

Transfer Codes

What are the transfer codes?

Special points of interest:

- Transfer codes should only be used in specific situations
- Always make sure the same transfer code is used on both sides of the journal
- LXBB is rarely needed by departments
- Be particularly careful when dealing with trading accounts or restricted sources of funds

There are different ways of transferring expenditure or income between CUFS accounts. Sometimes, this should be done using a ‘transfer code’, sometimes not. This guide sets out when and how these codes should be used. The two codes used by departments in certain situations are:

EZXX - Transfer of Expenditure
LXBB - Transfer of Income



Using these codes at the right time and only the right time is vital.

They can only be used with certain sources of funds and the same transfer code **must be applied to both sides** of the transaction.

Why do we need them?

All transactions should initially be coded to the correct University account with the appropriate source of funds and transaction codes that reflect the true nature of the supply.

E.g. Trading income should be coded to GAAA (external trading) and all the related costs of that trading activity should also be coded to GAAA.

This ensures that the University’s Financial Accounts, VAT and Corporation Tax returns are correct.

However, there are occasions when managing departmental budgets where it is found beneficial to transfer expenditure within the department and to use a surplus to help fund other activities.

Where the surplus is allowed to be used in this way, you should use the *transfer codes*. The Tax and TRAC Teams can then ignore these transactions when completing their returns and calculating the true cost of an activity.

Whether, or not they can be used in a particular scenario will often be determined by the source of funds in question. For this purpose Sources of Funds can be split into three main categories.

Category	Sources of funds
Un-restricted sources of funds	AAAA, ADAA, EF**
Restricted sources of funds	D***, F***, H***, I***, J***, K***, M***
Trading accounts	G***

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Transfer of Income code LXBB

The LXBB transfer of income code could be used to consolidate income for example between EF** sources of funds (General Donations). Generally though, departments are less likely to use this code and should consult their Finance Manager or Finance Adviser before doing so.



Spending brought forward balances

Normally you are not able to move opening balances. This is because the opening balances in one year, have to be equal to the published Balance Sheet balances of the previous year.

Balances on different sources of funds

Do not move.

Contact either your Finance Adviser or the GL Helpdesk.

Balances on same source of funds but different cost centres

U.xx.xxBG.EFAA.XEAA.0000 Surplus (credit balance) £5000
U.xx.xxBB.EFAA.XEAA.0000 Deficit (debit balance) (£3000)

Move by means of a journal using the EZXX transfer code.

DEBIT	U.xx.xxBG.EFAA.EZXX.0000	£3000
CREDIT	U.xx.xxBB.EFAA.EZXX.0000	£3000

This information is also included in section 3 of the Chart of Accounts chapter of the Financial Procedures Manual

For further help and advice please feel free to contact your Finance Adviser.

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Spending current year surpluses

Surpluses on un-restricted sources of funds e.g. General Donations

Directly code expenditure to the surplus account or transfer expenditure to the surplus account using the transfer code EZXX.

E.g. Using a surplus to clear a deficit on ADAA source of funds

An overspend on ADAA of £2000 (represented in the accounts as a debit balance) is to be cleared using a General Donations surplus (U.xx.xxBA.EFAA)

Transfer expenditure out of ADAA using the transfer code EZXX

DEBIT	U.xx.xxBA.EFAA.EZXX.0000	£2000
CREDIT	U.xx.xxBA.ADAA.EZXX.0000	£2000

Surpluses on restricted sources of funds e.g. Trust Funds, Specific Donations, Research Grants

Surpluses on research grants and these GL accounts must only be used to fund allowable expenditure. Where an activity that was specified in a trust/donation no longer exists then contact :

- GL Helpdesk

Surpluses on trading sources of funds e.g. GAAA

It is essential that trading accounts accurately reflect each year the income and costs of that particular activity. There are two reasons for this:

- (1) Corporation Tax This is calculated on the annual "profit" of the trading account (i.e. the value of income transaction codes - expenditure transaction codes)
- (2) VAT Some trading activities are taxable and therefore the VAT on any directly related costs is recoverable.

In both cases the Taxation team ignores any transactions identified by transfer codes. There are three potential scenarios that may occur when spending surpluses in trading accounts.

Scenario 1: funding additional related items

There is a surplus on a trading account (U.xx.xxBG.GAAA) that is to be used to fund additional expenses in relation to that trading activity e.g. Bob works 4 hours on the trading activity and so a portion of his salary is transferred to that activity

Match the expenditure to the income the trading account using a correct transaction code for salaries

DEBIT	U.xx.xxBG.GAAA.AAAL.0000	£200
CREDIT	U.xx.xxBA.ABAA.AAAL.0000	£200

Scenario 2: to offset a deficit elsewhere

The department wants to use £1500 of its trading surplus in U.xx.xxBG.GAAA) to offset a potential deficit in its AAAA source of funds.

Using transfer codes move £1500 to the trading account

DEBIT	U.xx.xxBG.GAAA.EZXX.0000	£1500
CREDIT	U.xx.xxBA.AAAA.EZXX.0000	£1500

Scenario 3: to fund unrelated purchases

There is a surplus on a trading account (U.xx.xxBG.GAAA) and the department wants to utilise the surplus to buy/fund something completely unrelated to that particular trading activity, e.g. a laptop computer for use in teaching or research.

The computer purchase must be coded initially to another account (and source of funds) e.g.

DEBIT	U.xx.xxBG.AAAA.EKKC.0000	£1800
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Using the transfer of expenditure transaction code, move the costs to the trading account

DEBIT	U.xx.xxBG.GAAA.EZXX.0000	£1800
CREDIT	U.xx.xxBG.AAAA.EZXX.0000	£1800

Do not use Transfer codes for ...

Transfer codes should not be used for the following:

- Research grants journals
- Correcting mispostings
- Matching related expenditure and Income

See page 4 for how to account for the latter two of these.



Correcting mispostings...

Use journals to correct a misposting by:

- (1) using the original (wrong) code to reverse the misposting; and
- (2) the new (right) transaction code for the new entry.

Do not use the transfer codes LXBB (income) or EZXX (expenditure)

E.g. On cost centre ZZBA £200 of photocopier paper (ESFA) was purchased but the wrong transaction code (EBBA) was used.

Original entry :

DEBIT	U.ZZ.ZZBA.AAAA.EBBA.0000	£200
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Journal to correct

DEBIT	U.ZZ.ZZBA.AAAA.ESFA.0000	£200
CREDIT	U.ZZ.ZZBA.AAAA.EBBA.0000	£200

Matching related expenditure and income...

The concept of matching income against the expenditure involved in generating it is one of the fundamental concepts of accounting. It allows an organisation to see the profit (or loss) that has been generated by an activity. Normally you would expect to move expenditure to match income, rather than the other way round.

E.g. You have a photocopier in your department, which you also allow students to use for a small charge.

- (1) The income that you receive from the photocopier in this way will be entered into the Accounts Receivable module on the system using an appropriate Receivable Activity.

This is correct and it is essential that the income is coded to GAAA to ensure that it is treated accurately in the University's financial statements and for taxation purposes.

- (2) However, when you buy photocopying paper for your department you might not know exactly how much of it will be used by the students and how much will be used by the department itself. Therefore you may have coded the original bulk purchase of paper to a different source of funds (perhaps something like AAAA – Chest non-payroll).

- (3) This is fine, but **periodically you should transfer (i.e. journal) an amount out of the account that you originally coded the paper purchase to, and into the GAAA account to off set against the income received.**

- (1) Source of funds GAAA (e.g. sales to students)

	<u>Dr</u>	<u>Cr</u>
Photocopying Oct		50
Photocopying Nov		100
		<u>150</u>

- (2) Source of funds AAAA (used for Photocopier expenditure)

	<u>Dr</u>	<u>Cr</u>
Oct Paper	350	
Nov Paper	200	
	<u>550</u>	

- (3) Journal - December

DEBIT	U.xx.xxAA.GAAA.ESFA.0000	£130
CREDIT	U.xx.xxAA.AAAA.ESFA.0000	£130

“Transfer of approx. cost of paper used in photocopier sales to students for 2 months

- Source of funds GAAA (e.g. sales to students)

	<u>Dr</u>	<u>Cr</u>
Photocopier paper	130	
Photocopying Oct		50
Photocopying Nov		100
	<u>130</u>	<u>150</u>



If you have lots of items to move/correct speak to your Finance Adviser who can provide you with a template spreadsheet, which they can then use to upload into CUFSS using a tool called ADI.