

# Inter-company Procedure

## Section 1 - Purpose

(1) This Procedure supports the [General Ledger Governance Policy](#) in establishing requirements for recording of inter-company financial transactions in the General Ledgers of the University and its Controlled Entities (the Group) and for the elimination of these transactions for Group reporting.

(2) Provision of goods, services and other transactions are routinely made between entities within the Group. These transactions must be identified and eliminated upon consolidation of the Group financial statements, such that the Group financial results only reflect transactions with third parties to the Group.

(3) Efficient and accurate identification of inter-company transactions is critical to ensure the accurate elimination of these transactions to enable accurate Group reporting.

### Scope

(4) This Procedure applies to all staff of the Macquarie University Group involved in the creation, processing, approval, and recording of inter-company transactions.

## Section 2 - Policy

(5) Refer to the [General Ledger Governance Policy](#).

## Section 3 - Procedure

### Responsibilities and Required Actions

#### Recording of Inter-Company Transactions

#### Permitted Natural Accounts

(6) All inter-company transactions must be recorded using designated inter-company Natural Account codes, which are used exclusively for this purpose.

(7) A master list of inter-company Natural Accounts across the Group will be maintained and regularly communicated to all relevant parties by Financial Reporting team.

(8) Exceptions to this requirement to use designated inter-company Natural Accounts for an inter-company transaction are limited to minor sundry transactions which are procured via a Point-of-Sale transaction (e.g. purchase of food at a retail outlet owned by a controlled entity). Any other exceptions require approval by the Director, Financial Control and Treasury.

## **Pass-through of Transactions from One Entity to Another**

(9) In situations where one entity within the Group incurs a transaction with a third party (income or expense) and then 'passes on' the effect of that transaction to another entity within the Group, these two separate transactions must be recorded in separate Natural Accounts (not netted off within a single Natural Account), such that the second (inter-company) transaction can be isolated.

(10) Where such pass-through costs are material, the relevant third-party and associated inter-company Natural Accounts may generally be grouped together within the Management Reporting (MR) Reporting Hierarchy (subject to the requirements of the University [Natural Account and Associated Reporting Hierarchy Procedure](#)) and controlled entity internal reporting hierarchies. These accounts will generally be grouped separately in the Financial Accounting (FA) Reporting Hierarchy and controlled entity statutory reporting hierarchies in Caseware.

## **Recording of Inter-company Transactions - Invoices**

(11) Where feasible, inter-company transactions will be raised via standard Accounts Receivables invoicing procedures and settled via standard Accounts Payable processes, for ease of identification.

(12) Cut-offs for the raising of inter-company invoices will be communicated by the Financial Reporting team as part of the month-end timetable communications and must be adhered to by all entities.

## **Recording of Inter-company Transactions - Accruals**

(13) Inter-company transactions that miss the cut-off for invoicing in a particular period may be accrued via Manual Journal, in accordance with the [Manual Journal Entry Procedure](#). Evidence of acceptance of the value of the accrual by the counterparty must be included by the Journal Preparer as part of the Supporting Documentation for the journal.

(14) Cut-offs for the inter-company accruals will be communicated by the Financial Reporting team as part of the month-end timetable communications and must be adhered to by all Group entities. Controlled Entity Heads of Finance will ensure local entity month-end timetables include this important cut-off and will drive local adherence. University Manual Journal Approvers must similarly ensure adherence to this inter-company accrual cut-off.

## **Elimination of Inter-Company Transactions for Group Reporting**

(15) Trial balances containing completed inter-company transactions will be submitted to the Financial Reporting team in accordance with the month-end timetable issued by that team.

(16) The Financial Reporting team will oversee the identification and elimination of inter-company transactions to produce Group financial reports that exclusively reflect third party transactions.

## **Dispute Resolution of Inter-Company Transactions**

(17) In the event that the finance teams are unable to resolve a concern on an inter-company transaction, the guidelines below should be followed to reduce the risk of mismatched balances for Group reporting.

### **Disputes on Unrecorded Invoices or Accruals**

(18) The receiving entity will notify the originating entity of this transaction and seek an explanation as to the nature of the transaction. If the transaction is legitimately rejected e.g. due to a coding error, the receiving entity does not record this. The originating entity has the responsibility to ensure the correct receiving entity records the transaction in the correct reporting period and to resolve any remediations in the source data systems.

(19) If the receiving entity needs to further dispute this, the receiving entity will record this transaction to ensure that there is not an out of balance for Group reporting. This will apply where the aggregate of the disputed transactions is

greater than \$50,000.

(20) If the disputed transactions are not resolved between the entities within one (1) month of the date the transaction was originally contested, this is to be reported to the Director, Financial Control and Treasury and the Controlled Entities Head of Finance with an action plan of resolution.

### **Disputes on Recorded Invoices**

(21) It is the responsibility of University Finance Shared Services and the Controlled Entities Head of Finance for the timely settlement of inter-company invoices.

(22) Inter-company invoices that are aged greater than 60 days will be reported to the Director, Financial Control and Treasury and the Controlled Entities Head of Finance with an action plan of resolution.

## **Section 4 - Guidelines**

(23) Nil.

## **Section 5 - Definitions**

(24) Commonly defined terms are located in the University [Glossary](#). Definitions specific to this Procedure are contained in the [General Ledger Governance Policy](#) and below.

- a. Accrual means a type of reversing Manual Journal that adjusts the underlying financial results to ensure that both expenses are recorded when a liability exists, and revenue is reported when performance obligations have been met.
- b. Caseware means the software used to produce external statutory accounts. Natural Accounts in Calumo are grouped to in compliance with the requirements of the [Department of Education, Skills and Employment](#) and local entity statutory reporting requirements. For the University, this hierarchy is replicated in Calumo (management reporting tool) as the FA Reporting Hierarchy.
- c. Financial Reporting team means the team within the Office of Group Finance, lead by Senior Finance Manager, Group Financial Reporting and Fixed Assets.
- d. Inter-company transaction means a transaction between two entities within the Macquarie University Group.
- e. Journal Approver means the individual who reviews and approves the posting of the Manual Journal Entry into the General Ledger.
- f. Natural account means the account codes in a General Ledger system used to code activities by nature e.g. wages, income, debtors, provisions.
- g. Trial Balance means a list of all the general ledger accounts contained in the ledger of the entity. This list will contain the name of each account and the value of that account balance. Each account will hold either a debit balance or a credit balance.

## Status and Details

|                              |   |
|------------------------------|---|
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| <b>Responsible Executive</b> | Robin Payne<br>Vice-President, Finance and Resources  |
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