



BUDGET PRINCIPLE: 6.01

Replaces Principle Dated: NEW

Responsibility Center Management Journal Entries

Approved by President’s Council: January 4, 2016

Effective Date: April 1, 2016

INTRODUCTION

As part of the changes to financial reporting, accounting and budgeting originated under Responsibility Center Management (RCM), journal entries will be processed centrally to allocate Provincial operating grants, central administrative and space costs.

DEFINITIONS

Term	Definition
Academic Department	Academic departments are established to create and deliver instructional programs in varied formats to students. Each Academic department is managed by a separate Dean or Director reporting to a the Senior Vice-President Academic or Vice-President Communications, International and Strategic Priorities
Department	Organizational unit with a corresponding financial reporting/budget rollup that is controlled by a College Leadership Council (CLC) member (President, Vice-President, Executive Director, Dean or Director)
Non-Academic Department	Non-academic departments are organizational units designed primarily to provide good and services mainly to Algonquin College clients, students, employees, alumni, schools or academic departments. Non-academic departments may generate revenue and are managed by the Director reporting to a President’s Council Member and also include the Offices of the President’s Council members.
Net Contribution Margin Target	Within the combined Annual Budget for <u>Funded Activity</u> and <u>Contract & Other Non-Funded Activity</u> , a CLC member’s total Department revenues minus expenses. NOTE: College Ancillary Services and the International Education Center are stand-alone Departments with their own Net Contribution Margin Targets reported in the Annual Budget.

PURPOSE

This budget principle identifies how Provincial Funding Grant Revenue, Central Administrative and Space Costs are allocated to Departments led by CLC members.

PRINCIPLE

Under an RCM framework, the general expenses (Central Administrative and Space costs) of operating the College are shared with all Departments. Provincial operating grant revenues are allocated to Academic Departments. The President and each Vice-President, Dean, Executive Director or Director have an approved budgeted net contribution margin target to meet in order for the College to fulfil its

annual operating and business plan objectives. It is the CLC member who is responsible for meeting their respective Department net contribution margin targets. All calculations and allocations are done at the Department level and are not broken down further to subordinate levels (those managed by Chairs and Managers) within the organizational hierarchy. Calculations to allocate Provincial operating grant revenues, Central Administrative and Space costs are performed at the Department level. Journal entries are processed to record these allocations to each CLC member's home cost centre (i.e. the cost centre in which the CLC member's salary is recorded).

POLICY

1. Authority

- The Director, Finance and Administrative Services holds the authority to approve the calculations and journal entry processing associated with operating grant revenues, administrative and space costs.

2. Accountability

- The CLC member can only be held accountable for budget revenues and expenditures under their control
- Other levels of management may have budgetary and financial management responsibilities, but the CLC member is ultimately accountable in the context of RCM policies and practices

3. Reporting

- The outcome of journal entries posted to the general ledger can be observed through the College's financial reporting systems
- Background for the calculation of the journal entries will be made available to all budget holders during the annual College budget process

4. Time frame

- 'Budget' journal entries to record the budgeted allocations to each Department will be recorded on the College's budget management system during the annual budget development process
- 'Actual' journal entries to record these allocations will be processed on a monthly basis within five business days of the previous month-end

5. Transparency

- The College Budget Committee will be presented with the budget assumptions used by Finance and Administrative Services to calculate these allocations prior to recording them in the College's budget management system
- Finance and Administrative Services is responsible for ensuring that the information on the allocations and their dollar value is communicated to all CLC members during the annual budget development process
- It is the responsibility of the applicable CLC member to communicate the specific Department results to their staff

PROCEDURES

1. During the annual budget development process, Finance and Administrative Services will present and consult with the College Budget Committee and CLC on the assumptions used to calculate these allocation journal entries
2. Instructions and information regarding the allocation journal entries will be provided to all budget holders before the College budget management system opens for budget data entry
3. Finance and Administrative Services will validate the CLC member home cost centers annually with the respective Academic and Non-Academic

4. Journal entries to reflect budgeted allocations will be completed by Finance and Administrative Services on a College level basis, as necessary, before the annual budget is finalized in the College's budget management system

RELATED POLICIES:

RELATED DOCUMENTS: