VERMONT SYSTEMS

Finance 101
Show me the money!

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Overview

- Basic Financial Concepts

  - T-Charts

  - Account Types

  - Balancing

  - Paycodes

- Money Flow

- Receivables and Accrual

- Interfacing

- Questions

Basic Accounting Concepts

Accounting Basics (Double Sided/Single Sided Entry)

- **In Double Sided Accounting all transactions must net to 0**
    - A net 0 transaction is considered a balanced transaction
    - Every Credit has a corresponding Debit, and vise versa
    - In Fund Based accounting, each fund must additionally be in balance
- **RecTrac is a single sided accounting system**
    - When a customer pays, and we credit revenue, the debit to Cash is inferred, not explicit
    - GL reports show payments made by cash, not a debit to a cash account
   - RecTrac Translates to double sided entry during the GL interface

G/L	Acct No		Rcpt #	Mod	Type	Pay Cd	Source Descript	Trxn Reference	User	DR Amt	CR Amt
951	DOS951		1741	A/R	F	2	433401-01: Swim Club	Cash	ZZZ		50.00
		TOTALS:		DR COUNT:	0		CR COUNT:	1	AMOUNTS:	0.00	50.00

Total Type	Pay Code	Pay Type		DR Amt	CR Amt	Net Amt
Pay Type Totals	2: Cash	Cash			50.00	50.00
			GRAND TOTALS:	0.00	50.00	50.00

T-Charts

- **T-Charts show money flow at the most basic level**
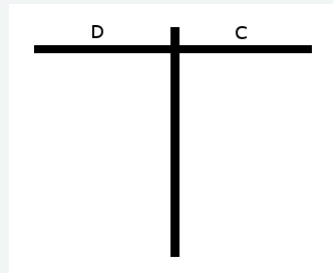
Debit	Credit
50.00	

- **Debits (D or DR) are Left Side transactions, Credits (C or CR) are Right Side transactions**

- **These can increase or decrease an account balance, depending on the account type**
  - Asset (Debit Increases)
  - Liability (Credit Increases)
  - Capital (Credit Increases)
  - Income/Revenue (Credit Increases)
  - Expense (Debit Increases)

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Balance Sheet Account Types

- **Asset Accounts (DR Increases)**
  - Money owed **to** you (Receivables)
  - Real Estate
  - Owned Value
  - Equal to combined Liability and Equity

- **Liability Accounts (CR Increase)**
  - Money owed **by** you (Household Credit Balances)
  - Gift Certificates
  - Unearned/Deferred Income (Accrual)

- **Equity/Capital Accounts (CR Increase)**
  - Money **held** by you
  - Capital
  - Assets minus Liability

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Profit and Loss Account Types

- **Revenue/Income Accounts (CR Increase)**
  - Money Coming **in**
  - Earnings
  - Money from Sales

- **Expense Accounts (DR Increase)**
  - Money going **out**
  - Accounts Payable
  - Payroll
  - Rent
  - Utilities

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Balancing/Proofing

- **All CR Increase account balances should net with all DR Increase accounts**
  - Assets + Expense = Equity + Liability + Revenue

- **Profit and Loss:**
  - Net between Income and Expense should balance with change in Capital over any given time frame
  - Income + Expense = Change to Equity

Pay Codes/Payment Types

- **Pay Codes Identify payments, aid in balancing**
  - Payment Types determine logic uses and can have special use cases
  - Check/Cash (normally offset Cash)
  - Credit Card (normally offset Cash, invokes Credit Card processing logic)
  - Misc (multi use)
  - Gift Certificate (invokes Gift Cert redemption logic)
  - Journal (exclusively for financial corrections)
  - Scholarship (invokes Scholarship logic)
- **System Use Codes**
  - VSI-Accrual (Moves Unearned to Revenue)
  - VSI-Receivables (Pays Unearned or Revenue/creates a debit balance in receivables to track money owed by customers)
  - VSI-Refund Finance (Moves money to Accounts Payable for Check Requests)
  - VSI-Refund RecTrac (Moves money to Accounts Payable to cut check from RecTrac)
  - VSI-System (Moves money during transfers, household credit creation and usage)

Refunds Types (each controlled by its own account)

- **Refund Apply (recommended)**
  - Money stays on the Household as a credit
  - Customers are more likely to re-invest
  - Easiest to "fix" if done incorrectly
- **Refund Now/Refund Void**
  - Money goes back to the customer immediately
  - Refund Void acts generally exactly the same as refund now, with the exception that it does not use the Refund GL in the Fee. It ALWAYS refunds against Revenue.
  - RV also allows for distinction between valid refunds and refunds used to correct mistakes.
- **Refund Finance**
  - Money goes out as an accounts payable request to finance
  - All money is moved out of revenue at time of refund, so checks only need to be taken out of the Refund Finance account. No need to research original revenue.
- **Refund RecTrac**
  - Allows printing of refund checks directly from RecTrac
  - Rarely if ever used

The Control Account

- **System Function Account**
    - The control account is used as a transition account while cancellation/change transactions are in the shopping cart
    - Should always net to 0
    - Sometimes serves double duty as the refund accounts
    - Generally, only transactions that move money between non-refund GL's post to the control account, but not exclusively

Refunds Types (Accounts defined in Static Parameters or Advanced Fee Change)

Money Flow in Cash Based Accounting

A useful flow

Simple Registration (Cash based with customer payment)

Money flows directly from Cash to Revenue

Cash Account
(customer's wallet)

Program Revenue

Debit	Credit	Debit	Credit
50.00	Cash/Check/Credit Card →		50.00

Simple Registration (Cash based with no customer payment)

Nothing to see here

Cash Account (customer's wallet)		Program Revenue	
Debit	**Credit**	**Debit**	**Credit**

Refund Apply (Cash Based)

Money stays on the Household Account as a credit balance

Program Revenue (or Refund Offset Account)		Refund Apply Account (Household Credit)	
Debit	**Credit**	**Debit**	**Credit**
50.00	VSI-System →		50.00

Refund Now (Cash Based)

Money immediately leaves the cash drawer to be refunded to the customer

Program Revenue
(or Refund Offset Account)

Debit	Credit
50.00	

Refund Now Account

Debit	Credit
	50.00
50.00	

VSI-System

Cash, Check, CC

Customer Cash, Check, or
Credit Card

Debit	Credit
	50.00
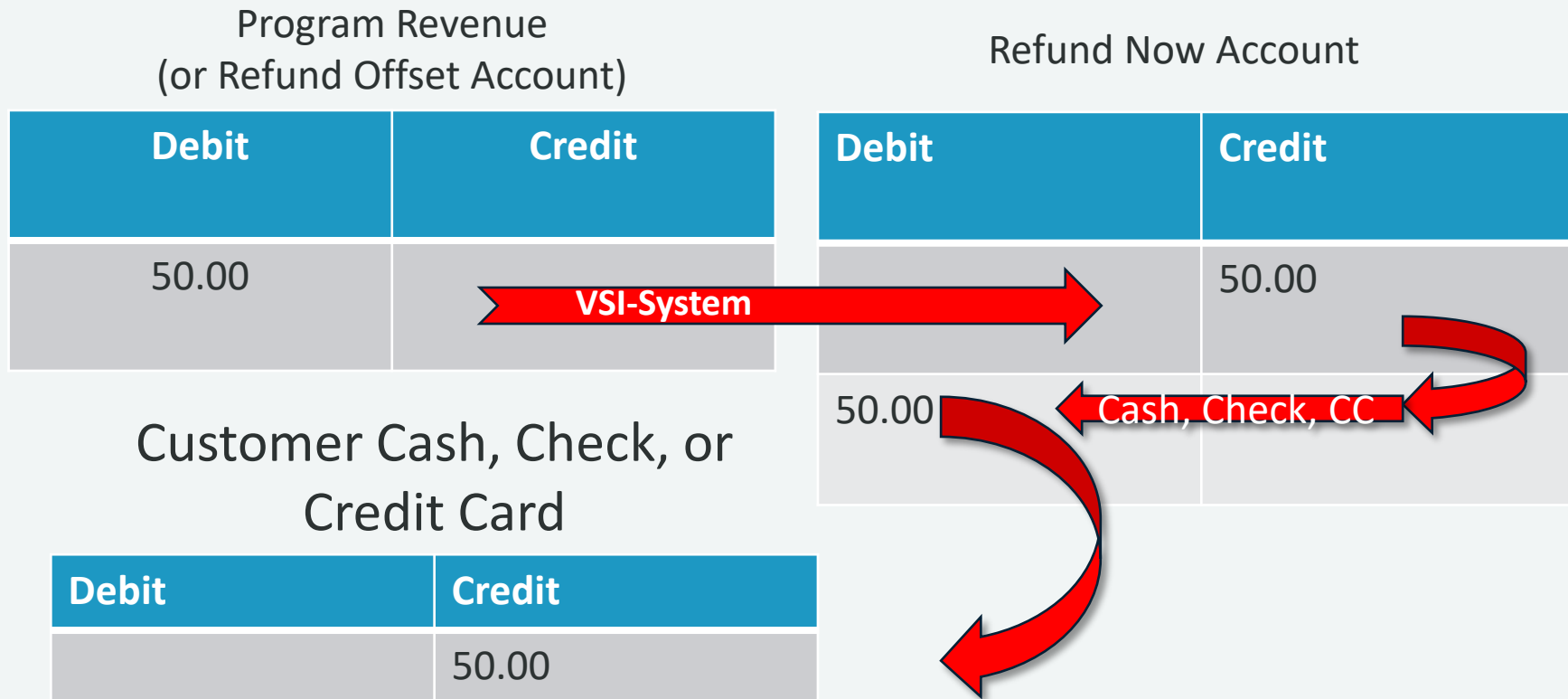
Refund Finance (Cash Based)

Create a request to send money back to the customer

Program Revenue
(or Refund Offset Account)

Debit	Credit
50.00	

Refund Finance Account

Debit	Credit
	50.00
50.00	

VSI-System →

← VSI-Refund Finance

Accounts Payable

Mirroring Refund Finance Account

Debit	Credit
	50.00
50.00	

Check Cut from Finance Dept →
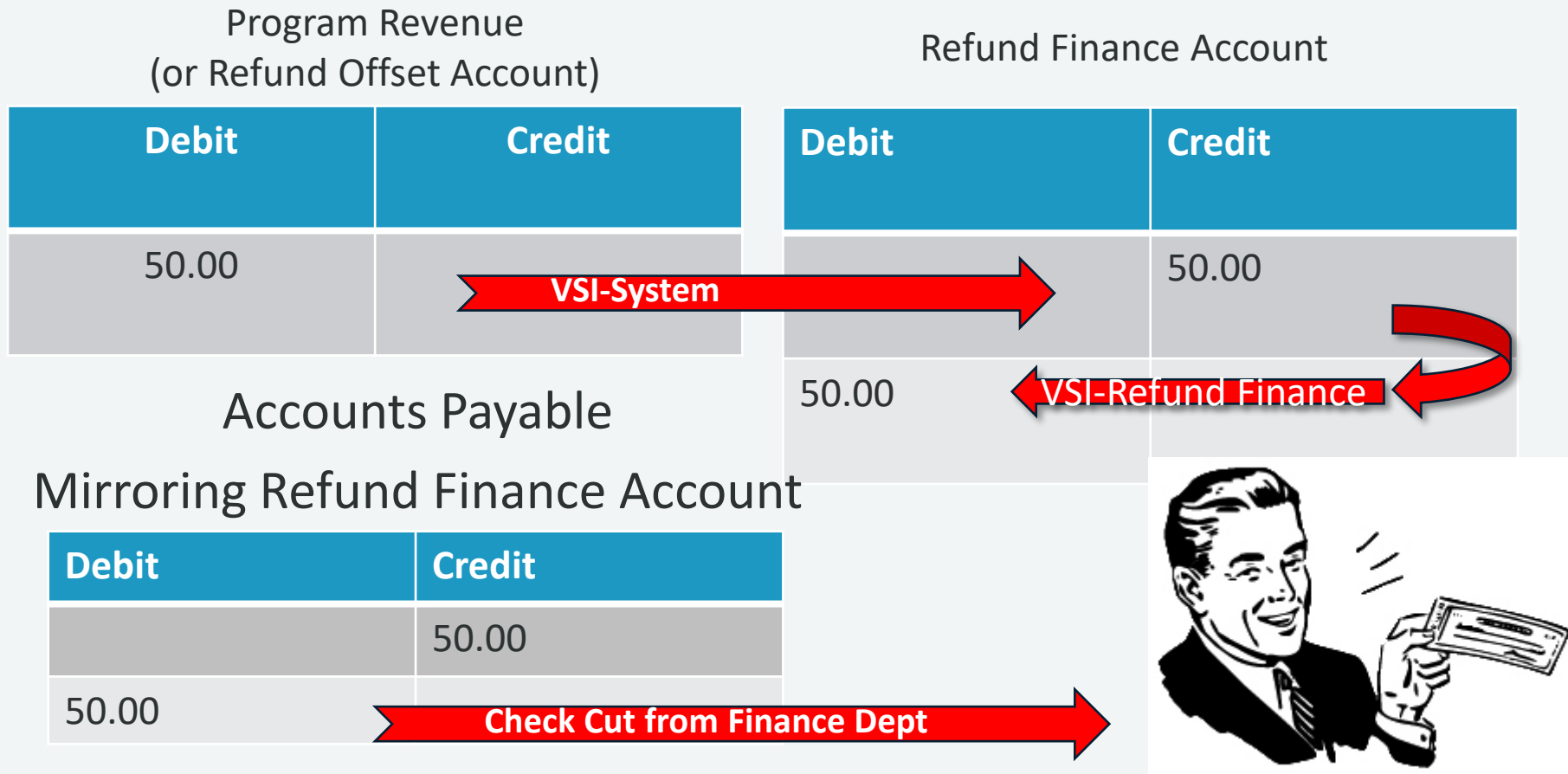
Receivables and Accrual

More complicated, more accurate

Receivables and Accrual- Definitions

- **Receivables based accounting uses one or more accounts to track money due to you**
  - Using Receivables is a system wide setting
  - Option to define a receivables GL account on a fee-by-fee basis
  - Using Receivables is a prerequisite to using Accrual/Unearned accounting in RecTrac
- **Unearned or Deferred income uses one or more accounts to track revenue received, but not recognized**
  - Unlike Receivables, you can use accrual on a fee by fee basis.
  - Option to define an unearned income GL account on a fee-by-fee basis
  - Option to accrue based on Item Begin Date or Throughout Item Dates
- **Accrual is the process which recognizes the revenue**
  - Run based on your schedule requirements (typically once per month)
  - Process will transfer money by debiting Unearned Income and crediting Revenue
  - Best practice suggest consistently setting the begin date significantly into the past to ensure accruing all income

Receivables and Accrual- Considerations

- **Benefits**
  - Reporting more accurately reflects real life
    - Distributes earnings across the span of your service to the customer
    - Revenue reports will show what each item and area is earning on a month by month basis
  - Transparent to end users

- **Drawbacks**
  - Adds layers of GL complexity to each transaction
  - Requires periodic use of the Accrual Process (can be scheduled)
  - Requires caution if transitioning from Cash based accounting (VS assistance required)
    - Manual postings to set your beginning unearned and receivables values
    - Can be very difficult to determine, numbers will be a moving target unless business can pause

Money Flow in Receivables Based Accounting

A deeper groove

Simple Registration (Receivables based with customer payment)

Money flows immediately from Receivables to Revenue, Cash relieves Receivables

Customer Cash

Debit	Credit
50.00	

Receivables

Debit	Credit
	50.00
50.00	

Cash,Check, etc

VSI-Receivables

Program Revenue

Debit	Credit
	50.00

VSI-Receivables

Simple Registration (Receivables based without customer payment)

Money flows immediately from Receivables to Revenue, Receivables is left with a debit balance
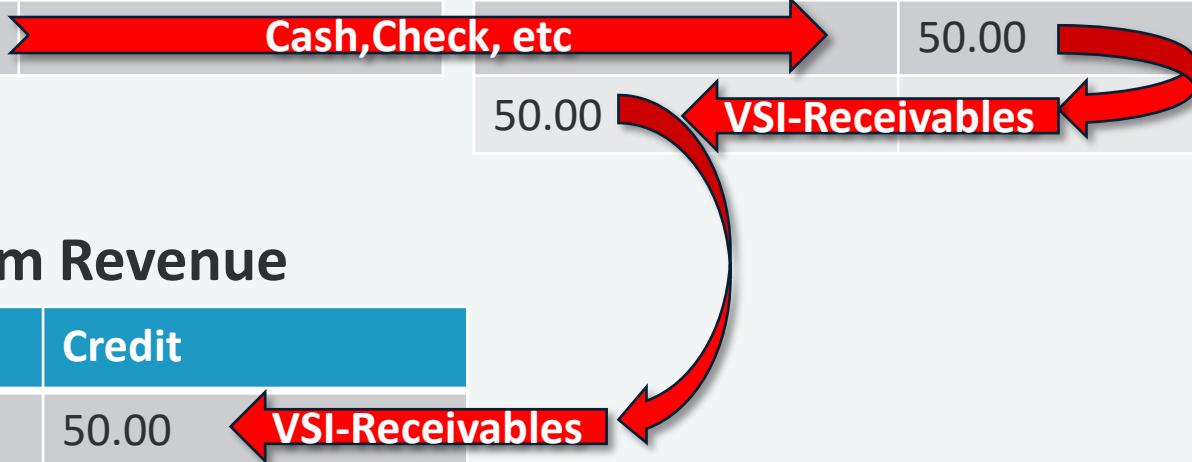
Customer Cash

Debit	Credit

Receivables

Debit	Credit
50.00	

Program Revenue

Debit	Credit
	50.00

VSI-Receivables

Simple Registration (Receivables based customer pays after initial registration)

Money flows from Cash to Receivables with payment. This relieves the debit balance in Receivables and does not touch Revenue.

Customer Cash

Debit	Credit
50.00	Cash,Check, etc →

Receivables

Debit	Credit
	50.00

Program Revenue

Debit	Credit

Receivables and Accrual- Considerations

- **Refunds with Receivables are no different than Cash based refunds**
  - Money paid in has already relieved receivables and will be debited based upon fee settings (Revenue or Offset)

- **Refunds for partially paid transactions will debit the full value from Program Revenue,**
  - A portion will be paid back into receivables for the outstanding balance.
  - The remainder will be refunded to the customer via the Refund Now account.

Money Flow in Accrual Based Accounting

A future flow

Simple Registration (Accrual based with customer payment)

Money flows immediately from Receivables to Unearned Revenue, Cash relieves Receivables, Program Revenue is unaffected

Customer Cash

Debit	Credit
50.00	

Receivables

Debit	Credit
	50.00
50.00	

Cash,Check, etc

VSI-Receivables

Unearned Revenue

Debit	Credit
	50.00

VSI-Receivables

Program Revenue

Debit	Credit

Accrual Process

A portion of Unearned Revenue is debited, and is then credited to Program Revenue

Unearned Revenue

Debit	Credit
50.00	

Program Revenue

Debit	Credit
	50.00

VSI-Accrual

Refunds with Accrual

- **Refunds for transactions that have been Accrued are no different than Cash based refunds**
  - After accrual has been run, money resides in the program revenue account

- **Refunds for transactions that have NOT been Accrued come directly out of the Unearned account**

- **Refunds for transactions that have been PARTIALLY Accrued will be appropriately split between Unearned and Program Revenue**

Interfacing with third party financial software

Take advantage of the power of computers

Interfacing Successfully

Recently Released Features

- RecTrac can interface with any financial software

- When interfacing, RecTrac's transactions are translated into Double Sided Entries

- Interface some, interface all

- All information affecting RecTrac should flow from RecTrac

- If there is a problem, it should be corrected in RecTrac so the correction flows from there

- MUST have Refund and Control Accounts on the interfacing system

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Fund Based Accounting

Due To/Due From accounts

- Fund Based Accounting requires balanced transactions per fund

- Due To/From accounts are required for proper balancing

- In RecTrac a wildcard Due To/From account is created with an XX in the Fund position of the account number

- During the interface, this will fill in with the appropriate fund numbers to properly balance all transactions when interfacing
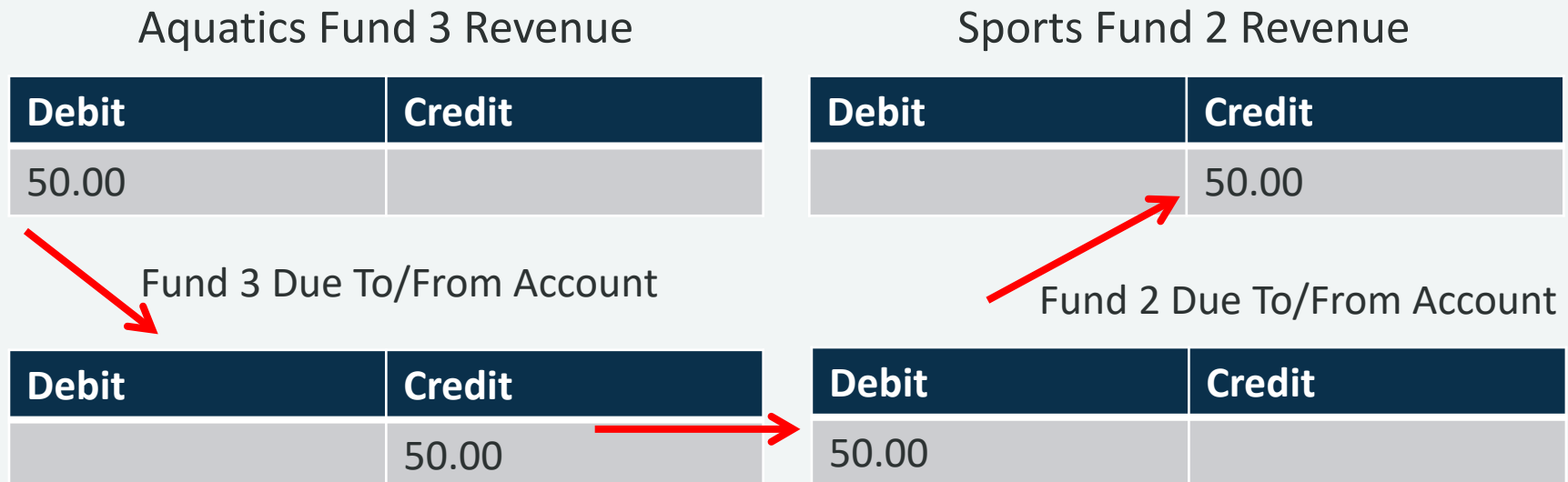
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Due To/From Money Flow

- **During an activity transfer between funds, RecTrac simply debits one revenue and credits the other.**

Aquatics Fund 3 Revenue

Debit	Credit
50.00	

Sports Fund 2 Revenue

Debit	Credit
	50.00

VSI-System

- **When interfacing, RecTrac exports the move through the Due To/From Accounts to balance each fund.**

Aquatics Fund 3 Revenue

Debit	Credit
50.00	

Sports Fund 2 Revenue

Debit	Credit
	50.00

Fund 3 Due To/From Account

Debit	Credit
	50.00

Fund 2 Due To/From Account

Debit	Credit
50.00	

Take-a-ways

- **T-Charts**
  - If you can do it on paper, you know what the system did
- **Control Account**
  - Used temporarily and in transfers
  - MUST be mirrored on financial software
- **Refunds**
  - Different refund types create different transactions
  - Each Refund Type should ideally have a different account in Static Parameters
  - MUST be mirrored on financial software
- **Receivables and Unearned/Accrual**
  - More accurate reporting
  - More complicated GL transactions
- **Interfacing**
  - Inter-fund Accounts
  - Refund and Control account discussions

Questions?

Thank you!

We appreciate your time and participation