From: Diane Kepler [diane.kepler@undp.org]
Sent: Wednesday, December 07, 2005 11:44 PM
To: 'Finance Network'
Cc: 'Belinda Rivera'; 'Martha Solorzano'; 'Aaron Chang'
Subject: New procedures for recording bank fees, interest income and fx gain/loss on replenishment

Dear Finance Network colleagues,

This message contains the new procedures for recording bank fees, bank interest income, and foreign exchange gains/losses on replenishment. (Foreign exchange gains/losses on replenishment arise from the difference between the replenishment recorded in Atlas and the actual amount of the replenishment from the master ZBA to local currency country office bank accounts.)

The old procedure was to use the External Transactions Table to record the transactions and then attach accounting templates to post to the GL. However, for a number of reasons we decided to stop using the External Transactions Table to record accounting entries. Effective immediately, the External Transactions Table should be used only as a "place holder" to list the identified differences between the bank statement and the cash book. (Additional communication regarding the bank reconciliation process, including the announcement of the simplified B2B report, will be issued on or before Friday.)

The new procedures, which require using AR and AP, are described below.

1. Foreign exchange gains/losses on replenishment

For a small number of country offices directly replenished from Treasury, there are differences between the replenishment recorded in Atlas and the actual replenishment deposited into the local bank. This is because Treasury records the replenishment using the UN rate and the deposit in the bank account is at the market rate, determined when the funds sent by Treasury are converted by the local bank. The deposit could be larger or smaller than the replenishment recorded in the cashbook.

Note: If you are an office that self-replenishes and you do not pre-establish an exchange rate with the bank before creating your deal, please contact Melvin Ysaguirre, Cash Manager in Treasury for guidance. Any office that self-replenishes should always agree a rate with the bank before creating the deal in Atlas.

If the deposit is larger, (i.e. there is a foreign exchange gain versus the UN rate) then you need to create an AR direct journal to record the difference between the deal value recorded in Atlas and the actual amount of deposit.

If the deposit is smaller, (i.e. there is a foreign exchange loss versus the UN rate) then you need create an AR direct journal as a <u>negative</u> deposit to record the difference between the deal value recorded in Atlas and the actual amount of the deposit.

The chartfields, below, are the same regardless of whether you are creating a deposit or a negative deposit.

Fund	00001
Operating Unit	Yours
Dept ID	Yours
Project	Leave blank

Activity	Leave blank
Imp Agy	Leave blank
Donor	00012
Account	56010

2. Bank Interest Income

Use an AR direct journal to record bank interest, using the chartfields below.

Please note that you are not authorised to record interest income to your own office budget or project.

Fund	00001
Operating Unit	Yours
Dept ID	Yours
Project	Leave blank
Activity	Leave blank
Imp Agy	Leave blank
Donor	00012
Account	53040

3. Bank fees

Use an AP voucher to record bank fees.

Where possible, you should charge the bank fees to the same COA as the payment to which they relate. For example, if the bank fee is related to a payment on behalf of a UN agency, then the bank fee should be charged to the same COA. The account code, however, should always be 74510 *bank fees*. We recommend that you keep track of the bank charges on a spreadsheet and then, as soon as you receive the bank statement, prepare an AP voucher to distribute the bank fees to the appropriate COA.

Alternatively, for those offices where the fee for each payment is large and you need to immediately reserve the funds at the time the payment is made, you could use a clearing account to create a bank fees "reserve" each time you create a voucher. Then, as soon as you receive the bank statement, record the bank fees and clear the reserve.

An example is provided below. For this scenario, the amount of the invoice is USD 1,000 and the bank charge for the payment is USD 5.

Step 1

Office issues a regular voucher with the invoice total $1000 to the vendor

- Voucher line 1 debits the amount USD 1000 to the original COA
- Voucher line 2 debits the amount USD 5 to the original COA and the purpose states "bank fee"

- Voucher line 3 credits the amount USD 5 to an advance account 14057. Operating unit and department of the country office. Fund is 00001. The purpose states the number of the same voucher or any other detail for further reference.

Where the voucher is for a non Atlas agency, the activity for voucher line 2 must be activity99 so that the bank charge does not create and additional cost recovery fee.

Step 2

As soon as you receive the bank statement, create a regular voucher where the vendor is "bank". The invoice total should equal the sum of the bank fees for the period. The COA is the same as the credit on voucher line 3 above. The purpose is "bank fees for the period".

For bank fees that are not related to payments (or where the amounts involved are not large enough to warrant charging to the COA of the original payment) then prepare an AP voucher with the following COA.

Fund	00001
Dept ID	Yours
Project	00034869 (bank fees)
Activity	Finance
Imp Agy	001981 (UNDP)
Donor	00012
Account	74510

In all cases the payment method should be manual and the vendor should be "bank". The payment must not be included in the pay cycle because it has already cleared the bank.

The reference on the manual payment can be anything, but should indicate that the payment is for bank fees (e.g. BANKFEE001)

From: Fermin Bataller [mailto:fermin.bataller@undp.org]
Sent: Wednesday, December 07, 2005 10:46 PM
To: Finance Network
Cc: 'Belinda Rivera'; 'Martha Solorzano'; 'Aaron Chang'
Subject: RE: [mpn-finance] Exchange rate difference, gain,loss

Dear Julie Ann and Diane,

We would like to follow-up the detailed guidelines on how to record transactions that were previously recorded through external transactions.

Thank you very much.

Regards,
Fermin

From: William Cerda [mailto:william.cerda@undp.org]
Sent: Tuesday, November 29, 2005 11:56 AM
To: Finance Network
Cc: Belinda Rivera; Martha Solorzano; Aaron Chang
Subject: Re: [mpn-finance] Exchange rate difference, gain,loss

Dear Nick:

Thank you so much for your support, about this topic in this office we have some inquiries related with the chartfield for record these concepts, for example in the bank fee local bank included the cost of electronic bank statement provide to headquarter every day (cost by account U$ 25.00 by month, total of charges U$ 100.00 there are four accounts and the origine of the costs are Atlas implementation and with respect of interest these funds are XP of the office? or treasury purpose?, by other hand and in the previous months untill September 2005 we recorded in external transaction module and reconciled all these kind of items, so what steps are required if proceed for change the status. Since October 2005 we will register the reference fee and interest according to your recomendation and respective chartfiel most convenient.

Best regards,

William Cerda Mejía
Finance Unit CFO Nicaragua

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Dear All - please do not use external items for bank fees.  A note was
sent on the netork to this effect.  Only use AP/AR for bank fees /
interest.  Regards - NICK

----- Original Message -----
From: Pema Namgyel <pema.namgyel@undp.org>
Date: Tuesday, November 29, 2005 1:00 am
Subject: RE: [mpn-finance] Exchange rate difference, gain and loss

Dear Motsele,
During the Regional Workshop in Bangkok, we are told to use the
AP/AR for
the bank fees instead of external transaction. I think a separate
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instruction on that is not yet out. As per the George's advice we may
continue to use the external transaction till further notice.

Thank you
Pema Namgyel