

Auxiliary Quarterly Variance Analysis

Completion Instructions

FY 2010

Auxiliary Quarterly Variance Analysis

I. Analysis Timeline

The quarterly variance analysis is completed by each reporting auxiliary unit in the month following the end of each fiscal quarter, after auxiliary/accrual documents have been submitted and approved: October, January, April, and July. A reminder is sent at the end of each quarter with pertinent instructions and deadlines guiding analysis submission and response timelines.

The associated ASOP 17.0 is available here:

http://www.fms.indiana.edu/auxiliary/qtrly_variance.asp

II. Running the Appropriate Reports

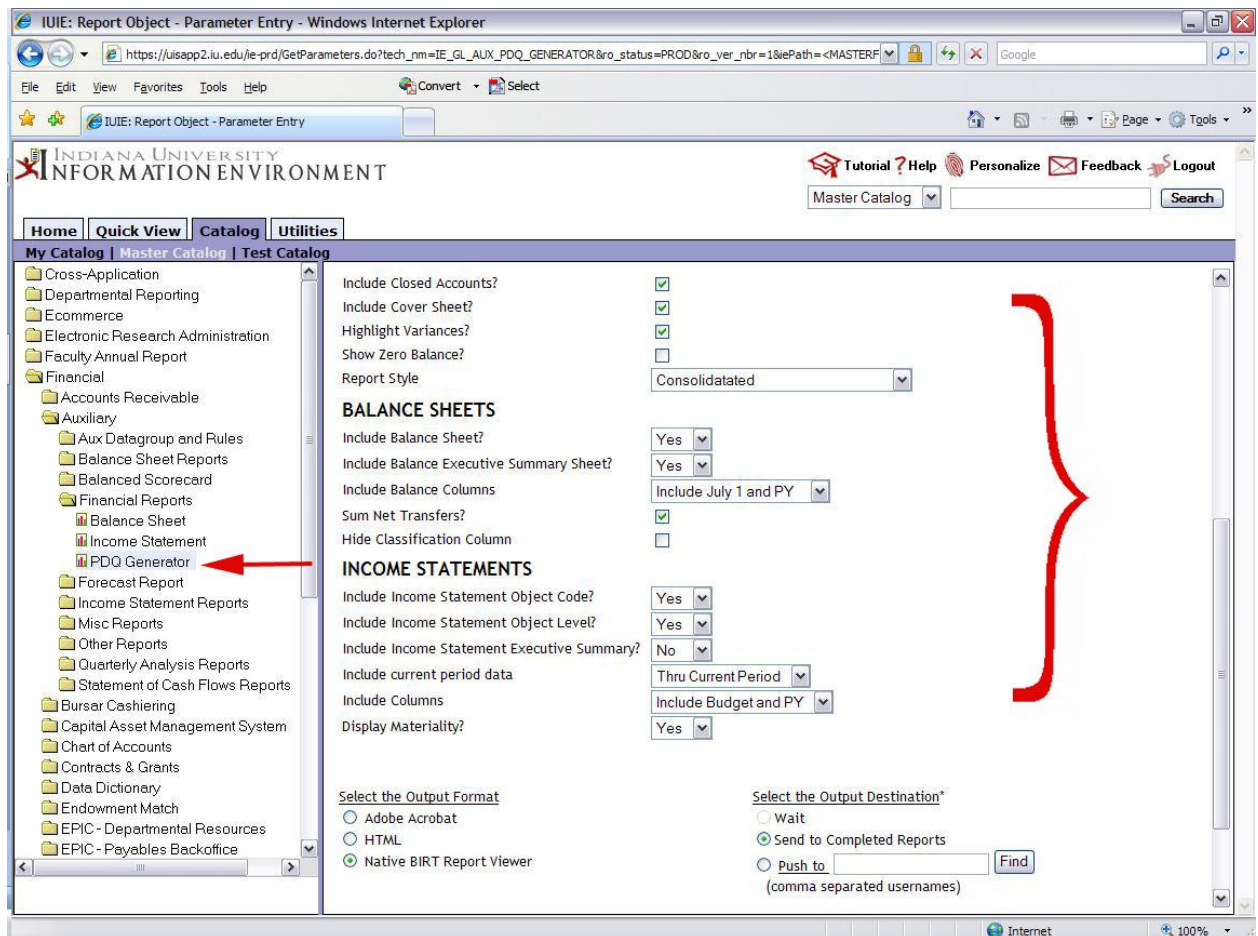
Before beginning the analysis, the following three reports need to be generated via IUIE:

1. Income Statement - Object Code
2. Balance Sheet
3. Balance Sheet - Executive Summary

The most efficient way to run the reports is via the PDQ Generator as follows:

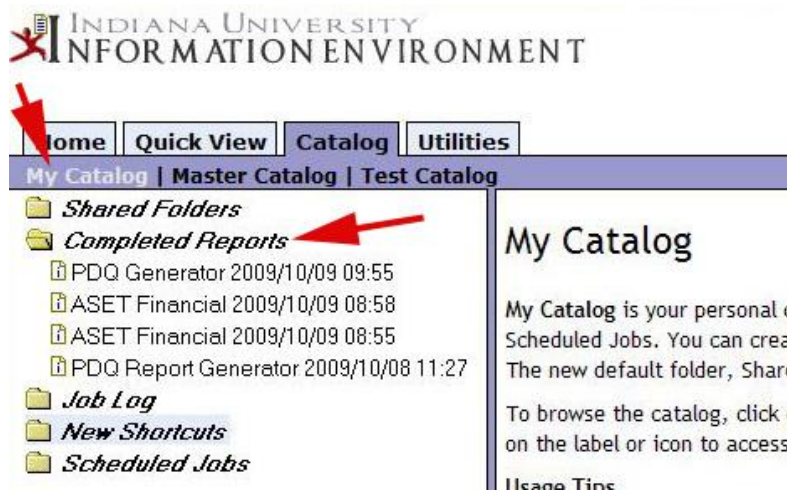
1. Log into the IUIE via Onestart
2. Within the Master Catalog, select *Financial/Auxiliary/Financial Reports/PDQ Generator*
3. Enter the parameters necessary to run the reports for your organization.
 - a. Select the fiscal year and (ending) fiscal period for which the reports will be generated
 - b. Enter the chart code and organization code (account number if applicable to how you have run the PDQ Generator in the past) for your organization
 - c. Select the box next to "Include Organization Hierarchy" if there are sub-organizations whose accounts should also be included for reporting purposes. If you are uncertain whether this box should be checked, discuss it with your [auxiliary accounting consultant](#)
 - d. "Include Closed Accounts" should always be selected
 - e. "Include Cover Sheet" should be selected
 - f. Select "Highlight Variances"
 - g. The *Consolidated* report style should always be selected for the quarterly variance analysis
 - h. Balance Sheets
 - a. Select "Yes" for both Balance Sheet and Balance Sheet Executive Summary Report
 - b. Select "Include July 1 and PY" for Include Balance Columns

- c. Select the box for “Sum Net Transfers”
- i. Income Statements
 - a. Select “Yes” for Income Statement Object Code, “No” for Income Statement Object Level, and “No” for Include Income Statement Executive Summary
 - b. Select “Thru Current Period” for Include current period data. This will only return cumulative values for the months through the end of the fiscal period specified by step 3a above.
 - c. Select “Include Budget and PY” for Include Columns
 - d. Choose “Yes” for Display Materiality
4. Finally, select “Native BIRT Report Viewer” for the output format, and the output destination as “Send to Completed Reports.” Select the “Run” button to generate the reports
 - a. Alternatively, select “MS Excel” for the output format.



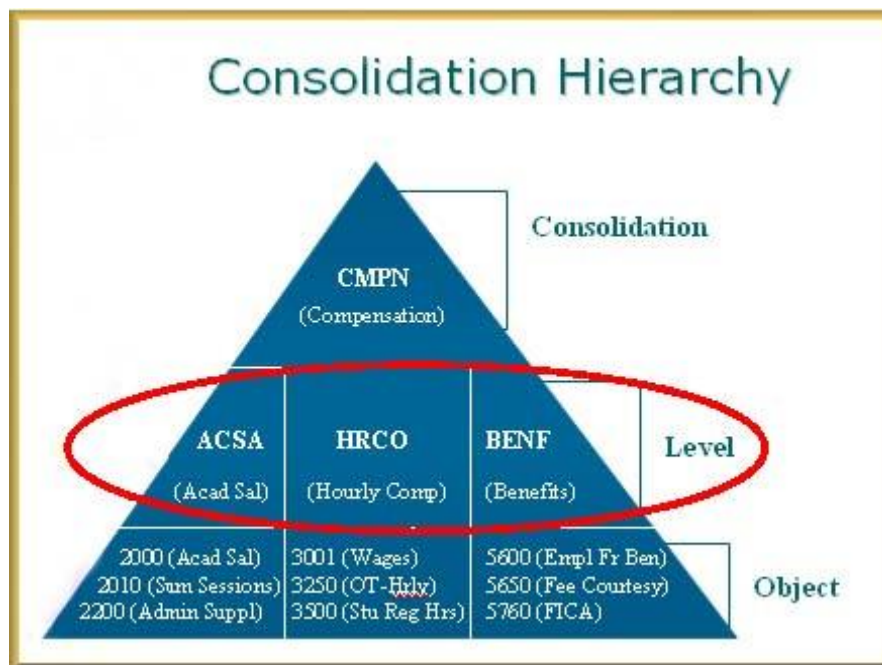
5. When the report is done running, you will get an e-mail notification. You can now access the output in two ways:
 - a. Click on the link provided in the e-mail, then select either of the two options provided
 - b. In IUIE, select My Catalog/Completed Reports (This is where reports come to if any IUIE output destination is selected as “Send to Completed Reports”). Then select

either of the options provided



III. Understanding Reporting Levels

It is important to understand the three reporting levels in the University financial system, consisting of object code, level, and consolidation. An object code is assigned to each financial transaction as it occurs. This is the lowest reporting level. Each object code rolls up or reports to a specific object *level*. Each object level then reports to a specific *consolidation code*, which is the highest report level. An example follows:



For the variance analysis, the **object level** is used generally to identify variances.

IV. How to Use the Reports and Complete Variance Analysis

The reports automatically identify the variances for you in different colors, relative to each statement returned. For example, the first page shown is the Cover Sheet, then the Balance Sheet, Balance Sheet Executive Summary, and so on (use the blue arrows on the top right to scroll through the pages).

The variance identification rules used are as follows:

Balance Sheet (Excluding Fund Balance) – Balances that have not changed since the prior year (except Capital Assets and Revolving Fund), or are negative (except Allowances for Bad Debt, Inventory, and Depreciation)

Balance Sheet Executive Summary (Excluding Fund Balance) – Variances to prior year greater than 30% AND \$10,000 (except Accrued Payroll and Sick Liabilities)

Income Statement – Object Level variances to budget and/or prior year greater than or equal to the calculated materiality for the organization will require detailed explanations. The BIRT Income Statement calculates materiality for you by taking actual year-to-date Total Revenue and multiplying it by 10%. The minimum materiality threshold is \$25,000 and the maximum is \$500,000.

Balance Sheet

Red highlight = Negative object code balance

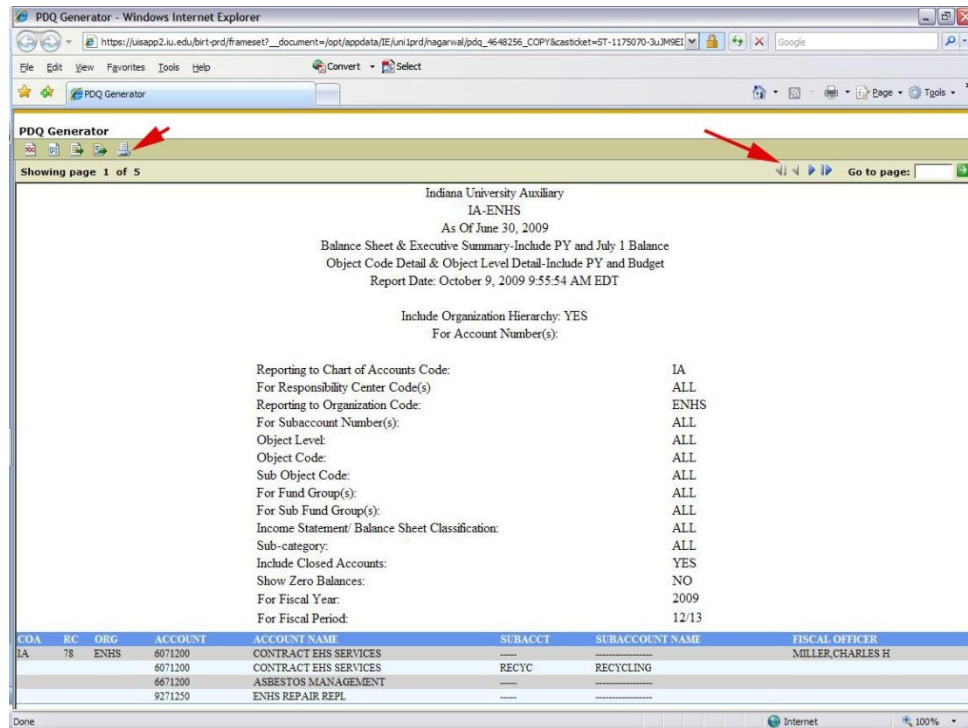
Blue highlight = Unchanged object code balance

Green highlight = Material variance in object level

Income Statement

Green highlight = Material variance in object level

1. Export the statements to MS Excel if you chose the “Native BIRT Report Viewer” output option
 - i. On the top left of your screen you will see five icons. Use the second icon from the right to export the statements
 - i. Select Export Format as Excel
 - ii. Select All Pages



2. Check to see if the three statements have been exported and variances have been highlighted
 - i. Note – Materiality for the Income Statement has been automatically calculated for you at the end of the statement
3. Please explain any variances identified in the three statements:
 - i. Select the first blank cell to the right of the highlighted cell (in column AU)
 - ii. Add your explanation(s) in this cell
 - iii. Please resize the column width and row height so that your whole explanation is visible in this cell
 - iv. Note – To aid your research, you can also use the drill-down feature in the BIRT viewer i.e. the screen from where you exported the statements
4. At the beginning of the statements, in the large blank cell to the right of the report parameters, please also include information on any activity out of the ordinary related to Total Revenue, Net Income, Total Assets, and Total Liabilities. Examples of such activity could be – an accrual entry was missed, income was not deferred as planned, expenses that were not included in the budget etc. More examples could be changes in business strategy, significant new clients / developments expected in the future, macro-economic effects on your business etc. A consultant may pose follow-up questions in this regard.
 - i. Please use Red font color for this section
5. Format the file for proper printing -
 - i. Access the Print Preview screen by selecting - Windows button at the top left > Print > Print Preview

- ii. Select Page Setup
- iii. In the Scaling section of the Page tab, adjust the 'Adjust to' so that your data looks properly organized when seeing the Print Preview

When your spreadsheet is completed, save it in .XLS or .XLSX format (use the 'Save As' option instead of 'Save') and e-mail it to the Auxiliary Accounting mailbox - fmsaux@indiana.edu . Please send only this commented-on spreadsheet as the financial statements are already presented herein.

If you are uncertain who your consultant is or have questions about the process, please refer to the FMS—Auxiliary Accounting consultants list at:
<http://www.fms.indiana.edu/auxiliary/consultants.asp>.

NOTE: Please make sure the explanations given on your variance analysis are complete (the **more** detail you supply, the better). Quantify the analysis whenever possible and explain not only what occurred, but why. If your consultant contacts you for additional information, it is in your best interest to provide them with the information they need as quickly as possible.

V. Appropriate Variance Explanations

The explanation of variances should be as detailed as possible. Suitable explanations will provide details of WHY the variance occurred.

- If the variance is mainly related to a transaction(s), then please indicate the relevant amount(s), and / or other details specific to the transaction.
- If the variance is related to a change in business conditions/operations, then please note the change and quantify the effect, if possible.
- If the variance was due to an accounting error, please provide detail for the related transactions and FIS/EPIC documents

If explanations are not sufficient, you will receive follow-up questions from the consultant.

Examples :

1) Accounts Receivable

Actual	Prior Year	Variance
\$400,000	\$325,000	\$75,000

Explanation – In the fiscal year, we began doing business with ABC company. On 06/30, this company had a \$63,500 Invoice outstanding.

2) Accounts Payable

Actual	Prior Year	Variance
\$250,000	\$500,000	(\$250,000)

Explanation – We purchased a \$200,000 machine in May FY06, the invoice for which was not paid until FY07.

3) Sales & Services

Actual	Budget	Variance
\$250,000	\$40,000	\$10,000

Explanation – Increase in occupancy across campus in room & board. Increase in meal plan rates of x%.

4) Supplies & Expenses

Actual	Budget	Variance
\$2,500,000	\$3,000,000	(\$500,000)

Explanation – Received unexpected discounts of 15% on supplies purchased for X program.