Quick Start Guide: Budgeting

Summary: Budgeting in KFS is accomplished through one of two Financial Processing Transactions:

- **Budget Adjustment (BA)** document (inception-to-date accounts)
- **Budget Appropriation Transaction (BAT)** document (fiscal-year accounts)

**BA: inception-to-date** accounts are also known as contract, grant, and gift accounts/funds that follow a project begin and end date cycle, rather than a fiscal year cycle. For all inception-to-date accounts, budget and actuals are tracked over the life of the account. The KFS BA document is used to make and adjust budget entries to inception-to-date accounts.

**BAT: fiscal-year** accounts represent all other fund sources for which budget and actuals are tracked and closed each fiscal year. Fiscal year accounts can have a base (permanent) budget. Examples of fiscal year funds include: 199xx General funds, 095xx Opportunity funds, 1808x Lottery funds, 20xxx Student Fee funds, 6xxxx Sales & Service funds, 75xxx Reserve funds. The KFS BAT document is used to make and adjust budget entries to fiscal year accounts.

**Budgeting Principals and how to interpret KFS Variance:**

Budgeting is an important financial management tool for planning and tracking both revenue and expenses. An expense budget is used to represent available resources to spend. The Budget is compared to Actuals (Financial) and Encumbrances during the year. In KFS, balance inquiries show a field termed “Variance”. For expenditure object codes, Variance = Budget – Actuals – Encumbrances. A positive variance means that actuals and encumbrances are less than the amount budgeted (good). A negative variance means the account is over spent (bad).

A revenue budget is used to represent projected revenue/income and is compared to revenue actuals received during the year to track progress. In KFS, the Variance column on revenue object codes is calculated differently than for expenses. For revenue object codes, Unrealized Revenue Variance = Actuals – Projected Budget. A positive variance means that actual revenues exceed the projected budget (good). A negative variance shows the amount of projected revenue that is unrealized (bad if nearing the end of the budget cycle and actual revenues fall short of projections). At FY close, all revenue budgets should be adjusted to equal realized revenue actuals so that the variance is zero.

**BAT for KBM:** For staff that have been trained and authorized to manage permanent funds for their unit using the KFS Budget Module (KBM), the BAT document is also used to process Base Budget (permanent) transfers.

**How to Process: BA and BAT documents**

<table>
<thead>
<tr>
<th>Steps</th>
<th>What you need to do</th>
<th>How to do it</th>
</tr>
</thead>
</table>
| 1     | Access KFS via ZOTPortal | a) Use your UCNetID and password to log in to https://portal.uci.edu/  
  b) Press the Faculty and Staff tab and then select the KFS tab |
| 2     | Select appropriate document (BA or BAT) | a) From to the KFS Financial Processing portlet, expand Transactions (+)  
  b) Select BA-Budget Adjustment or BAT-Budget Appropriation Transaction document |
3 Complete Document Overview Section

a) Enter Description
b) Complete Explanation and Organization Document Number as appropriate.
c) Year and Accounting Period will default to the current active month. Note: During the five business days of a new calendar month but before the prior period closes, either period can be chosen. If the prior period is selected, the transaction must go through final approval before the close date to post to the prior period.

4.1 Allocate budget for expenses to distribute funds already received as a budget allocation (BA or BAT).

From/Decrease an expense object code
To/Increase another expense object code

Complete Accounting Lines as follows:
a) To REDUCE funds from an expense budget allocation, enter the operating Account Number, expense budget Object Code, and Current Amount to be reduced on the From/Decrease line(s).
b) To ADD funds to an expense budget allocation, enter the operating Account Number, expense budget Object Code, and Current Amount to be increased on the To/Increase line(s).

Expense budget object codes:

<table>
<thead>
<tr>
<th>Object Code</th>
<th>Object Code Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>0000</td>
<td>SALARIES ACADEMIC BUDGET</td>
</tr>
<tr>
<td>0001</td>
<td>SALARIES STAFF BUDGET</td>
</tr>
<tr>
<td>0002</td>
<td>SALARIES GEN ASSISTANCE BUDGET</td>
</tr>
<tr>
<td>0003</td>
<td>SUPPLIES AND EXPENSES BUDGET</td>
</tr>
<tr>
<td>0004</td>
<td>EQUIPMENT AND FACILITIES BUDGET</td>
</tr>
<tr>
<td>0006</td>
<td>EMPLOYEE BENEFITS BUDGET</td>
</tr>
<tr>
<td>0008</td>
<td>UNALLOCATED FUNDS BUDGET</td>
</tr>
<tr>
<td>009H</td>
<td>OH BUDGET</td>
</tr>
</tbody>
</table>

* From and To lines for expense budget allocations need to equal.
** A single BA or BAT document can only involve one fund.
### 4.2 Allocate budget for projected revenue and distribute budget allocation to expense object codes (BAT only for most financial users; revenue BAs for inception-to-date funds are only processed by C&G Accounting).

**To/Increase a revenue object code and To/Increase an expense object code**

**Budgeting Revenue (Revenue-to-Expense):**
To budget projected revenue and to enter the corresponding expense budget for how those funds are expected to be spent, the Revenue-to-Expense BAT transaction involves entering both transactions as To/Increase accounting lines and as positive numbers. The easiest way to remember this is that both the revenue and expense budgets are increasing.

- **To ADD** funds to a revenue budget, enter the positive amount on the **To/Increase line**. The revenue budget should be posted to the appropriate revenue object code.
- **To ADD** the same amount to the appropriate expense budget object codes (0000, 0001, 0002, 0003, 0004, 0006, 0008, 009H), enter the positive number on another **To/Increase line**.

The offsetting transactions are both To/Increase lines. They offset because one is to expense (debit-normal) and one is to revenue (credit-normal).

**Reducing Revenue Budget (Expense-to-Revenue):**
To reduce a revenue budget, the corresponding expense budget must also be reduced. These transactions are the opposite of the above example and involve two From/Decrease lines that both have positive values.

- **To REDUCE** funds from a revenue budget, enter the amount on the **From/Decrease line**.
- **To REDUCE** the same amount to the appropriate expense budget object code(s), enter the amount on the **From/Decrease line**.

Note - Revenue actuals can be deposited to either an “Operating” account or a “Control Account” (UCxxxx). Operating accounts are for revenue and expenses. Control Accounts are for revenue and balance sheet transactions.

*Revenue object codes include 0009-Recharges, and codes that start with R, S, or T. To look up the revenue object code associated with an income account from the old financial system, use the Decision Support: Crosswalk Object Lookup. Enter the old income account in the “UC Account” field, click search, highlight the result in the Choice box, and click Run.*

### 5 Review results

Click ➤ show on the Budget Ledger Pending Entries folder to double-check that the accounting lines appear correct.

Sample transactions and the resulting ledger entries are shown below.
1) BAT accounting lines show the reallocation of budget from one Sales and Service operating account, expense Obj. 0008 (equivalent to budgeting to Sub 8), to another S&S account with the same fund. Transaction involves moving budget From-Expense Obj 0008 on one account, To-Expense Obj 0008 on another account.

Resulting ledger entries:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Chart Code</th>
<th>Organization Code</th>
<th>Account Number</th>
<th>Sub-Account Number</th>
<th>Object Code</th>
<th>Sub-Object Code</th>
<th>Project</th>
<th>Org Ref Id</th>
<th>Transaction Entry Description</th>
<th>Transaction Entry Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>6118</td>
<td>0510280</td>
<td>0008</td>
<td></td>
<td>CB</td>
<td>EX</td>
<td>02</td>
<td>BAT</td>
<td>FUND TRANSFER</td>
<td>(2,000.00)</td>
</tr>
<tr>
<td>2017</td>
<td>6118</td>
<td>0510285</td>
<td>0008</td>
<td></td>
<td>CB</td>
<td>EX</td>
<td>02</td>
<td>BAT</td>
<td>FUND TRANSFER</td>
<td>2,000.00</td>
</tr>
</tbody>
</table>

2) BAT accounting lines show the creation of budget for revenue on a revenue object code, and the allocation of that revenue to one or more expenditure object codes. Transaction involves increasing both budgets: To-Revenue Obj Code S754 (Rxxx/Sxxx/Txxx/0009) and To-Expense Obj Code 0008 (or expense budget object codes: 0000, 0001, 0002, 0003, 0004, 0006, 0008, and/or 009H).

Resulting ledger entries:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Chart Code</th>
<th>Organization Code</th>
<th>Account Number</th>
<th>Sub-Account Number</th>
<th>Object Code</th>
<th>Sub-Object Code</th>
<th>Transaction Entry Description</th>
<th>Transaction Entry Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>8128</td>
<td>0511138</td>
<td>0008</td>
<td></td>
<td>CB</td>
<td>EX</td>
<td>Budget Montessori revenue</td>
<td>25,757.70</td>
</tr>
<tr>
<td>2015</td>
<td>8128</td>
<td>0511138</td>
<td>S754</td>
<td></td>
<td>CB</td>
<td>IN</td>
<td>Budget Montessori revenue</td>
<td>25,757.70</td>
</tr>
</tbody>
</table>