

III. Introduction to the RIT Chart of Accounts

A. Overview:

The RIT chart of accounts is a structure that provides a roadmap for tracking and understanding financial transactions in the general ledger. The chart of accounts is the framework used to develop accurate and complete financial statements and tax returns.

Objectives:

In this chapter you will learn about:

- the structure of the chart of accounts
- what each segment represents
- how to decipher unique 24-digit account combinations
- how account combinations are created
- cross-validation rules
- account segment descriptions

B. What is a Chart of Accounts?

1. Chart of accounts refers to the account structure that is used to record transactions and to maintain balances on the *general ledger*. The chart of accounts is made up of account segments that represent elements of RIT's business structure, such as department and project. When segments are combined together in a general ledger account number, the resulting *account code combination* provides meaningful information.
2. A complete general ledger account number, (24-digit account code combination), is made up of six separate segments. Each segment is separated by a period (.). The account code combination is structured as follows:

X X . X X X X X . X X X X X . X X . X X X X X . 0 0 0 0 0
(1) (2) (3) (4) (5) (6)

- (1) Entity – two-digit numeric segment
- (2) Department – five-digit numeric segment
- (3) Object – five-digit numeric segment
- (4) Functional Expense Category (FEC) – two-digit numeric segment
- (5) Project – five-digit numeric segment
- (6) Academic Discipline Code (at the present time, there are always five 0's in this segment)

Key Words:

*General
Ledger*

*Account Code
Combination*

3. Here's an example of a 24-digit *operating account* number in the College of Engineering:

0 1 . 63100 . 73150 . 10 . 00000 . 00000
(1) (2) (3) (4) (5) (6)

- (1) Entity – RIT
(2) Department – Electrical Engineering
(3) Expense Object – Office Supplies
(4) FEC – Instruction
(5) Project – none; indicating that this is an operating account
(6) ADC – none

4. Here's an example of a 24-digit *project account* number in the College of Engineering:

0 1 . 63150 . 84000 . 15 . 32500 . 00000
(1) (2) (3) (4) (5) (6)

- (1) Entity – RIT
(2) Department – Electrical Engineering; Principal Investigator #1
(3) Expense Object – Equipment < \$1,500
(4) FEC – Research
(5) Project – Federal research grant
(6) ADC – none

5. Here's an example of a 24-digit account number in the College of Engineering that would be used to record revenue from an external source:

0 1 . 63100 . 59000 . 00 . 00000 . 00000
(1) (2) (3) (4) (5) (6)

- (1) Entity – RIT
(2) Department – Electrical Engineering
(3) Revenue Object – Revenue – Other Income
(4) FEC – none used with revenue object codes
(5) Project – none
(6) ADC – none

C. How Account Code Combinations Are Created

1. Many 24-digit account numbers currently exist in the general ledger. When you process a transaction using an existing combination, you just have to enter the 24-digit number.
- In Oracle, pull-down boxes are available for each segment, allowing you to choose the correct segment value to populate a field.

Key Words:
Operating Account
Project Account



2. If you want to use an account number that is not currently reflected on your department or project statement, or has not been used in the past, it has to be “set up” by Accounting before you can process a journal entry or a purchase requisition.
3. If you enter an account number in Oracle that does not exist, you will receive the following message: *Please choose an existing combination.* As long as the new combination does not violate an existing cross-validation rule, Accounting can set up a new number very quickly, allowing you to proceed with your transaction.

Call Accounting at ext. 5-2237 to request to have a new account number set up in the general ledger.

D. Cross-Validation Rules

1. Cross-validation rules are set up in Oracle by Accounting to maintain the accuracy of the general ledger. The rules help to prevent invalid or incorrect 24-digit account combinations from being created.
2. Users will receive an error message when entering an invalid/incorrect combination in Oracle.
 - a. For example, department 15100 must use a FEC of 35 (4th segment) when the object code is ≥ 70000 and the project = 00000. The correct account code combination to use for travel would be:
01.15100.78000.35.00000.00000.

- b. If you attempted to use any FEC other than 35 (e.g., 10, 15, etc.) with department 15100, you will receive the following error message:
Invalid expense category for this department when project number = 00000 – DEPT EXP CAT

A complete set of existing cross-validation rules may be found in Chapter XVI, Section B.1.

E. Description of Each Segment

1. Entity

- a. The entity range is 01-99.
- b. This segment identifies transactions by corporate entity and the information is used for preparation of external financial statements.
- c. There are currently eight active entities:
 - i. 01 – RIT
 - ii. 05 – RIT Endowment
 - iii. 09 – Agency
 - iv. 19 – RIT Inn & Conference Center
 - v. 20 – University Commons II
 - vi. 21 – University Commons III
 - vii. 28 – High Technology Incubator
 - viii. 30 – 40 – Global Delivery Corporation Programs

2. Department

- a. The department segment range is 00001-99999. The value in the department segment must be greater than 00000.
- b. The department segment identifies each separate budget unit within the Institute. For example, Accounting is department 15100. The Electrical Engineering department, within the College of Engineering (range 63000-63999), is identified by department number 63100.
- c. Departments may use the last two digits of their department number to track special activities within their department. For example, the Electrical Engineering department may use department number 63110 to track a special activity that falls within one fiscal year.
- d. Another example of how the last two digits of the department account number are used, in this case XXX50-XXX59, is to set up special departments for grant and contract *principal investigators* (PI's).
 - i. Each PI in a department is assigned to a unique department number associated with his/her home department. For example, PI number one in department 67900 is assigned to department 67950. PI number two's grants/contracts are assigned to department 67951, etc. This department number is used for all of the PI's grant and contract accounts. This allows the PI to access information for his/her projects in the general ledger.

Key Word:

Principal Investigator

**Key
Words:**

Assets
Liabilities
Equity
Revenue
Expense

3. Object

- a. The object code range is 00001-99999. The value in the object segment must be greater than 00000.
 - i. *Assets* – object codes 00001 through 29999
 - ii. *Liabilities* – object codes 30000 through 39999
 - iii. *Equity* – object codes 00000, 40000 through 49999
 - iv. *Revenue* – object codes 50000 through 69999
 - v. *Expense* – object codes 70000 through 99999

To look up a specific object code or to retrieve a list of object codes go to the Controller's Office [Segment Value Listing](#) on the Controller's Office web page: <http://finweb.rit.edu/Controller/forms/globject/>.

4. Functional Expense Category (FEC)

- a. The FEC range is 00-99.
- b. The FEC is used to classify expenditures by type and is used primarily for financial statement reporting purposes.
- c. The FEC associated with a department's operating account is defined in the Oracle cross-validation rules. For example, since the function of the Electrical Engineering department is "instruction", the FEC is always 10 (when the project number is 00000). If you enter a FEC other than 10 in Oracle, an error message will display on your screen.

Please choose an existing combination.

Record: 1/1

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<OSC>

- d. The FEC for capital equipment purchases is always "00" regardless of the FEC normally used for the department.

5. Project

- a. The project range is from 00000-99999.
- b. The project number defines the type of activity that is occurring in the account.

c. Project types	Segment Range
Operating Accounts (including Auxiliaries)	00000-09999
Special Projects	10000-14999
Designated Funds	15000-19999
Scholarship Gifts	20000-24999
Other Gifts	25000-29999
Federal Grants	30000-32999
State Grants	33000-35999
Private Grants	36000-39999
Loan Projects	40000-49999
Endowment	50000-59999

Scholarship Endowment Earnings	60000-69999
Other Endow Earn	70000-79999
Capital Projects	80000-83999
Capital Equipment	84000-84999
Other Plant Funds	85000-89999
Agency Projects	90000-99999
Grant Cost Share Projects	C0000-C9999

- d. The NTID project number changes annually at the beginning of NTID's fiscal year (FY).
- i. FY 2004 = project 02004
 - ii. FY 2005 = project 02005
 - iii. FY 2006 = project 02006
 - iv. FY 2007 = project 02007
 - v. FY 2008 = project 02008

Detailed information about project types may be found in Chapter XVI, Section B.2.

You may access chart of account information on the Controller's Office web page: <http://finweb.rit.edu/controller/accounting/accounts.html>.