



FY24 Year-end Preparation

April 9, 2024



McGill

Agenda

1. Year-end

- Fundamentals: Memo, contacts and deadlines
- Journals
- Financial statement groupings
- Variance analysis process
- Endowment matters
- Research Support Fund (RSF)
- Important Tips
- How-to's

2. Other matters

- Expense management tool
- Blended rates
- Software purchases
- Endowment monitoring



1. Year-end



Year-end fundamentals

- Year-end memo was distributed March 26, 2024 and is available [here](#)
- Key contacts are listed in the memo
- 1st Cut-off: **Tuesday May 7, 2024**
 - On-line submission of journals –Prior to 9:00 a.m.
 - Blackout period –FGAJVCQ, FGAJVCD & FGAENCB will NOT be accessible from 9:00 a.m. on Tuesday May 7, 2024 to 9:00 a.m. on Wednesday May 8, 2024
- 2nd Cut-off: **Tuesday May 21, 2024**
 - Online submission of journals –Prior to 7:30 a.m.
 - 7.5% overhead recovery fee will be processed after 2nd cutoff
- Final FY24 Close: **Friday May 31, 2024**



Year-end journals: Accruals

- An accounting concept – Record the expense or revenue **in the period it occurs** (i.e. when goods are delivered or services rendered)
- Matching principle – Recognize the revenues generated in the same period as the relevant expenses are incurred
- Do this by accruing and deferring revenues and expenses
- Have to establish a cutoff – a precise point in time and using that date as the finish line



Year-end journals: Accruals

- Prepared for:
 - Payroll
 - Accounts Receivable
 - Inventories
 - Prepaid Expenses
 - Unearned Revenues
 - Accounts Payable



Year-end journals: Recurring journals

- Recurring journal: a journal that is required every quarter and/or at year-end
- Example of recurring journals:
 - Re-allocate certain costs
 - Charge overhead
 - Redistribute net surplus/deficits between departments



Year-end journals: Past payroll transactions

- **Contact: FADM (all non 1A or 1B funds) or BADM (1A and 1B funds)**
- The deadline for submitting payroll journals is
5:00PM Thursday, April 11, 2024.
- These payroll journals must pertain to salary adjustments already booked in Banner.



Year-end journals: Payroll accrual

- **Account 200307**
- Posted prior to first cut-off in Period 12 with a transaction date of April 30, 2024
- Encumbrance released by the amount of the above accrual, with a transaction date of April 30, 2024
- ME16 journal type to be used
- Reversal of accrual with transaction date of May 1, 2024 will be posted June 3, 2024 (first working day after April is fully closed)



Year-end journals: Payroll accrual

- Processed centrally but pushed to individual funds
- Based on last pay period **available** in FY24
- Meant to simulate the days in April that are yet to be paid:
 - Salaried: 7/10 days accrual in April → **April 21-30**
 - Hourly: 12/10 days accrual in April → **April 14-30**
- Questions can be directed to **Marco Ariemma**



PAY TYPE	PAY REF	PAY PERIOD	PAY DATE	PAY PERIOD ACCRUED FOR	ACCRUAL IN FY24	PAY USED TO CALCULATE FORWARD ACCRUAL
Salaried	B0-09	APRIL 21-MAY 4	MAY 3	APRIL 21-APRIL 30	70%	B0-09
Hourly	B2-10	APRIL 14-APRIL 27	MAY 9	APRIL 14-APRIL 27	100%	B2-10
Hourly	B2-11	April 28-May 11	May 23	April 28-April 30	20%	B2-10



Year-end journals: Payroll accrual

- Reminder we are using a **forward** accrual, calculated over 10 days
- How is a forward accrual different?
 - Based on the **LAST** pay period available **BEFORE** first cut-off
 - The forward accrual is an estimate
 - This estimate is subject to being different from actuals
 - Variances between the estimate and actuals tend to be minor and net out year over year



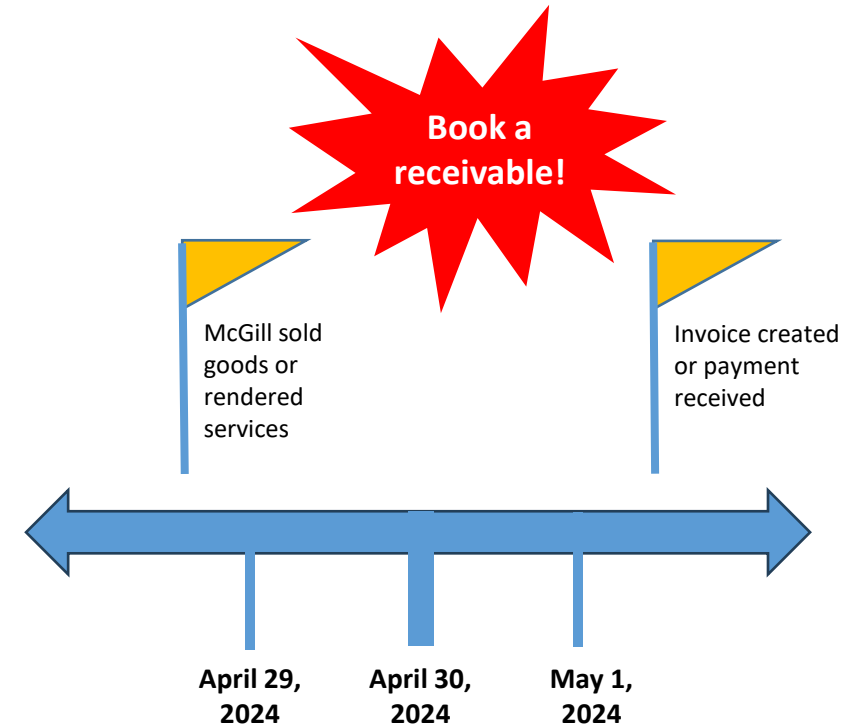
Year-end journals: Other payroll related accruals

- **Account 200307**
- All other payroll-related accruals, including Vacation, Retirement, Pay equity, are done centrally



Year-end journals: Accounts receivable

- **Account 100046**
- Represents amounts due from external parties for goods we sold or services we rendered in the current year, but we have not issued an invoice nor received payment before April 30, 2024
- Our Accounts Receivable office is available to help you with invoicing



Year-end journals: Accounts receivable

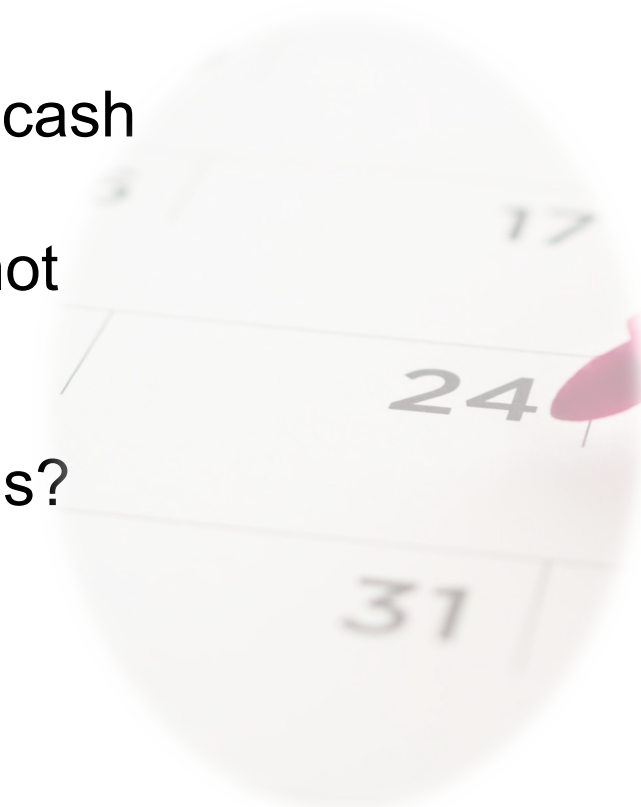
Example:

- Goods are delivered to an external customer in FY24 but cash has not been received
- Consulting work is completed by April 30th but payment not received in FY24

What would be the journal entry to record these transactions?

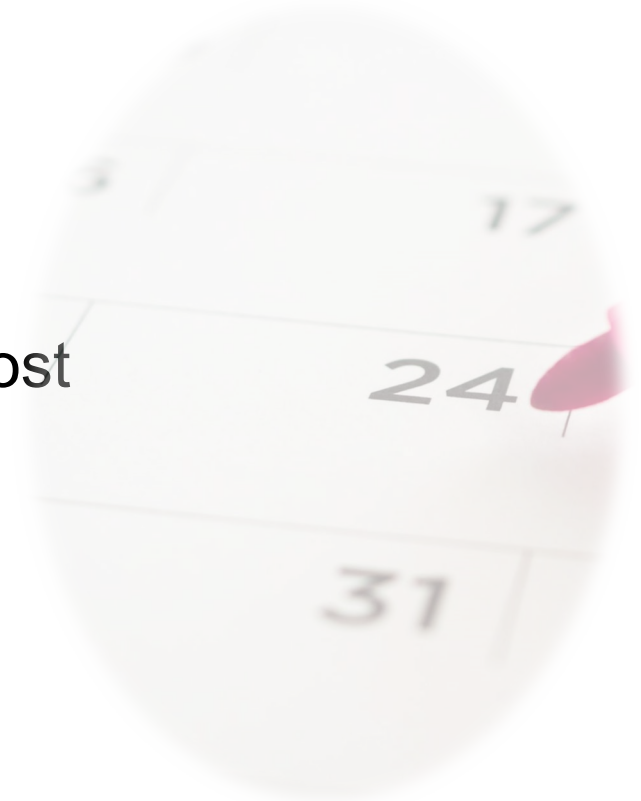
Dr. A/R (100046)

Cr. Revenue (5xxxxx)



Year-end journals: Inventory

- **Account 100103**
- All items held for **external resale** should be recorded as inventory
- Inventory must be valued at the lower of cost and net realizable value, i.e. what you can sell it for if lower than cost
- Not all Faculties/Units have inventory
- Bookstore, Dentistry, Residences, Faculty Club, Athletics **DO** hold inventory
- Stationery stock in your department is **NOT** considered inventory



Year-end journals: Inventory

Example

- Residences – goods purchased for the vending machines and cafeterias that are to be sold to students
- Dentistry – materials purchased for students

Journal Entry:

Dr. Inventories	100103
Cr. Purchases at Cost	700570

- Amounts posted should be gross as taxes are calculated behind the scenes



Year-end journals: Prepaid expenses

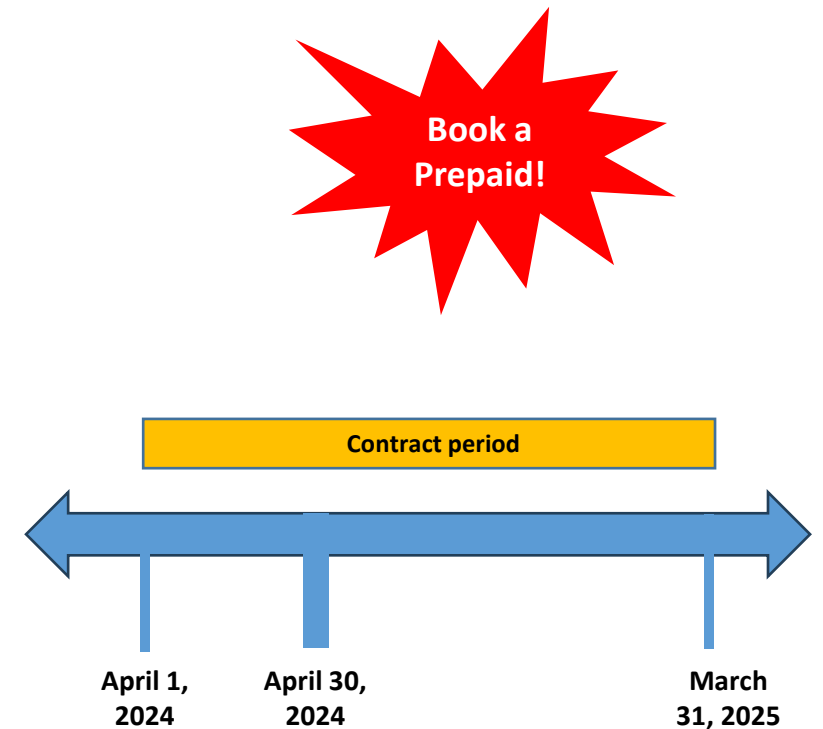
- **Account 100111**
- Expenses paid in one fiscal year but which specifically relate to the operations of a future fiscal year.

Examples

- Software license purchased in April 2024 covering the period of May 1, 2024 to April 30, 2025
- Course materials purchased or other fees paid for in April to be used for the Summer or Fall session

Journal Entry:

Dr. Prepaid Expenses	100111
Cr. Expense	7xxxxx



Year-end journals: Prepaid expenses

Examples

- In FY24, you have prepaid an expense for the total amount of \$150,000 for rental of the equipment (15-month contract from Feb. 1, 2024– April 30, 2025).
- What is the correct entry to be booked in FY24 at Year-End?

Journal entry:

Dr. Prepaid Expense (100111) \$120,000*

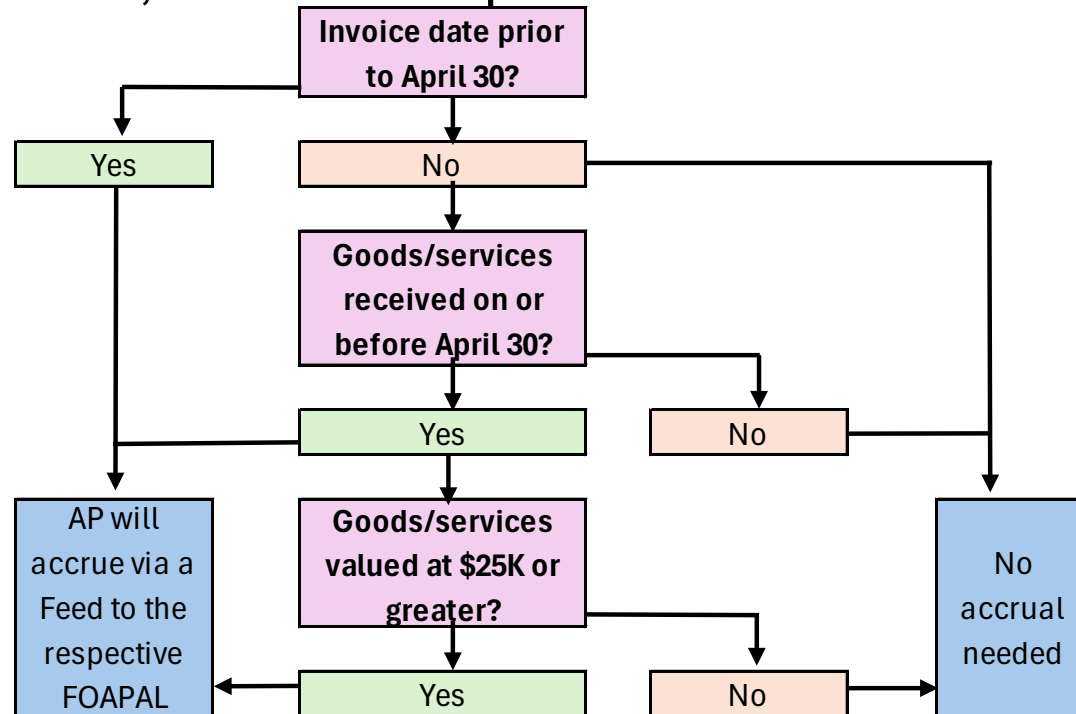
Cr. Expense (7xxxxx) \$120,000

*Calculated as $(12/15 * \$150,000)$ to represent that 12 of the 15 months are prepaid.



Year-end journals: Accounts payable

- Faculties/departments/units are **not** required to book AP accruals.
- Prior to second cutoff, for invoices posted to Banner:



Year-end journals: Unearned revenue

- Account 200086
- Cash or revenues collected in advance of the delivery of the good or service

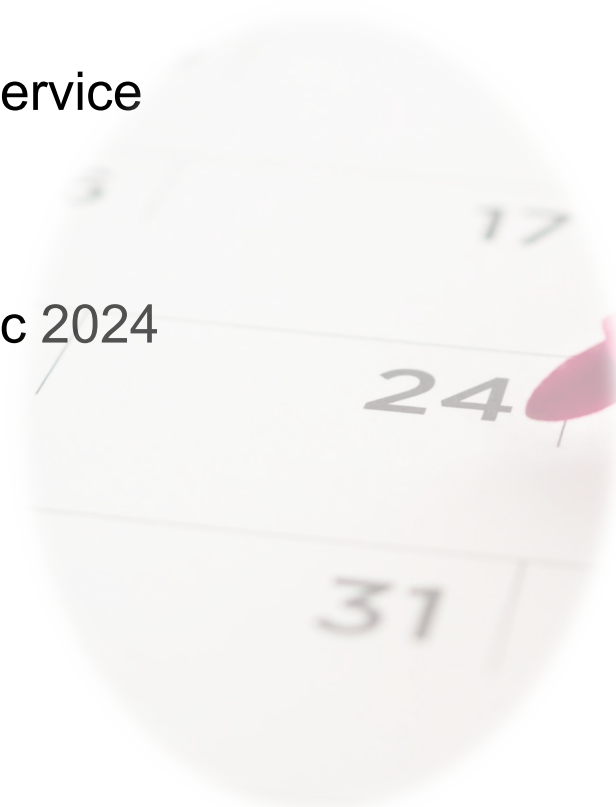
Examples

Athletics – Annual Membership fee received for calendar year Jan to Dec 2024

Residences – Revenue received for summer rentals

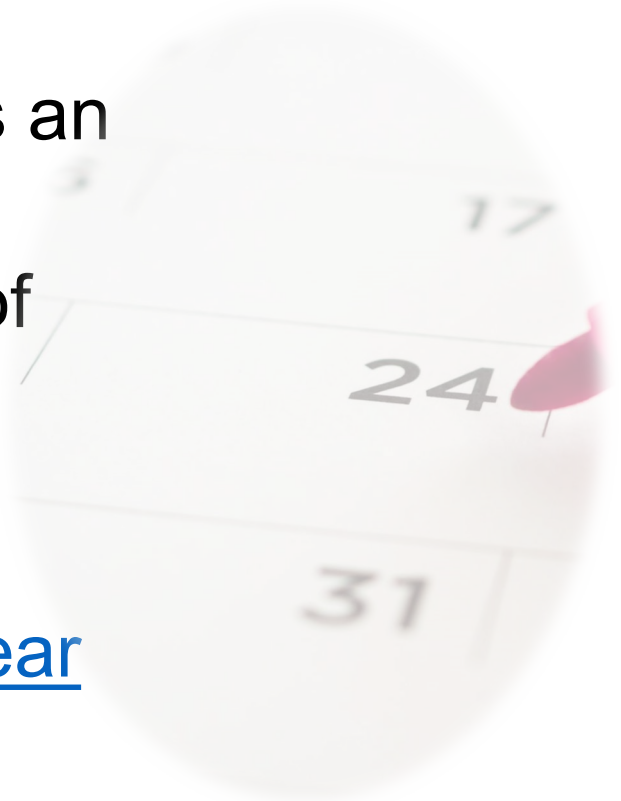
Journal Entry:

Dr. Revenue	5xxxxx
Cr. Unearned Revenue	200086



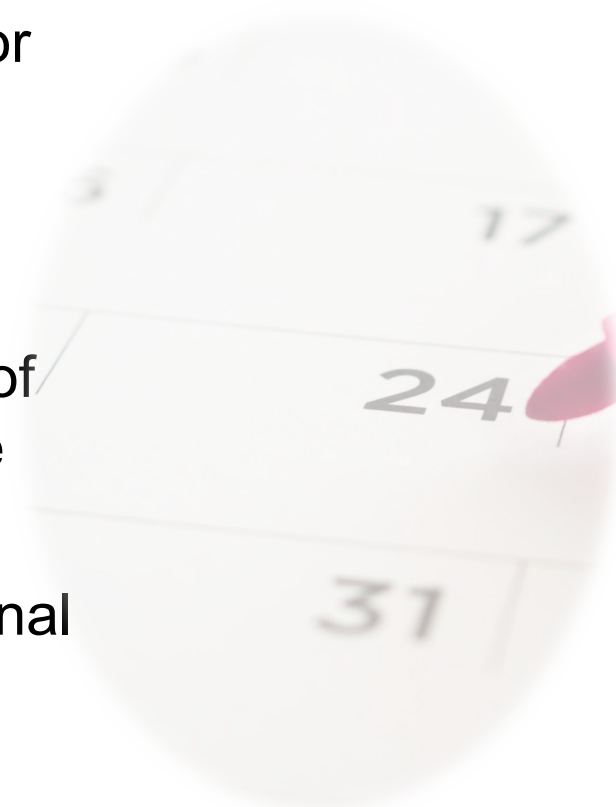
Year-end journals: ME journals

- Closing journals that are recurring in nature (i.e. monthly, quarterly, yearly) should be processed as an **ME instead of a JE**
- Allows reports to be run to single out these types of entries as they often need to be identified during financial reporting
- To access report:
<https://www.mcgill.ca/financialservices/reporting/yearendvariances>



Year-end journals: ME journals

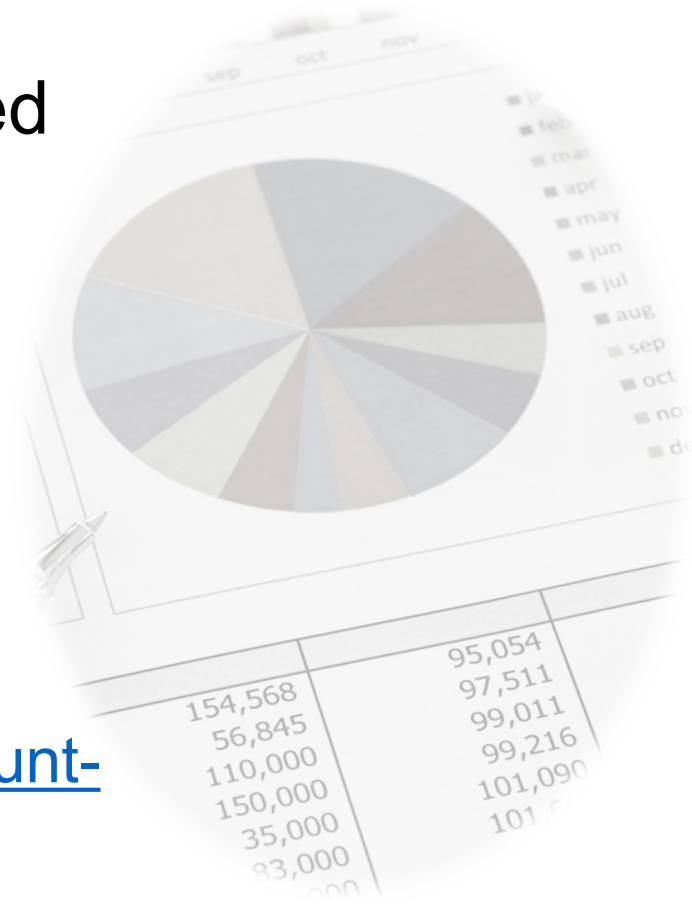
- **Best to use FGAJVCD** over FGAJVCQ which does not allow for inputting a reference #
- Fill in previous year's journal number in Doc Reference Field or "NEW" if it's a new type of entry this year
- Prepare your reversal at the same time with a transaction date of May 1, 2024, with the original accrual number in Doc Reference Field
- Consult "HOW TO process a Month End/Year End Closing Journal (ME15/ME16) FGAJVCD" at <https://www.mcgill.ca/financialservices/gfm/fis-system/banner>



Financial statement groupings

- The University's financial statements are prepared based on certain groupings
- We ask for variance analysis based on these groupings
- Each line item is driven by account types and/or codes
- Chart of accounts-Account codes:

<https://www.mcgill.ca/financialservices/gfm/foapal/account-code>



Financial statement groupings

Examples of Specifications for P&L Statements

- Below is a sample of the specifications for some of the line-items given to our report writers to produce the P&L. It is the same definition for all fund types and it represents a definition of each line item disclosed.
- All line-items are driven by the account code hierarchy
 - Internal sales/purchases is an exception
- You need to understand the account code hierarchy to understand the specifications. When you are doing your analysis, it is important to know what account codes are included and which ones are not before you begin your analysis

Line item	Line item specifications
Sales of goods and services	Account type 2 is one of 5C, 5F, 5M, 5P and account code 3 <>50010
Non-academic salaries	Account type 1 = 60, Account code 1 = 603 or account code is one of 600018, 600921, 600027
Contract services	Account code 3 = 70034 OR Account code =700027, 700068



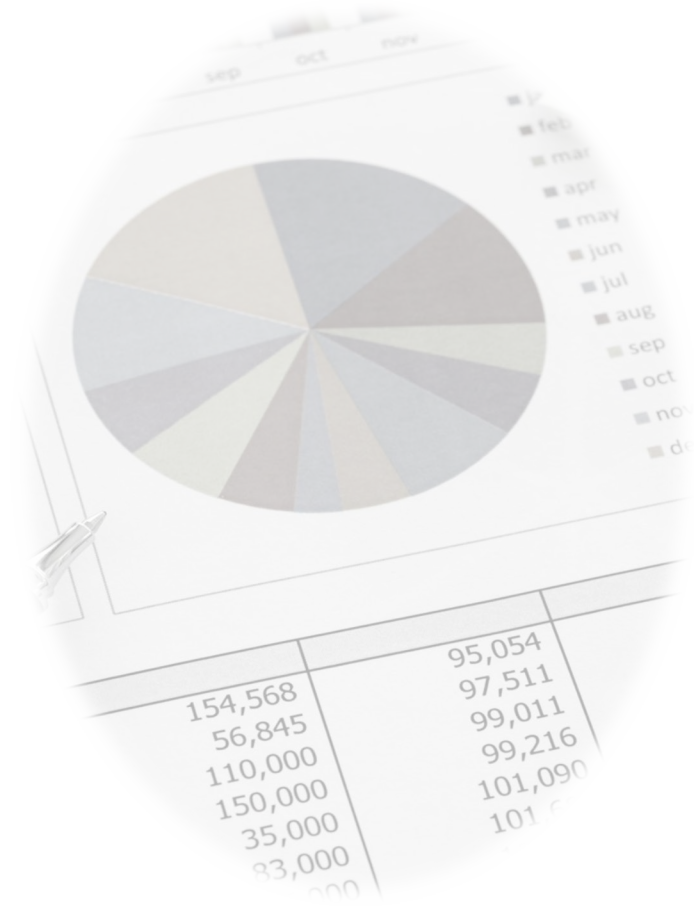
Financial statement groupings

Revenues

- 5C Sales of Goods & Services:
- 50005 – Sales of Goods & Services
- 50006 – Rental Revenue
- 50007 – Royalties, License Revenue
- 50008 – Registration/Membership Fees
- 50009 – Fines revenue
- 50010 – Contract/Consulting Services Revenue
- 50010 – Computing Services
- 50057 – Sponsorship Revenue

Salary Expenses

- 603 Admin & Support Staff Salaries
- 6005 – Admin & Support Staff Salaries
 - 60010 – Support Staff Salaries
 - 600018 – Managerial Salaries
 - 600020 – Technicians
 - 600021 – Clerical
 - 600022 – Trades & Services
 - 60011 – One time & Casual Staff Payments
 - 600023 – Overtime
 - 600024 – Casual & One time (Trades excl.)
 - 600146 – Trades, Casual & One-time Payments



Financial statement groupings

Building & Occupancy Costs

- Driven by account code hierarchy
 - 70002 – Repairs/Maintenance
 - 70003 – Renovation
 - 70028 – Rental expense
 - 70031 – Insurance
 - 70037 – Loans (spec. internal loans)
- Includes related internal sales accounts (i.e. 77xxxx)

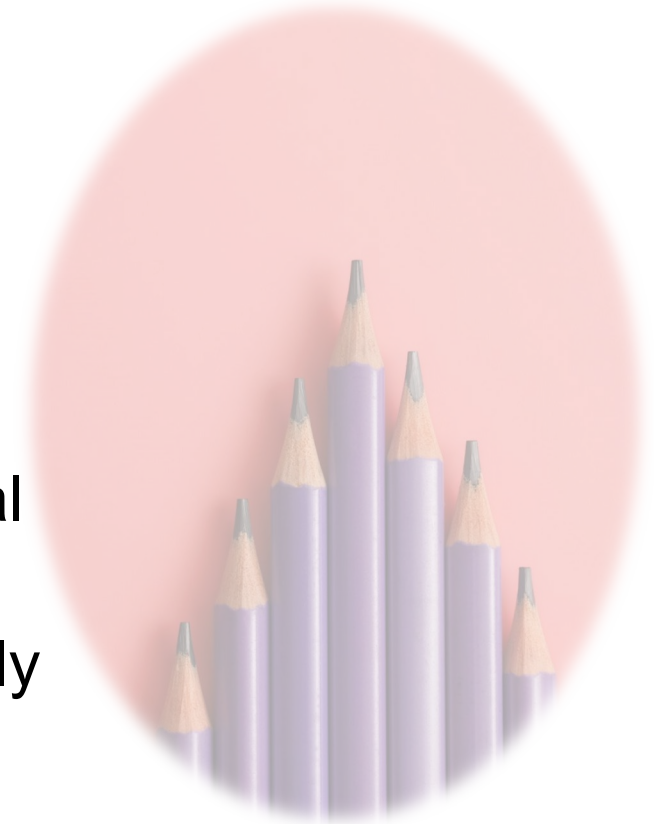
Other Non-Salary Expense

- Detail of major expenses included in “Other Non-Salary Expense” line item:
 - Miscellaneous (70006)
 - Printing & Stationery (70004)
 - Computer Charges (70007)
 - Telephone/Equipment (70009)
 - Advertising (70023)
 - Photocopying (70010)



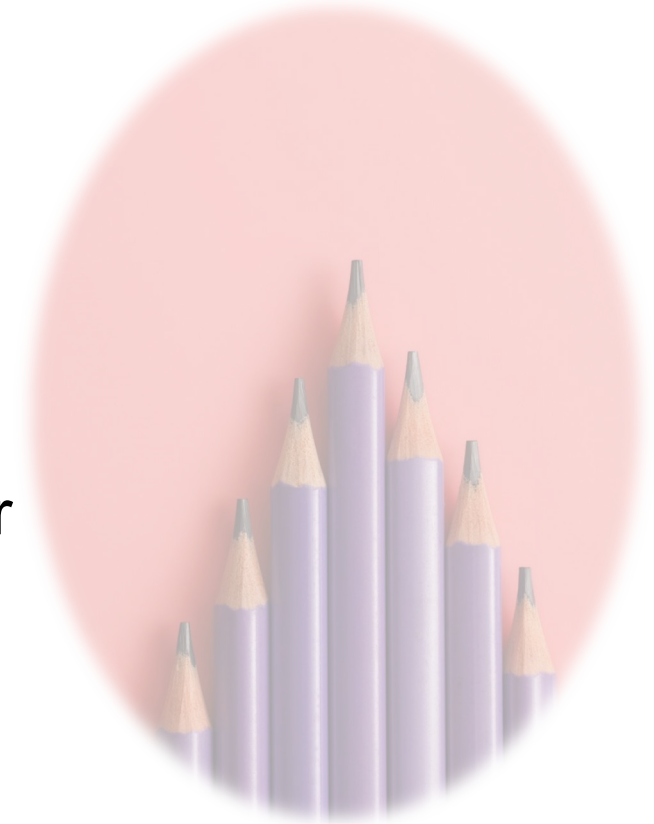
Variance analysis: Overview

- Fiscal 2024 traditional 12-month fiscal year with quarters ending in July, October, January and April
- Comparatives for FY23
- What's this for?
 - Helps us produce the Financial Statement Analysis which is a crucial part of our audit and general financial reporting
- Remember: Variance analysis is not a bad thing, it's simply an explanation of what has happened in the year



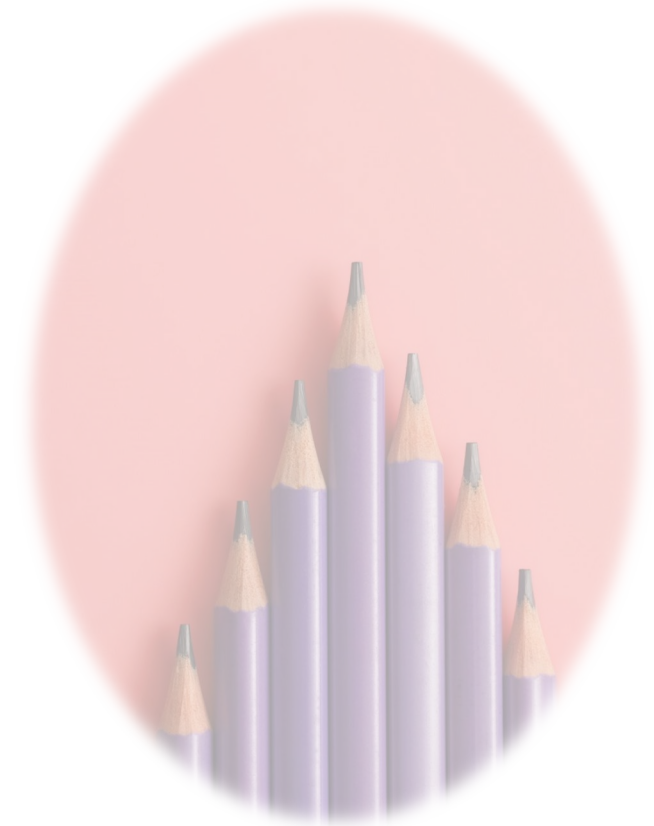
Variance analysis: FY24 dates

- Email request to all FFO's will be sent out on April 10th
- Self-serve process is still in place! You still need to know which reports to use and how to refresh
- Reports are refreshable daily – you can start the analysis now!
- All responses are due Friday May 24th (i.e. this allows for 1 business day after 2nd cut-off to make required adjustments)
- Explanations for line-items with variance of:
 - +/- \$100k



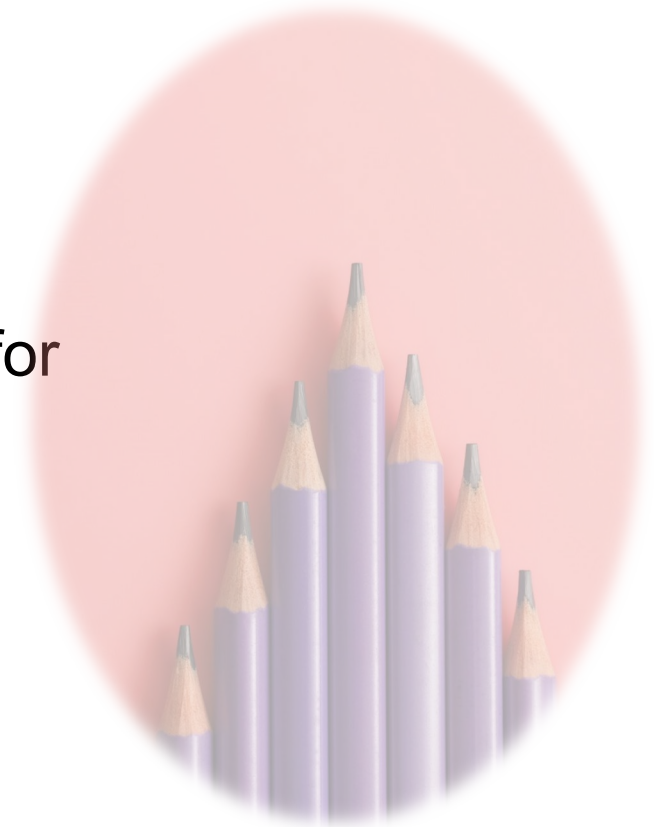
Variance analysis: Reports

- When refreshing, you will be prompted with the following 4 queries:
 - Select Current Fiscal Year – 24
 - Select Prior Fiscal Year – 23
 - Select Org Code – see variance analysis grid
 - Select Org Level – see variance analysis grid
- Link : [Variance Analysis Grid](#)



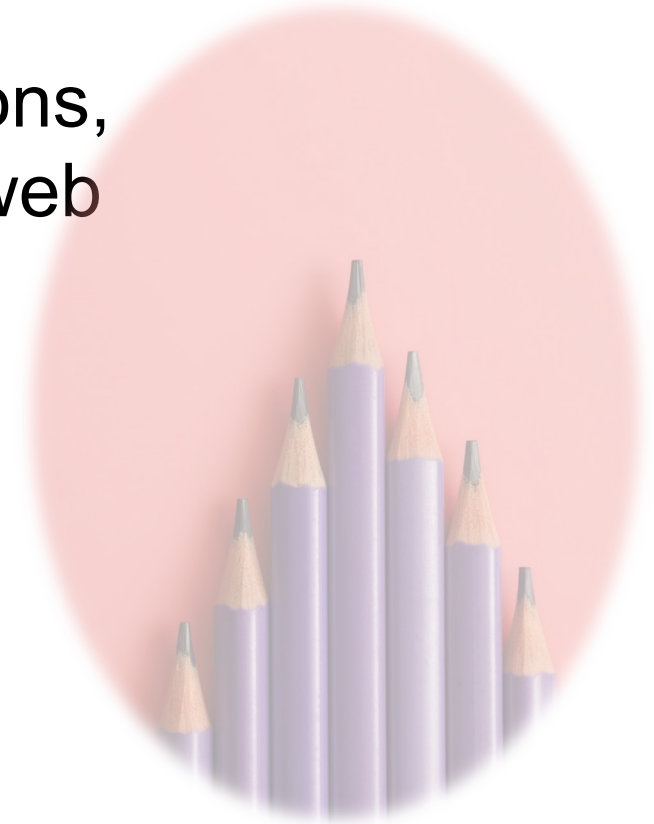
Variance analysis: Tips & Reminders

- Why do your responses matter?
 - They are used to prepare the Financial Statement Analysis (FSA), which is a 75-page document supporting the audited financial statements produced for the report to the Board of Governors (BOG)
 - The explanations you provide are verified and substantiated by our external auditors
 - FSA completed for internal review by June 23rd, 2024 and provided to external auditors the 1st week of July 2024



Variance analysis: Tips & Reminders

- For more examples of invalid and valid explanations, refer to “variance analysis how to” document on web
- Avoid vague, ambiguous answers and aim for responses that are substantiated
- Quick-turnaround required – timing is critical
- In your absence, assign a delegate to handle this query and notify us ASAP



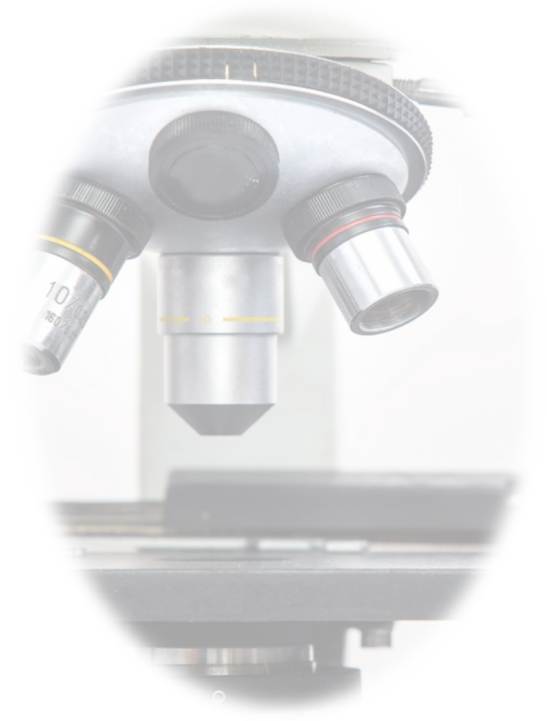
Endowment matters

- **Thursday, March 23, 2024** - Was deadline to let Endowment Accounting know which spendable income funds you do NOT want to be capped with justification
- Refer to memo circulated March 6, 2024
- Decision to not cap must be made on an annual basis
- MIP rate for FY25 is \$16.63 per unit.



Research Support Fund (RSF)

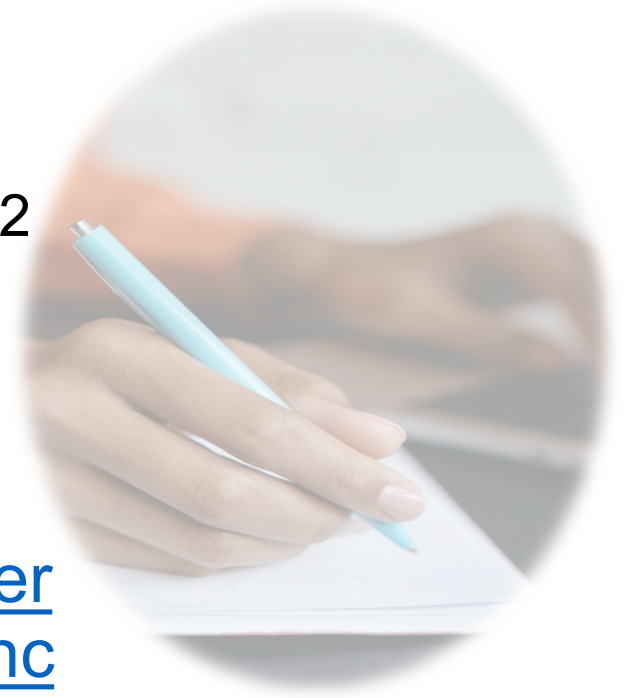
- The Research Support Fund assists with the expenses associated with managing the research funded by three federal research granting agencies
- The RSF has an initial reporting period of April 1 to March 31, 2024
- Extension provided to June 30, 2024 if funds have not been spent
- Research Support Fund Outcomes Report
- 5 areas of priority to report on: Research Facilities , Research Resources, Regulatory Requirements & Accreditation, Intellectual Property, Management & Administration
- Email to be sent out mid-April
- Responses due by **June 14, 2024**



Important tips: Manual encumbrances

- **Review manual encumbrances and consider:**
 - Are they still valid?
 - Have they been liquidated against the expenditure
 - If at zero, liquidate them using journal type rule class EL32 as they form part of calculation unnecessarily and slow down processing
 - Best practice is to do so **NOW** or at 1st cutoff at the very latest

https://www.mcgill.ca/financialservices/files/financialservices/how_to_adjust_liquidate_a_manual_encumbrance.pdf



Important tips

Letters of Guarantee

- Cleared by 1st Cut-Off

MMP

- Purchase requisitions must follow Purchase Order Procedures
- FY24 Long-Term PO's will be rolled over if there are remaining encumbrances
- Purchase requisition are to be setup for the full term of the contract (enter contract end date in delivery date field)
- Amounts should reflect budget available for fiscal year

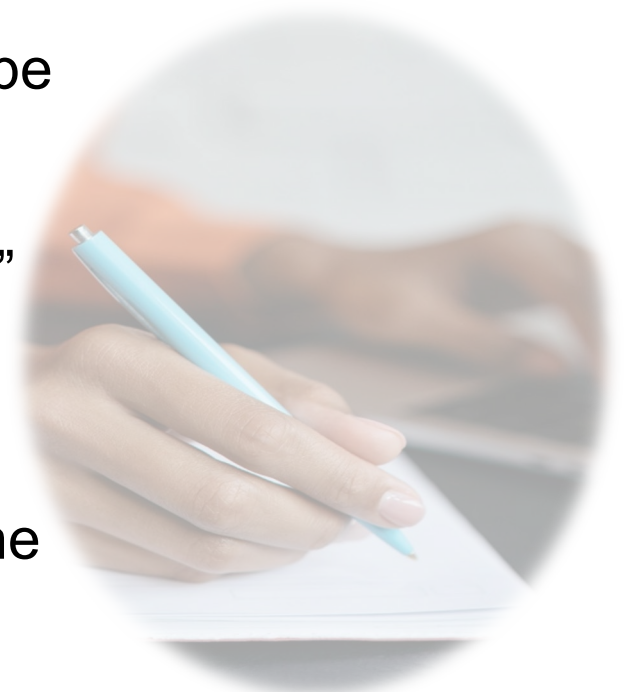


Important tips

BAVL – NSF Override

- Even though FY25 budget may not be processed you will be able to process transactions as severity is set to warning which allows you to spend.
- Keep in mind that BAVL balances are affected by “pipeline” documents therefore, in Minerva, under “Budget query for Fundholders”, check the “pending documents” button.
- BAVL quirk: looks at line sequence, so do credit first then debit (ex: increase intra fund transfer) so as not to reject the journal

<https://www.mcgill.ca/financialservices/gfm/fund-management/bavl>

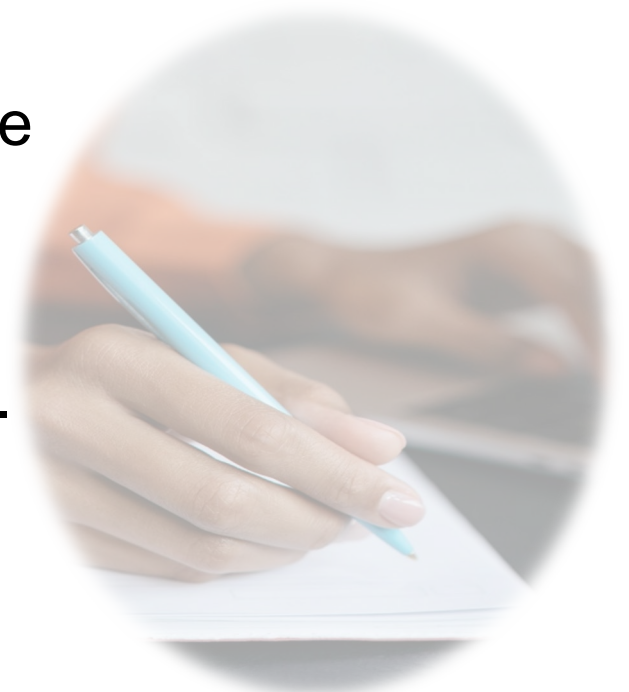


Important tips

Accrual Period 14

- Accruals for AP invoices will be done Centrally via a feed processed before second cutoff to the respective FOAPAL.
- A journal initiated in Period 12 must be re-tabbed entirely to post in Period 14.
- As of May 8th, documents will be posted to period 14. Remember to change your local Crystal report templates to reflect period 14.

Check your approval queues periodically!



Important tips

Purchase Orders

- Ensure you review all outstanding purchase orders.
- If no longer valid, liquidate or cancel as funds are unnecessarily being encumbered.



How to's

How to Process a Year End Closing Journal (ME15/ME16)
<https://www.mcgill.ca/financialservices/gfm/fis-system/banner>

Overview of McGill's Chart of Accounts
<https://www.mcgill.ca/financialservices/gfm/foapal>

How to Process a Manual Encumbrance (FGAENCB)
<https://www.mcgill.ca/financialservices/gfm/fis-system/banner>

Understanding Budget Availability Checking (BAVL)
<https://www.mcgill.ca/financialservices/gfm/fund-management/bavl>



How to's

Year End Variance Analysis

<https://mcgill.ca/financialservices/reporting/yearendvariances>

Understanding Accruals

<https://www.mcgill.ca/financialservices/gfm/schedules/yearend/accruals>

Copy and Reversal feature for Banner Journals

<https://www.mcgill.ca/financialservices/gfm/fis-system/banner>

Liquidating Purchase Orders

<https://www.mcgill.ca/financialservices/gfm/payments/invoices>



2. Other matters



Expense management tool (EMT)

McGill's long-term objectives for an EMT include:

1. Improving Customer Service
2. Reducing Costs
3. Improving Process efficiencies
4. Improving Controls and Compliance
5. Incorporating the principles of sustainability and corporate social responsibility in the expense management process
6. Enhancing reporting and auditing capabilities
7. Managing risks



Blended tax rates

- Each fund has a tax rate associated with it which dictates the percentage of tax recoveries and credits applicable to purchases
- Rates are contingent on the level of commercial activities
- A recent Revenue Quebec audit revealed several funds are using rates that are not supported by the level of commercial activities
- A review is underway to assess required changes to rates
- Any required changes will impact the net cost of an expense charged to a fund



Blended rates: sample calculation

Fund characteristic	Blended Rebate ^{(1), (2)}		INVOICE_AMT			INVOICE_AMT			GST_REBATE Received by Fund	QST_REBATE Received by Fund	Net Disbursement by Fund (After-tax invoice Amount - GST Rebate - QST Rebate)
	GST	QST	BEFORE TAX	GST	QST	AFTER TAX	Received by Fund	Received by Fund			
	A	B		C	D		=A*C	=B*D			
100% commercial	100%	100%	\$100.00	\$5.00	\$9.98	\$114.98	-\$5.00	-\$9.98	\$100.00		
							recoups 100% GST and QST paid on the invoice		represents 87% of after-tax invoice amount		
30% commercial	77%	63%	\$100.00	\$5.00	\$9.98	\$114.98	-\$3.85	-\$6.27	\$104.86		
							recoups 77% GST and 63% QST paid on the invoice		represents 91% of after-tax invoice amount		

Note 1: 100% GST Rebate Rate is composed of 100% ITC, as the fund's commercial activity level is established at 100% ; same for the QST rebate, it consists of 100% ITR

Note 2: 77% GST Rebate Rate is composed of 30% ITC, as the fund's commercial activity level is established at 30%, and the remainder 47% is GST rebate calculated as (Established ITC rate at 30% * 33%) + 67% McGill Basic GST Rebate Rate. Similarly for the QST rebate of 63%, it consists of 30% ITR and 33% of QST rebate calculated as (Established ITR rate at 30% * 53%) + 47% McGill Basic QST Rebate Rate

Note 3: for the users, the wording has been simplified as "rebate" to receive, but backstage, the rebated amount actually gets separated into ITC/ITR bucket and the Rebate bucket

ITC = Input Tax Credit

ITR = Input Tax Refunds

Tax	Base rebate %	Excess rebate available	Commercial activity rate	Additional rebate	Blended rerate
	A	B=(1-A)	C	D=C*B	E=A+D
GST	67%	33%		10%	77%
QST	47%	53%	30%	16%	63%



Software purchases

- 70029 Computer Software Purchases will be closed beginning May 1, 2024
- Purchases previously made to this account can now be booked under:
 - 700500 Computer Software Maintenance
 - 700561 License Fees
 - 700523Tech: Cloud & Subscription Services
- Related 77xxxx and 78xxxx are also available



Endowment monitoring

- Concentrated effort on optimizing endowment spending in FY25
- Endowment Placemats were introduced at faculty/unit meetings
- Next steps:
 - April/May → Financial Services performing analysis of metrics to identify trends based on period 11 figures
 - May/June → Observations will be shared with Faculties and Units
 - June/July → Meetings held in the with Financial Services, UA and Faculties/Units to discuss observations, best practices and potential action items



Questions, Comments or Concerns?



Thank you and Happy New (fiscal) Year!

