

INTER-COMPANY - GUIDELINES

Inter-company – to be used only for recharges between schools for **salary recharges, pass on charges ie subscriptions, training and treasury investments.** Other Income should be coded to an appropriate income code, ie XXX1152 Sports Centre Income.

The purpose of using the inter-company codes is to ensure that the accounts are reflecting accurate figures in the correct place within the Trial Balance. Using the two codes (9515 and 9516) places the funds onto the balance sheet and not in the income section of the accounts. This type of recharge should not be regarded as generated income as it is merely a recharge of a cost already incurred by the school. Below are 3 examples of how to use this process.

Example 1. Purchase Invoice Received

ALT receives an invoice from Handsam for a total of £1,500.00 plus VAT = £1,800

The expense to ALT is only 1/15 (ALT plus 14 schools), as most of this expense has been bought to charge out to schools.

Therefore, the invoice is entered on the purchase ledger account for Handsam as follows:

ALT9515 (Inter Co) 1,400 (shown as a debit)

ALT5125 (subscriptions) 100 (shown as a debit)

ALT9521 (VAT) 300 (shown as debit)

TOTAL 1,800

The expense to ALT is now only £100 which is correct and not the full £1,500; therefore, showing an accurate figure of expenditure for ALT in the accounts. The remainder £1,400 is now to be invoiced to schools as follows.

Raise a sales invoice for each school (x14) for £100, selecting ALT9515

We now have the following showing under nominal ALT9515 in PSF

Nominal ALT9515 Inter Company

Debit	Credit
1,400 (Purchase invoice)	100 x 14 (1,400) (Sales invoices raised to all 14 schools)

The account is now balanced.

The school that receives the invoice from ALT will enter the invoice as a purchase invoice (POIN) and code the invoice in the usual way using an expenditure code, as this is the cost to the school. Payment is then made in the usual way.

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Example 2. Salary Recharges

You may have an employee within your school that does work within another ALT school, in this case, the school receives via EPM the full salary expense and then recharges only the hours/days that applicable for invoicing to the "Other School".

Within your monthly payroll journal code include the total costs that are to be recharged only to XXX9516 (**Inter Company – Payroll**), then raise an invoice to the Other School selecting XXX9516

Again, this shows the true recharge of cost and not as generated outsourced income.

The following is an example:

Mrs A Jones (Teacher) is employed by School A, however one day a week she works for School B, within the Trust. Her salary cost is £3k per month. £550 needs to be recharged to School B.

Payroll Journal (data from EPM)

Debit	Credit
£550 (XXX9516)	£3000 (XXX9525)
£2450 (XXX2000)	

Raise an invoice to School B for £550, selecting code XXX9516

We now have the following showing under nominal XXX9516 in PSF.

Nominal XXX9516 Inter Company

Debit	Credit
£550 (Payroll Journal)	£550 (Sales invoice raised to School B)

The account is now balanced.

Example 3. Treasury Investment

School completes and sends form to Trust Finance Manager (TFM) to place funds on a treasury investment. The amount is transferred from the school bank account to ALT Investment Account. The funds are then placed on investment by the TFM.

The payment is entered onto PSF as follows: example using £50k

Bank Transfer

Debit	Credit
£50k XXX9515(Inter Company)	£50k XXX9400 (bank account)

When funds are returned to the school bank account with added interest (hopefully) the following entry will apply

Bank Receipt

Debit	Credit
£51k XXX9400 (bank account)	£50k XXX9515(Inter Company)
	£1k XXX1200 (Bank Interest)

The account XXX9515 is now balanced