

Fund Accounting & The Matching Principle

Most NDSU departments typically need to handle a variety of funds, which sometimes makes it difficult to determine how to charge expenses. The three broad categories of funds are appropriation, local, and grant funds. A summary of funds used by NDSU is as follows:

- all funds that start with the number “4” are grant funds (within each grant fund a project number is used for tracking),
- all funds that start with the number “3” are appropriation funds (Ag Experiment Station funds use a project number for tracking),
- all other funds are local funds
 - Some special groups of local funds are as follows:
 - funds 12000 – 15020 are auxiliary funds
 - funds 18000 – 19999 are used for a variety of purposes, such as: sales & service revenues, student fees, facilities & admin cost recoveries (aka, indirect costs), unrestricted gifts, etc...
 - funds 22000 – 22999 are recharge center funds (primarily purpose is to bill other NDSU departments)
 - funds 79000 – 79999 are restricted gift funds

The Matching Principle

Fund and project numbers are most effectively and appropriately used when the expenses charged to fund and project number relate to the revenue source in the same fund and project. This is the matching principle. When the expenses are appropriately matched to the revenue sources, there is a good “match” and then the fund and project number will reflect a more meaningful accounting to provide good management information.

This matching principle is a very strict requirement in grant funds/projects. The expenses charged to a grant must be related to the grant award. The matching principle should also be followed in university local and appropriation funds. For example, departments should avoid a situation where there are revenues in a department’s local fund, but some of the related expenses are in the department’s appropriation fund.

Co-mingling of Local Funds

Departments should consider the propriety of combining different sources of income in the same local fund. When different sources of income are combined in the same fund number it is difficult to demonstrate how each source is expended. If there are different rules, designations, commitments or policies applicable to the different sources of income, the monies should be kept in separate funds. For example, combining student program fees and course fees in the same fund should be avoided as there are slightly different Board of Higher Ed restrictions on the use of those fees.

Questions?

Please contact the NDSU Accounting Office for any questions on setting up fund or project numbers.