

# The Three R's

Recharge, Rebill and Reimbursement

# What does this document cover?

- Key characteristics of each of the three R's
- Underlying accounting concepts that provide guidance on how these activities should be recorded
- How to apply the accounting procedures

# What is a Recharge?

- Distinguishing Characteristics - Recharge
  - A recharge is a charge for goods or services provided by one internal university unit to other internal university units
  - Rates must be approved by Financial Analysis
  - Recharge activities include direct costs only (ex. technicians to maintain testing equipment, supplies consumed, equipment maintenance costs; etc.)
  - Intended to operate on a break-even basis (i.e. cost recovery)
  - Operate in the auxiliary internal services fund (52000)
  - Billed through Service Unit Billings (SUB)
- Accounting Example: Chemistry Lab analyzes samples for another academic department
  - Record expense on a academic department's chartfields using account 613225 (Chemical Analysis Fees)
  - Chemistry Department records recharge revenue on their chartfields using account 410000 (General Recharge Revenue)

# For More Information on Recharges...

- Contact Financial Analysis for more information about recharging goods or services
- Recharge activity must be billed through the Service Unit Billing (SUB) process
- Contact the Shared Services Center for training or questions regarding the SUB process

# What is a Rebill?

- Distinguishing Characteristics - Rebill
  - Moves the original cost of a good/service from the unit originally charged to another unit that utilized that same good/service
  - Do NOT generate revenue; rebills are a one for one exchange of actual cost. (ex. Unit A pays \$10 for a beaker, Unit A then rebills Unit B \$10 for that same beaker)
  - Can be between most operating funds and some nonoperating funds
  - Preferred method of rebilling is through Service Unit Billings (SUB)
- Example: Unit A purchases test tubes in bulk. Then Unit A charges “other” units for the test tubes using the purchase price.
  - Unit A receives the original charge on their chartfields for the expense on account 618350 (Laboratory Supplies)
  - Unit A then -
    - Credits a rebill account on their chartfield for the amount to be rebilled on account 620416 (Rebill Supply Expense)
    - Debits Unit B’s chartfields for their portion of the expense on the same account 620416 (Rebill Supply Expense)

# Accounting for Rebill Activity

- Not recorded as revenue
- Process:
  - Original expense incurred on Unit A (at account appropriate to expense type)
  - Unit A uses “contra-expense” accounts in the Internal Rebill range of accounts (620200 to 620999) to both credit their chartfield and charge another units chartfield
  - A university-wide rebill program (REBIL) is available to help identify rebill activity, but is not required
- Contact the Shared Services Center with any questions regarding rebill activity

# What are Reimbursements?

- Distinguishing Characteristics - Reimbursement
  - Personal Reimbursement
    - Payment from an employee to reimburse the university for resources used for personal benefit
    - Personal use of university resources is generally discouraged
  - Institutional Reimbursement
    - Payment received from another organization to reimburse the university for resources used on their behalf or for their benefit
  - Non-revenue generating activity because the university only receives the original cost of the goods or service utilized
  - May be recorded via a Cash Receipt Ticket (CRT) or payroll deduction to deposit funds back into the university's account
- Example:
  - Personal Reimbursement - Employee A uses a business phone to make a personal long distance call. Employee A then writes a check to the university and the department completes a cash receipt ticket to credit the department's chartfields using account 611250 (Long Distance)
  - Institutional Reimbursement - Department A receives a \$50 rebate check from a computer vendor. A cash receipt ticket is then used to credit the department's chartfields at account 614390 (computers under \$5,000)

# Accounting for Reimbursements

- Must be recorded as negative expenses against the same account where the original expense was incurred
- Institutional Reimbursements may also be referred to as “rebates”
- Contact the Shared Services Center regarding any questions

# What resources are available?

Financial Analysis:

<http://www.finance.umich.edu/analysis>

Shared Services Center:

<http://ssc.umich.edu/>