Guidance on ... the appropriate use of Internal Trade

Introduction

Internal Trade is the mechanism by which one part of the University can trade their goods and/or services with another. It is “Internal” because the trade of goods and/or services can only be within the University and not to or from any organisation that is a separate legal entity, including University Subsidiary Companies. Sales of University goods and/or services to organisations external to the University are handled either by Sales Invoice or On-Line Store.

What is Trade?

The Internal Trade mechanism is only to be used where there are clearly defined goods and/or services that are being sold or provided by one part of the University and bought or consumed by another. If it is not easy to describe what is being traded and how the value of the goods and/or services has been defined then this may be because it is NOT appropriate for the transaction to be completed by Internal Trade. The income from Internal Trade can only be recorded in a project account and this is the same code to which the costs associated with providing the trade must be charged.

For goods, trade is easier to define and understand as there will be the delivery of tangible items on the required date. For example: “The supply of 10 items at £100 each”.

For goods and services combined, this should also be easy to define and understand as Internal Trade. The services may have been performed in preparing the goods ready for delivery, but there is still a tangible form of trading. For example: “The supply of 100 prepared items suitable for use for X at £10 per item or £1000 in total as agreed.”

For services alone, there should always be a description of the trade being undertaken and this should include the nature of the services and how the value has been calculated. For example: “To provide analytical services for Dept X on Project Y, being 5 days at £500 per day.”

What is definitely NOT Internal Trade?

The following are examples of transactions that must NOT be handled via the Internal Trade mechanism. This is because they do not represent a trade of goods and/or services, or because they are not internal.

1) Split coding or re-coding of expenditure items

Where expenditure has been initially charged to a cost centre code or WBS element and subsequently it is found that all or part of the expenditure needs to be charged to a different code or codes, this is NOT Internal Trade. This is even if the new code to which some or all of the expenditure is to be charged “belongs” to a different department or section to the one that initiated the costs in the first instance. If nothing has been done to enhance or modify the goods purchased, then no trade has occurred. A journal transfer is required to rectify the coding of expenditure.
2) Transfer of budget or funds from one department to another

Where one department or section wishes to make an element of budget available to another, this is NOT Internal Trade.

If the transfer relates to core budget (ie to be transferred from one cost centre code to another) internal trade is not appropriate because no goods and/or services have been provided. All that is being provided by one department to the other is the capacity to spend. The transfer of budget is enabled by a process called “budget virement”.

If the transfer of budget relates to a project account, it may be possible that all that is required is a new separate WBS element from which the separate department can spend (ie rather than moving budget from one project code to another). If Income has been recorded in one project account and it should have been posted to another, this is also simply a re-coding that is handled by journal transfer.

Internal Trade must NOT be used in order to simply make a charge to a project account that either has unspent budget or a surplus of income over expenditure at its closure date. This is because if no goods and/or services have actually been provided, this constitutes a fraudulent representation of expenditure on the project account and hence exposes the Project account holder (usually the Principal Investigator), the Department and ultimately the University to the risk of reputation damage with the sponsoring body of the project.

3) Supply of goods and/or services to a University Subsidiary

Although there may be very close links between the University and its subsidiaries or spin-out companies, where trade of goods and/or service has occurred and the ultimate funding source is the company, Internal Trade is not appropriate, ie the costs should be charged directly to the Company using their legal entity name and address by the raising of a University Sales invoice.

Contacts for help on Journals and Budget Virement

For advice and general queries about the use of Journals and Budget Virement, contact your Faculty Finance Manager or Professional Services Finance Manager.

Contacts for systems help on Mypurchase and uBASE (including Internal Trade)

For MyPurchase or uBASE system help (including any issues relating to the Internal Trade process) please contact mypurchaseubase@sheffield.ac.uk, or help and discussions can also be found in uSpace here. Specific guidance on the Internal Trade process and how to make sure that transactions complete can be found in uSpace here.

Contacts for help on Sales Invoicing and On-line store

For help in relation to Sales Invoicing please contact the Cross Cutting Management Accountant in the Accounting and Planning Team and for help in relation to On-line store, please contact the On-line store team in the Income Office or email to onlinestore@sheffield.ac.uk