

Deficit Resolution Procedure

University of Waterloo

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Purpose

This procedure is guided by five fundamental principles:

1. All reasonable efforts must be taken to avoid deficits
2. Codifying expenses to the correct account in the first instance will help to avoid a significant number of deficits in the future
3. The person managing the project is responsible for the prevention of deficits
4. University of Waterloo is committed to providing timely and accurate financial information as an aid in avoiding deficits
5. Ultimately, the senior administrator (typically Dean or Chair) is responsible for those deficits which occur within their area of responsibility.

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Related links

None

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General

The financial management of any project is a continuous process where originating transactions need to occur against the correct accounts and where issues are resolved monthly.

When projects are completed (recognizing that projects can extend over multiple fiscal years), variances (deficits/surpluses) must be resolved in the month that the project is closed.

It is not practical to have projects completed precisely for the budget/grant amount. Therefore variances of \$10.00 or less will remain indefinitely within the project account.

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Procedure

Research Project Deficits (Fund 105)

Where projects have variances at completion of an amount between \$10.01 and 100.00, the variance will be transferred to a corporate account using the following journal entry:

5220-500-105-0000-000000-4168-0000-000
Org unit -500-105-Fd CI-Project-4168-0000-000

For variances of \$100.01 or more, the balance will be transferred to the Dean's operating budget. Transfers or surpluses are subject to the individual granting agency's regulations and will be dealt with on an individual basis. The entry for variances being transferred to the department operating account will be as follows:

Org unit-500-105-Fd CI-Project-4167-0000-000
Org unit-XXX-100-XXXX-XXXXXX-4168-XXXX-XXX

In order to alleviate the impact of deficit resolutions on faculty operating budgets, the following are examples of existing options:

- Redirection of new research monies to the faculty operating fund if the deficit has been transferred or to the research project if the deficit has not been transferred. Redirection of funds is subject to the granting agency's approval.
- Returned overhead budget can be held back by the Dean's office to compensate for deficits.

Deficits in other Non-Operating Funds

All deficits over \$10.00 will be transferred to the operating department account.

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Finance

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