

# Projects ledger and General ledger

Jill Roberts

Financial Controller

# Purpose of Training session

- To understand how finance codes link between Projects and GL, including source of funds issues
- To understand how transactions move between the ledgers
- When balances should and should not be the same, including the impact of the SORP on balances
- To understand the impact of capital postings – pre and post SORP, on projects
- To understand controls and checks performed by the centre
- To understand the required local controls

# Why is this important?

- There is an increasing use of P codes within the organisation
- There is a general lack of understanding of issues amongst accountants who are not research specialists
- It affects month end reporting (e.g. income recognition)
- It has been a management letter point in 2016 (and previously also been an audit issue)

# Reminder of coding

## Projects ledger

- Project code e.g.  
R123456
- Expenditure type e.g.  
4090 (Laboratory  
supplies)
- Task code (subdivision  
of project, variable, e.g.  
A05)

## General ledger code

- Activity code e.g.  
R123456
- IE code e.g. 4090  
(Laboratory supplies)
- Source of funds code  
e.g. 01 (Non EU - Other)

# P2P Transactions

- Users select commodities, and don't pick codes

Search By

**Results**

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Select	Quick Select	Category ▲	Description	Commodity
<input type="radio"/>		LJ.ZZ	Laboratory Clothing - Miscellaneous (IE 4090)	Laboratory Supplies & Services
<input type="radio"/>		LK.ZZ	Laboratory Consumables & Sundries, incl. Disposables - Miscellaneous (IE 4090)	Laboratory Supplies & Services
<input type="radio"/>		LL.ZZ	Laboratory Diagnostic Services - Miscellaneous (IE 4090)	Laboratory Supplies & Services
<input type="radio"/>		LM.ZZ	Laboratory Equipment Maintenance & Repair - Miscellaneous (IE 6007)	Laboratory Supplies & Services
<input type="radio"/>		LN.AZ	Laboratory Gases Purchase & Associated Rentals - Gases Cylinder Rental (IE 4090)	Laboratory Supplies & Services
<input type="radio"/>		LN.BZ	Laboratory Gases Purchase & Associated Rentals - Gases (IE 4090)	Laboratory Supplies & Services
<input type="radio"/>		LN.ZZ	Laboratory Gases Purchase & Associated Rentals - Miscellaneous (IE 4090)	Laboratory Supplies & Services
<input checked="" type="radio"/>		LP.ZZ	Laboratory Glassware - Miscellaneous (IE 4090)	Laboratory Supplies & Services
<input type="radio"/>		LS.ZZ	Laboratory Plastic ware - Miscellaneous (IE 4090)	Laboratory Supplies & Services
<input type="radio"/>		LY.AZ	Laboratory Waste Disposal - Clinical & Chemical - Clinical (IE 4090)	Laboratory Supplies & Services

If the user attempts to code a requisition to an IE code NOT consistent with the commodity selected, the system stops this

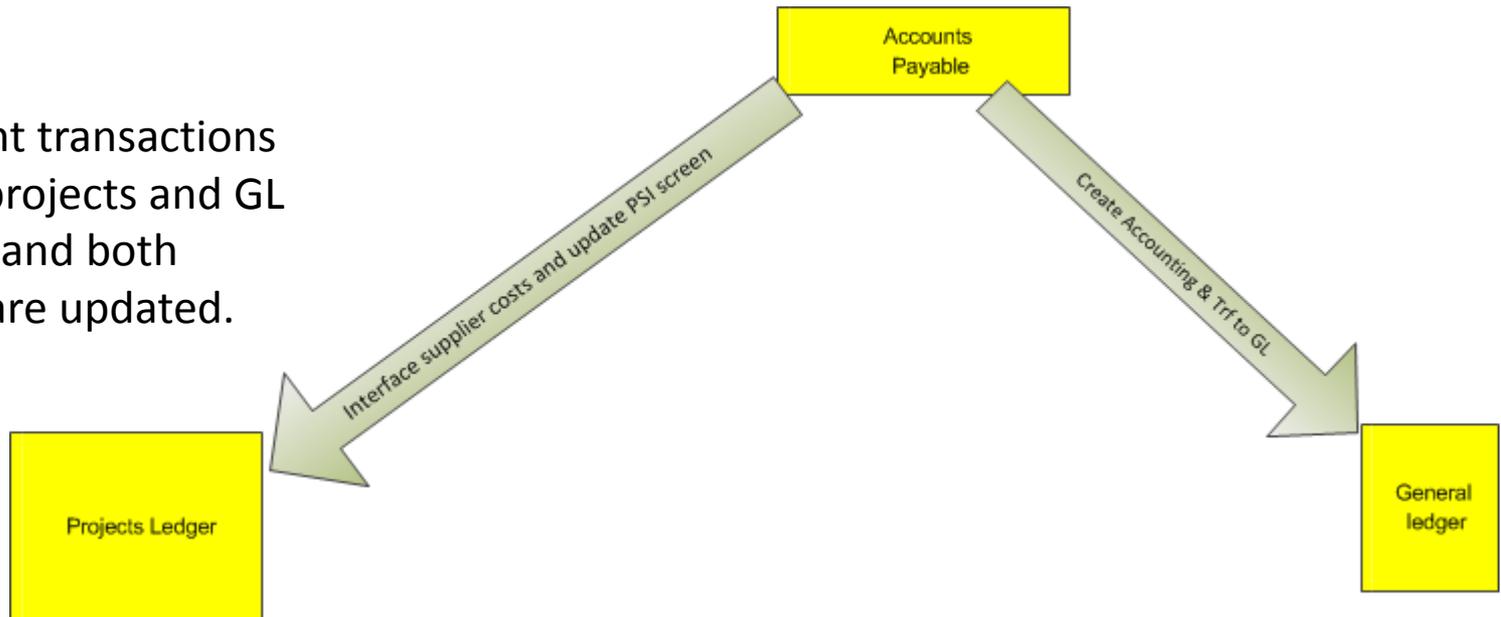
**Billing**

Project	<input type="text" value="R108341"/>	
Task	<input type="text" value="A05"/>	
Expenditure Type	<input type="text" value="4151"/>	
Expenditure Organization	<input type="text" value="University of Manchester"/>	
Expenditure Item Date	<input type="text" value="14/11/2016"/>	
	<small>(example: 14/11/2016)</small>	
* Tax Code	<input type="text" value="Standard"/>	
Charge Account	<input type="text" value="R108341*4090*53*UM*00*00000"/>	
GL Date	<input type="text" value="14/11/2016"/>	

Error

Row 1 Error - Error: The expenditure item and the IE code are not the same. Please modify the expenditure item so that it matches the IE code.

Overnight transactions post to projects and GL from AP and both ledgers are updated.



# Source of Funds

Transactions in projects are coded to tasks (within projects). Each task has a 'service type' named against it.

The service type determines what Source of Funds code the transaction is posted to in the GL

The screenshot shows a software window titled "Projects, Templates" with the following fields and options:

- Operating Unit:** University of Manchester
- Number:** R108341
- Type:** C-FEC
- Name:** R:ERZ Res Donation Miles
- Organization:** ERZ Comp Science
- Long Name:** Noise Mechanism in Patterned Media - Research Donation
- Trans Duration:** 27/03/2009 - 31/03/2018
- Status:** C-Awarded
- Description:** 59091
- Template** [01.]
- Change Status** button
- Options:**
  - Tasks**
  - Workplan Information
  - Classifications
  - Customers and Contacts
  - Currency
  - Budgetary Control
  - Key Members
  - Additional Information
- Detail** button

Task Number	Task Name	Description	Trans Start Date	Trans Finish Date
A	INSIC		27/03/2009	31/03/2018
A05	Travel & Subsis	Travel & Subsistence	27/03/2009	31/03/2018
A08	Miscellaneous	Miscellaneous	27/03/2009	31/03/2018

In this case, the service type is Non-EU, Other

This maps to SOF 53

Task Details - R108341, A05

Task Number: A05      Task Name: Travel & Subsistence

Long Task Name: Travel & Subsistence

Task Manager:      Organization: ERZ Comp Science

Service Type: Non-EU other      Work Type:       Allow charges

Trans Duration: 27/03/2009 - 31/03/2018       Billable

Description: Travel & Subsistence

Product Source:      [ ]

Source Reference:      [ ]

Location:      [ ]

Address:      [ ]

Receive Inter-Project Invoices

Projects ledger		General Ledger	
Projects service type	Projects service type meaning	SOF	Description
SOURCE OF FUNDS NA	Source of Funds NA	00	Source of funds not applicable
RESEARCH COUNCILS	Research Councils	01	Research Councils
UK CHARITIES	UK Charities	02	UK Charities
UK GOVERNMENT	UK Government	03	UK Government
UK IND/COMM/PUBLIC CORPS	UK Ind/Comm/Public Corps	04	UK Industry, commerce, public corps
EUROPEAN COMMISSION	European Commission	05	European Commission
OTHER EU GOVT BODIES	Other EU Govt Bodies	06	Other EU Government Bodies
EU OTHER	EU Other	07	EU Other
OTHER OVERSEAS	Other Overseas	08	Other overseas
OTHER SOURCES	Other Sources	09	Other Sources
HEFCE	HEFCE	10	HEFCE
		14	Student - for future years analysis
STUDENT	Student	15	Student
STAFF	Staff	16	Staff
OTHER INDIVIDUALS	Other Individuals	17	Other individuals
UK LOCAL AUTHORITIES	UK Local Authorities	25	UK Local Authorities
UK HEALTH AUTHORITIES	UK Health Authorities	26	UK Heath Authorities
UK UNIVERSITIES	Other Universities Subcontract	27	UK Universities
STUDENT LOAN COMPANIES	Student Loan Companies	28	Student Loans Companies
UK-BASED CHARITIES (OCP)	UK-based charities (open competitive process)	31	UK-based charities (open competitive process)
UK-BASED CHARITIES (OTHER)	UK-based charities (other)	32	UK-based charities (other)
EU-BASED CHARITIES (OCP)	EU-based charities (open competitive process)	41	EU-based charities (open competitive process)
EU INDUST/COMM/PUBLIC CORPS	EU industry, commerce & public corporations	42	EU industry, commerce & public corporations
EU OTHER (SOF 43)	EU Other (SOF 43)	43	EU other
NON-EU-BASED CHARITIES (OCP)	Non-EU-based charities (open competitive process)	51	Non-EU-based charities (open competitive process)
NON-EU INDUST/COMM/PUBLIC CORP	Non-EU industry, commerce & public corporations	52	Non-EU industry, commerce & public corporations
NON-EU OTHER	Non-EU other	53	Non-EU other
		BA	Source of funds Budget Bucket code

The above list shows all service types in the projects ledger, and how they map to source of funds in the general ledger

Other University Subcontracts is 'Special'.....

# Third party collaborators

There are 2 types of Third party collaborators

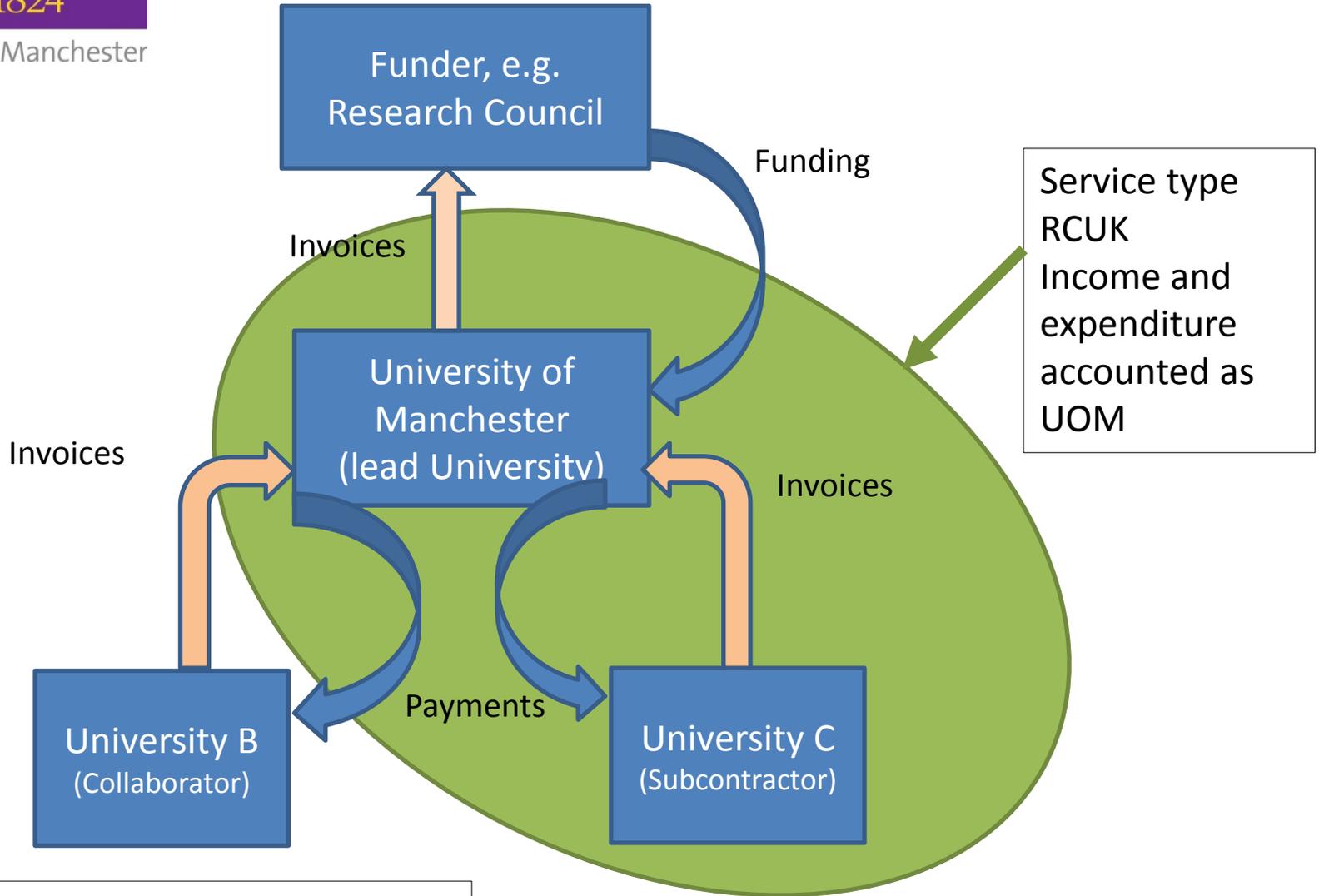
- Subcontractors
  - The grant is awarded to Manchester
  - We choose to subcontract some of the work to a third party
- Collaborators
  - awarded as a collaborative award
  - all the funds were being passed through Manchester
  - Other collaborators named in the award

# Subcontracted work

- The award is solely to Manchester for this piece of work
- We choose to subcontract the work to another institution
- The service type/source of funds for all this work is that of the external funder of the grant, no matter whether we do the work ourselves or subcontract it
- It is all accounted as our income and expenditure

# Collaborators

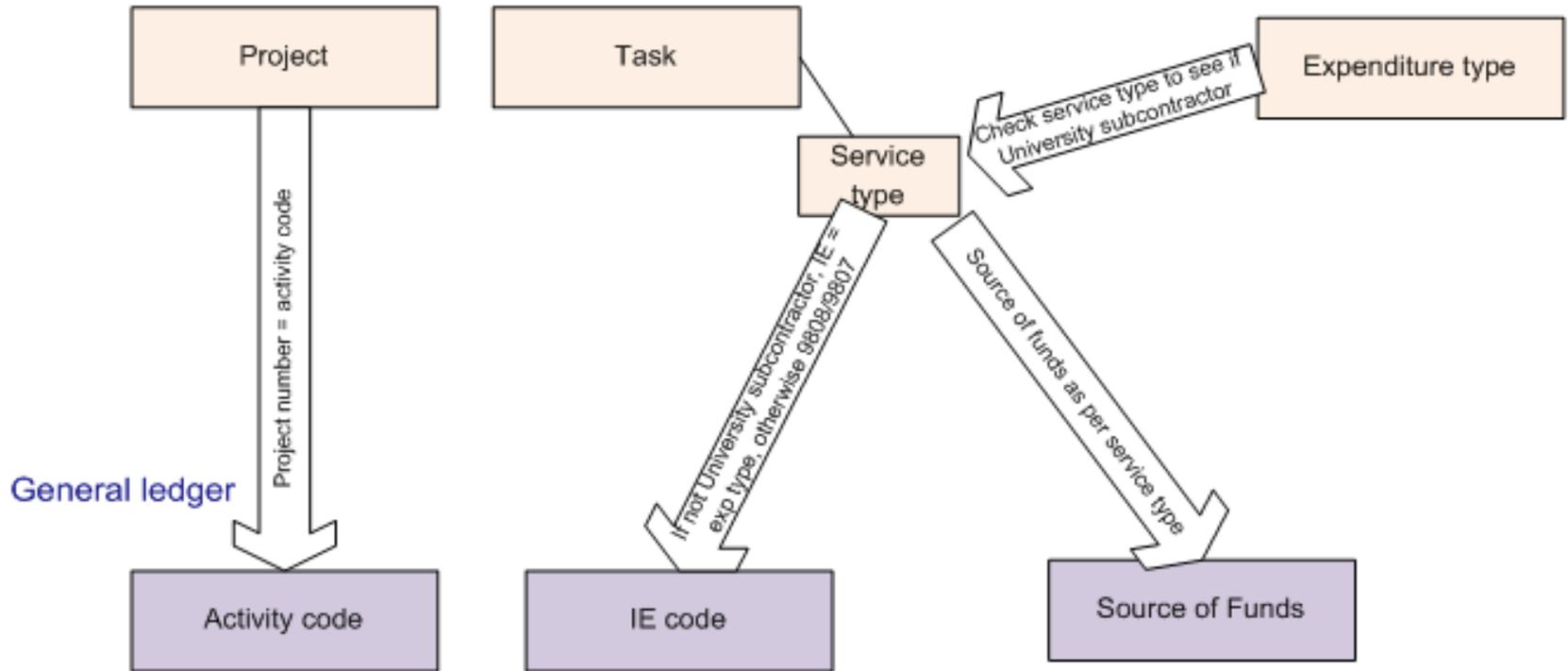
- Only tasks for which we are responsible should be accounted for as our income and expenditure
- All tasks relating to collaborators need to be excluded from our income and expenditure. If service type in projects is set as 'UK UNIVERSITIES', no matter what the expenditure type/IE code is, in the interface between projects and GL it gets changed to balance sheet.
- Also applies to non University collaborators!  
Debits – IE code 9808  
Credits – IE code 9807
- This is a HESA rule to stop Universities in total accounting for research income in more than one institution



Service type  
RCUK  
Income and  
expenditure  
accounted as  
UOM

Service type UK UNIVERSITIES  
Income and expenditure NOT  
accounted as UOM

Projects ledger



# Why does Source of Funds Matter?

- We accrue/defer income on matched codes by source of funds. Coding income to the wrong source of funds will gross up the balance sheet, even if there is no P&L error
- Some of our external reporting is by source of funds. Particularly important in research where we get 22% for Charity QR research income and 15% for BRE income (Business research engagement)
- Has been audited in the past and issues have been found!
- We are :
  - Claiming invalid income (and suffering penalties)
  - Misclassifying valid BRE/charity income (and losing income)

# Source of Funds corrections

- If these are required they should be done mid month, after accruals and deferrals have reversed in the GL.
- Only required for P&L codes – no balance sheet reporting is SOF based.
- They are GL journals only – not done in projects ledger.
- Need to be done line by line – for each line of income and expenditure affected
- Have to be corrected within the same year

# Exercise 1

Review the example source of funds corrections, and comment on :

- Are they correct?
- Were they necessary?
- Are the descriptions clear?
- Feedback to members of staff, what would it be?

Also consider the following questions

- Should source of funds correction journals ever reverse?
- Should SOF corrections ever involve balance sheet codes?  
If so, which?

# Answers

## Example 1

- Correct? – **yes, line by line**
- Were they necessary? – **appears to be correcting a real problem**
- Are the descriptions clear? – **could be improved**
- Feedback to members of staff, what would it be? – **good, but perhaps improve line descriptions**

# Answers

## Example 2

- Correct? – IE code changes are being muddled with SOF corrections
- Were they necessary? – possible – but seems to be correcting several issues
- Are the descriptions clear? – Several problems being dealt with, SOF corrections, allocations corrections, write off reversal, not clear
- Feedback to members of staff, what would it be? – Separate individual reasons for journals into individual lines and make clear what you are doing in the line description.

7006	01	12,396.85
	04	5,391.35
7006 Total		17,788.20
7010	04	-12,151.76
	17	-15.99
7010 Total		-12,167.75
7506	01	-5,391.35
	04	-245.09
	15	15.99
7506 Total		-5,620.45
		0.00

# Answers

## Example 3

- Correct? – IE code changes are being muddled with SOF corrections
- Were they necessary? – SOF corrections are to correct balances in the current GL year. Worrying that this says 14-15, implies prior year
- Are the descriptions clear? – Several problems being dealt with, SOF corrections, allocations corrections
- Feedback to members of staff, what would it be? – Is the balance correct now in the current year, in the current month? Improve descriptions and make much clearer the purpose of the journal.

7006	01	2,000.00
	04	41,959.72
	27	5,278.61
7006 Total		49,238.33
7506	01	-41,959.72
	04	-7,278.61
7506 Total		-49,238.33
		0.00

# Answers

## Example 4

- Correct? – IE changes are being muddled with SOF changes. The journal includes balance sheet (accrued and deferred codes) which should not have balances mid month and need correcting in this way
- Were they necessary? – Balance sheet correction should not have been necessary
- Are the descriptions clear? – could be improved
- Feedback to members of staff, what would it be? – Improve descriptions, query balance sheet impact, do not muddle SOF corrections and IE code adjustments.

⊖ 1200	26	3,564.00
1200 Total		3,564.00
⊖ 1210	26	-3,564.00
1210 Total		-3,564.00
⊖ 1211	03	3,564.00
1211 Total		3,564.00
⊖ 7510	26	-3,564.00
7510 Total		-3,564.00
⊖ 9361	26	3,564.00
9361 Total		3,564.00
⊖ 9461	03	-3,564.00
9461 Total		-3,564.00
		0.00

# Answers

## Example 5

- Correct? – **yes, line by line**
- Were they necessary? – **No, source of funds corrections are not necessary on the balance sheet**
- Are the descriptions clear? – **Acceptable**
- Feedback to members of staff, what would it be? – **Don't waste time doing SOF corrections on the balance sheet!**

# Answers

Should source of funds correction journals ever reverse?

No

Should SOF corrections ever involve balance sheet codes? If so, which?

Not normally. The exception is if a University subcontract SOF has been used and is being corrected, will need to correct from 9807/9808 to the original IE code as well as change the Source of Funds

# Impact of SORP

- Balances (total debits and total credits) used to be the same on projects and GL, pre-Sorp, as codes were always zero P&L balance at a month end
- Now, codes often have a P&L balance at a month end due to:
  - Capital income and depreciation being excluded from zeroing
  - Some codes not matched at all.

# Example 6

A 3 year grant (starting on 1<sup>st</sup> August 2016) is for £0.6m  
£0.3m is spent in year one on equipment and £0.1m is  
spent evenly over the life of the grant on staff and  
consumables. Income is invoiced based on spend to  
date at the end of each year.

Projects ledger

	Revenue £m	Expenditure £m	
Year 1	-0.4	0.4	0
Year 2	-0.1	0.1	0
Year 3	-0.1	0.1	0
Total	-0.6	0.6	0

General ledger (accounted)

	Income £m	Expenditure £m	Net
Year 1	-0.4	0.2	-0.2
Year 2	-0.1	0.2	0.1
Year 3	-0.1	0.2	0.1
Total	-0.6	0.6	0

If a grant was ‘in flight’ over the SORP transition, total income and expenditure might not be the same over the whole life of the grant. Periods before the SORP transition would have income recognised in the old basis, and since Aug 2015, in the new basis.

This can produce some unexpected results and permanent differences!

# Example 7

Same example as before, start date August 2014. (new SORP adopted August 2015)

A 3 year grant (starting on 1<sup>st</sup> August 2014) is for £0.6m £0.3m is spent in year one on equipment and £0.1m is spent evenly over the life of the grant on staff and consumables. Income is invoiced based on spend to date at the end of each year.

# Example 7

Same example as before, start date August 2014.

Projects ledger

	Revenue £	expenditure £	Net
Year 1	-0.4	0.4	0
Year 2	-0.1	0.1	0
Year 3	-0.1	0.1	0
<b>Total</b>	<b>-0.6</b>	<b>0.6</b>	<b>0</b>

General ledger (accounted)

	Income £m	Expenditure £m	Net
Year 1	-0.2	0.2	0
Year 2	-0.1	0.2	0.1
Year 3	-0.1	0.2	0.1
<b>Total</b>	<b>-0.4</b>	<b>0.6</b>	<b>0.2</b>

Income is £0.1m DCG release to match depreciation, and £0.1m income to match revenue expenditure Old SORP

Income is to match to revenue expenditure only. £0.2m expenditure includes depreciation New SORP

Income is to match to revenue expenditure only. £0.2m expenditure includes depreciation New SORP

# Example 8

The Brian Cox Centre (BCC) was built across the SORP transition. Commencing in 2012, the first 3 years are old SORP, the last year is new SORP. The following is also relevant:

- The building was fully funded by external funding from the Roberts Fund
- There are no performance conditions on the funding – it is all unrestricted
- Depreciation policy under old and new SORP is to charge a full year's charge in the year of commissioning, over a life of 50 years
- Commissioning date is during year 3 (July 2015) when the building was fully brought into use.

	Cash received £000	Building costs £000	Income recognised £000	Costs/depreciation charged to SoCI £000	Fixed asset cost £000	Fixed asset depreciation £000	Fixed asset Acc'd depreciation £000	DCG £000
Year 1	200	0						
Year 2	500	400						
Year 3	800	1100						
Year 4								
	<u>1500</u>	<u>1500</u>						

	Cash received £000	Building costs £000	Income recognised £000	Costs/depreciation charged to SoCI £000	Fixed asset cost £000	Fixed asset Acc'd depreciation £000	DCG £000
Year 1	200	0					-200
Year 2	500	400			400		-700
Year 3	800	1100	-30	30	1500	-30	-1470
Year 4				30	1500	-60	0
	<u>1500</u>	<u>1500</u>	<u>-30</u>	<u>60</u>			

# Key learning points - Capital

Capital postings are key. We need to:

- Commission assets at exactly the right time – affects income recognition
- Review capital income postings to ensure they are as expected – high risk of material errors!
- SORP transition may mean income over whole life of grant involving capital may not be as expected

# Central Checks on projects

- Interfaces – check clearance, errors
- GL-PA rec. Total debits should equal total credits in both ledgers, excluding:
  - Permanent transition adjustments
  - Surplus on losses on codes in GL (often due to capital timing)
- Project balances review
  - Where there is no budget on the project (No Budget)
  - Where expenditure is ahead of budget (Overspent)
  - Where billing is ahead of budget (Overbilled)
  - Where spend is ahead of income (Unbilled)

# Central Checks on projects

- BRE checks – codes where the SOF has been changed in the month in projects (ask HoFRF to comment and ensure authorised)
- Ensure all sources on funds in the GL also appear as valid service types in the projects ledger on that grant
- Balance sheet review – grossing up (accrued and deferred income on the same code)
- Starting to look at deferred/accrued income balances mid month – should be zero in most cases.

# Local Checks on projects

	Hums	BMH	FSE
Clear Project Invoicing suspense account	Yes	Yes	Yes
Clear Payroll suspense account	Yes	Yes	
Check Allocations balance	Yes		Yes
Clear Overspends	Yes	Yes	Yes
Check underspends		Yes	
Check OUSC [9808 = 9807 and GL balance matches PA balance]	Yes		Yes
Check projects with multiple SoF	Yes	Yes	Yes
Management Accounts SOCI commentary for Faculty	Yes		
General checks on accruals and deferrals		Yes	
Check Accrued and Deferred income against projects past their end dates	Yes		
Check Accrued expenditure against projects past their end dates	Yes		
Provisions and write offs		Yes	Yes
Checks on journals that impact capital		Yes	
Checks on journals that impact Other university subcontractors		Yes	
Clear any unbalanced allocation codes.		Yes	Yes
Pay vs overheads reports – to identify where we have pay but no corresponding overheads			Yes
Check Closed activity codes with balances			Yes
Check Projects that are open 6 months past their end date			Yes
Check new projects – to ensure set up correctly (review projects >£500k)			Yes