

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 **Wire Transfer** sale of *services with no tangible personal property (no PTA)*
- C-6 **Wire Transfer** sale of *inventory items* to an *external or affiliate user (no PTA)*
- C-7 Sale of *services* to an *external or affiliate user (with PTA)*
- C-8 Sale of *inventory items* to an *external or affiliate user (with PTA)*
- C-9 Revenue Object Codes for UBI and iLab User Types

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 two: 8% or Full OR [Stanford Rates Non Spon Receivables](#)).

iLab:

iLab generates upload files that are formatted for the service center to generate allocation iJournals. Once the files have been generated and uploaded the billing file status in iLab should be changed to "file sent". This status will prevent any further changes to billed invoices within iLab. iLab Invoices include the service date, service description, approved rate and quantity.

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 (LPCCH), and the Howard Hughes Medical Institute (HHMI).

UBI (Tax Director) vs IDC/F&A (DoR & SoM) :

UBI Unrelated Business Income is limited to 15% of Total Revenue. IDC/F&A is the full OR F&A % or waived to 8% per external user determined by DoR with input from SoM.

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Journal Examples for Service Center Accounting Entries

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: service center charge, interdept. photocopy, interdept. lab supplies, etc.)	Records amount of service center charges for direct costs billed at the approved rates <u>JRNL LINE DESCRIPTION:</u> Should reflect activity provided; i.e. service/product, quantity, and invoice #
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

iLab Journal Example Line (allocation):

Project Task Award	Exp. Type	Exp. Date	Dept. Ref.	Debit	Credit	Description
3000040-100-KANDL	58320	01-JUN-18	WLSC	100.00		WLSC-44830-PI: Davis-3 charge(s)
			^			^
			Svc Ctr			iLab Invoice #
			<u>Widget Lab</u> Svc <u>Ctr</u>			

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)
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)

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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 300040-100-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

Journal Examples for Service Center Accounting Entries

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)
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 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/gro-up/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.

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)

Journal Examples for Service Center Accounting Entries

C-5: WT Sale of Services with No Tangible Personal Property to External Users (no PTA)

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 WT Receipts	Purpose
WT Account Entry (Entered by Cashier's Office)	The Cashier's Office enters the appropriate cash account numbers based on the type of payment 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 For/Non Profit, International Universities
OR	
1000000-100-ZAZZA 46630 (46605 – “exempt from UBI 15%”)	46605 should be used for Domestic Universities 46630 Affiliates
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 Non Spon Receivables

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Journal Examples for Service Center Accounting Entries

C-6: WT Sale of Inventory Items to External Users (no PTA)

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.

<p>Step 1 Obtain Cashiers Office Form</p>	<p>WT Receipts Form Cash Account (Entered by Cashier's Office)</p>	<p>Purpose The Cashier's Office enters the appropriate cash account numbers based on the type of payment being deposited</p>
<p>Step 2 Detail Information</p>	<p>Distribute Resale Amounts Chemistry Store Mark Up 1001054-1-ACACR 46145 OR 1001054-1-ACACR 46630/46605</p>	<p>Purpose Records mark up of purchased item resold to purchaser 46145 should be used for For/Non Profit, International Universities 46605 should be used for Domestic Universities 46630 for Affiliates</p>
	<p>Chemistry Store Inventory 1001054-1-ACACR 11405 ("inventory" code)</p>	<p>Record inventory cost of purchased item resold to purchaser</p>
	<p>Chemistry Store Inventory 1001054-1-ACACR 11405 ("inventory" code)</p>	<p>Record sales tax associated with the inventory cost of purchased item resold to purchaser</p>
	<p>Sales Tax PTAE http://www.stanford.edu/group/fms/fingate/docs/sales_use_tax_guidelines.pdf</p>	<p>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.</p>

<p>F&A Cost Recovery Account 1059972-1-AAABC 41910 (41910 – Indirect Cost Recovery)</p>	<p>Records recovery of F&A cost amount from external sale</p> <p>Note: use 1059972 AAABC for University service centers and 1059974 AAABE for Medical School service centers</p> <p>Stanford Rates Non Spon Receivables</p>
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C-7: Sale of Services with No Tangible Personal Property to SponAR/Misc PTA (with PTA)

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	Spon AR / Misc Rec PTA 1036053-1-AUAMR 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 / 48720 OR 1000000-100-ZAZZA 48710	Use 48175 Affiliate and 48720 Domestic University Use 48710 for all other users
Credit	Sales Tax PTAE http://www.stanford.edu/gro-up/fms/fingate/docs/sales_use_tax_guidelines.pdf	<i>(If your center must charge sales tax on your services, include this sales tax entry.)</i> 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.

Sponsored A/R is responsible for generating new external user PTAs. They require a valid PO with the user and you will need to submit a PTA request in PTA Manager. For further information: <https://doresearch.stanford.edu/policies/service-center-manual/appendices-and-exhibits/service-center-appendices-and-exhibits> open Exhibit K

Starting in FY19, DoR has eliminated 0% waivers for external users. The Affiliates are granted 8% and all other users are charged the full OR rate. DoR may grant waivers to 8% depending on circumstances, contact DoR.

CO_AR_08 the F&A rate is 8% (The 8% waived rate has been granted to Affiliates)

CO_AR_NEGOTIATED the F&A rate is the current year OR rate

For the calculation of UBI External Revenue Limitation max. 15%: 48710 and 46145 are external income (subject to UBI limitation) Defined as: Non-Profits, International Universities, VA Admin (Not PAVIR) and For-Profits

48175/48720 and 46605/46630 are external income (not subject to UBI limitation). Defined as: Affiliates (48175 and 46630) and Domestic Universities (48720 and 46605)

Journal Examples for Service Center Accounting Entries

C-8: Sale of Inventory Items to a Spon AR/Misc Rec External User (with PTA)

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-AUARM 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.
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 Affiliates & Domestic Universities 48710 All other 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)
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)

C-9: Revenue Object Codes

Burden rate of 8% or Organized Research % is determined by DoR/SoM.
Subject to or not subject to Unrelated Business Income - UBI is determined by
University Tax Director. (46145 + 48710 / Total Revenue must be < 15%)

Revenue Object Codes	Description	Examples
46145 - Other Ext Sales Rev	Svc Ctr is coordinating with external user directly to collect Payment. For-Profit, Non-Profit, International Universities and Dept of VA Admin who are subject to UBI 15% limit	One time \$500 request from IronMan Inc. No further business. SC completes Cashier's Wire Transfer/Payment form. Code F&A portion of payment per F&A instructions. (see C-6) If uploading iLab journal revenue object is determined by user type field (see below)
46605 - SC 15% Cap Exempt Ext Rev	Svc Ctr is coordinating with external user directly to collect Payment. This revenue code is for Domestic Universities users who are not subject to UBI 15% limit.	One time \$200 request from Prestige U. No further business. SC completes Cashier's Wire Transfer/Payment form. Code F&A portion of payment per F&A instructions. (see C-6) If uploading iLab journal revenue object is determined by user type field (see below)
46630 - Miscellaneous Revenue	Svc Ctr is coordinating with external user directly to collect Payment. This revenue code is for PAVIR users who are not subject to UBI 15% limit. Tax Director may include other ext users UBI exempt based on circumstances	One time \$100 request from a PAVIR user. No further business. SC completes Cashier's Wire Transfer/Payment form. Code F&A portion of payment per F&A instructions. (see C-6) If uploading iLab journal

		revenue object is determined by user type field (see below)
48110 - 48170 Interdept Rev	SC can use 48115, 48120, 48125, etc if revenue per specific services is desired.	All internal Stanford with PTA and not subject to UBI If uploading iLab journal revenue object is determined by user type field (see below)
48175 - Interdept Rev	SC requested a PTA for the external user who is not subject to UBI - affiliate. An affiliate who was established decades ago, ie HHMI or a PAVIR user	Not subject to UBI The burden process is set up to auto post via the PTA setup If uploading iLab journal revenue object is determined by user type field (see below)
48180 - Interdept Rev	Reserved for year end <u>Subsidy</u> , or ongoing throughout the fiscal year <u>Subsidy</u> funding	This revenue must be specifically Identified for University F&A proposal purposes
48710 - Interdept Centrally billed Rev	SC requested External user Spon AR PTA or already opened a Misc Rec PTA For-Profit, Non-Profit, International Universities, CZ Biohub and Dept of VA Admin who are subject to UBI 15% limit	The burden process is set up to auto post via the PTA setup. If uploading iLab journal revenue object is determined by user type field (see below)
48720 - Interdept SC 15% Cap Exempt Univ	SC requested External user Spon AR PTA or already opened a Misc Rec PTA This revenue code is for Domestic Universities users who are not subject to UBI 15% limit.	The burden process is set up to auto post via the PTA setup If uploading iLab journal revenue object is determined by user type field (see below)

iLab User Field Revenue Coding (Internal Stanford defaulting to 48110):

Internal Stanford	48110
External Domestic Academic (with PTA)	48720
External For Profit (with PTA)	48710
External Non-profit / International Academic (with PTA)	48710
External For Profit (no PTA)	46145
External Non-profit / International Academic (no PTA)	46145
External Domestic Academic (no PTA)	46605
External Affiliates (no PTA)	46630
External Affiliates (with PTA)	48175
TRAM Member	48110
(unused1) External Academic not Univ funded (with PTA)	
(unused2) External Academic not Univ funded (without PTA)	
CZ Biohub (with PTA)	48710

Because an iLab research group for a PI will typically include their Internal PTAs and their External Affiliate (with PTA) – i.e. PAVIR, HHMI, etc. their user type will have to be Internal Stanford.