

# RULES APPLYING TO SPECIFIC CLASSIFICATIONS

Classifications (or classes) are used to record and track the nature of a transaction. Classifications must be utilised correctly to ensure that the University is recording transactions accurately. The classification that is used determines where a transaction will be reported in the University's financial statements. i.e. Balance Sheet (Asset, Liability, or Equity) or Profit and Loss (Income or Expenditure).

The following tables summarise classifications that have special rules relating to their use.

<b>ALLOCATION/DISBURSEMENT CLASSIFICATIONS</b>	
<b>Class</b>	<b>Class Description</b>
2040	Operating Grant Allocation (Central Use Only)
2041	CIS Income Allocation
2140	Research Grant Allocation
2540	CPT Allocation
2940	Cash Pool Interest Allocation
3114	Fees Summer School Disbursement
3222	Fees CCE Disbursement
3615/3618	CIS – Trf between Programs (CIS Use Only)
<p>The above classifications are used to disburse and/or allocate monies from one area of the University to another. The overall University balance of these classifications must always equal zero. The Office of the Chief Accountant (OCA) conducts regular integrity checks to ensure that these classes equal zero.</p>	

<b>ACCUMULATED FUNDS CLASSIFICATIONS</b>	
<b>Class</b>	<b>Class Description</b>
1810	Operating Accum Funds C/Fwd
<p>The above classification records the net surplus or net deficit of prior year's income and expenditure results. The year-to-date balance must always equal the opening balance. Transactions must not be processed to this classification.</p>	
1820	Adjustments Accum Funds C/Fwd
<p>The above classification is used to record adjustments required to the carried forward result. All current year income and expenditure activity must be reported above the Net Financial Performance line. The overall University balance of class code 1820 must equal zero. All journals for transfers using this class code must be forwarded to the Office of the Chief Accountant for review and processing.</p>	

<b>PRIOR YEAR INCOME and EXPENDITURE CLASSIFICATION</b>	
<b>Class</b>	<b>Class Description</b>
3603	Prior Years Income Adjustment
6753	Prior Years Expenditure Adjustment
<p>The above classifications should only be used for adjustment of transactions relating to past year's income and expenditure received or incurred in prior years and reflected in the University's General Ledger in those prior years. Class 3603 should be used for past year's income transactions and class 6753 for past year's expenditure transactions.</p>	

## Reserves

University reserves accounts consist of “**Statutory Reserves**” and “**Non-Statutory (NS) Reserves**” accounts. Statutory reserves are used for reflecting revaluation results whereas Non-Statutory (NS) Reserves are used by business units to transfer funds to or from their Non-Statutory (NS) Reserves accounts. Business units must use the appropriate class codes and accounting signs (debit /credit) in preparing journal entries for transfer to or from Non-Statutory (NS) reserves accounts. Original journal ID must be included in journal description for adjustment entries.

<b>Reserve Classifications</b>			
Reserve Class Cr. / Dr.	Reserve Class description	Transfer to Reserves Class Dr.	Transfer from Reserves Class Cr.
<b>Statutory Reserves – are only used by Investments and Commercial Services and Asset Management for revaluation purpose. Other business units are not to use them.</b>			
1600	Reserves for revaluation art works	7900/asset class	7910/asset class
1601	Reserves for revaluation buildings	7900/asset class	7910/asset class
1602	Reserves for revaluation livestock	7900/asset class	7910/asset class
1603	Reserves for revaluation other assets	7900/asset class	7910/asset class
1607	Reserves for revaluation land	7900/asset class	7910/asset class
1608	Reserves for revaluation infrastructure	7900/asset class	7910/asset class
1611	Reserves for revaluation investments	asset class	asset class
1614	Asset revaluation reserves – commercial farms	7900/asset class	7910/asset class
1615	Asset revaluation reserves – student housing	7900/asset class	7910/asset class
<b>Non-Statutory (NS) Reserves – are used by business units to move funds in or out of Non-Statutory (NS) reserves. There should be no deficit balance in the business units’ accounts after they have transferred funds in or out of the following reserve accounts.</b>			
1606 *	Reserves revenue assets	7901	7911
1650	Reserves for new buildings	7901	7911
1651	Reserves for infrastructures	7901	7911
1652	Reserves for building refurbishments	7901	7911
1653	Reserves for plants and equipments	7901	7911
1654	Reserves for motor vehicles	7901	7911
1655	Reserves for road closure	7901	7911
1656	Reserves for restructuring	7901	7911
1657	Reserves for strategic initiatives	7901	7911
1659	Distribution reserves	7901	7911
1660	Capital gain reserves	7901	7911
<p><b>* Strict to RC A0001.</b></p> <p><i>Regular integrity checks on reserves and transfers to and from reserves are undertaken by the Office of the Chief Accountant (OCA). Where incorrect usage of these accounts is detected, adjustment entries will be made by OCA and advised to business units.</i></p>			

**CLASSIFICATIONS and ANALYSIS CODES**

<b>Class</b>	<b>Class Description</b>
0675	Alterations-Buildings – FMO
0677	New Construction-Bldgs – FMO
0901	Patents
0902	BLO Prov-Patents Amortis
5200	Maintenance Bldg Wrks-External
5201	Maintenance Electrical
5202	Maintenance Bldg Wrks-Internal
5203	Maintenance Plumbing
5204	Maintenance Roof/Roof Plumbing
5206	Maintenance Lifts
6603	FBT Expense Of Office All'ce
6731	Patent BLO-Costs Amortis
6732	Patent BLO-Costs Write Off
7302	Research Student Allow.

The use of analysis codes is mandatory with the above classifications.

## Internal Transactions

There are three types of Internal Transactions used across the University:

1. Internal Trading
2. Internal Re-allocation of Income/Expenses
3. Internal Transfer Of Funds (Including Top Up Funding)

Each of these types will be explained in further detail below. It is imperative that movements in internal classes have a nil effect to the overall measurement of the income and expenditure of the University in the annual accounts. A table listing all of the relevant Internal Transaction Classifications is found at the end of this document.

### 1. Internal Trading

#### Background:

This is where goods and services are provided within the University by one internal unit for another internal unit. The existing account classes for internal trading are shown in the Internal Transaction table. For each internal income account class there is a matching internal expense account class. When raising internal charges the income and expense account classes must match and eliminate on consolidation.

To simplify and reduce the level of internal charges across the University the following guidelines should be adhered to:

1. **No charge** to occur from Operational to Operational (**Core to Core**) business units (excluding Self funded business units)
2. Charges to continue from Operational business units to Commercial and Self funded business units.
3. Charges to continue from Commercial and Self funded business units to all business units.

*(Please note that a review is currently being undertaken as part of the 2008 Budget process to ensure that the above guidelines cover all scenarios appropriately.)*

Once a charge is made there should be no additional journaling of those costs by that business unit. The aim should be that if a manual journal has to be prepared it must be actioned only once.

Business Units can be categorised as follows:

#### A. COMMERCIAL BUSINESS UNITS

The following business units are considered Commercial and should continue to charge all business units for costs incurred.

University Garage  
University Publishing Service  
Unistaff  
The Darlington Centre  
Animal House  
Fines/Fees/Permits (Campus Infrastructure Services (CIS))  
Venue Revenue (Campus Infrastructure Services (CIS))

#### B. SELF FUNDED BUSINESS UNITS

The following areas are considered to be Self-funded and should continue to receive costs from University Wide / Occupancy type business units. These business units require a formal acquittal:  
Foundations & Institutes (Excluding RCs in the 00000 range)

Research Grants  
Centre for Continuing Education (CCE)  
Centre For English Teaching (CET)  
Student Housing inc. International House  
Seymour Centre  
Student Unions 'In kind' RCs  
Commercial Properties inc. Farms

#### C. OPERATIONAL BUSINESS UNITS

All other business units

Under these guidelines matching pairs of Internal Income and Internal expense class codes should be used. Internal transfer transactions must be balanced and debits must equal credits within matching pairs of internal classes. For example:

Debit 4423 L1234 00000	\$160	Unistaff salary Jones W.E. 12/4/02
Credit 3326 24999 00000	\$160	Unistaff salary Jones W.E. 12/4/02

Where internal trading is sourced from a feeder system into the General Ledger it is the responsibility of the billing department to ensure the posting are done in a timely and accurate manner. It is the responsibility of the payer department to ensure the right account RC and Project Codes have been provided.

## 2. Internal Re-Allocation of Income/Expenses

Where income and expenses are recorded in one RC/Project and then re allocated to a more appropriate RC/Project the same account class (internal or external) should be used to record the debit and credit. Situations include:

Revenue i.e.; Student Fee Income, RIBG etc.

Expenses i.e.; School Motor vehicle charges distributed to Research Grants, Salary costs distributed to research grants.

Where a Faculty/School/Department wish to re-allocate the Operating Grant (Class 2040) this must be processed via the Office of Strategy, Implementation & Sustainability Planning. No journals can be done to re distribute the Operating Grant locally. It is strongly recommended that the distribution of the operating grant be correctly undertaken as part of the budget process.

## 3. Internal Transfer Of Funds (Including Top Up Funding)

- If Internal Transaction classifications are utilised to disburse internal funding, the same internal income classification should be used for the debit and credit transactions. For example:

Debit 3319 L1234 00000	\$10,000	Internal Transfer Of Funds
Credit 3319 L1235 00000	\$10,000	Internal Transfer Of Funds

Top Up funding is where funds are used as a top up between one RC/Project and another e.g., a School/Faculty contributes from its Commercial Funds (1111) an amount towards a Research Project.

The internal transfer of funds mechanism can also be used to transfer a balance from an RC/Project that is to be closed and has a Surplus/Deficit balance.

- For the transfer of salary supplementation expenses to research accounts (e.g. ARC) use Income class code 3349: Internal Inc Sal Supp Research. The same class code should be used for both the debit and credit entry.
- For the transfer of funds to CIS for CDP expenditure, use class 5398: Internal Transfer Of Funds–Capital, for both the debit and credit entry. This class should appear below the Operating Margin but before Net Financial Performance on a separate reporting line in the business unit's Income Statement.

*For use by CDP-IT and CDP only:*

*Where the funds to be transferred relate to a CDP-IT capital project however, use a non-capital Responsibility Centre as CDP-IT will be utilising a capital related Responsibility Centre.*

The Financial Integrity and Support Unit within OCA, conducts regular integrity checks on the use of these classifications.

## INTERNAL TRANSACTIONS CLASSIFICATIONS

Income Class	Income Class Description	Matching Expenditure Class	Matching Expenditure Class Description
3300	Internal Income Animal House	5049/7833/7834	Internal Charges Animal House
3303	Internal Income Communications	6304	Internal Charges Communications
3304	Internal Income Computing	5102	Internal Charges Computing
3305	Internal Income Cont Educ Ctre	6001	Internal Charges Cont Educ Ctre
3308	Internal Income Fac Mgt	5215	Internal Charges Fac Mgt
3309	Internal Income Garage	7103	Internal Charges Garage
3310	Internal Income IEO	7312	Internal Charges IEO
3311	Internal Income Photography	7210	Internal Charges Photography
3312	Internal Income Post Grad Fees	7313	Internal Charges Post Grad Fees
3313	Internal Income Printing Serv	7211/7214	Internal Charges Printing Serv
3314	Internal Income Salary	4411	Internal Charges Salary
3315	Internal Income Sship/Prize	7311	Internal Charges Sship/Prize
3316	Internal Income Security	6749	Internal Charges Security
3317	Internal Income Services	5414	Internal Charges Services
3318	Internal Income Trade Services	5216	Internal Charges Trade Services
3319	Internal Income General	6751	Internal Charges General
3322	Internal Income Electricity	5411	Internal Charges Electricity
3323	Internal Income Gas/Oth Utilities	5412	Internal Charges Gas/Oth Utilities
3324	Internal Income Inst For T&L	6003	Internal Charges Inst For T&L
3325	Internal Income Water	5413	Internal Charges Water
3326	Internal Income Unistaff	4423/4425	Internal Charges Unistaff
3327	Internal Income Pathology Serv	5048	Internal Charges Pathology Serv
3328	Internal Income Accom. Perm	6755	Internal Charges Acomm Perm
3331	Internal Income Confer/Function	5801	Internal Charges Confer/Function
3332	Internal Income Staff Devt	6004	Internal Charges Staff Devt
3333	Internal Income Rent	5602	Internal Charges Rent
3334	Internal Income Registration	6758	Internal Charges Registration
3336	Internal Income Photocopying	7212	Internal Charges Photocopying
3338	Internal Income Library Materials	7038	Internal Charges Library Materials
3339	Internal Income Darlington Ctre	5902	Int Chg D'ton Ctr FBT Elig
		5903	Int Chg D'ton Ctr FBT Non Elig
3343	Internal Sale of Expense Asset	5348	Internal Charge for Exp Assets
3346	Internal Inc Acad Salaries	4041	Internal Charges Acad Salaries
3347	Internal Inc General Salaries	4141	Internal Chgs General Salaries
3348	Int Income Investment Gain Dis	6796	Int Chgs Investment Loss Dis
3349 *	Internal Transfer Research Salary	N/A	
3350 *	Internal Transfer Research Contrib	N/A	
N/A		5398 **	Internal Charge – Capital Assets

\* Used For Internal Transfer Of Funds Only

\*\* Used For Internal Transfer Of Funds Only from 2008 Onwards.