

Exhibit C

Journal Examples for Service Center Accounting Entries

The following are examples of different types of sales to both internal and external users.

- C-1 Sale of *services* to an *internal user*
- C-2 Sale of *inventory items* to an *internal user*
- C-3 Sale of *inventory items* to an *internal user when vendor did not charge sales tax*
- C-4 Sale of *inventory items* to an *internal user with sales tax exemption*
- C-5 *Cash* sale of *services with no tangible personal property*
- C-6 *Cash* sale of *inventory items* to an *external or affiliate user*
- C-7 Sale of *services* to an *external or affiliate user*
- C-8 Sale of *inventory items* to an *external or affiliate user*

The following examples are presented for your review based on a Departmental Stores service center Chemistry Store (inventory) or Widget Lab (no inventory) :

Service Center Name: Chemistry Stores
Project-Task-Award Award Org: 1001054-1-ACACR QCIP

Service Center Name: Widget Lab
Project-Task-Award Award Org: 1000000-100-ZAZZA LOCO

All external user examples assume sales tax and F&A costs are applicable to the specific transaction and that the service center knows which external users F&A rate to use (there are only three: 0%, 8% or Full OR [Stanford Rates](#)).

Note:

[FAIR](#), opened “intra” departmental income:

- Interdepartmental – campus users except those users who are part of the service center’s expenses
- Intradepartmental – campus users who are a portion of the center’s expenditures but also need to utilize the services (i.e. ITS, Utilities/O&M, etc.)

External Users:

"External Users": A person, company, or other non-profit entity that is external to the University's mission who wishes to purchase a service center's service because of its unique equipment and/or its staff's expertise. An example is a commercial entity, such as a drug company; or a student, faculty or staff acting in a personal capacity (versus in their capacity as a student or employee of the University).

Affiliated Associations:

"Affiliated Associations": These are entities that are separate from the University, but are related to its academic mission. Such users include Stanford Hospital and Clinics (SHC), the Lucille Salter Packard Children's Hospital at Stanford (LPCH), and the Howard Hughes Medical Institute (HHMI). Sales to these users are generally characterized by a charge to a Miscellaneous Receivables PTA.

Note: For the UBIT External Revenue 15% limitation calculation this revenue and other universities/education entities should not be included as external income, it should be considered as internal income. See Service Center Policies - Section VIII External Users for more details.

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C-1: Sale of Services to an Internal User

The following accounting method is used to record internal billings to the proper accounts at Stanford.

This is an example of a sale that is typically recorded by an academic service center.

Step 1	Record Sale of Services	Purpose
Debit	User's PTAE Project Task Award, Exp. Type 3000040-100-KANDL 58320 (expenditure code should best reflect the service center's product or service. For example: interdept. photocopy, interdept. lab supplies, interdept. office supplies, service center charges, etc.)	Records amount of service center charges for direct costs billed at the approved rates
Credit	Widget Lab (Service Center) PTAO Project Task Award Revenue 100000-100-ZAZZA 48110 (user is interdepartmental income source)	Records amount of income credit received for the type of product or service provided

Exhibit C (Con't)**Journal Examples for Service Center Accounting Entries****C-2: Sale of Inventory Items to an Internal User**

The accounting entries for sale transactions with tangible property are the same in principle as those described in C1 for an internal user except that the total sale amount consists of three components: the cost of the purchased item, the applicable sales tax, and the service center markup.

Step 1	Record Sale of Goods	Purpose
Debit	Purchaser's PTAE 3000040-100-KANDL 58810 (user purchased lab supplies)	Records amount of total sale charged to purchaser's account
Credit	Chemistry Store Inventory 1001054-1-ACACR 11405 (inventory is associated with service center PTA)	Record cost of inventory item resold to purchaser
Credit	Chemistry Store Inventory 1001054-1-ACACR 11405 (same PTAE used above)	Accounts Payable includes the sales tax of the cost of goods to the same inventory account. Therefore credit the correct tax amount to the inventory account. Do NOT include the overhead mark-up in the sales tax calculation.
Credit	Chemistry Store Income 1001054-1-ACACR 48110 (object code represents interdepartmental income)	Records amount of service center income received for the operating overhead mark-up plus the cost of the purchased item (which should be both 11405 amounts)
Debit	Chemistry Store Cost of Goods Sold 1001054-1-ACACR 55910 (COGS expenditure type)	Amount should be the total of both 11405 amounts (in order to also record inventory as COGS and allow 48xxx to balance to 58xxx)

Exhibit C (Con't)**Journal Examples for Service Center Accounting Entries****C-3: Sale of Inventory Items to an Internal User when Vendor did not Charge Sales Tax**

The accounting entries for resale transactions are the same in principle as those described in C1 for internal sales except that the total sale amount consists of three components: the cost of the purchased item, the applicable “use” tax, and the service center markup. When the purchase is subject to resale exemption then a “use” tax entry is required. See the Sales and Use Tax Policy in the Administrators’ Toolkit for more information regarding the resale exemption.

[Fingate - Quick Steps: Process Department Receipts via Cashier's Office](#)

	Record Sale of Goods	Purpose
Debit	Purchaser's PTAE 3000040-100-KANDL 58810 (Interdepartmental lab supplies purchased)	Records amount of total sale charged to purchaser's account
Credit	Chemistry Store Inventory 1001054-1-ACACR 11405 (inventory is associated with service center PTA)	Record cost of inventory item resold to purchaser (sales tax was excluded by vendor)
Credit	Chemistry Store Inventory 1001054-1-ACACR 11405 (same PTAE used above)	Accounts Payable will generally include “use” tax with the cost of goods to the same account. Therefore credit the correct sales tax amount to the inventory account. Do NOT include the overhead mark-up in the sales tax calculation. If “use” tax was NOT included with your purchase (you have checked your invoice), post a credit the “use” tax.
Credit	Chemistry Store Mark Up 1001054-1-ACACR 48110 (interdepartmental income)	Records amount of service center income received for the operating overhead mark-up added to the cost of the purchased item

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C-3: Sale of Inventory Items to an Internal User when Vendor did not Charge Sales Tax (Con't)

	Record Sale of Goods	Purpose
Credit	Chemistry Store Internal Revenue 1001054-1-ACACR 48110 (interdepartmental income to offset COGS amount)	Amount should be the total of both 11405 amounts (in order to balance the 48xxx \$ amount to the 58xxx \$ amount)
Debit	Chemistry Store Cost of Goods 1001054-1-ACACR 55910 (COGS expenditure type)	Amount should be the total of both 11405 amounts (in order to also record inventory as COG and allow 48xxx to balance to 58xxx)

Example:

Lab Supply	\$100.00
Sales Tax	8.25
Service Center Markup	10.00 (assumes 10% markup)

Allocation Entry:

		<u>Debit</u>	<u>Credit</u>
User Purchase	58810	\$118.25	
Service Center	11405		\$100.00
Service Center	11405		8.25 (clears sales tax)
Service Center	48110		118.25
Service Center	55910	108.25	

Notices that 58810 \$118.25 offsets 48110 \$118.25 as required by FAIR.

Exhibit C (Con't)**Journal Examples for Service Center Accounting Entries****C-4: Sale of Inventory Items to an Internal User with Sales Tax Exemption**

The accounting entries for sale transactions with tangible property are the same in principle as those described in C2 for an internal user except that this user holds a sales tax exemption permit and sales tax may NOT be charged. The total sale amount consists of three components: the cost of the purchased item, a “debit” to the appropriate sales tax account, and the service center markup.

	Record Sale of Goods	Purpose
Debit	Purchaser's PTAE 3000040-100-KANDL 58805 (general office supplies purchased)	Records amount of total sale charged to purchaser's account Do not include sales tax portion.
Credit	Chemistry Store Inventory 1001054-1-ACACR 11405 (inventory is associated with service center PTA)	Record cost of inventory item resold to purchaser
Credit	Chemistry Store Inventory 1001054-1-ACACR 11405 (same PTAE used above)	Accounts Payable includes sales tax with the cost of goods to the inventory account. Therefore credit the correct tax amount to the inventory account. Do NOT include the overhead mark-up in the sales tax calculation.
Credit	Chemistry Store Service Mark Up 1001054-1-ACACR 48110 (object code represents interdepartmental income)	Records amount of service center income received for the operating overhead mark-up added to the cost of the purchased item
Debit	Sales Tax PTAO http://www.stanford.edu/group/fms/fingate/docs/sales_use_tax_guidelines.pdf	Debit the sales tax account to cover the sales tax NOT paid by the sales tax exempt purchaser which was charged to your inventory account Controller's Office is revising their PTAs, please refer to link for new PTAO for Santa Clara County Sales tax.

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Journal Examples for Service Center Accounting Entries

C-4: Sale of Inventory Items to an Internal User with Sales Tax Exemption (con't)

	Record Sale of Goods	Purpose
Credit	Chemistry Store Internal Revenue 1001054-1-ACACR 48110 (interdepartmental income to offset COGS amount)	Amount should be the total of both 11405 amounts (in order to balance the 48xxx \$ amount to the 58xxx \$ amount)
Dedit	Chemistry Store Cost of Goods 1001054-1-ACACR 55910 (COGS expenditure type)	Amount should be the total of both 11405 amounts (in order to also record inventory as COGS and allow 48xxx to balance to 58xxx)

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Journal Examples for Service Center Accounting Entries

C-5: Cash Sale of Services with No Tangible Personal Property to External or Affiliate Users

The following accounting method is used to record the specific amounts of each cash sale to the proper accounts. The sale of services where no tangible personal property is transferred, or where the transfer of property is incidental, is exempt from sales tax.

Obtain Cashiers Office Form

Deposit Cash Receipts	Purpose
Cash Account Entry (Entered by Cashier's Office)	The Cashier's Office enters the appropriate cash account numbers based on the type of cash being deposited

Complete Cashiers Office Form

Distribute Sale Amounts	Purpose
Widget Service Center PFO	Records amount of income received in service center PFO for direct costs of specific service or product provided.
100000-100-ZAZZA 46145 (46145 – Other External Sales)	46145 should be used for non-education/universities or Full OR Rate.
OR	
1000000-100-ZAZZA 46630 (46630 – Misc Rev)	46630 should be used for 0% F&A rate and education/universities users.
F&A Cost Recovery Account 1059972-1-AAABC 41910 (41910 – F&A (Indirect) Cost Recovery)	Records recovery of F&A cost amount from external sale Note: use 1059972 AAABC for University service centers and 1059974 AAABE for Medical School service centers
	Stanford Rates

Exhibit C (Con't)**Journal Examples for Service Center Accounting Entries****C-6: Cash Sale of Inventory Items to External or Affiliate Users**

The following accounting method is used to record the specific amounts of each cash sale to the proper accounts. Sales tax is applied on the cost of goods, mark-up and F&A rate. Xerox charges paid in cash by students, faculty or staff in a personal capacity, are subject to sales tax.

Step 1 Obtain Cashiers Office Form	Cash Receipts Form Cash Account (Entered by Cashier's Office)	Purpose The Cashier's Office enters the appropriate cash account numbers based on the type of cash being deposited
Step 2 Detail Infor- mation	Distribute Resale Amounts Chemistry Store Mark Up 1001054-1-ACACR 46145 OR 1001054-1-ACACR 46630	Purpose Records mark up of purchased item resold to purchaser 46145 should be used for Full OR Rate. 46630 should be used for 0% F&A users or education/universities users.
	Chemistry Store Inventory 1001054-1-ACACR 11405 ("inventory" code)	Record inventory cost of purchased item resold to purchaser
	Chemistry Store Inventory 1001054-1-ACACR 11405 ("inventory" code)	Record sales tax associated with the inventory cost of purchased item resold to purchaser
	Sales Tax PTAE http://www.stanford.edu/group/fms/fingate/docs/sales_use_tax_guidelines.pdf	Records sale tax amount calculated on service center mark up and F&A cost Controller's Office is revising their PTAs, please refer to link for new PTAO for Santa Clara County Sales tax.
	F&A Cost Recovery Account 1059972-1-AAABC 41910 (41910 – Indirect Cost Recovery)	Records recovery of F&A cost amount from external sale Note: use 1059972 AAABC for University service centers and 1059974 AAABE for Medical School service centers Stanford Rates

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C-7: Sale of Services with No Tangible Personal Property to Misc Rev External / Affiliate User

The following accounting method is used to record the specific amounts of each external / affiliate billing to the proper accounts. The sale of services where no tangible personal property is transferred, or where the transfer of property is incidental, may be exempt from sales tax.

	Record Sale of Services	Purpose
Debit	Affiliate Receivable 1036053-1-ATBTO 58320 (expenditure code for service center charges)	Records amount of service center receivable consisting of service center's direct cost. The F&A (indirect) cost is calculated and collected by General Accounting (GA)
Credit	Widget Service Center PFO 1000000-100-ZAZZA 48175 OR 1000000-100-ZAZZA 48710	Use 48175 for 0% F&A rate users and education/university users Use 48710 for Full OR F&A rate users
Credit	Sales Tax PTAE http://www.stanford.edu/gro-up/fms/fingate/docs/sales_use_tax_guidelines.pdf	(If your center must charge sales tax on your services, include this sales tax entry.) Records sale tax amount. Include this tax amount in the debit charge to the user. Controller's Office is revising their PTAs, please refer to link for new PTAO for Santa Clara County Sales tax.

If the external user has an A/R PTA, which is operated by Financial Analysis & Information Reporting (FAIR) then the user has already been assigned the correct F&A rate. These accounts will be in the award range ATxxx. Award range ARxxx are paybles for schoolorships, student fellowships, etc and all have 0% F&A. Award range ASxxx are for the conference receivables and they will have one of the three burden rates listed below.

If you do not know the Misc Rec PTA's F&A rate so that you can post the income to the correct revenue code, please run the ReportMart report, "216 Award Config Report". Enter the Award at the prompt, and the report field that lists the burden is: "Burden Schedule". If the field is:

CO_AR_00 the F&A rate is 0 zero (Affiliated Association and not subject to UBI limit)

CO_AR_08 the F&A rate is 8% (The 8% waived rate has been granted to universities and these entities are now not subject to the 15% UBI cap.)

CO_AR_NEGOTIATED the F&A rate is the current year OR rate (is subject to UBI limit)

For the calculation of UBI External Revenue Limitation max. 15%: 48710 and 46145 are external income (subject to UBI limitation) and 48175 and 46630 are internal income (not subject to UBI limitation).

Exhibit C (Con't)**Journal Examples for Service Center Accounting Entries****C-8: Sale of Inventory Items to a Misc Rec External or Affiliate User**

The accounting method for external resales is similar to that described for external sales of services.

Step 1	Distribute Sale Amounts	Purpose
Debit	External/Affiliate Receivable 1036053-1-ATBTO 58820 (expenditure code for SU Chemicals)	Records amount of service center receivable consisting of service center's mark up, cost of inventory, and sales tax on cost of inventory. The F&A (indirect) cost is calculated and collected by FAIR
Credit	Chemistry Store Mark Up 1001054-1-ACACR 48175 OR 1001054-1-ACACR 48710	Records mark up of purchased item resold to purchaser Use 48175 for 0% F&A rate Affiliated Associations & 8% Universities 48710 Full OR F&A rate External users
Credit	Chemistry Store Inventory 1001054-1-ACACR 11405 ("inventory" code)	Record inventory cost of purchased item resold to purchaser
Credit	Chemistry Store Inventory 1001054-1-ACACR 11405 ("inventory" code)	Record sales tax associated with the inventory cost of purchased item resold to purchaser
Credit	Chemistry Store Offset COGS 1001054-1-ACACR 48175 OR 1001054-1-ACACR 48710	Amount should be the total of both 11405 amounts (in order to balance the 48xxx \$ amount to the 58xxx \$ amount) External 48710/Affiliate 48175
Dedit	Chemistry Store Cost of Goods Sold 1001054-1-ACACR 55910 (COGS expenditure type)	Amount should be the total of both 11405 amounts (in order to also record inventory as COGS and allow 48xxx to balance to 58xxx)