 – Internal Goods.
  - d) The department transferring the goods to the other department should credit one of the sales accounts, 3801 to 3805 (depending on the fund being used by the other department; refer to [Account Code Dictionary](#)).
4. **Selling services** to another department
  - a) This is considered internal sales of services.
  - b) Examples include internal charges for mileage, web development, additional security, housing or facility charges.
  - c) The department receiving the service should debit account 6411 – Internal Services.
  - d) The department providing the service should credit one of the sales accounts, 3801 to 3805 (depending on the fund being used by the other department; refer to [Account Code Dictionary](#)).
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 for the financial statements.
  - b) Examples include internal rental, printing, utilities and telecom charges.
  - c) The department incurring the expense should debit the appropriate expense account (refer to [Account Code Dictionary](#)).
  - d) The department recovering the expense should credit one of the sales accounts, 3801 to 3805 (depending on the fund being used by the other department; refer to [Account Code Dictionary](#)).
6. **Purchasing goods on behalf of another department** (within the fiscal year Apr–Mar)
  - a) If this is done within the same fiscal year the internal requisition or journal voucher is used to move the costs from one department to another. This is considered a new University purchase.
    - The expense account must be the same for the debit and credit side on the internal requisition or journal voucher.
    - 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), follow #3 above, Selling goods to another department.

### Authority

Financial Services

### Contact

Financial Services

### Last Update

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### Last Review

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