

## No.2 Guidance for using CUFS Coding

**Monitoring expenditure by *cost centre* allows departments to track the performance of specific activities.**

**Monitoring the *source of funds* allows the department to see the remaining available funds from a specific income stream.**



**Cost Centres** should be used to divide department's activities into operational segments within Sources of Funds. Transaction codes should then be used to describe the type of income or expenditure.

**Before opening a new cost centre** it is important to consider carefully if it is needed to identify an operational activity (e.g. for a conference, or to set aside funds for a particular academic). Cost centres if used correctly can be a very effective tool to divide areas of activity into distinct segments. They should allow users of the accounts to see at a glance how a certain activity is performing.

**Departments may have many cost centres;** administration, lab managers, conferences, canteens or specific courses to name but a few.

**Expenditure (and income) can be allocated to the appropriate cost centre.** This presents departments with the opportunity to adjust budgets for each activity and monitor their performance.

**Each department is created with a standard set of cost centres generally starting with the CUFS department code.**

E.g. Where the dept. code is PQ. The standard cost centres are:

PQAA - Admin.	PQAB - Workshop
PQAC - Maintenance	PQAD - Library
PQAE - Catering	PQAG - Research
PQAZ - Insurance Claims	PQBA - General

Others can be added at the request of the department.

**If a department holds any trust funds then two specific cost centres must be used in conjunction with the trust fund source of funds code**

ZZYA - Permanent trust fund capital
ZZYB - Spendable trust fund capital

**For further information see section 1 of the Chart of Accounts chapter in the Financial Procedures**

**Source of Funds** Funding for the University's activities comes from many different sources. The University has a responsibility to its sponsors, donors and government funders to separate, manage and report (in most cases) on how different income streams are spent.

In order to do this, Source of Funds (SoF) codes are used to categorise and monitor types of income.

Each type of income is given it's own SoF, e.g. income from external trading is given the code GAAA, budget allocations from the Chest are coded to AAAA.

When the income is spent, the expenditure should be coded to the same SoF as the income, allowing the University to track and report on how it is using its different types of funding.

**See sections 1 and 2 of the Chart of Accounts chapter in the Financial Procedures**

An exception to this is spending a surplus generated by external trading—see the best practice guide number 3.

### Transaction Codes

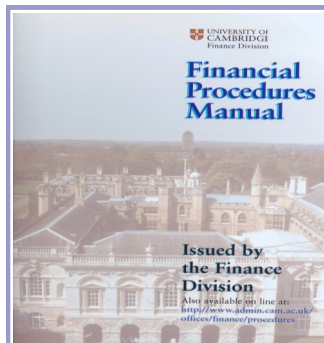
There are three basic types: expenditure, income and balance sheet (for prepayments, accruals etc) and they are pivotal to the University's financial reporting and control processes.

- It is beneficial to have a list of transactions that commonly occur within your department with transaction codes that are agreed upon and used throughout. This enables efficient management information and reporting by expenditure type

! This does not mean that the wrong transaction code should be used if it doesn't adequately match the types of expenditure listed! Where CUFS has a number of transaction codes with the same description, departments should use the one ending in 'Z'.

**See sections 1 and 3 of the Chart of Accounts chapter within Financial Procedures for further information**

In any instance where you are unsure of the best way to code a transaction, please contact your Finance Adviser.



Every department holds a copy of the FPM. It's also available on line via the Finance Division home page - where you will also find these best practice guides.

## Examples of using Sources of Funds and Cost Centres

### Example 1

A department receives a non-specific donation which will be used to fund two different activities. The donation is split equally:

- 50% for running a one year project (say, cost centre PQBC "Outreach Project")
- 50% on a one year fellowship (say, cost centre PQCD "Fellowship")

In this case, a general donations source of funds code (e.g. EFKM) could be used with the two different cost centres. Expenditure would be posted to:

U.PQ.PQBC.EFKM.E\*\*\* for outreach project related expenditure  
U.PQ.PQCD.EFKM.A\*\*\* for fellowship related expenditure

This example demonstrates why it is not necessary to use different Sources of Funds for general donations. It is recommended that in most cases, only one SoF be used for general donations, and divided by cost centres (as above).

This method makes it simple to check the total available funds of general donations. This will aid management decision making.

If you would like help or advice on consolidating existing general donations SoF into one general SoF, please contact your Finance Adviser.

### Example 2

A series of public lectures is to be funded partly from a specific donation (SoF HAHS) and partly from reserves within general donations (SoF EFKM).

In this case, one cost centre for the lecture tour could be used (say PQAT) with the two different sources of funds. Expenditure could be posted to both:

U.PQ.PQAT.HAHS.E\*\*\* and  
U.PQ.PQAT.EFKM.E\*\*\*

Use of the same cost centre PQAT allows the department to monitor the finances of the lecture tour in total.

Using separate sources of funds allows both the department and central finance to monitor the remaining balances on each of the funding sources.