ABC 2015 Fall Summit

Accounting for non-accountants

September 10, 2015

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Objectives

- Introduce basic accounting concepts and elements
- Overview of how these concepts and elements are applied on our Campus
- Understand specifics of some more common accounting transactions
- Know who to call
The **American Institute of Certified Public Accountants** (AICPA) defines **Accounting** as "the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of financial character, and interpreting the results thereof."

*Accounting is a “language”*
Accounting information system

**Oracle - PeopleSoft**

An accounting information system **collects** and **processes** transaction data and then **disseminates** the financial information to interested parties.
Accounting concepts

Basic elements - Definitions

- **Asset:** An asset is a resource controlled by the organization from which future benefits are expected, *e.g.* Cash and Computers

- **Liability:** A liability is an obligation of the organization arising from past events that is owed to others, *e.g.* Accounts Payable and Use Tax Payable

- **Equity:** Equity is the residual interest in the assets of the organization after deducting all the liabilities, *e.g.* Fund Balance
Basic elements - Definitions

- **Revenue**: Increases in economic benefit during an accounting period in the form of inflows or enhancements of assets, e.g. Student Fees and Contributions

- **Expenses**: Decreases in economic benefits during an accounting period in the form of outflows, e.g. Salaries, Travel, Supplies and Services
Accounting Equation

ASSETS = LIABILITIES + EQUITY

**Diagram:**

- **ASSETS** (A):
  - Debit (D)
  - Credit (C)

- **LIABILITIES** (L):
  - Debit (D)
  - Credit (C)

- **EQUITY** (E):
  - Debit (D)
  - Credit (C)

**Balance Sheet (B/S):**

**Income Statement (I/S):**

- **REVENUE** (Rv):
  - Debit (D)
  - Credit (C)

- **EXPENSE** (Ex):
  - Debit (D)
  - Credit (C)

**Profit or Loss**

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Debits and Credits

T-Account

Left Side = Debit

Right Side = Credit
Debits and Credits

In PeopleSoft:

Debit = **positive** amount

Credit = **negative** amount
Because we use a double-entry accounting system:

Debits = Credits

ALWAYS!
Debits and Credits

\[
\text{Asset} = \text{Liability} + \text{Equity} - \text{Revenue} - \text{Expense}
\]

- **Debit (DR)**: Increases in assets and decreases in liabilities and equities. Increases in revenues. Decreases in expenses.
- **Credit (CR)**: Decreases in assets and increases in liabilities and equities. Increases in revenues. Decreases in expenses.

**Normal Balance**
- **DR**: Debit
- **CR**: Credit
- **DR**: Debit
- **CR**: Credit
- **CR**: Credit
- **CR**: Credit
- **DR**: Debit
# Trial Balance

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>101801</td>
<td>Cash-Short Term Invest (100)</td>
<td>ASSETS</td>
</tr>
<tr>
<td>201001</td>
<td>Accounts Payable</td>
<td>LIABILITIES</td>
</tr>
<tr>
<td>305002</td>
<td>Fund Balance-Continuing Approp</td>
<td>EQUITY</td>
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<tr>
<td>501822</td>
<td>Cat II-IRA CY Sub Alloc (102)</td>
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</tr>
<tr>
<td>503401</td>
<td>Private Contributions</td>
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<tr>
<td>580090</td>
<td>Revenue Other</td>
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<td>603013</td>
<td>Vision Care</td>
<td>EXPENSES</td>
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<tr>
<td>603014</td>
<td>Long-Term Disability Insurance</td>
<td></td>
</tr>
<tr>
<td>604803</td>
<td>Tel-Cellular (090)</td>
<td></td>
</tr>
<tr>
<td>606001</td>
<td>Travel-In State</td>
<td></td>
</tr>
<tr>
<td>606002</td>
<td>Travel-Out of State</td>
<td></td>
</tr>
<tr>
<td>617001</td>
<td>Servcs frm Othr Funds-Agencies</td>
<td></td>
</tr>
<tr>
<td>617801</td>
<td>Interfund Srv Assessmnts (001)</td>
<td></td>
</tr>
<tr>
<td>619001</td>
<td>Equipment</td>
<td></td>
</tr>
<tr>
<td>660001</td>
<td>Postage and Freight</td>
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</table>
# Trial Balance

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<th>Category</th>
<th>ASSETS</th>
<th>DEBIT</th>
<th>CREDIT</th>
<th>LIABILITIES</th>
<th>EQUITY</th>
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<th>EXPENSES</th>
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<td>USD</td>
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<td>305002</td>
<td>Fund Balance+Continuing Apprep</td>
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<td>660001</td>
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<td>660001</td>
<td>Postage and Freight</td>
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PeopleSoft uses a Chart of Accounts (COA). A COA is designed to:

- Comply with external financial reporting requirements (Chancellor’s Office, GAAP, State, Federal Government, etc.)
- Allow for consistency and data integrity within the campus and CSU System
- Provide information needed for analysis, benchmarking and decision making (IPEDS, Budget, Surveys, etc)

In Peoplesoft, the Chart of Accounts is comprised of information fields that provide the basic structure to segregate and categorize transactional and budget data.

Each informational field is called a "CHARTFIELD".

Combining a series of chartfields makes up a Chartfield String. A Chartfield String is used to define, identify, categorize and sort transactions.
Chartfield String: Account

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Chartfield String: Fund

- Lottery
- Operating Fund
- Enterprise
- UCP
- SL002

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Like we said, accounting is a language:

“The Biology department purchased instructional equipment using college based fees and allocated budget in the Operating Fund”

619002 – SL001 – 115100 – AA006 $15,230

Account    Fund    Dept ID    Program
Like we said, accounting is a language:

“The ITS department provided telephone services to campus in a Cost Recovery fund”

580094 – RL003 – 133100 ($5,000)
University Campus Program (UCP)

- UCP funds begin with a 6 or 7
- Only expenditures are recorded in UCP funds
- Actual expenditures may be transferred between a UCP fund and any other fund
- Expenditures must meet the purpose of the gift
- Funds may not be transferred from UCP funds to the Operating Fund SL001 or any MRxxx fund
- Actual revenues and any revenue adjustments are recorded in the Foundation Ledger
SL002 – Auto Invoice

- Using SL002 means that an invoice will be created to “bill” an auxiliary for reimbursement of goods and/or services.
- Generally, only positive expenditures should be recorded in SL002.
- SL002 transactions require:

<table>
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<th>Program:</th>
<th>Project:</th>
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<tbody>
<tr>
<td>CPF – R2000</td>
<td>CPF - B + Org Key</td>
</tr>
<tr>
<td>CPC – R1000</td>
<td>CPC - Z + Org Key</td>
</tr>
<tr>
<td>ASI – R1001</td>
<td>ASI - Y + Org Key</td>
</tr>
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</table>
Budget vs Actuals
Budget vs Actuals

- **Budget Transfers**
  - Only processed within the same fund
  - Must net to zero
  - Must be submitted by “owner” of budget

- **Position Funding Form (Actuals)**
  - Cannot change department
  - Percents must total 100

- **Payroll Transfers (Actuals)**
  - Total salary and benefits entered on payroll expenditure transfer form
  - Month is PAY period, **NOT** the month it posted
Budget vs Actuals

- Non-Payroll Expenditure Transfer (Actuals)
  - Form initiated by a department to correct, adjust or charge non-payroll expenditures between University funds/departments
  - The expense(s) must have posted to the Ledger
  - Supporting documentation must be provided with the transfer form
  - The fund purpose and/or the funding source must allow for the expenditure and follow all CSU and campus spending policies
  - Be sure to appropriately source your purchases to begin with
Cost Recovery (Actuals)
- Goods and services charged to departments and third parties
- No base funding for the activity
- Approval of cost methodology prior to activity
  - Fiscal Services
- Charges for activity may not exceed cost of providing goods and services
- Recovery of costs in the fund expenses originally were incurred
- Examples: Career Fair, Event Videography
Test your knowledge

Which of the following statements is true regarding debits and credits?

A. Debits and credits work just like debit and credit cards
B. Credits are good, debits are bad
C. Debits and credits are used to separate transactions using the double-entry accounting system
Test your knowledge

What should be your main concern when managing non-SL001 funds?

A. Revenues should be greater than expenses
B. Cash should be positive
C. Accounts receivable + Cash should be positive
Test your knowledge

Why should transactions use the appropriate Chartfield Strings?

A. To have audit findings
B. For data integrity, compliance and better decision-making
C. They don’t, I can always submit an expenditure transfer
Test your knowledge

What is the difference between budget and actuals?

A. Budgets are for planning purposes, actuals reflect what actually happened
B. Budgets are rigid, actuals are flexible
C. Budget and actuals are always the same
Contacts

- Who ya gonna call???
Contacts

Budget Transfers – Janice Manzo or Virlena Bascos
Cost Recovery – Elizabeth Williams or Kimberly Perez
Non-Payroll Expenditure Transfers – Linda Ortiz or Marina Nievez
Payroll Transfers – Val Maijala or Laurie Borello
Position Funding Form – Val Maijala or Laurie Borello
Setup a new fund – Kimberly Perez
SL002 Auto Invoice Process – Linda Ortiz
University Campus Program Funds – Jennifer McCarthy
Accounting for non-accountants