Guidance on using the correct Sales Material when raising Sales Invoices

This note provides guidance on the correct process for selecting the appropriate Sales Material when uBASE users are raising sales order and sales invoices. Guidance about the Sales Invoicing process are available here.

What are Sales Materials and why are they important?

- The term “Sales Materials” refers to the different types of activity the University may undertake and for which we receive income by raising a Sales invoice.
- The Sales Material code is selected when a user is raising a Sales Order (the first step in getting an invoice produced) and it is this code that determines both the VAT status of the income and the description code to which it will be credited (known as a General ledger code). The Project or WBS element to which the income is credited is selected by the user.
- The University has a legal obligation to correctly report on its income and expenditure (to HEFCE), the VAT we charge to our customers and the type of income we receive for Corporation Tax (CT) reporting (to HMRC).
- Failure to correctly account for VAT on our income could lead to investigations by the HMRC leading to potential penalties and serious damage to the University’s reputation. Deliberately selecting the wrong sales material to avoid VAT being charged to a customer could be viewed as VAT evasion with potentially serious consequences for the University and any staff concerned.

What’s the current position in relation to use of Sales Materials?

- On the whole, users are selecting the correct Sales Material and hence the appropriate VAT treatment and accounting record is created. However, there are many cases where the Sales Material selected is not appropriate for the Project/WBS element to which the income is being credited.
- An example of the inappropriate combination of Sales Material and WBS element would be where a user has selected the material code for a Donation but then picked a WBS element to which the income is to be credited that has the Project Type “Services Rendered”.
- The example shown above leads to confusion as to the correct nature of the income received and hence the potential for incorrect reporting of our activity to both HEFCE and HMRC.
What has been done to stop these errors/confusion arising?

- We have introduced a system based check for the correct relationship between the Sales Material selected by a user and the Project Type for the WBS element to which they wish for the income to be credited. Hence it will no longer be possible to place Donation income into a Services Rendered project.
- If the Sales Material selected is not compatible with the WBS element, users will receive the following error message “Invalid Material/ WBS (Project Type) combination.

If I get the error message, what should I do next and where do I get help?

- The first step is to ensure that you HAVE selected the correct/appropriate Sales Material for the activity, goods or services that needs invoicing. i.e. Have you simply picked the wrong code in error? Did you have enough information in order to pick the appropriate Sales Material? If there is any doubt on what the activity, goods or service really is, then go back to the person who is generating the income and ask for more information.
- Step 2 is to ensure that the WBS element you have been asked to credit is the correct one for the department, activity or project to which the income related. i.e. Have you simply transposed some numbers in the WBS element code?
- If you have the correct/appropriate Sales Material and the correct WBS element that you have been asked to credit then, if the error message appears, Step 3 is for you to check the web guidance for help in relation to the valid combinations of Sales Materials codes and project Types.
- Step 4 is to contact your Assistant Faculty Finance Manager or contact in the Group Accounting and Planning team (for Professional Service Departments). There is something that is incorrect and it could be either the Sales Material code or the Project Type for WBS element selected. The answer may be that a new WBS element is required that has the correct Project Type or that the income should be credited to another, existing WBS element. If the Sales Material code selected is correct and appropriate for the activity, goods or services that are being invoiced, then the answer will NEVER be to amend the Sales Material.
- For help in ensuring that WBS elements are created and linked to the correct Project Type, please see the web guidance in relation to Non Research projects and dealing with income or handling income.

IMPORTANT Notes

- We will NEVER amend the Project Type for an existing WBS element simply to accommodate a certain Sales Material code picked for an invoice to be raised.
- It is user’s responsibility to ensure VAT and HEFCE reporting compliance by always using the correct and appropriate Sales Material code. This must NEVER be changed to simply create a certain VAT or CT outcome or to fit with a particular Project Type.