BEN Financials Overview and Chart of Accounts User Guide
BEN Financials Overview and Chart of Accounts

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BEN Overview - Objectives

• Introduce users to BEN

• Overview of the ways business is conducted at Penn

• Reinforce the concept that Schools/Centers have been given more authority to create financial transactions

• With authority comes responsibility and accountability

• Describe some of the features of BEN
BEN Overview - Components

• BEN, the Business Enterprise Network at Penn consists of
  – BEN Financials
    • BEN Assets
    • BEN Balances (GL)
    • BEN Buys (Purchasing)
    • BEN Pays (AP)
  – BEN Reports
  – BEN Deposits
• BEN Financials was implemented on January 2, 2002
• BEN Financials training is conducted on an on-going basis
BEN Overview - Accounting Periods

- Accounting periods defined as
  - One Calendar Month

- Financial Transactions are recorded during an accounting period to make up a:
  - Fiscal year
    - Begins July 1
    - Ends June 30
    - Consists of 13 Accounting Periods; 12 months and a two week adjustment period at the end of the Fiscal Year (ADJ-YY)
  - Project Period
    - Defined by Sponsor of the Project
    - May cross Fiscal Years
    - Periods are either OPEN or CLOSED
    - Cannot record ‘actual’ financial transactions to a closed period
BEN Overview - Budgets

• Function as planning tools which document how resources are acquired and expensed
  • Planning for revenues and expenses

• Budgets may span time periods
  – Fiscal year
  – Project periods

• Once approved, provide authority to acquire goods or services and make payments
BEN Overview – Budgets

• Each School/Center is responsible for managing a predetermined amount of University money – a.k.a. funds

• A School/Center subdivides the funds among its organizations (department), centers, institutions, gifts, grants and contracts

• Annual operating budgets are prepared in the Budget Planning System (Hyperion Planning)

• Capital budgets, grants and contracts and new gifts are entered directly into BEN Balances (Budget Journal Entry)
BEN Overview – Budgets

• Financial transactions track progress of, or against, the budget plan in General Ledger

• Allow funds checking before spending

• Budget balances available are updated automatically via the posting process
BEN Overview – BEN Buys (Purchasing)

• With BEN Buys, each user creates Requisitions which, when approved, generate Purchase Orders (POs)

• Requisitions
  – An internal document to be used only for initiating and tracking your request for goods & services within Penn
  – Can be created either by a ‘Requisitioner’ or a ‘PO Manager’
  – Become Purchase Orders when approved by a ‘PO Manager’
  – Requestors select items from
    • The Penn Marketplace or
    • Non- Penn Marketplace
BEN Overview – BEN Buys (Purchasing)

• **Purchase Orders**
  
  – Legally binding documents to secure goods and services from an external supplier
  
  – Can only be generated by first creating, and then appropriately approving a Requisition
  
  – Upon approval the PO will be
    
    • Sent to the supplier or
    • Moved electronically through the established approval hierarchy
  
  – Approval hierarchies establish spending authorization limits for each individual
    
    • Each School/Center establishes their own approval hierarchy
BEN Overview – BEN Buys (Purchasing)

- Requisition creators charge the entire Requisition (PO) to one or several budgeted account numbers
  - Budgets are checked to see if funds are available for the amount of the Requisition
  - Funds Available = Total Budget – Actual $ spent – Encumbrances

- Funds Not Available
  - If funds are not available the system generates a warning
    - Find another source of funds, if appropriate
    - Don’t spend the money
    - Adjust the budgets in the General Ledger (GL) as appropriate
BEN Overview – BEN Buys (Purchasing)

• Funds Available (continued)
  – If funds are available for the requisition the requisitioner is authorized to ‘submit’ the requisition
  – If the dollar amount exceeds the requester’s approval authority, the system will provide a default approver for the PO

• Spending limit and default approver information are established when you complete your Penn eForm
BEN Overview – BEN Buys (Purchasing)

• **Funds Available**
  – If the dollar amount is less than the requester’s approval authority (and not more than $5,000), the system will send the PO to the supplier
    • Electronically via data interchange
    • Via fax
    • Via hard copy US mail

• All Purchase Orders greater than $5,000 must be approved by Purchasing Services

• Information about PO’s can be queried online

• Supplier lists, Marketplace information, deliver-to locations, and the approval hierarchies are maintained by the University Purchasing Department
BEN Overview – BEN Pays (Invoices)

• Accounts Payable enters all invoices
  – Invoices are matched to PO or C-368 form
  – Requisitioner will be required to acknowledge receipt of goods if over competitive bid limit
    • $5,000 currently

• Invoice amounts are posted
  – Encumbrances relieved and actual expenses recorded

• Payment is made to Supplier
BEN Overview - BEN Balances
(General Ledger)

• Enter manual journal entries via BEN Balances for
  – Error corrections
  – Allocating costs
  – Service Center billings

• Enter budget journal entries via BEN Balances for
  – Capital budgets
  – Grants and contracts
  – New gifts
  – Reallocations to existing budgets
BEN Overview - Posting

• Posting Journals
  – Most done automatically every night
  – Journal entries can be changed until they are posted
  – Once posted, entries cannot be changed
BEN Overview - Feeder Systems

- Payroll
- Central Gifts
- Student Billing (SFS/BSR)
- University Services
  - Telephone
  - Mail
  - Physical Plant
  - Computer Charges (ISC)
  - Penn Bookstore
BEN Overview - Salary Management

- Bridge between Payroll System and BEN Balances
- Creates salary encumbrances
- Payroll reallocations
- Effort reporting
- On-line inquiry and reporting of salary details by person or account
BEN Overview - Financial Reporting

• Assets, Liabilities, and Net Assets tell us about our financial position at a point in time
  – Balance Sheet

• Revenues and expenses tell us about our financial performance over a given period of time, e.g. fiscal year
  – Equates to Profit or Loss Statement in the for-profit world
  – Display Resource Flows
BEN Overview - Financial Reporting

• Financial systems record and report on business transactions

• Transaction may contain a variety of data

• Each transaction has debit and credit portions which are allocated to the appropriate accounts

• Accounts are necessary in order to budget and report financial transactions
BEN Overview - Financial Reporting

• Accounts are grouped together to facilitate recording and reporting

• The grouping of accounts is called a Chart of Accounts (COA)

• Standard COA includes
  – Assets - what we own
  – Liabilities - what we owe
  – Net Assets - what we own (assets) minus what we owe (liabilities) - our net worth
  – Revenues - incoming funds
  – Expenses - outgoing funds
BEN Overview - Financial Reporting

• If the University conducted business as a single entity then a single, relatively simple standard COA might suffice

• However:
  – The University does not conduct business as a single monolithic entity
  – There are multiple Schools and Centers
  – Schools and Centers are further divided into:
    • Academic Departments
    • Research Institutes/Centers
    • Service Centers
BEN Overview - Financial Reporting

• Each School/Center, in effect, runs as a separate business with its own set of financial responsibilities

• The sum of a School/Center’s programs and organizations financial activities reflects the overall financial position and performance of that particular School/Center

• The sum of all of the Schools and Centers reflects the overall financial position and performance of the University
BEN Overview - Financial Reporting

- Penn must have a way to record and measure the financial activities of various Schools/Centers and their organizational units
- Penn must be able to track those activities that cross organizational boundaries
- Penn must be able to aggregate or “roll up” these diverse financial activities at progressively higher organizational levels, including the entire University
- Penn must be able to categorize all financial transactions as either Assets, Liabilities, Revenues or Expenses
Chart of Accounts

Penn Accounting Flexfield

<table>
<thead>
<tr>
<th>CNAC</th>
<th>ORG</th>
<th>BUDGET CHK</th>
<th>FUND</th>
<th>OBJECT</th>
<th>PROGRAM</th>
<th>CENTER REF</th>
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<table>
<thead>
<tr>
<th>Center Net Asset Class</th>
<th>Organization</th>
<th>Budgetary Control</th>
<th>Fund</th>
<th>Object</th>
<th>Program</th>
<th>Center Reference</th>
</tr>
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<tr>
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Segments

• The Chart of Accounts
  – Each account is made up of 7 unique segments
  – All 7 segments together are known as the Accounting Flexfield

• Each segment is important to capture financial information for the purpose of
  – Reporting on a different dimension of the institution
  – Determining how resources (monies) are received and used (spent)

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Chart of Accounts

What Does It Tell Us?

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- Each segment represents specific information about each financial transaction aggregated for financial reporting and budgeting
  - Provides for different views of the data
  - Provides for varying levels of funds checking
  - Is defined across all Schools/Centers

- Center Reference is specific to each School/Center
  - Values are defined by each School/Center
Where is it Used?

• Where is the 7-segment chart of accounts used?
  – Every General Ledger (GL) transaction
  – BEN Financials (every transaction)
    • BEN Balances
    • BEN Buys
    • BEN Pays
  – Budget Planning (Hyperion)
  – BEN Deposits
  – PennWorks/Salary Management

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Why 7 Segments?

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- Provides more comprehensive information for planning and management
  - Schools/Centers are able to manage their resources better
  - The budgeting process is facilitated since both organizational and program information are detailed
  - Resource management is more comprehensive
  - The understanding of resources flow is improved
Understanding What We Do

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<td>xxxxxx</td>
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<td>xxxx</td>
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</tbody>
</table>

• It is important to know how resources are being used because:
  – Lenders want to know
  – Donors want to know
  – Government Agencies want to know
  – Trustees want to know

• It is in everyone's long-term interest to manage Penn’s resources better
  – More funds will be available to help Penn achieve its goals
  – Better prepared to meet rapidly changing financial conditions, e.g., changes in the state appropriation
It’s Up To You

<table>
<thead>
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<th>Center Net Asset Class</th>
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</table>

- You will give Penn the ability to accomplish this end
  - You originate each financial transaction
  - Along with the **authority** to create financial transactions, e.g., Purchase Orders, Journal Entries,
  - You have the **responsibility** to enter the accounting information correctly; and
  - You will be held accountable to get it right

- Getting the information right the first time is important
  - Eliminates rework
  - Provides good data for planning and management
Putting the pieces together

- We will step through the creation of an account one segment at a time
- We will use the diagram above to follow our progress
Center Net Asset Class

- Defined as
  - First 2 digits (Center) - School/Center code
  - Last Digit (Net Asset Class) - Existence or absence of a donor imposed restriction
- Facilitates the aggregation of financial information at School/Center level
- Identifies responsible School or Center
  - Each value is unique across the University
Center Net Asset Class

- Identifies externally imposed restrictions (if applicable)
  0: Unrestricted - all donor restrictions (if any) have been met
    - All expenses are always unrestricted
    - Funds functioning as endowment
    - Grants and contracts are agreements with sponsoring agencies, not gifts
  1: Temporarily Restricted - funds can be spent once the restriction is satisfied
    - Restricted gift
    - Endowment income
  2: Permanently Restricted - gift can never be spent
    - True endowment

- Examples:
  - 070 - Wharton Unrestricted Net Assets
  - 071 - Wharton Temporarily Restricted Net Assets
  - 072 - Wharton Permanently Restricted Net Assets
Organization

- Defined as
  - First 2 digits - the responsible School/Center
  - Second 2 digits - specific organization within a School/Center
- A subdivision of the University created for management purposes
- May contain human, financial, physical and information resources
  - People work within the structure of an organization
  - Example: Academic unit within a School/Center
- Each value is unique across the University
Organization

- Identifies responsible organizational unit
- Facilitates aggregation of budget and financial operations at various levels of aggregation within the School/Center
- Examples:
  - 0701 Wharton Accounting
  - 0702 Wharton Finance
  - 0728 Wharton Financial Aid Office
- Organization may refer to any unit in the organizational hierarchy
Budgetary Control

• Defined as 1 digit - Funds checking rule

• Funds checking is the procedure by which BEN Financials will check whether sufficient funds are available before processing a transaction

• If sufficient funds are not available, the user will receive an advisory warning message

Budgetary Control of

1 will: Check entire fiscal year on this Fund for this Organization

• The current fiscal year budget
  - any actual expenditures incurred to date
  - any open encumbrances incurred to date
  = Funds available to process this transaction
Budgetary Control

Budgetary Control of

2 will -- Check entire fiscal year on this Fund, for this Center Net Asset Class, Organization and Center Reference.

- The current fiscal year budget
  - any actual expenditures incurred to date
  - any open encumbrances incurred to date
  = Funds available to process this transaction

4 will -- Check entire project on this Fund, for this Center Net Asset Class, Organization, Fund and Center Reference

- The current project to date budget
  - any actual expenditures incurred to date
  - any open encumbrances incurred to date
  = Funds available to process this transaction

- Normally cross fiscal years
- Grants and contracts use project budgets
Fund

- Defined as a self-balancing accounting entity
  - Needs to be managed separately
    - To meet the University’s responsibility to the donor
    - For internal stewardship needs
- Uniquely identifies restricted resources provided by donors or sponsors
- Permits aggregation of budget and financial information required to fulfill donor/sponsor fiscal reporting requirements
# Fund

<table>
<thead>
<tr>
<th>Penn Accounting Flexfield</th>
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<tbody>
<tr>
<td>CNAC 070</td>
</tr>
<tr>
<td>ORG 0702</td>
</tr>
<tr>
<td>BUDGET CHK 1</td>
</tr>
<tr>
<td>FUND 000000</td>
</tr>
<tr>
<td>OBJECT</td>
</tr>
<tr>
<td>PROGRAM</td>
</tr>
<tr>
<td>CENTER REF</td>
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</tbody>
</table>

- Unrestricted funds use fund ‘000000’
- Each fund number is common across the University i.e. the number assigned to the fund is the same for all of Penn, regardless of the School/Center and Organization associated with the fund.
- Legacy Account Numbers (old 6-digit account numbers) are:
  - Assigned when a new 26-digit account number is issued for a 5xxxxxx fund
  - Will also be created on request for 26-digit account numbers for other fund types
## Chart of Accounts

### Fund Aggregations

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Fund Number</th>
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<tbody>
<tr>
<td><strong>General Purpose Funds</strong></td>
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<tr>
<td>General Unrestricted Fund</td>
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<tr>
<td>Anticipated Resources Fund</td>
<td>000001</td>
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<td>Technology Transfer Fund</td>
<td>000004</td>
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<td>University Fellowships Fund</td>
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<td>Research Assistantships Matching Fund</td>
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<tr>
<td>Center Specific Fund 3</td>
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<td>Center Specific Fund 4</td>
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<td>Dependent Tuition Pool</td>
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<td><strong>Special Purpose Funds</strong></td>
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<td>Center Specific Fund 1</td>
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<tr>
<td>Center Specific Fund 2</td>
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<td>Center Specific Fund 3</td>
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<td><strong>Service Center Activity Funds</strong></td>
<td>000011</td>
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<td><strong>Designated Investment Income Funds</strong></td>
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<tr>
<td><strong>Designated Gifts Funds</strong></td>
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<tr>
<td>Operating purposes</td>
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<tr>
<td>Capital purposes</td>
<td>65xxxx</td>
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<td><strong>University Bank Fund</strong></td>
<td>000013</td>
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<tr>
<td><strong>Sponsored Program Funds</strong></td>
<td>5xxxxx</td>
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<tr>
<td><strong>Other Unrestricted Funds</strong></td>
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<tr>
<td>University Research Foundation (URF) Fund</td>
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<tr>
<td>Research Facilities Development Fund (RFDF)</td>
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<tr>
<td>Renewal &amp; Replacement Fund</td>
<td>000005</td>
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<td>Debt Service Fund</td>
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<td>Insurance Fund</td>
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<tr>
<td>General University Special Fund</td>
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<tr>
<td><strong>Capital Projects Funds</strong></td>
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Object Code

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- Identifies account transaction as an asset, liability, revenue or expense
  - 1xxx - Assets
  - 2xxx - Liabilities
  - 3xxx - Net Assets
  - 4xxx - Revenue
  - 5xxx - Expenses
- Each value is common across the University
**Chart of Accounts**

**Program**

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<td>ORG 0702</td>
</tr>
<tr>
<td>BUDGET CHK 1</td>
</tr>
<tr>
<td>FUND 000000</td>
</tr>
<tr>
<td>OBJECT 5220</td>
</tr>
<tr>
<td>PROGRAM</td>
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<td>CENTER REF</td>
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- Identifies the activity being supported by the transaction
- First digit - Category
  - 0xxx - General
  - 1xxx - Instruction only programs
  - 2xxx - Research only programs
  - 3xxx - Service only programs
  - 4xxx - Instruction, Research and Service programs
  - 5xxx - Other academic programs
  - 6xxx - Academic Support
  - 7xxx - Administrative
  - 8xxx,9xxx - Capital Projects/Programs
- Examples
  - 2242 represents Law Research
  - 7311 represents Alumni Relations
  - 6412 represents Field Hockey
Program

- Facilitates cross-organizational reporting
  - May cross Schools and Centers
  - May cross departments within a School/Center

- Common across the University
  - Note: Different Schools/Centers have different approaches as to how the Program segment will be used

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PROG
Let’s look at the account we have so far

- The transaction is being created for
  - The Wharton School
  - Finance unit
- Funds will be checked against the Fiscal Year to Date budget based on
  - the Finance Organization and
  - the Fund 000000
- The transaction is for office supplies purchase
- This transaction is being created for an Alumni Relations program
Center Reference

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<tr>
<td>ORG 0702  Finance</td>
</tr>
<tr>
<td>BUDGET CHK 1  FYTD</td>
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<tr>
<td>FUND 000000  General Unrestricted</td>
</tr>
<tr>
<td>OBJECT 5220  Office Supplies</td>
</tr>
<tr>
<td>PROGRAM 7311  Alumni Relations</td>
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<tr>
<td>CENTER REF □□□□□</td>
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- Defined as:
  - Unique additional reference specific to an individual School or Center
  - Used to record information that is important to a School or Center
  - Used specifically for information which does not fit in any other segment
  - Permits financial information to be aggregated at a level other than Organization and Program within a School/Center
Center Reference

- Each School/Center will use this value as they require
- Example
  - Center 07 (Wharton) may have a Center Reference 1234 meaning “Support of Professor Benjamin Franklin”
  - Center 13 (SEAS) may have a Center Reference 1234 meaning “Research for robotic manipulators”
- This is the one segment value which is maintained by the School/Center
- You will need to go back to your Schools to find out how this segment is intended to be used
  - Many Schools use this segment to define the Principal Investigator of a project or subproject

---

<table>
<thead>
<tr>
<th>Penn Accounting Flexfield</th>
</tr>
</thead>
<tbody>
<tr>
<td>CNAC 070</td>
</tr>
<tr>
<td>ORG 0702</td>
</tr>
<tr>
<td>BUDGET CHK 1</td>
</tr>
<tr>
<td>FUND 000000</td>
</tr>
<tr>
<td>OBJECT 5220</td>
</tr>
<tr>
<td>PROGRAM 7311</td>
</tr>
<tr>
<td>CENTER REF 1234</td>
</tr>
</tbody>
</table>
Let's look at the account we have so far:

- The transaction is being created for:
  - The Wharton School
  - Finance Department
- Funds will be checked against the Fiscal Year to Date budget based on:
  - Finance Organization and
  - General Unrestricted Fund 000000
- The transaction is for office supplies purchase
- This transaction is being created for the Alumni Relations program
- For Professor Benjamin Franklin
Chart of Accounts

Segment Maintenance

<table>
<thead>
<tr>
<th>Center Net Asset Class</th>
<th>Organization</th>
<th>Budgetary Control</th>
<th>Fund</th>
<th>Object</th>
<th>Program</th>
<th>Center Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>xxx</td>
<td>xxxx</td>
<td>x</td>
<td>xxxxx</td>
<td>xxxx</td>
<td>xxxx</td>
<td>xxxx</td>
</tr>
</tbody>
</table>

- Segment values are maintained by different Penn organizations
  - **Center Net Asset Class**
    - Budget and Management Analysis
  - **Organization**
    - Budget and Management Analysis
  - **Fund**
    - Comptroller’s Office
  - **Object**
    - Comptroller’s Office
  - **Program**
    - Budget and Management Analysis
  - **Center Reference**
    - Each School/Center

  - New values are added by the central administrative office of the School/Center
Legacy Accounts

- A few existing systems/feeders (e.g. Gifts and SFS) continue to use 9-digit legacy account codes

- The previously used Chart of Accounts (Legacy Accounts) had two segments
  - 6-digit department / budget code / fund / account
  - 3-digit subcode (Object)
  - XXXXXXX-XXX (9 digits)

- Each 2-segment, 9-digit account number was mapped to a new 7-segment, 26-digit account number

<table>
<thead>
<tr>
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<th>Object</th>
<th>Program</th>
<th>Center Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>xxx</td>
<td>xxxx</td>
<td>x</td>
<td>XXXXXXXX</td>
<td>xxxx</td>
<td>xxxx</td>
<td>xxxx</td>
</tr>
</tbody>
</table>
# Chart of Accounts - Review

<table>
<thead>
<tr>
<th>Center Net Asset Class</th>
<th>Organization</th>
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<th>Object</th>
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</tr>
</thead>
<tbody>
<tr>
<td>xxx</td>
<td>xxxx</td>
<td>x</td>
<td>xxxxxxxxx</td>
<td>xxxx</td>
<td>xxxx</td>
<td>xxxx</td>
</tr>
</tbody>
</table>

- **Center-Net Asset Class (CNAC) xxx**
  - Identifies the responsible School/Center for a transaction in responsibility center accounting.
  - Identifies the existence or absence of externally-imposed restrictions
  - Facilitates aggregation of assets, liabilities and net assets at School/Center level

- **Organization (ORG) xxxx**
  - Identifies the department structure and substructure
  - Identifies responsible organizational unit
  - Permits aggregation of budget and financial operations at a unit or sub-unit
  - Each ORG belongs to one School or Center
  - Defines the WHO in a transaction

- **Budgetary Control (BUDGET CHK) x**
  - Determines how funds checking will be applied (i.e. the type and level of funds checking to be performed by BEN Financials)
  - Identifies funds checking methodology
  - Provides flexibility in establishing budgetary controls
Chart of Accounts - Review

<table>
<thead>
<tr>
<th>Center Net Asset Class</th>
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<th>Budgetary Control</th>
<th>Fund</th>
<th>Object</th>
<th>Program</th>
<th>Center Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>xxx</td>
<td>xxxx</td>
<td>x</td>
<td>xxxxx</td>
<td>xxxx</td>
<td>xxxx</td>
<td>xxxx</td>
</tr>
</tbody>
</table>

- **Fund (FUND) xxxxxx**
  - Uniquely identifies a financial resource across all Schools/Centers
  - Identifies restricted resources provided by donors or sponsors
  - Permits aggregation of budget and financial information required to fulfill donor/sponsor fiduciary and fiscal reporting requirements

- **Object (OBJ) xxxx**
  - Identifies an activity as an asset, liability, net asset, revenue or expense

- **Program (PROG) xxxx**
  - Defines what activity is being served
  - Identifies the activities or work processes of an organization
  - Facilitates cross-organizational reporting
  - Identifies the WHY of a transaction

- **Center-Reference (CREF) xxxx**
  - Unique additional reference specific to an individual School or Center
  - Permits info to be aggregated at a level other than organization and program
  - Allows Schools/Centers to track activity at a level they desire
Useful Penn Websites

• Comptroller’s Office
  – www.finance.upenn.edu/comptroller/

• Object Codes
  – www.finance.upenn.edu/comptroller/accounting/gloc

• BEN Financials
  – https://benapps.isc-seo.upenn.edu/

• Purchasing Services
  – www.purchasing.upenn.edu

• BEN Knows
  – www.finance.upenn.edu/benknows

• Other Financial Training Opportunities
  – www.finance.upenn.edu/ftd
## Revision History

<table>
<thead>
<tr>
<th>Date</th>
<th>Page Number(s)</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 26, 2012</td>
<td>41</td>
<td>New ‘Special Purpose Fund’ added 01xx05</td>
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</tbody>
</table>