



MEMORANDUM

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TO: Finance Officers

DATE: March 1, 2010

RE: Interdepartmental Sales Reporting

4 pages

This memo is intended only for departments who recognize interdepartmental revenues. These are departments who sell goods and/or services to another University department.

In the current and preceding fiscal years, Finance has always relied on departments to report their interdepartmental revenues at year-end. For the upcoming fiscal year 2010/11, Finance is hoping to streamline this process by having all interdepartmental sales transactions identified within the PeopleSoft ledgers. Please refer to the sections below for the changes required to implement this new process.

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BACKGROUND

Interdepartmental revenues (internal charges) are created when one University department sells goods and/or services to another University department. In the ledger, internal charges are recognized whenever a Revenue account is credited with a corresponding debit to an Expense account. In order to correctly recognize revenues and expenses in the University's consolidated financial statements, internal revenues must be eliminated against internal expenses upon consolidation.

OBJECTIVES

The main objective in changing the accounting treatment of internal charges is to facilitate external financial reporting such that internal revenues and internal expense transactions are completely excluded from the University's consolidated financial statements and in the CAUBO annual return with reasonable accuracy. Another supplementary objective is the streamlining of the reporting process to remove any manual tracking of internal charges within the departments. The current financial reporting processes should be able to identify the internal charges amounts for elimination if they are coded correctly in the financial management system.



DEPARTMENTS SENDING JOURNAL VOUCHERS TO FINANCE FOR PROCESSING

When completing the paper Journal Voucher, mark the "I" box for internal transactions. This will serve as a trigger for the data entry person to process the voucher as an internal transaction.



The University of British Columbia
JOURNAL VOUCHER
FINANCIAL SERVICES DEPARTMENT

JV NUMBER
(can be obtained on http://www.finance.ubc.ca/ap/reqnumber.cfm)

JOURNAL ENTRY HEADER

Ledger Group: ACTUALS, Source: JV, Transaction Type: [X] (I) check if goods / services are being purchased from or sold to another UBC department

DESCRIPTION OF TRANSACTION ( Attach Supporting Documentation)

JOURNAL ENTRY LINES

Table with 9 columns: \* Speed Chart, Account, Fund, Dept ID (Org), \* Program, \* Project / Grant (PG), Charge (Dr.), Credit (Cr), \* Reference. Includes Total Charges and Total Credits summary row.

OTHER INFORMATION

Direct Queries To, Phone, Department, Deliver to ( for goods ordered), Room No., Building

AUTHORIZATION

Authorization Signature, Print Name, Date (mm/dd/yyyy), DATA ENTRY USE ONLY, Journal ID #, Entered By, Journal date (mm/dd/yyyy)

DEPARTMENTAL USE ONLY FOR GOODS ORDERED

Table with 5 columns: Quantity, Description, Unit Price, Total, Purchased From (Book Store, I.T. Services, Food Services, Media Services, Other) with checkboxes.



ONLINE DEPARTMENTS PROCESSING THEIR OWN JOURNAL VOUCHERS

When creating an online journal, enter the value "INTERNAL" in the Journal Class field. The rest of the journal is completed as normal. The paper Journal Voucher that supports the creation of the online journal should be similarly identified, i.e. mark the "I" box for internal transactions.

[Header](#) | [Lines](#) | [Totals](#) | [Errors](#)

Unit: UBC      \*Journal ID: NEXT      Date: 05/02/2010

Long Description:

\*Ledger Group:         Auto Generate Lines      [UBC Journal Description](#)

Ledger:        Adjusting Entry: Non-Adjusting Entry

\*Source:        Fiscal Year:

Reference Number:       Period:

SJE Type:        ADB Date: 05/02/2010

**Journal Class:** INTERNAL        Save Journal Incomplete Status

Transaction Code: GENERAL

[Currency Defaults: CAD // 1](#)

[Reversal: Do Not Generate Reversal](#)      [Commitment Control](#)

    

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DEPARTMENTS SUBMITTING EXCEL UPLOAD FILES TO DATA MANAGEMENT

Departments submitting upload files to Data Management should include the type of transaction along with the following information currently provided:

- Contact Name
- Contact Phone Number
- Filing Location
- Department
- Total Debits
- Total Credits
- Total No. of Lines
- File Name
- Brief description of what the entries represent
- Type of Transaction: Internal or External



## DEPARTMENTS SENDING INTERFACE FILES

A separate communication will be sent to you outlining the new file requirements for internal transactions.

## PROCESSING INTERNAL REVENUES AND INTERNAL EXPENSE TRANSACTIONS

Important things to remember when processing internal revenues and internal expense transactions:

- The total amount credited for revenues must match the total amount debited for expenses.
- **External transactions cannot be combined with internal transactions in one journal voucher or in one excel upload file.**
- There should be no balance sheet accounts or interfund transfer accounts in an internal journal.
- Sales to/from Agency accounts (Z fund) are considered an external transaction and should not be part of an internal journal.
- Revenue transfers where a revenue account is both debited and credited, and expense transfers where an expense account is both debited and credited should not be processed as an internal journal.

## INTERNAL BILLING

Some departments recognize internal accounts receivable when invoices are prepared. The internal accounts receivable represents the sale of products or services to another department. The account 139000 Accounts Receivable – Internal should be debited to recognize this type of transaction. However, instead of crediting a revenue account, the department should credit 241000 Deferred Revenue. When the purchasing department sends a Journal Voucher payment, the billing department would then recognize the internal transaction by crediting revenue and debiting expense (the "I" Internal box is checked). In a separate journal voucher, the billing department would then reverse the Accounts Receivable / Deferred Revenue entry.

## IMPLEMENTATION TIMEFRAME

For departments sending paper journals to Finance for processing, for online departments processing their own journal vouchers, and for departments submitting excel upload files to Data Management, the target implementation date is April 1, 2010 for transactions affecting fiscal year 2010/11 and succeeding years.

Please call me at 604-822-9923 if you have any questions or concerns on the implementation of the new process for recognizing internal transactions in PeopleSoft. FAQs will be developed in late March and posted on the Finance website for your reference.