

V. Understanding Journal Entries

A. Overview:

Key Words:

ADI

Subledger

Journal entries are used to record financial transactions on the general ledger. Journal entries may be entered directly into the ledger, or uploaded into the ledger from *ADI*. In addition, certain journal entries such as accounts payable or payroll are created automatically in Oracle subledgers and then transferred to the general ledger.

Objectives:

In this chapter you will learn about:

- journal entries
- the difference between a debit and a credit in a journal entry
- system generated journal entries vs. manual journal entries
- when to prepare non-Oracle journal entries
- journal entry documentation requirements
- internal chargebacks

B. What is a Journal Entry?

1. A journal entry is a mechanism for recording financial transactions on the general ledger. All journal entries must have both a debit and credit (referred to as a double-entry system) and the total debits and the total credits in the journal must be equal.
2. A typical journal entry consists of several parts including:
 - a. a transaction date
 - b. the account numbers and amounts to be debited
 - c. the account numbers and amounts to be credited
 - d. a description/explanation
 - e. other information such as journal name, period and category is required when entering a journal in Oracle or ADI.
3. Most journals processed by departmental users are entries to *expense accounts* (object codes 70000-99999). In that case, a debit increases the amount on a particular account line and a credit decreases the amount on another account line. For example, if you wanted to move a \$100.00 charge from your departmental supply line to your departmental software line, you would debit (charge) the software line and credit (reduce) the supply line.

Key Word:

*Expense
Accounts*

Expense Account	
Debit + increase	Credit - (decrease)

Software Account line:

01 . 15100 . 73750 . 35 . 00000 . 00000 \$100.00 debit

Supply Account line:

01. 15100 . 73000 . 35 . 00000 . 00000 \$100.00 credit

C. Processing Journal Entries

1. System Generated Journal Entries

- a. All transactions on the ledger are recorded via journal entries including payroll batches that are transferred from the payroll subledger, accounts payable batches that are transferred from the accounts payable subledger and fixed asset entries from the fixed asset subledger.
- b. Each month Accounting processes other journal entries called allocations. An example of an allocation journal is the fringe benefit rate calculation.

2. Processing Journal Entries in Oracle

- a. All employees who prepare journal entries should attend Oracle training classes. During training you will learn how to create journals on-line in the Oracle General Ledger application.
- b. After attending Oracle training Accounting will provide you with a [General Ledger Security Form](#). When it is processed you'll be given access to the Oracle General Ledger application.

Refer to Lesson 2: Create a Journal in the Journal Entry Process Section of the Oracle Training Manual.

For complete information regarding Oracle training course descriptions and open enrollment dates, visit the [Center for Professional Development](#)'s web page: <http://finweb.rit.edu/cpd/>.

Contact Accounting at ext. 5-2237 for information about gaining access to the Oracle applications.

- c. Below is an example of a journal entry created in the Oracle general ledger:

The screenshot shows the Oracle Journals interface. The journal title is 'Correct Staples chare'. The period is 'FEB-03', the effective date is '11-FEB-2003', the category is 'Adjustment', and the source is 'Manual'. The balance type is 'A' and the budget is blank. The description is 'Move Staples expense from supply line to software line'. The conversion settings are: Currency 'USD', Date '11-FEB-2003', Type 'User', and Rate '1'. The journal entry table is as follows:

Line	Account	Debit (USD)	Credit (USD)	Description
10	01.15100.73750.35.00000.00000	100.00		Move Staples expens
20	01.15100.73000.35.00000.00000		100.00	Move Staples expens
		100.00	100.00	

The account description at the bottom is 'RIT.ACCOUNTING.SUPPLIES - GENERAL.INSTITUTIONAL SUPPORT.NONE.NONE'. Buttons for 'More Details', 'Change Currency...', and 'More Actions' are visible at the bottom.

Key Word:

Post

- d. When you enter a journal entry in the Oracle General Ledger, Accounting will review the information on-line and *post* it to your account. This information is available for your review once it is posted.

3. Preparing Manual (non-Oracle) Journal Entries

- Journal entries debiting or crediting transfer lines (object codes 63001 through 63190) or capital equipment (object code 16200) require additional approvals within the Accounting and/or Budget departments prior to posting. See Chapter VI, When to Use Transfers Journal Entries, to obtain additional information about transfer journal entries.
 - Complete a paper journal entry from available on the Controller's Office web page: <http://finweb.rit.edu/controller/sponsored/> and send it to Accounting for processing. Be sure to include appropriate documentation (refer to Section D).
- Journal entries debiting or crediting student employment lines (object codes 71250 & 71350) can not be processed on-line.
 - Complete a paper journal entry form available on the Controller's Office web page: <http://finweb.rit.edu/controller/sponsored/> and send to Accounting for processing. Be sure to include a complete explanation for the request, as well as appropriate documentation (refer to Section D).
- When moving salary charges from one department to another, you cannot move the corresponding benefit expenses (object code 72050). At the end of each month, Accounting runs a benefit allocation process

and the benefit expenses on both accounts will recalculate appropriately.

If you have any questions about a benefit expense charged to your department or project, call Accounting at ext. 5-2237.

Refer to Chapter IX, Payroll Processes or to the [Payroll](#) section of the Controller's Office web page: <http://finweb.rit.edu/controller/payroll/> for additional information about fringe benefits.

D. Journal Entry Documentation Requirements

1. Interdepartmental Entries

- a. If your journal entry is between your department and a department that you do not have budget responsibility or authorization over, you must submit appropriate documentation to Accounting.
- b. Once your journal is complete, and you have checked and reserved funds, send the documentation to Accounting via interoffice mail (GEM, 6th floor) or by fax (ext. 5-5583).
- c. Attach a copy of the journal screen from the Oracle general ledger to your documentation so that Accounting can easily reference the correct batch (use the File/Print function on the tool bar to print the screen). Write the name of the batch on the journal screen print.
- d. When the documentation is received, Accounting will match it to the journal and post the journal entry to the ledger.
- e. Documentation should include the purpose of the journal entry. The explanation should be in the form of a memo and be authorized by responsible individuals in both departments. You should also include copies of invoices or detail information from the general ledger if applicable.
- f. Accounting maintains the documentation for audit purposes.

2. Entries for Grant and Contract Accounts

- a. If your journal entry affects an externally funded grant or contract account, submit appropriate documentation to Sponsored Programs Accounting (SPA).
- b. Once your journal is complete, and you have checked and reserved funds, send the documentation to SPA via interoffice mail (CIMS, Building 78 or by fax (ext. 5-5250).
- c. Attach a copy of the journal screen from the Oracle General Ledger to your documentation so that SPA can easily reference the correct batch (use the Oracle Action Print feature). Write the name of the batch on the journal screen print.
- d. When the documentation is received and approved by SPA, Accounting will post the journal entry to the ledger.

- e. Documentation should include the purpose of the journal entry. The explanation should be in the form of a memo and be authorized by the principal investigator. You should also include copies of invoices or detail information from the general ledger if applicable.
- f. SPA will maintain the documentation in the grant and contract files for internal and external audit purposes.

3. Intradepartmental Entries

- a. When a journal entry is between object codes in one department or between two departments that you have budget responsibility or authorization over, it is not necessary to submit documentation to Accounting.
- b. Once a journal is complete, Accounting will post the entry to the general ledger.
- c. Departments should maintain appropriate documentation in internal files for audit purposes.

4. RIT Internal Chargebacks

- a. Departments preparing and submitting *chargebacks* are not required to submit documentation to Accounting. This includes departments such as ITS, Telecommunications, The HUB, Dining Services and Facilities Management Services (FMS).
- b. Departments have previously authorized charges to their account. The billing department should send detail information regarding the charges directly to the department being charged.
- c. All questions regarding chargebacks should be directed to the department preparing the chargeback.
- d. Billing departments must maintain appropriate documentation in internal files regarding chargebacks for audit purposes.

5. Documentation Tips when Entering Journal Entries in Oracle

- a. When entering your journals on-line, process separate batches for those journals requiring *documentation*. Include journals requiring documentation in one batch and journals not requiring documentation in another batch.
- b. Batches with journals that do not require documentation will be posted to the ledger immediately. Batches with journals requiring documentation will be posted when the appropriate documentation is received in Accounting.

E. Chargeback Journal Entries

1. A chargeback is an expense for goods or services charged to one RIT department or project by another RIT department (as opposed to a purchase made from an off-campus supplier).

Key Words:

Chargebacks

Documentation

- a. Standard Monthly (SM) Chargebacks are internal charges processed each month by the Budget Office. They include expenses for utilities, FMS maintenance services, insurance, overhead, space rentals, Public Safety, etc.
 - b. Non-standard Chargebacks include all other miscellaneous internal charges such as ITS computer services, local and long distance telephone charges, FMS work orders, Dining Services Hospitality and Catering Sales, and equipment and photo purchases made at Campus Connections, etc.
2. Chargeback expenses are charged to a special series of chargeback object codes that separate internal from external expenditures. This process of accounting for chargebacks assists with external financial reporting.
 3. The billing department will credit the appropriate chargeback credit (recovery) object code, not a revenue object code. Use a revenue object code (50000-62999) only when a cash payment is received from external sources.
 - a. When a payment is received for an item that was charged to your department/project as a chargeback, deposit the funds to object code 90022. For example, an employee in the Accounting Office is reimbursing the department for a personal long distance telephone call (charged to object code 90370). The funds received by Accounting would be deposited to the department's external recovery account:

01. 15100. 90022. 35. 00000. 00000

Refer to the chargeback listing on the [Controller's Office](http://finweb.rit.edu/controller/accounting/chargeback.html) web page:
<http://finweb.rit.edu/controller/accounting/chargeback.html>.