

12.1 Advances

Policy Statement

The Province of Nova Scotia records its assets in accordance with pronouncements of the Canadian Institute of Chartered Accountants (CICA) and/or the Public Sector Accounting Board (PSAB).

Definitions

ASSET

An asset of the province is an item that has future benefit that can be controlled by the province and that is derived from past transactions.

ADVANCE

An advance is defined as an asset. Advances are typically money advanced to employees for government expenditures e.g., travel, petty cash, cash floats, operating, education, or moving advances. All advances need to be accounted for so that the expenditures are recorded within the current period and any monies due to/from the employees can be paid or recovered. This will ensure that the amount to be recognized as an expense is recorded in the same time period as it was incurred.

Policy Objectives

This policy explains the types of advances and procedures for processing travel, petty cash, cash float, operating, education, and moving advances. The objective is to record expenses in the period in which the goods are received or services consumed and to create consistent application of the policy.

Application

This policy applies to all members of the government reporting entity.

Policy Directives

The procedures for recording advances are identified by advance type:

- travel
- petty cash
- cash float
- operating

- educational
- moving

TRAVEL ADVANCE GL ACCOUNT 145120 SPECIAL GL INDICATOR T

Purpose

Travel advances are provided to employees to cover expenses while travelling on government business. The amount provided will be determined by the employer and will be based on a reasonable estimate of the total anticipated reimbursable expenses. An advance should be issued only if the employee does not hold a corporate travel card. If an employee travels frequently, advances should not be requested, but a corporate travel card should be obtained for use by the employee while on travel status.

Establishing

If a travel advance is required, a request may be established by entry of a down payment request through the accounts payable document entry down payment request function of CFMS.

Repayment

An employee who has received a temporary travel advance must render an account for all expenses claimed and refund any unused balance not later than:

- 10 working days after completion of the trip for which the advance was made, or
- 45 days from the date the travel advance was made.

(See Advance Repayment/Reduction Procedures.)

PETTY CASH ADVANCE GL ACCOUNT 102000 SPECIAL GL INDICATOR I

Purpose

Petty cash advances are provided to an employee assigned as a custodian of the fund to make reimbursements for approved office expenses of a low dollar value. These expenditures should not exceed \$50.00 in value, provided such transactions comply with the regulations of the Procurement Branch, Department of Economic and Rural Development. The petty cash advance should not exceed anticipated six weeks' expenditures.

The following restrictions should be observed:

- A fund can be used only for government expenses .
- A fund must not be used to settle expenditures previously committed as credit transactions.

- Salaries are not to be paid out of petty cash under any circumstances.
- Travel expenses, with the exception of reimbursing employees for taxi fare, are not to be paid out of petty cash.

Establishing

If a petty cash fund is required, a request may be established by entry of a down payment request. (See Appendix 12-A: Advance Requests Procedures.)

Operating

- Petty cash funds and receipts should be kept by the custodian in a secure location.
- The sum of the total receipts of expenditures and the cash on hand must be equivalent to the approved fund level.
- A statement of petty cash expenditures should be completed at each month-end and submitted for reimbursement.

Repayment

See Advance Repayment/Reduction Procedures.

Custodian Change

Any changes in the employee responsible for a petty cash advance must be reflected in the accounting system. Before this change is made, the department should obtain a signed statement from the new custodian confirming that she/he has received the proper amount of funds (accumulation of cash and vouchers) equal to the original advance amount. This document should be maintained for audit purposes, and then you may proceed to make the necessary changes in SAP. (See Appendix 12-B: Advance Adjustments to Change Custodian or Advance Type.)

CASH FLOAT ADVANCE GL ACCOUNT 101000 SPECIAL GL INDICATOR C

Purpose

Cash floats are provided to employees whose duties include receiving cash and making change for these transactions. The following restrictions should be observed:

- The float can be used only to make change for government transactions.
- The float must not be used for office expenditures.

Establishing

If a cash float is required, a request may be established by entry of a down payment request (See Appendix 12-A: Advance Requests Procedures.)

Repayment

See Advance Repayment/Reduction Procedures.

Custodian Change

Any changes in the employee responsible for a cash float advance must be reflected in the accounting system. Before this change is made, the department should obtain a signed statement from the new custodian confirming that she/he has received the proper amount of funds (accumulation of cash and vouchers) equal to the original advance amount. This document should be maintained for audit purposes, and then you may proceed to make the necessary changes in SAP. (See Appendix 12-B: Advance Adjustments to Change Custodian or Advance Type.)

OPERATING ADVANCE GL ACCOUNT 145110 SPECIAL GL INDICATOR O

Purpose

Operating advances are provided to departments for payment of transactions that must be processed outside the CFMS. All regulations and policies regarding government spending will apply to expenditures from any operating advance.

Establishing

If an operating advance is required, a request may be established by entry of a down payment request. (See Appendix 12-A: Advance Requests Procedures.)

Operating

- Operating funds and receipts should be kept by the custodian in a secure location.
- The sum of the total receipts of expenditures and cash on hand must be equivalent to the approved fund level.
- A statement of operating expenditures should be completed at each month-end and submitted for reimbursement.

Repayment

See Advance Repayment/Reduction Procedures.

Custodian Change

Any changes in the employee responsible for an operating advance must be reflected in the accounting system. Before this change is made, the department should obtain a signed statement from the new custodian confirming that she/he has received the proper amount of funds (accumulation of cash and vouchers)

equal to the original advance amount. This document should be maintained for audit purposes, and then you may proceed to make the necessary changes in SAP. (See Appendix 12-B: Advance Adjustments to Change Custodian or Advance Type.)

EDUCATIONAL ADVANCE GL ACCOUNT 145140 SPECIAL GL INDICATOR A

Purpose

Educational advances are provided to employees to assist with costs associated with an educational program. The amount provided will be determined by each department.

Establishing

If an educational advance is required, a request may be established by entry of a down payment request. (See Appendix 12-A: Advance Requests Procedures.)

Repayment

See Advance Repayment/Reduction Procedures.

MOVING ADVANCE GL ACCOUNT 145190 SPECIAL GL INDICATOR M

Purpose

Moving advances are provided to employees to assist with expenses associated with a move from one residence to another upon transfer. The amount provided will be determined by the employer and will be based on an approved estimate of the total anticipated costs of the move. (See *Manual 500*, Policy 7.3: Moving and Relocation Policy.)

Establishing

If a moving advance is required, a request may be established by entry of a down payment request. (See Appendix 12-A: Advance Requests Procedures.)

Repayment

An employee who has received a moving advance must render an account for all expenses claimed and refund any unused balance not later than 30 working days after completion of the move for which the advance was made. (See Advance Repayment/Reduction Procedures.)

Advance Repayment/Reduction Procedures

Advances may be repaid/reduced in three ways:

THROUGH ACCOUNTS PAYABLE

- 1) Deducted from a claim being processed for payment through accounts payable
 - a) Post the claim for the full amount of expenses.
 - b) Clear the advance using screen F-54, Clear Vendor Down Payment.

NOTE: Complete both these postings together, and if a payment method supplementary code (*pmt meth supp*) has been used on the claim posting, ensure that the clearing posting also has the same code or a cheque will be issued in the wrong amount, i.e., the advance will not be deducted from the claim.

BY JOURNAL ENTRY

- 2) Repaid by cash/cheque and recorded on a journal entry.
- 3) Charged off against an expense account by journal entry.

In order to record repayment/reduction of advances in 2 and 3 above, a posting account called advance clearing (GL account 145180) has been established.

- a) Post the entry using account 145180 to record the advance amount repaid/reduced.
- b) Through accounts payable clear the advance using screen F-54, Clear Vendor Down Payment (same amount as (a) above).
- c) Prepare a document using account 145180 for the same amount as in (a) above.
- d) Post through accounts payable document in (c) above.

NOTE: Both (b) and (d) postings should be completed together as in 1 above. These postings will clear the advance for the amount required, and no cheque will be issued to the vendor. Departments should verify on a regular basis that account 145180 is nil, ensuring that all necessary entries have been made.

Reconciliations/Reporting (All Advance Types)

Monthly reconciliations should be conducted to verify the accuracy of the details in the vendor records and should be balanced to the total reported in the GL.

Departments should verify on a regular basis that advance details are accurate. You may obtain a report using the **Information Systems Menu Path:**

Information Systems > Accounting > Financial Accounting > Accounts Payable > Open Items.

This will take you to Screen #1, called **List of Vendor Open Items**. Enter the following for this screen:

1. Vendor account: 10000000 to 69999999
2. Company code: NSPG

Next select **Dynamic Selections**. This will take you to Screen #2 with other options. From this screen enter the data in the following fields:

1. Special GL ind. Select one you require *
2. Business area Your business area number (i.e., 6100, etc.)

Save the information on Screen #2 and return to Screen #1 and execute your report. From this report you can verify that the employee and the amount stated are correct. The total of report should also be verified to the total of the GL account. If there are any discrepancies, please contact Accounts Payable, Department of Finance, so the necessary adjustments can be made.

NOTE: Quarterly reports must be submitted to the Department of Finance on the memorandum form. (See Appendix 12-C: Quarterly Advance Reconciliation Confirmation.)

Quarterly reports must be filed with the Department of Finance, Government Accounting Division **as of June 30, September 30, December 31, and March 31**, by the 20th day of the month following, confirming the balance and accuracy of employees stated as holding an advance. (See Appendix 12-C: Quarterly Advance Reconciliation Confirmation.)

On March 31 each year the Department of Finance may obtain a certificate from each advance holder confirming the continuing existence of, and responsibility for, the amount of the advance.

SHORTAGES (ALL ADVANCE TYPES)

Any shortages should be reported immediately by way of memorandum from the department's chief financial officer (CFO) to the Government Accounting Division, Department of Finance. If funds are required to bring the advance back to the approved level, do not request these through advance request. These funds should be charged against a receivable account and written off if never recovered.

NOTE: Department of Finance reserves the right to recall advances at any time.

Policy Guidelines

Materiality should be a consideration when assessing this policy. An advance should be cleared to an expenditure account provided the expenditure amounts are known at the month-end/year-end cut-off point. Accruals should be recorded in situations where carrying the advance on the balance sheet would result in material misstatement of the period's expenses and assets.

Accountability

DEPARTMENTS' RESPONSIBILITIES

- setting up advance requests
- verifying that cheques have been issued correctly
- recovering advances
- making changes to custodians when necessary
- reconciling GL account 145180 (Repayment of Advances)
- reconciling advances
- reporting to Finance on advance status (quarterly)

FINANCE (GOVERNMENT ACCOUNTING SERVICES) RESPONSIBILITIES

- issuing advance cheques
- assisting departments with any queries
- monitoring advances
- monitoring GL account 145180 (Repayment of Advances)
- monitoring travel advances issued to credit card holders (list)
- issuing 45-day overdue letters for travel advances not repaid
- issuing annual confirmation letters

Monitoring

Government Accounting, Department of Finance will monitor the policy's implementation.

Enquiries

Accounts Payable Processing, Government Accounting
Department of Finance
(902) 424-6626

Appendices

Appendix 12-A Advance Requests (Down Payments): Procedures to Set up an Advance

Appendix 12-B Advance Adjustments to Change Custodian or Advance Type

Appendix 12-C Quarterly Advance Reconciliation Confirmation

Approval date: **January 9, 2003**
Approved by: **Executive Council**

Effective date: **July 5, 2001**
Administrative update: **April 1, 2009**

Appendix 12-A**Advance Requests (Down Payments):
Procedures to Set up an Advance**

Note: Advances can be issued only for

<u>Advance Type</u>	<u>Special GL Indicator</u>
Educational	A
Cash Floats	C
Petty Cash	I
Moving	M
Operating	O
Travel	T

1. Before entering any request for an advance, verify if an advance exists for the vendor. Travel advances should not be issued if the vendor already holds one, or if he/she has a travel card.
2. Once verified, an advance may be issued. Ensure that it has the proper approval.
3. Create a request for the advance by following the menu path as indicated.

MENU PATH:

TRANSACTION: F-47

Accounting > Financial accounting > Accounts payable > Document entry >
Down payment > Request

Screen “Down Payment Request: Header Data” will appear.

Down Payment Request: Header Data

Document Edit Goto Settings System Help

New item

Document date 14.11.1997 Doo. type KA Company code NSPG
 Posting date 14.11.1997 Period 8 Currency/rate CAD
 Document number
 Reference doc.
 Doo. header text Travel advance request

Vendor
 Account 20000011
 Trg. sp. G/L ind. T

NSP (1) (010) nsp ap1 OVR 12:49P

4. Using the “Down Payment Request: Header Data” screen, enter the following information:

- | | | |
|---------------|-------------------------|---|
| In the field: | 1. Document date | Key enter today's date |
| | 2. Doc. type | Key enter KA |
| | 3. Document header text | Key enter Travel advance request (etc.) |
| | 4. Account | Key enter Vendor account |
| | 5. Trg. sp. G/L ind. | Key enter the correct special G/L indicator |

then press ENTER

Screen “Down Payment Request: Create Vendor Item” will appear.

Down Payment Request: Create Vendor Item

Document Edit Goto Settings System Help

Vendor 29000011 ANN M STODDARD G/L 145100

Company code NSPG R R 2. BOX 1. 6985

Province of Nova Scotia WEST CHEZZETCOOK

Item 1 / Down payment request / 39 F

Amount 500.00 CAD

Calculate tax

Bus. area 6100

Due on 14.11.1997

Pmnt block Pmnt method C Pmnt meth. supl. NR

Cmmt item BAL_145000

Funds ctr Fund

Allocation

Text Travel advance

NSP (1) (010) nsp ap1 OVR 12:51PM

5. Using the “Down Payment Request: Create Vendor Item” screen, enter the following information:

- | | | |
|---------------|---------------------|---------------------------------|
| In the field: | 1. Amount | Key enter amount |
| | 2. Bus. area | Key enter business area |
| | 3. Due on | Key enter date required |
| | 4. Pmnt. method | Key enter C |
| | 5. Pmnt meth. supl. | Key enter return to code |
| | 6. Text | Key enter Travel advance (etc.) |

If all the information is correct, post the document (f11), then record the document number on the request form.

Appendix 12-B

Advance Adjustments to Change Custodian or Advance Type

Follow these steps to transfer an advance from one custodian to another or to change the advance type for an advance that has been set up incorrectly.

NOTE: Transfers can be carried out only for cash floats, petty cash, and operating advances.

As well, a statement signed by the new custodian must be obtained stating the amount received.

Part I: Clear the advance from the current custodian

1. Before entering any correction, verify that an advance exists for the vendor, the amount of the advance, the type of advance, and the business area.
2. Clear the advance from the current custodian by following the menu path as indicated.

MENU PATH:

TRANSACTION: F-43

Accounting > Financial accounting > Accounts payable > Document entry > Invoice

Screen “Enter Vendor Invoice: Header Data” will appear.

3. Using the “Enter Vendor Invoice: Header Data” screen, enter the following information:

- | | | | | |
|---------------|----|------------------|-----------|---|
| In the field: | 1. | Document date | Key enter | Date |
| | 2. | Doc. type | Key enter | KA |
| | 3. | Doc. header text | Key enter | To change custodian or To change advance type |
| | 4. | PstKy | Key enter | 39 |
| | 5. | Account | Key enter | Vendor account |
| | 6. | Sp. G/L | Key enter | the advance type |

Then press ENTER.

Screen “Enter Vendor Doc. Gross: Create Vendor Item” will appear.

Enter Vendor Doc. Gross: Create Vendor Item

Document Edit Goto Extras Settings Environment System Help

Vendor 20000011 ANN M STODDARD G/L 102000

Company code NSPG R R 2. BOX 1. 6985

Province of Nova Scotia WEST CHEZZETCOOK

Item 1 / Rev. Petty Cash adv. / 39 I

Amount 200.00 CAD

Calculate tax

Bus. area 6100

Due on 291097

Pmnt block Pmnt method

Cmmt item BAL_100000

Funds ctr Fund

Allocation

Text Change custodian to vendor # 20008257

Next line item

PstKy 40 Account 145180 p.G/L Trans.type

NSP (1) (010) nsp ap1 OVR 08:37AM

4. Using the “Enter Vendor Doc. Gross: Create Vendor Item” screen, enter the following information:

In the field:	1.	Amount	Key enter amount
	2.	Bus. area	Key enter business area
	3.	Due on	Key enter today's date
	4.	Text	Key enter Change custodian to vendor # or Change advance type
	5.	PstKy	Key enter 40
	6.	Account	Key enter 145180

Then press ENTER.

Screen “Enter Vendor Doc. Gross: Correct G/L Account Item” will appear.

Enter Vendor Doc. Gross: Correct G/L Account Item

Document Edit Goto Extras Settings Environment System Help

G/L account 145100 Repayment of Advances
Company code NSPG Province of Nova Scotia

Item 2 / Debit entry / 40
Amount 200.00 CAD Calculate tax

Business area 6100 Trading part.BA Mox

Allocation
Text Change custodian to vendor # 20008257

Next line item
PstKv Account Sp.G/L Trans.type

NSP (1) (010) nsp ap1 OVR 08:43AM

5. Using the “Enter Vendor Doc. Gross: Correct G/L Account Item” screen, enter the following information:

In the field:

1. Amount	Key enter amount
2. Business area	Key enter business area
3. Text	Key enter +

Then press Overview icon.

Screen “Enter Vendor Doc. Gross: Display Overview” will appear.

Enter Vendor Doc. Gross: Display Overview

Document Edit Goto Extras Settings Environment System Help

Document date: 29.10.1997, Posting date: 29.10.1997, Document number: Internal, Reference doc.: , Doc.header text: To change oustodian

Company code: NSPG, Currency: CAD, Translation dte: 29.10.1997

Items in document currency

PK	BusA	Acct	CAD	Amount	Tax amnt
001	391	6100 0020000011		200.00-	
002	40	6100 0000145100		200.00	
				D 200.00	C 200.00
				0.00	* 2 Line item

Other line item

PstKy: account: Sp.0/L: Trans.type:

NSP (1) (010) nsp ap1 OVR 08:51AM

6. Review the information on “Enter Vendor Doc. Gross: Display Overview” screen. If all is correct, post the document.
7. Record the document number on the request for transfer memo.
8. Then verify that the advance has been cleared from the vendor.

Part II: Set up the advance for the new custodian

- I. Set up the advance in the vendor account of the new custodian by following the menu path as indicated.

MENU PATH:

TRANSACTION: F-43

Accounting > Financial accounting > Accounts payable > Document entry > Invoice
Screen “Enter Vendor Invoice: Header Data” will appear.

2. Using the “Enter Vendor Invoice: Header Data” screen, enter the following information:

- | | | | |
|---------------|----|------------------|---|
| In the field: | 1. | Document date | Key enter date |
| | 2. | Doc. type | Key enter KA |
| | 3. | Doc. header text | Key enter To change custodian or To change advance type |
| | 4. | PstKy | Key enter 29 |
| | 5. | Account | Key enter vendor account |
| | 6. | Sp. G/L | Key enter the advance type |

Then press ENTER.

Screen “Enter Vendor Doc. Gross: Create Vendor Item” will appear.

Enter Vendor Doc. Gross: Create Vendor Item

Document Edit Goto Extras Settings Environment System Help

Vendor 20008257 MARGARET ANNE MEISNER G/L 102000
 Company code NSPG BOX 369
 Province of Nova Scotia BRIDGEWATER

Item 1 / Petty Cash advanced / 29 I
 Amount 200.00 CAD
 Calculate tax
 Bus. area 6100
 Cmmt item BAL_100000
 Funds ctr Fund
 Allocation
 Text to change custodian from vendor 20000011

Next line item
 PstKy 50 Account 145180 p. 6/L Trans. type

NSP (1) (010) | nsp_ap1 | DVR | 10:42AM

3. Using the “Enter Vendor Doc. Gross: Create Vendor Item” screen, enter the following information:

- | | | | |
|---------------|----|-----------|---|
| In the field: | 1. | Amount | Key enter amount |
| | 2. | Bus. area | Key enter business area |
| | 3. | Due on | Key enter today’s date |
| | 4. | Text | Key enter Change custodian to vendor # or change advance type |
| | 5. | PstKy | Key enter 40 |
| | 6. | Account | Key enter 145180 |

Then press ENTER.

Screen “Enter Vendor Doc. Gross: Correct G/L Account Item” will appear.

Enter Vendor Doc. Gross: Correct G/L Account Item

Document Edit Goto Extras Settings Environment System Help

ENTER More data Act assgmt model... G/L item fast entry Tax amounts

G/L account 145180 Repayment of Advances
Company code NSPG Province of Nova Scotia

Item 2 / Credit entry / 50
Amount 200.00 CAD Calculate tax

Business area 6100 Trading part-BA

Allocation
Text to change custodian from vendor 20000011

Next line item
PstKy Account Sp. 6/L Trans. type

NSP (1) (010) nsp_ap1 | DVR | 10:46AM

4. Using the “Enter Vendor Doc. Gross: Correct G/L Account Item” screen, enter the following information:

- | | | |
|---------------|------------------|-------------------------|
| In the field: | 1. Amount | Key enter amount |
| | 2. Business area | Key enter business area |
| | 3. Text | Key enter + |

Then press Overview icon.

Screen “Enter Vendor Doc. Gross: Display Overview” will appear.

Appendix 12-C

Quarterly Advance Reconciliation Confirmation



Memorandum

(Tab between required fields)

To: Department of Finance
Government Accounting Division

From:

Subject: Quarterly Advance Reconciliation Confirmation

Business Area: **For the Quarter Ending:**

ADVANCE TYPE	G/L ACCT.	SP. G/L IND.	G/L BALANCE	A/P BALANCE	VARIANCE
Petty Cash	102000	I			
Cash Float	101000	C			
Operating	145110	O			
Education	145140	A			
Travel	145120	T			
Moving	145190	M			

We have completed a verification of advances held by our department confirm that the balance in the general ledger agrees with the balance shown in the accounts payable sub-ledger and that the details of the sub-ledger are true balances of this date.

Prepared by: _____ **Date:** _____

Approved by: _____ **Date:** _____