MANAGING THE GENERAL LEDGER AND JOURNALS PROCEDURE

SCHEDULE B – SPECIFIC CATEGORIES OF JOURNALS

The following information relates to specific categories of general journal entries for which a Department Journal entry would be utilised:

Correcting Journal

Correcting journal entries are made to move non-payroll transactions recorded in a project to a different project and/or account combination. Corrections are made using a departmental journal or an inter-divisional journal, depending on whether the entry crosses divisions. Generally, Departmental Journals are adjustments made by departments after detecting errors when reconciling their accounts. For example, non-payroll activity is posted to an incorrect account string or for an incorrect amount.

Corrections between different departments are required to go through the Business Centre as an inter-department journal entry. Corrections should be supported with the reference documentation for the original charge to the General Ledger, any previous account corrections to the original charge and an explanation of the current correction. The reference documentation would include the following transaction data: the account string, posting date, transaction reference number, and transaction type. Financial approvers must not approve a correcting journal entry request without such documentation. If the correcting entry were to move an income or expense item to a different project, section or group segment of the Chart of Accounts, the natural account would not change unless it was classified incorrectly in the original project.

Entertainment Expenditure

Where it is the department's intention to transfer Entertainment Fringe Benefits Tax (natural account 5543), the transaction which triggered the tax must be transferred (i.e. the entertainment expense in natural account 5742 or 5744), and not the FBT charge itself. At month's end a recurring journal will automatically transfer the FBT charges to the same account string as the source expense. The Taxation Accountant in the Corporate Finance team of the Finance and Planning Group must review the journal prior to posting to the General Ledger.

GST Correction

Where a department is required to complete adjustments for the incorrect coding of GST on income and expenses (natural account 1211 and 1212) these journals must be forwarded to the Taxation Accountant in the Corporate Finance team of the Finance and Planning Group for approval prior to posting to the General Ledger. Supporting documentation must provide a reference to the original transaction, nature of the transactions and reason the correction is required.

Fixed Assets

Corrections for equipment purchased by one project then transferred to another project require that the fixed asset number be included in the supporting documentation and included in the journal header description. Once the general journal is posted it is the responsibility of the Business Centre Manager to ensure this detail is forwarded to the Fixed Asset Accountant in the Corporate Finance team of the Finance and Planning Group to enable the transfer of the asset in the Fixed Asset module.

Expenditure Reimbursements

Reimbursement transactions are made to reimburse a project for non-payroll expenses paid for by that project for another project. Reimbursements are made using the same method as correcting journals and the same rules apply. In addition to the supporting documentation requirements for a journal correction, reimbursements also require documentation for the calculation of and basis for the reimbursement. Journal approvers must not approve a reimbursement journal entry request without
such documentation. Generally reimbursements would credit the project/account paying for the expense and debit the new project with the same natural account.

**Expense/Revenue Sharing**

Expense/revenue sharing entries are made by departments to distribute revenues or expense received by a central project to related dependent projects using a department journal entry. Revenue sharing normally happens where a project funding is shared across multiple departments. The funding is invoiced by a single project in the lead Chief Investigator's department and then transferred to related project accounts within other departments in the University. Expense/revenue sharing is recorded using the same non-payroll natural account for the debit and credit side of the entry. Expense/revenue sharing may occur only between projects having a common purpose and the funding body or purpose for which the fund was established permits such transfer of funds. Expense/revenue sharing journals must be authorised by the head of department / head of budget division of all impacted departments. These journals must have supporting documentation attached, including a copy of required authorisation, relevant calculations or documented local agreements.

**Internal Project Contributions**

Internal project contributions are a transfer of funds to support a program and not the result of classification, reimbursement or correction issues. Internal project contributions are recorded using the 4958 natural account for the debit and credit side of the entry. Internal project contributions are not permitted for some project accounts. Internal project contributions must be authorised by the head of department / head of budget division.

**Reclassification**

Reclassification journal entries are made to move non-payroll transactions recorded against a specific natural account to a different natural account. Generally, departmental journals are adjustments made by departments after detecting errors in non-payroll activity posted to an incorrect natural account when reviewing their financial reports.

Reclassification of a transaction from an income to an expense natural account (or vice-versa) requires the approval of the Policy, Compliance and Project team within the Finance and Planning Group. Reclassification of an expenditure transaction to a different expense natural account or an income transaction to a different income natural account may be processed within a Division. Reclassifications should be supported with reference documentation for the original posting to the General Ledger and clearly explaining the purpose of the journal and reason for the reclassification. The reference documentation would include the following transaction data: the account string, posting date, transaction reference number, and transaction type. Financial approvers must not approve a correcting journal entry request without such documentation.

**Specific Income Natural Accounts**

Within the University's Chart of Accounts there are specific income natural accounts where receipts may not be reclassified by divisions due to external reporting requirements. Generally income recorded against these natural accounts is received via a central distribution process. To determine if a natural account is within this category please refer to the University of Melbourne Natural Account Glossary.

**Entertainment Expenditure**

Reclassifications between entertainment expenditure natural accounts may impact on FBT and GST to be collected by the University of Melbourne and remitted to the ATO. Departmental journals which move expenditure between FBT and non-FBT entertainment codes must be approved by the Taxation Accountant in the Corporate Finance team of the Finance and Planning Group prior to posting to the General Ledger.
Such journal require a Fringe Benefits Tax Entertainment declaration (F30 form) be completed and attached to the journal as supporting documentation as explanation for the journal created. The journal will not be approved without a completed declaration form attached.

Further, the transfer of entertainment expenditure which relates to students and clients (natural account 5743) has GST implications. Client entertainment is input taxed, therefore the University is unable to claim any GST incurred on this type of entertainment expense. GST incurred therefore becomes a cost to the department from which the entertainment expense originated. A calculator which assists with the breakdown of costs between the different natural accounts is available from the Finance and Planning Group website and must be attached to all journals completed which include journals transferring entertainment expenses from one natural account to another.

Fixed Assets

Journal entries which reclassify asset purchases between minor (<$10,000) and major (>$10,000) expense categories or reclassify amounts in the gain (loss) on sale of assets income categories should be discussed with the fixed asset accountant in the Finance and Planning Group by the Business Centre prior to posting of the entry to the General Ledger.

Investment Income

Requests to process a journal entry to reclassify investment income must be forwarded to the Corporate Finance team of the Finance and Planning Group for processing in the General Ledger.

Payroll and Scholarship Related

The reallocation of salary and stipend costs may only be recorded using the journal functionality in the Salary Analysis and Stipend Analysis modules respectively. Journals affecting salary natural accounts must never be recorded directly in the General Ledger. This ensures that data integrity is maintained at the source and that General Ledger transaction can be reconciled to payroll and scholarship payments with reference to activity against payroll related natural accounts.

Year End Departmental Accruals

A timetable for closure of annual accounts is issued annually by the Director of Finance. This provides details of cut-offs for the provision of information to the Finance and Planning Group to process year-end departmental accruals in line with the submission timeline for the University’s annual financial statements to the Victorian Auditor-General's Office. Generally, for an accrual to be raised, the following documentation must be provided:

Accruals should be listed in an ADI journal template, including the complete account string (i.e. the account string to which the actual income/expenditure will be charged) and a brief description for each accrual.

Appropriate supporting documentation for each accrual must also be provided. Appropriate documentation may include quotations, purchase order, agreements or other documentation showing the transaction details and evidence of the goods/services being received during the financial year.

Expenditure Accruals

Expenditure accruals can only be raised for:

- services that have been received in the relevant financial year which have not yet been invoiced
- goods that have been purchased and have been received in the relevant financial year which have not yet been invoiced
- goods and services that have been received and invoiced but for which the invoice has not been processed in Themis by year end.

Income Accruals
Income accruals may be raised where goods or services have been provided during the relevant financial year but have not yet been invoiced.

Salary Accruals

The first fortnightly permanent and casual pays in a financial year may include salary expenditure relating to the preceding financial year. An accrual journal is raised to recognise the expenditure in the December period, and reversed in the following January against the same account string to which the accrual was charged to allow salary costs to be accounted for in the correct financial year.

If required, an accrual will also be raised for any other significant payroll transactions relating to the reporting year, such as termination payouts, if required.

All salary accruals are processed centrally by the Finance and Planning Group based on costing information provided by Human Resources.

REVIEW

This schedule is to be reviewed by 28 February 2015.

VERSION HISTORY

<table>
<thead>
<tr>
<th>Version</th>
<th>Approved By</th>
<th>Approval Date</th>
<th>Effective Date</th>
<th>Sections Modified</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Senior Vice Principal</td>
<td>24 August 2012</td>
<td>24 August 2012</td>
<td>New version arising from the Policy Simplification Project. Loaded into MPL as Version 1.</td>
</tr>
</tbody>
</table>