

**A presentation by**  
**Queen's University**  
**Financial Services**

Alternative formats for this presentation can be found on the Financial Services website.

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# Financial Services

## Revenue & Cost Recoveries

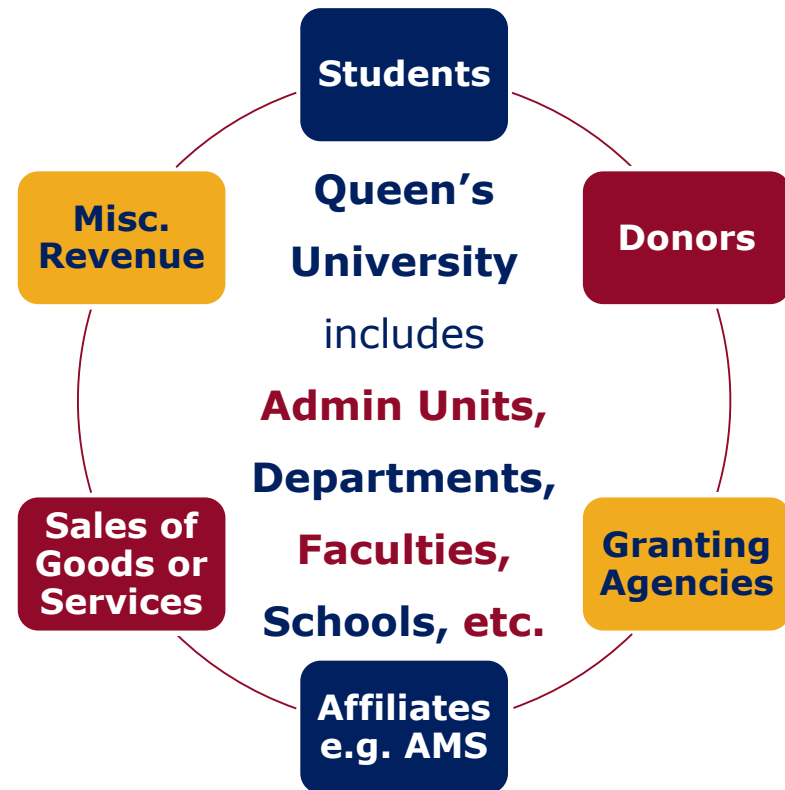
# Internal Vs. External Transactions



## Internal



## External



# Internal Transactions



**Internal Sales**

Queen's Ancillary Unit

Sells goods/services to

Department A within Queen's

**Internal Cost Recoveries**

Department A within Queen's

Recovers charges from

Department B within Queen's

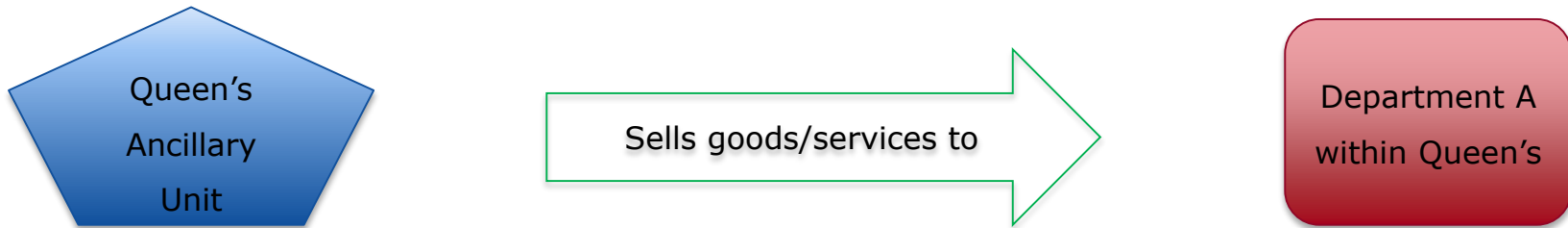
**Internal Revenue Transfers**

Department A within Queen's

Transfers internal revenue to

Department B within Queen's

# Internal Sales



- Ancillary unit sells goods/services to another department
- **No net financial impact to Queen's**

**Ancillary Operations** include business units that provide goods and services to the university community; covering their full operating costs including indirect costs. They may also contribute to general operating expenditures. Ancillary units represent **Fund 20000**. Examples include **Creative Design Unit, Food Services, Donald Gordon Centre**.

# Recording Internal Sales



Price includes 'markup' to recover indirect costs.

## Example

Ancillary 'A' sells services to an internal department and charges \$46/hr.

Direct cost of service = \$45/hr.

Indirect cost = \$01/hr.

Total = \$46/hr.

# Recording Internal Sales (Cont'd)



- Not subject to HST
- Recorded as a sale and cost at the same time
- Recorded via a journal entry (no entry to A/R or A/P)
- Records should include:
  - Customer order
  - Detailed record & delivery date
  - Description
  - Date good delivered/services rendered



# Recording Internal Sales Example



## Example

**Creative Design** unit creates custom signage inserts for **Biology** departmental office

## Sample Journal Entry

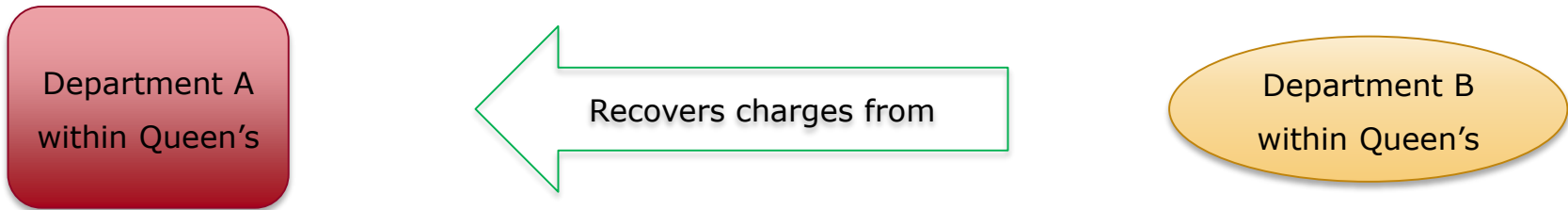
Fund	Department	Account	Line Description	Amount
10000	11540	606007	Graphic Design Inv 123456	162.50
20000	56005	450101	Biology Inv 123456	(162.50)

### Tip!

**Internal Sales** only apply to **Ancillary** units (**Fund 20000**).

The **credit** side of the entry will always be to **Account 450101**.

# Internal Cost Recoveries



- One department recovers costs from another department
- **No net financial impact to Queen's**

# Recording Internal Cost Recoveries



## Prime financial objectives:

- Record transactions in correct fiscal year
- Billing department maintains financial records that support legitimacy and appropriateness of transaction, for example:
  - Salary & Benefit Charges – name & salary period
  - Long-Distance Phone Charges – monthly invoices paid
  - Photocopying Charges – unit cost, # of copies, period

# Recording Internal Cost Recoveries (Cont'd)



## Important notes when recording ICR journal entries:

- Credit ICR Account applicable to expense budget node
- Recovery transaction:
  - Must not be recorded in advance of source transaction
  - Must not be used to record a transfer of funding to another department unit or research project

# Recording Internal Cost Recoveries **Example**



## **Example**

**Biology** operating fund recovers photocopying costs from a **Research Project**.

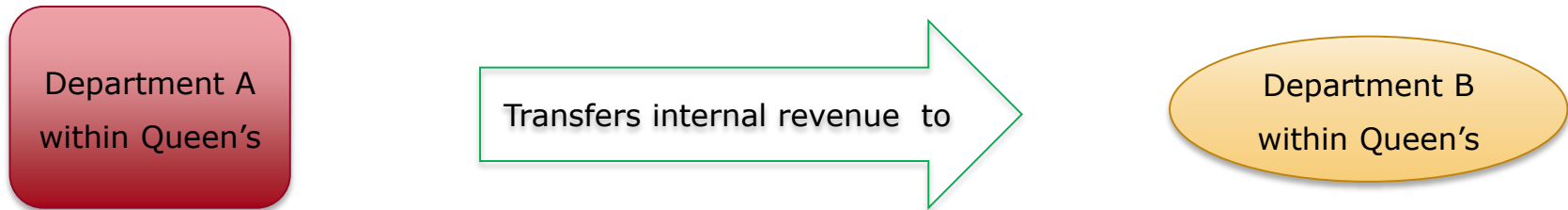
## **Journal Entry**

<b>Fund</b>	<b>Department</b>	<b>Account</b>	<b>Project</b>	<b>Line Description</b>	<b>Amount</b>
31000	11540	<b>606001</b>	377999	P-Copy Recovery Bio Dept	23.50
10000	11540	<b>606002</b>		P-Copy Recovery Smith	(23.50)

### **Tip!**

When recovering all or any portion of the cost from another internal source, the ICR Account used to record the credit side of the entry is the one located under the Budget Expense Node containing the account that was originally expensed.

# Internal Revenue Transfers



- Reallocating internal revenue funds from one unit within Queen's to another unit within Queen's. Internal revenue funds are funds that cannot be tied back to an external source.
- **No net financial impact to Queen's**

# Recording Internal Revenue Transfer **Example**



## **Example**

**Faculty of Arts & Science** operating fund provides research start-up funds to a **Biology Research Principal Investigator's** internal research project research fund.

## **Journal Entry**

<b>Fund</b>	<b>Department</b>	<b>Account</b>	<b>Project</b>	<b>Line Description</b>	<b>Amount</b>
10000	11999	480001		Start Up Biology Smith	5,000.00
31000	11540	480001	377999	Start Up Biology ARS	(5,000.00)

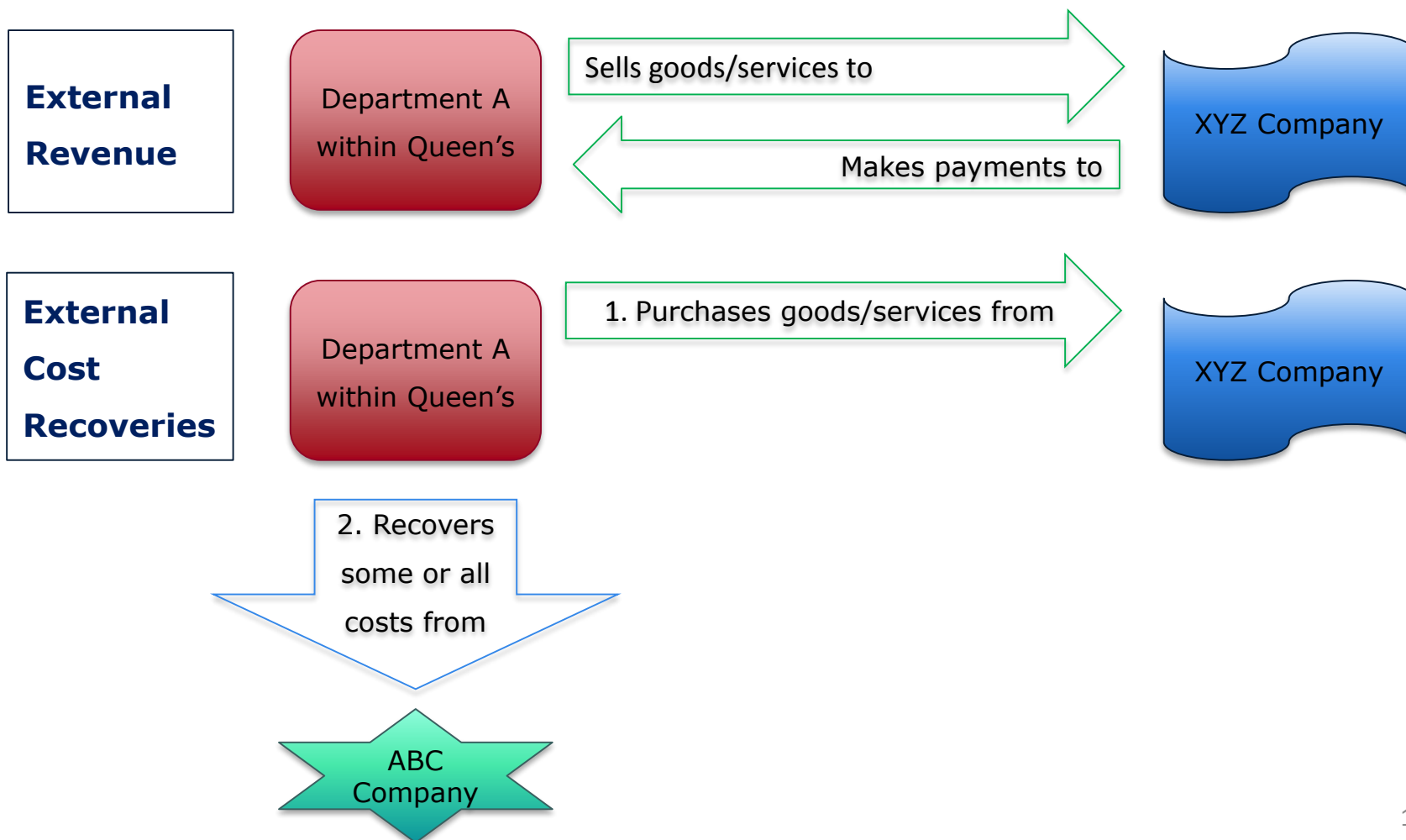
### **Tip!**

**Account 480001** must be used on both sides of the entry

**Account 480001** should never be used to transfer:

- Between Operating '10000' & Trust & Endowment '5xxxx' – '8xxxx' Funds
- To/from Agency fund '9xxxx' series
- To/from externally sponsored Research Projects
- In-Year revenue activity that can be tied to an external source

# External Transactions





# External Revenue



- Revenue received from an external source (a source outside of the university)
- **A net financial impact to Queen's**

- Donations
- Government Operating Grants
- Research Awards
- Sales of Goods/Services
- Student Fees
- Other Miscellaneous Revenue

# External Revenue – Financial Objectives



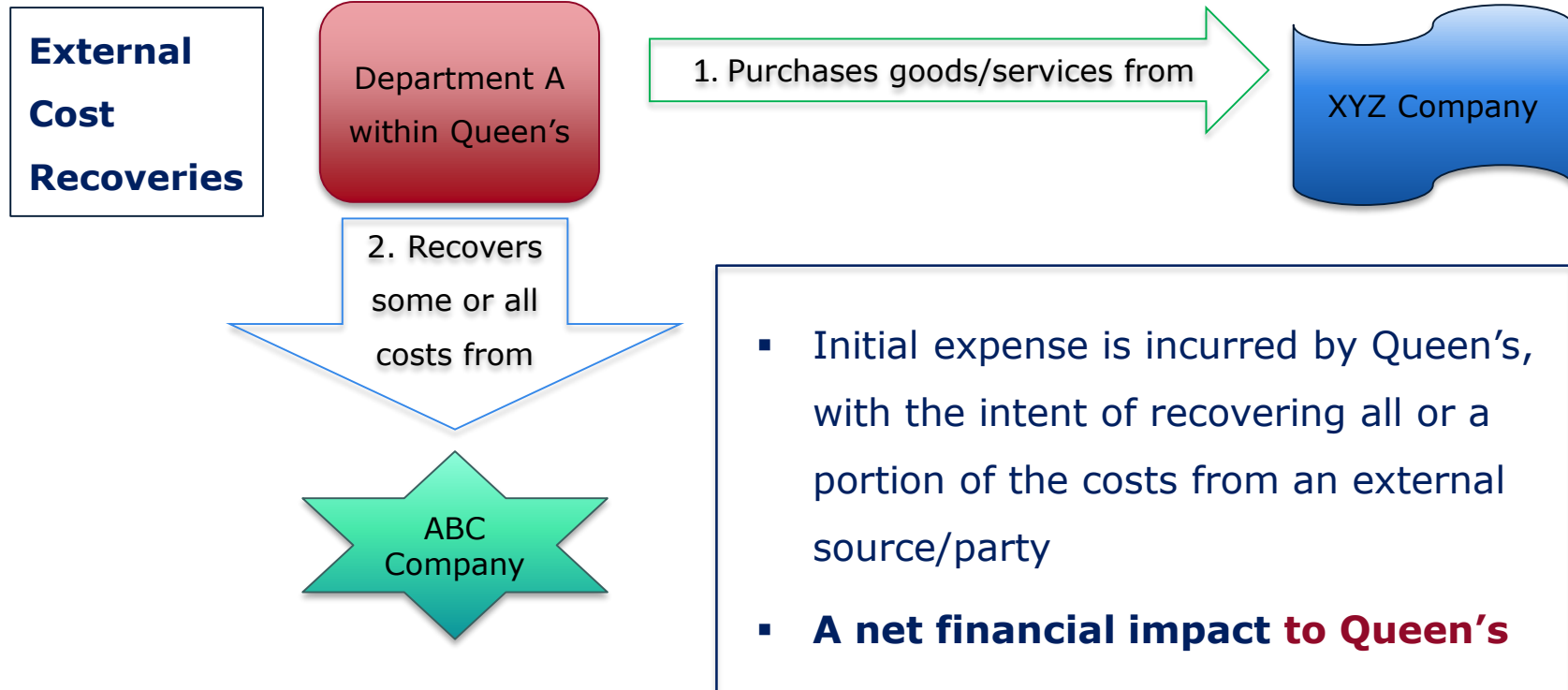
Providing goods /services to external customers on a sales or cost recovery basis:

1. **Limit** contractual liability
2. **Set** prices sufficient to cover all costs
3. **Calculate** the correct applicable sales tax
4. **Record** transactions in the correct fiscal year
5. **Collect** amounts due

## Tip!

Deposit (record) external sales or cost recovery to an account that begins with '45xxxx' or '46xxxx', (except when recovering from an external source using the cost sharing approach (discussed later). **Never** use Account '450101' or '480001'.

# External Cost Recoveries



### Expense Recovery Approach

Use this approach when the university is responsible for incurring the initial cost but will recover **all or a portion** of the initial costs. The original expense remains recorded in the expense account ('**5xxxxx**' or '**6xxxxx**') and the incoming external recovery reimbursement is deposited (recorded) in Account **490xxx**.

#### Example

- Purchase equipment from Account **612004**
- Deposit (record) recovery reimbursement revenue to Account **490010**

#### Tip!

Departments are responsible to charge and collect applicable taxes on the initial expense. To learn if taxes apply, visit the [Financial Services Procedures](#) page.

### Cost Sharing Approach

Use this approach when the university is responsible for incurring the initial cost but will recover only **a portion** of the initial cost. The original expense remains recorded in the expense account ('**5xxxxx**' or '**6xxxxx**') and the incoming external recovery reimbursement is deposited (recorded) in the same related expense account ('**5xxxxx**' or '**6xxxxx**').

#### Example

- Purchase equipment from Account **612004**
- Deposit (record) recovery reimbursement revenue to Account **612004**

#### Tip!

Departments are responsible to charge and collect applicable taxes on the initial expense. To learn if taxes apply, visit the [Financial Services Procedures](#) page.

Distinguishing between **Internal** vs. **External** transactions and accurately recording **Revenue & Cost Recoveries** within the GL, ensures data integrity for all financial reporting.

# How may we help you today?



## Contact us:

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