

THE UNIVERSITY OF NEW MEXICO

# Working with Reserves on Unrestricted Indices

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July 13 & July 29 2009  
Updated 10/2011

# Reserves-What is it?

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- Amount remaining (or in deficit) at fiscal year end
- Similar to Starting Balance in your checkbook





# Reserves Accounts

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- 1900 – Used only to roll Reserves forward
- 1903 – Used to move Reserve (1900) amount to (or from) another index



# Reserves Entries:

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- Correct a misstatement from a prior year
- Move funds from one index to another to cover a deficit or to fund another index
- Zero out an index that only contains a Reserves amount

Correct a misstatement from a prior year.



# Why are Prior Year corrections Different?

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Incorrect PY expense to your account =

- Year End cash balance too low.
- Year End expense too high.

New Year:

- Cash balance must go up.
- Expense **MUST NOT CHANGE.**



# Do You Need a Correcting Entry?

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\$500 charged to office supplies expense last year should have been charged to travel. The index was correct.

**NO**



# Do You Need a Correcting Entry?

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\$200 charged to office supplies expense last year should have been charged to computer expense for a different index.

**YES**



# Correcting Prior Year Entries

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Reserves entries are:

- Used with UNRESTRICTED indices only
- Used after the year end accounting records are closed
- Must use 1903 on both sides of entries
- Must net to zero
- Must be in the same Program level 2 and Fund level 2

# Understanding Program and Fund Structure

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- **Program Structure:** Appendix 4 – FOAPAL Quick Reference Guide
- Also: ePrint Report in repository fin\_banp-Finance Banner-Production (banp). FGRPRGH – *Program Hierarchy Report*
- **Fund Structure:** Appendices 2 & 3, or ePrint report FGRFNDH- *Fund Hierarchy Report*

FUND	Begins With
<b>Institutional Funds</b>	1
<b>Main Campus</b>	2
Main Endowments	2E
Main Plant Funds	2P
Restricted	2R
Unrestricted	2U
<b>HSC Campus</b>	3
HSC Endowments	3E
HSC Plant Funds	3P
HSC Restricted	3R
HSC Unrestricted	3U
<b>Campus</b>	4
Endowments	4E
Plant Funds	4P
Restricted Funds	4R
Unrestricted	4U
<b>Campus</b>	5
Endowments	5E
Plant Funds	5P
Restricted Funds	5R
Unrestricted	5U
<b>Campus</b>	6
Endowments	6E
Plant Funds	6P
Restricted Funds	6R
Unrestricted	6U
<b>Campus</b>	7
Endowments	7E
Plant Funds	7P
Restricted Funds	7R
Unrestricted	7U
	8U

PROGRAM DESCRIPTION	Program Level 2
<b>Instruction and General</b>	
Instructional and General Revenue	P09
Instruction Unrestricted Ex 10	P10
Sponsored Instr Restr Ex 10	P10R
Academic Support Unrestr Ex 11	P11
Sponsored Acad Support Restr Ex 11	P11R
Student Services Ex 12	P12
Sponsored Student Srvc Restr Ex 12	P12R
Institutional Support Ex 13	P13
Sponsored Inst Support Restr Ex 13	P13R
Operations and Maintenance Ex 14	P14
Student Social and Cultural Ex 15	P15
Research Unrestr Ex 16	P16
Sponsored Research Restr Ex 16	P16R
Non Sponsored Pub Svc Unrestr Ex 17	P17
Sponsor Public Service Restr Ex 17	P17R
Internal Services Ex 18	P18
Student Aid Unrestr Ex 19	P19
Sponsored Student Aid Restr Ex 19	P19R
Auxiliaries Ex 20	P20
Athletics Ex 21	P21
Independent Operations Ex 22	P22
Other Institutional Programs	P50
Property Plant and Equipment	P501
Agencies	P502
Student Loan Programs	P503
Endowment Programs	P504

Treat as  
**ONE**  
Program  
Level 2  
Fund

ACCOUNT CODES	Begins With
<b>OPERATING REVENUE</b>	
Tuition Revenue	01
Student Fees	02
<i>Mandatory Student Fees</i>	<b>02Z1</b>
Patient Services	03
Grants & Contracts	04
Sales & Services	05
<b>INTERNAL SALES</b>	
<i>(USED ONLY IN P18 INTERNAL SERVICES)</i>	
<i>Appropriations</i>	07(number)
Sales & Services	07Z
Other Operating Revenue	08
<b>NON-OPERATING REVENUE</b>	
Bond Revenue	09
Gifts, Investment Income &	
Other	10
<b>Transfers</b>	11 or 12
<b>Allocations</b>	
Earned Revenue	1600
F&A Allocation	1601
<i>(USED ONLY IN P16 Research)</i>	
Allocations SOM Gen	1610
Pooled Allocation	1640
<i>(Only used by depts. For original budget)</i>	
UNM Bond Proceeds	1650
General Allocations	1660
Overhead Internal	1661
<i>(USED ONLY IN P16 Research)</i>	
Regent's Reallocation	1665
<b>Reserve</b>	
Reserve	1900
<i>(NOT USED by Depts EVER)</i>	
Budget Bal Change	1901
<i>(BUDGET PURPOSES ONLY)</i>	
Change in Reserves	1903
<i>(MOVING RESERVES ONLY)</i>	
<b>EXPENSES</b>	
Salaries	20
Payroll Benefits	21
Other Expenses	31 thru 99
Interdept Support	8045
Budget Contingency	80E0

Level One

Level Three

Level Two

PROGRAM	DESCRIPTION	DATA ENTRY	STATUS	***** EFF	DATES TERM	***** NEXT CHANGE
P5N012	01607 Los Alamos LCP	Y	A	01-JAN-2005		31-DEC-2099
P5N013	01387 Summit Electric	Y	A	01-JAN-2005		31-DEC-2099
P5N014	01467 Los Alamos CF	Y	A	01-JAN-2005		31-DEC-2099
P5N015	1953 Straight Faculty Init. Fund	Y	A	01-DEC-2005		31-DEC-2099
P5N016	00807 Friendship Schl Textbook Draw	Y	A	01-FEB-2008		31-DEC-2099
P5N017	02134-Daniels Opp Scholarship Fund	Y	A	01-JAN-2009		31-DEC-2099
P6N001	VN 0175 Valencia Devel	Y	A	01-JUL-1950		31-DEC-2099
P6N002	VN 0231 Valencia Land	Y	A	01-JUL-1950		31-DEC-2099
P6N003	VN 0307 Valencia Library	Y	A	01-JUL-1950		31-DEC-2099
P6N004	VN 0840 Tour D Valencia	Y	A	01-JUL-1950		31-DEC-2099
P6N005	VN 0841 Staff Assoc	Y	A	01-JUL-1950		31-DEC-2099
P6N006	VN 0879 Staff Assoc	Y	A	01-JUL-1950		31-DEC-2099
P6N007	VN 0952 Student Govt	Y	A	01-JUL-1950		31-DEC-2099
P6N008	VN 1382 Valencia Annual	Y	A	01-JUL-1950		31-DEC-2099
P6N009	00487 Valencia Chavez	Y	A	01-JAN-2005		31-DEC-2099
P6N010	00152 Valencia CS	Y	A	01-JAN-2005		31-DEC-2099
P6N011	02135-Daniels Opp Scholarship Fund	Y	A	01-JAN-2009		31-DEC-2099
F7N001	TN 1173 Taos Dir	Y	A	01-JUL-1950		31-DEC-2099
F7N002	1928-Taos Scholarship Fund	Y	A	01-JAN-2006		31-DEC-2099
F7N003	1961-Taos Inst. Development	Y	A	01-JAN-2006		31-DEC-2099
F7N004	01996 Ctr for Early Care, Edu & Fam	Y	A	01-OCT-2006		31-DEC-2099
F7N005	01998 Taos Culinary Arts Program Fd	Y	A	01-OCT-2006		31-DEC-2099
F7N006	02013 Taos Literacy Fund	Y	A	01-JAN-2007		31-DEC-2099
F7N007	02023 Taos International Prog Schl	Y	A	01-FEB-2007		31-DEC-2099
F7N008	02046 UNM-Taos Library Building Fnd	Y	A	01-JUL-2007		31-DEC-2099
F7N009	02047 UNM-Taos Library Program Fund	Y	A	01-JUL-2007		31-DEC-2099
F7N010	02058 Taos Faculty Development Fund	Y	A	01-NOV-2007		31-DEC-2099
F7N011	02087 UNM Taos Fund for the Arts	Y	A	01-MAR-2008		31-DEC-2099
F7N012	02102 Betsy Carey Memorial Fund	Y	A	01-JUL-2008		31-DEC-2099
F7N013	02110 UNM-Taos Consc. & Creativity	Y	A	01-AUG-2008		31-DEC-2099
F7N014	02158-Quail Roost Scholarship	Y	A	01-MAY-2009		31-DEC-2099
F7N015	02159-Holistic Health & Human Servi	Y	A	01-MAY-2009		31-DEC-2099
P17R	Sponsor Public Service Restr Ex 17	Y	A	01-JUL-1950		31-DEC-2099
P4	Independent Operations	N	A	21-DEC-2004		31-DEC-2099
P22	Independent Operations Ex 22	N	A	21-DEC-2004		31-DEC-2099
P221	Housestaff	Y	A	12-JAN-2005		31-DEC-2099
P223	State Appr Medical Investigator	Y	A	01-JUL-1950		31-DEC-2099
P224	Childrens Psychiatric Hospital	Y	A	01-JUL-1950		31-DEC-2099
P225	Carrie Tingley Hospital	Y	A	01-JUL-1950		31-DEC-2099
P22C	Hospital and Clinical Care Contra	N	A	31-MAY-2006		31-DEC-2099
P5	Other	N	A	01-JUL-1950		31-DEC-2099
P15	Student Social and Cultural Ex 15	N	A	01-JUL-1950		31-DEC-2099
P151	Student Social and Cultural	Y	A	01-JUL-1950		31-DEC-2099
P15C	Student Social and Cultural Contra	N	A	30-MAR-2005		31-DEC-2099
P18	Internal Services Ex 18	N	A	01-JUL-1950		31-DEC-2099
P181	Internal Services	Y	A	01-JUL-1950		31-DEC-2099

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<b>Campus</b>	5
Endowments	5E
Plant Funds	5P
Restricted Funds	5R
Unrestricted	5U
<b>Campus</b>	6
Endowments	6E
Plant Funds	6P
Restricted Funds	6R
Unrestricted	6U
<b>Campus</b>	7
Endowments	7E
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Balance Forward	1900
<i>(NOT USED by Depts EVER)</i>	
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<i>(BUDGET PURPOSES ONLY)</i>	
Change in Bal Fwd	1903
<i>(MOVING BAL FWD ACTUALS ONLY)</i>	
<b>EXPENSES</b>	
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Payroll Benefits	21
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Budget Contingency	80E0

# Summary:

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- If you can, correct prior year misstatements with a change in Reserves entry.
- If you cannot use a change in Reserves entry, you can generally use an 8045 entry



# Reserves Criteria

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- ✓ The misstatement involves a prior year unrestricted expense misstatement.
- ✓ You have a reserves balance to move.
- ✓ All involved indices have the same level 2 Fund
- ✓ All involved indices have the same level 2 Program

# The Situation:

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- In the prior year, \$200 was charged to office supplies expense in unrestricted index 123456 that should have been charged to computer expense in unrestricted index 654321.
- Account 1900 in index 654321 has a \$9,000 balance. There are no 1903 entries.
- Both indices are in the same level 2 Fund and Program



# Thinking Through the 1903 Change in Reserves Entry:

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- Figure out which index **has too much money**.  
hint: it is always the index that was *not* charged the expense, but should have been
- Calculate what remains in the Reserve account of the index that must give up the funds [**has too much money. Was not charged but should have been.**]



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## Current Balances in 654321:

Index	Rule	Account	Debit	Credit
	Class Code			
654321	JE2	1900		9,000
654321	JE2	1903	0	<u>          </u>
		Net of the two accounts:		<u><b>9,000</b></u>

# The Reserves entry:

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Index	Rule	Account	Debit	Credit
	<b>Class Code</b>			
654321	JE2	1903	200	
123456	JE2	1903		<u>200</u>
Effect of entry on the indices:				<u>0</u>

Note that the debit and credit for this entry in 1903 results in “zero” dollars being moved into or out of the 1903 account. ***This must always be true of all Reserves entries.***



# These can cause denial:

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- Item text that does not explain where the funds originally came from.
- Item text that does not explain why the funds need to be moved.
- Submitting the entry when there is not enough Reserves to make the entry.

# When Fund and/or Program Level 2 are different:

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- You cannot do a Reserves entry to correct a misstatement if the level 2 fund or the level 2 program are different.
- Instead, you will usually use an 8045 entry.



# 8045 Entry Criteria:

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- The correcting entry is < \$5,000.
- Fund and Program levels do not matter.
- 8045 is used for both the debit and credit side of the entry.
- The entry must net to zero.
- This entry will avoid the use of a more complicated transfer or allocation entry.

# 8045 Evaluation Criteria:

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- Salaries cannot be moved using account code 8045. [Use PZAREDS to do labor redistributions.]
- Account code 8045 cannot be used with restricted indices.
- There must be a detailed description of the expense being moved.
- No budgets are allowed for this account.



# 8045 Evaluation Criteria:

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- In a JV in which account code 8045 is used, line items affecting any other account codes may not be used.
- There is a limit of \$5,000 per transaction, and \$20,000 per year, per index.
- Any exceptions to these limits must be approved by Financial Services before an entry is submitted.

# The Situation:

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- In the prior year, \$500 was charged to office supplies expense in unrestricted index 223456 that should have been charged to conference fees expense in unrestricted index 554321.
- The indices are not in the same level 2 Fund or Program.



# Thinking Through the 8045 Entry:

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- 8045 is a type of expense account.
- Figure out which index **spent too much money**.
- This is the index you will credit, using 8045.
- Debit the other index, using 8045.



# The 8045 entry:

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Index	Rule	Account	Debit	Credit
	<b>Class Code</b>			
554321	JE2	8045	500	
223456	JE2	8045		<u>500</u>
Effect of entry on the indices:				<u>0</u>


Note that the debit and credit for this entry in 8045 results in “zero” dollars being moved into or out of the 8045 account. ***This must always be true of all 8045 entries.***



# These can cause denial:

---

- Item text that does not explain where the funds originally came from.
- Item text that does not explain why the funds need to be moved.
- Submitting the entry when there **is** enough Reserves to make the entry, and both indices are in the same level 2 program and fund



# Other types of Correcting Entries:

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- When neither a Reserves or an 8045 entry can be used, you will use an allocation (same fund/program level 2) or a transfer (different fund or program level 2) entry.
- These require a budget entry, as well.

# What about Corrections to Restricted Indices?

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- Correct misstatements using the correct expense account.
- Maintaining accurate cumulative restricted expense totals in the correct accounts is of overriding importance.
- This includes **ANY** correcting entry that includes a restricted index.

# You Make the Call

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- Unless otherwise stated, assume the indices are in the same Level 2 fund and program.

# Situation One

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While reconciling the June activity for restricted index 443123, you find a \$500 charge that does not belong in the index. Instead, it belongs in unrestricted index 543123. The account code charged was 3100, and the purchase was for a printer. The unrestricted index has \$4,550 in Reserves account 1900.



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A) I will use Reserves account 1900 to credit index 443123. I will debit Reserves account 1900, index 543123, moving the expense.

<b>Index</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>
543123	1900	\$500.00	
443123	1900		\$500.00

**NO**



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B) I will use Change in Reserves account 1903 to credit index 443123. I will debit Change in Reserves account 1903, index 543123, moving the expense.

<b>Index</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>
543123	1903	\$500.00	
443123	1903		\$500.00

**NO**



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C) This includes a restricted index, so I will remove the printer expense from 443123 by crediting account 3100-Office Supplies General, and move it to unrestricted index 543123 by debiting account 1903-change in Reserves.

<b>Index</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>
543123	1903	\$500.00	
443123	3100		\$500.00

**NO**



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D) This includes a restricted index, so I will remove the printer expense from 443123 by crediting account 3100-Office Supplies General, and move it to unrestricted index 543123 by debiting account 3150-Computer Supplies.

<b>Index</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>
543123	3150	\$500.00	
443123	3100		\$500.00

**YES**



# Situation Two

While reconciling the June activity for unrestricted index 333123, you find a \$500 charge that does not belong in the index. Instead, it belongs in unrestricted index 543123. The account code charged was 3100-Office Supplies General, and the purchase was for paper for the copier. Both unrestricted indices have \$4,550 each in Reserves account 1900. Both indices are in the same level 2 fund and the same level 2 program.



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A) I will use Change in Reserves account 1903 to credit index 543123 and debit Change in Reserves account 1903, index 333123

<b>Index</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>
333123	1903	\$500.00	
543123	1903		\$500.00

**NO**



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B) Since the Change in Reserves account 1903 is a revenue account, I will debit index 543123 and credit Change in Reserves account 1903, index 333123

<b>Index</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>
543123	1903	\$500.00	
333123	1903		\$500.00

**YES**

# Situation Three

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While reconciling the July activity for unrestricted index 443123, you find a \$500 July charge that does not belong in the index. Instead, it belongs in unrestricted index 543123. The account code charged was 3100, and the purchase was for paper for the copier. Both unrestricted indices have \$4,550 each in Reserves account 1900.



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A) Since the Change in Reserves account 1903 is a revenue account, I will debit index 543123 to remove the excess revenue that rolled forward due to the missing expense amount, and credit Change in Reserves account 1903, index 443123 to increase their roll forward revenue.

<b>Index</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>
543123	1903	\$500.00	
443123	1903		\$500.00

**NO**



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B) Since this is not a prior year correction, I will move the copier paper expense to 543123 by debiting account 3100-Office Supplies General, and remove it from index 443123 by crediting account 3100-Office Supplies General.

<b>Index</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>
543123	3100	\$500.00	
443123	3100		\$500.00

**YES**

# Situation Four

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While reconciling the June activity for unrestricted index 333123, you find a \$1,500 charge that does not belong in the index. Instead, it belongs in unrestricted index 543123. The account code correctly charged was 2020-Payroll.



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A) Since the Change in Reserves account 1903 is a revenue account, I will debit index 543123 to remove the excess revenue that rolled forward due to the missing expense amount, and credit Change in Reserves account 1903, index 333123 to increase their roll forward revenue.

<b>Index</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>
543123	1903	\$1,500.00	
333123	3100		\$1,500.00

NO



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B) Since this is a salary account, I will do a PZAREDS to move the salary to index 543123. I will also check the Hyperion Finance report FSH0002 *Labor Distribution* for the employee, to make sure the distribution is now correct.

**YES**



# Situation Five

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While reconciling the June activity for unrestricted index 333123, you find an \$800 charge that does not belong in the index. Instead, it belongs in unrestricted index 543123. The account code correctly charged was 3100-Office Expense General. Index 333123 has no Balance in account 1900-Reserves, and index 543123 has a negative \$5,000 balance in account 1900-Reserves. The indices are both in the same fund level 2 and the same program.



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A) Since the Change in Reserves account 1903 is a revenue account, I will debit index 543123 to remove the excess revenue that rolled forward due to the missing expenses amount, and credit Change in Reserves account 1903, index 333123 to increase their roll forward revenue.

<b>Index</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>
543123	1903	\$800.00	
333123	1903		\$800.00

**NO**



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B) I will debit index 543123 expense account 3100-Office Expense General to move the misstated expense amount to this index. I will credit account 3100-Office Expense General in index 333123 to decrease their expense by this same amount.

<b>Index</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>
543123	3100	\$800.00	
333123	3100		\$800.00

**NO**



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C) Since the Reserves account for index 543123 has no positive balance, I will debit index 543123 using account 8045-Interdepartmental Support to increase their expense, and credit account 8045 in index 333123 to decrease their expense by this same amount.

<b>Index</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>
543123	8045	\$800.00	
333123	8045		\$800.00

**YES**

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➤ Any Questions?

