
SECTION 4

ACCOUNTING POLICIES

4.02 CLASSIFICATION OF ACCOUNTS

AUTHORITY: *FINANCIAL ADMINISTRATION ACT*

ADMINISTRATION: TREASURY BOARD SECRETARIAT
OFFICE OF THE COMPTROLLER

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4.02 CLASSIFICATION OF ACCOUNTS

(1) PURPOSE

This document is designed to provide a summary of the Account Code Structure presently in use by Government.

Its intended use is to provide a guide to staff who work with the Financial Information System.

(2) APPLICATION

This policy applies to all Government-owned and controlled entities that utilize the Government of Prince Edward Island Financial Information System.

(3) DEFINITIONS

For the purposes of this policy document, the following definitions apply:

“Administration” includes the costs associated with the operation of and/or administration of an office.

“Debt” means all debt service costs, bank charges and fees related to debt instruments and like costs.

“Equipment” includes equipment purchases which exceed \$200 but do not meet the \$10,000 Capital Expenditure threshold (see Section 4.03 - Tangible Capital Assets Policy).

“Materials, Supplies and Services” includes the costs to purchase consumable supplies and services, including the cost of maintaining and operating buildings, required in the day-to-day operation of Government programs.

“Professional Services” includes the cost of purchasing professional services from non-Government individuals, businesses or organizations.

“Salaries” includes the payment of money for labour or services provided to the Provincial Government according to a contract, based on fixed compensation or an hourly basis, and an employee-employer relationship.

“Travel and Training” includes all costs associated with travel and/or training of Provincial Government employees.

“Grants” are transfer payments made to a recipient for which Government will not receive any goods or services.

“**Capital**” includes expenditures incurred in the purchase and/or improvement of Government-owned fixed assets. It includes land, buildings, roads, bridges, equipment, motor vehicles, and computer hardware and software (see Section 4.03 Tangible Capital Assets Policy).

(4) CLASSIFICATION OF ACCOUNTS

(a) General

Classification of accounts determines the manner in which financial data is identified, aggregated and reported for planning, resource allocation, management, control and results evaluation. The development of a classification of accounts system is dictated by the need to satisfy reporting requirements of the Legislative Assembly, central agencies, ministries, the public and other users of financial information.

It is the responsibility of Treasury Board to direct the manner and form in which the Appropriation Accounts are kept.

In order to be effective, however, the system requires that departments and agencies properly identify all transactions on a consistent basis. It is the duty of the Comptroller, pursuant to Section 14.04 of the *Financial Administration Act*, to ensure consistent application within the classification system.

The Office of the Comptroller is responsible for communicating to departments and reporting entities the Classification of Accounts and the detailed account codes it establishes within the Classification of Accounts.

(b) Objectives

The objectives of a classification system can be summarized as follows:

- classify the accounts of the Government so as to provide meaningful financial information both to the Legislative Assembly and to management;
- allow consistent and accurate reporting of financial information;
- ensure efficiency and minimum clerical effort in the coding of documents and the interpreting of reports;
- allow for the control and reporting of commitments and disbursements in relation to approved appropriations;
- identify major types of revenue for purposes of planning, control and reporting; and
- ensure effective control over, and disclosure of, all assets and liabilities of the Government.

(c) **Approval Process for Account Changes**

The Chart of Accounts is the joint responsibility of the Treasury Board Secretariat and the Office of the Comptroller, Department of Finance. Departmental requests for new or modified account codes should be coordinated through the Office of the Comptroller. Appropriation (expenditure) accounts, in particular, are an integral part of the Budget process. The Treasury Board Secretariat and the Office of the Comptroller will coordinate approval and new account set up.

Once a new account is established, the Office of the Comptroller shall communicate changes to the appropriate departmental staff.

(5) **ACCOUNTING POLICIES**

Financial statements are prepared in such form and using such terminology and classification of accounts that significant information is readily understandable. Items not significant in themselves have been grouped with such other items as most closely approximates their nature.

Assets - the financial claims acquired by the Government on outside organizations and individuals as a result of events and transactions prior to the accounting date. The debit balance of deferred charges is included as well. Assets are valued at cost.

Liabilities - the financial obligations of the Government to outside organizations and individuals as a result of events and transactions prior to the accounting date. The credit balance of deferred revenue accounts is included as well. Liabilities are valued at actual amount payable.

Budgetary Transactions - those which increase or decrease the annual budgetary surplus or deficit. Both capital and operating transactions are included. They occur when current revenues are raised or current expenditures are made.

Non-Budgetary Transactions - those which increase or decrease the Government assets or liabilities accounts, and which do not enter into the calculation of the annual budgetary surplus or deficit. They occur when a financial asset is acquired or disposed of or when a financial liability is created or discharged.

Net Debt - the Government's consolidated financial statements are presented so as to highlight net debt as the measure of financial position. The net debt of the Government is determined as its liabilities less its financial assets.

Amortization - Capital Assets are amortized using the straight-line method as outlined in Section 4.03(7) of the Tangible Capital Assets Policy.

Capital Assets - Capital Assets are recorded on the Statement of Financial Position at historical cost or estimated cost where historical cost is not available. Capital expenditures

are budgeted for and recorded in the Capital appropriation accounts for the Government.

Surplus/Deficit Policy - The only entries posted to the surplus/deficit accounts are the net changes as recorded in the revenue and appropriation ledgers for operating accounts and amortization for capital accounts. In other words, the surplus/deficit is controlled by, and must pass through, the budget process. Crown corporations and Agencies are included as well in that at year end, any surplus/deficit is either appropriated for and expensed if a deficit, or taken in as revenue if a surplus.

(6) FINANCIAL INFORMATION SYSTEM - ACCOUNT CODE STRUCTURE

The Account Code is an integral part of the Financial Information System (FIS). The structure is similar for operating and capital accounts; however, there are differences in codes.

The Account Code is twenty-one (21) characters long and has considerable flexibility to provide various types of detailed information and summary data/reports.

The same code structure is required to record balance sheet transactions, expenditures and revenues.

The following is an illustration of the code structure for the appropriation accounts and a short explanation of the meaning of each character and/or group of characters in the code:

Entity					
Code	Section	Object	Program	Project	
01	0001	00001	00001	00001	= 21 characters

(a) Entity Code

The FIS includes multiple entities which share the same chart of accounts. For example,

Operating Fund = 01

(b) Section Codes (0001 - 9999)

The next four characters of the code are used to identify the section. For example:

Corporate Finance = 0788

(c) Object Roll-up Code

The Object Roll-up Code identifies the major budget classifications of accounts for both expenditures and revenues. These are not used for transaction entry but as total or roll-up amounts.

The Object Roll-up Code for expenditures and revenue are always a numeric character, as follows:

REVENUE		EXPENDITURES	
2000	Federal	2600	Administration
2100	Licenses and Permits	2700	Debt
2200	Fees and Services	2800	Equipment
2300	Other Revenue	2900	Materials, Supplies and Services
2400	Investment	3000	Professional Services
2500	Taxes	3100	Salaries
2550	School Board Funding	3200	Travel and Training
		3700	Curriculum/Programs
		4000	Grants - Health and Social Services
		4100	Grants - Education, Sports and Community Services
		4200	Grants - Economic Development and Environment
		4700	Grants – Housing
		4300	Grants - Other
		5000	Capital
		5100	Capital - Labour Costs
		5200	Capital - Travel and Training

The above codes are approved by Treasury Board under the authority of the *Financial Administration Act* and are required on all revenues and expenditures.

All expenditures are budget-controlled to the approved vote level. If sufficient funds are available at the vote level, an expenditure may occur regardless of the object code.

(d) Object Code (00001 - 99999)

The object code provides a breakdown of the Object Roll-up Code and is used to identify a particular type of revenue or expenditure or balance sheet account.

Examples:

2001 = Equalization (Revenue)

2601 = Office Supplies (Expenditure)

(e) **Program Code (00000 - ZZZZ)**

This code may be used to identify such programs as Federal or departmental programs, highway work orders or Public Works buildings.

Program codes beginning with the letter “P” denote an individual who is subject to the Public Disclosure Policy. The program code “Pxxxx” activates the Public Disclosure functionality in Enterprise Financial Information System.

The blocks of numbers available for each type of identification are administered by the Office of the Comptroller.

(f) **Project Code (00000 - ZZZZ)**

The Project Code is available for Departmental use. This code may identify material, supplies, people, etc.

The blocks of numbers available for each type of identification are administered by the Office of the Comptroller.

SPECIAL PURPOSE CODES

(g) **Sequestration Accounts (9801 - 9899)**

This is a special account designated by Treasury Board in the Section of the account code by the number 98##, for the purpose of reducing funds available to a department. Treasury Board approval is required to move funds out of sequestration accounts. **There can be no charges against sequestration accounts.**

(7) **DEPARTMENTAL REPORT CODES**

(a) **Appropriation Vote Code Numbers**

Expenditures are controlled at the Appropriation Vote or departmental level. Department codes include a two-letter abbreviation followed by the two-digit year (e.g., 2024/25 = 25). Departments have separate codes for Operating and Capital expenditures. For example:

Finance (Operating) = PT25
Finance (Capital) = PC25

(b) **Department and Division Codes**

Department Report Code Numbers are assigned by the Office of the Comptroller, in coordination with Treasury Board Secretariat and may be revised as and when required.

Division Codes are made up of a letter designating the year (2024/25=D) and a three digit number. For example:

Corporate Finance = D330

(8) STATEMENT OF FINANCIAL POSITION ACCOUNTS - OBJECT CODES

Major Classifications

ASSETS		LIABILITIES AND NET DEBT	
0001 - 0099	Bank	0900 - 0999	Loans Payable
0100 - 0199	Investments	1000 - 1099	Accounts Payable
0200 - 0299	Advances	1100 - 1199	Accrued Liabilities
0300 - 0399	Holding Accounts	1200 - 1299	Deferred Revenues
0400 - 0499	Accounts Receivable	1300 - 1399	Net Debt
0500 - 0599	Loans Receivable	1400 - 1499	Net Funded Debt
0600 - 0699	Inventories	1500 - 1599	Clearing Accounts
0700 - 0799	Deferred Charges	1600 - 1699	Trust Fund Reserves
0800 - 0804	Treasury Notes and Other Loans	1700 - 1799	Pension Obligations
0805 - 0899	Tangible Capital Assets	1800 - 1899	Operating Fund

Statement of Financial Position Accounts are established and approved by the Office of the Comptroller.

0001 - 0099 Bank

Shown as a financial asset on the Statement of Financial Position. The general bank account range contains all the transactions of the Consolidated Fund of the Government. This account is increased by transactions processed through the cash receipts register and is decreased by transactions processed through the cheque register - receipts and disbursements of the Consolidated Fund.

The following other bank accounts are maintained and funded through transactions from the general bank account: payroll accounts, family and human services accounts and bond debenture and coupon accounts.

0100 - 0199 Investments

Shown as a financial asset on the Statement of Financial Position. This account range is comprised of marketable securities which have a reasonable, prompt liquidation period. Expenditures creating these accounts are made to acquire shares in Government agencies and other corporations and the customary bank term deposits. These investments yield income and are carried on the balance sheet at cost.

0200 - 0299 Advances

Shown as a financial asset on the Statement of Financial Position. This account range represents a payment of cash for which an accounting must be rendered by the recipient at some later date. Expenditures creating these accounts are made to provide operational advances to Crown Corporations and agencies. Such advances are non-interest-bearing and must be accounted for on a monthly basis. Petty cash funds, salary and travel advances are included as well, along with any non-interest-bearing loans.

0300 - 0399 Holding Accounts

Shown as a financial asset on the Statement of Financial Position. Such accounts are used to record either the receipt or disbursement of funds, which cannot be allocated to a specific account until a later date or until further information is provided. Such accounts are created for a very short duration.

0400 - 0499 Accounts Receivable

Shown as a financial asset on the Statement of Financial Position. This account range represents claims against a debtor for:

- (a) monies owed to the Government by a Crown Corporation or agency which they have invested in fixed assets. Interest is charged at the established Provincial rate;
- (b) uncollected amounts of completed sales of goods and services, such as lab fees;
- (c) property taxes due and unpaid; and
- (d) other monies due to the Government such as Federal claims receivable and accrued interest.

0500 - 0599 Loans Receivable

Shown as a financial asset on the Statement of Financial Position. This account range represents outlays of funds by the Government for specific purposes. The conditions, terms and rate of interest are specified within a formal agreement. Loans are classified as:

- secured by debentures
- secured by mortgages
- other

0600 - 0699 Inventories

Shown as a financial asset on the Statement of Financial Position. This account range represents an outlay of funds for raw materials, supplies, merchandise-owned and on hand, or in storage at the end of the accounting period. Inventories are valued at cost.

0700 - 0799 Deferred Charges

Shown as a non-financial asset on the Statement of Financial Position. These accounts represent a cost or an outlay of funds for an expenditure that is not recognized as a cost of operation of the account period in which incurred. Rather, it is carried forward to be written-off in one or more future periods.

0800 - 0804 Treasury Notes and Other Loans

Shown as a Liability on the Statement of Financial Position. These accounts represent Bonds issued by the Government as authorized by Order-In-Council. Bonds are recorded at market value. This account could also contain specific bank loans.

0805 - 0899 Tangible Capital Assets

Shown as a non-financial asset on the Statement of Financial Position. These accounts represent the amount invested in Tangible Capital Assets and the accumulated amortization.

0900 - 0999 Loans Payable

Shown as a Liability on the Statement of Financial Position. Loans are recorded separately in accordance with the individual agreements and each carries its own particular terms and conditions. This account represents all loans with the exception of Canada Pension loans.

1000 - 1099 Accounts Payable

Shown as a Liability on the Statement of Financial Position. These accounts represent monies owed by the Government to its creditors on behalf of outstanding accounts. Items in this account are usually of a short-term nature such as ordinary trade accounts, bond coupons due and payable, payroll deductions payable, accrued interest payable.

1100 - 1199 Accrued Liabilities

Shown as a Liability on the Statement of Financial Position. These accounts represent certain financial obligations for certain services partially performed but not yet due, billed or paid for.

1200 - 1299 Deferred Revenues

Shown as a Liability on the Statement of Financial Position and represents revenue received, or recorded as received, but not yet earned.

1300 - 1399 Net Debt

The Government's consolidated financial statements are presented so as to highlight net debt as the measure of financial position. The net debt of the Government is determined as its liabilities less its financial assets.

1400 - 1499 Net Funded Debt

Shown as a Liability on the Statement of Financial Position. These accounts represent the gross funded debt (Canada Pension loans and debentures) and also the capital investment accounts (sinking fund bonds, sinking fund bank account, sinking fund accrued interest receivable and the sinking fund bond payable account).

1500 - 1599 Clearing Accounts

These accounts are not shown on the Statement of Financial Position. They are used to accept rejected transactions and an entry is made immediately to transfer the account to its proper destination.

1600 - 1699 Trust Fund Reserves

This liability account is shown on the Statement of Financial Position but is separated from all other liability accounts. The account must always equal the Trust Fund Asset account. These accounts were set up for specific purposes and by Order-In-Council. Reserves are established to cover the full amount of trust funds received.

1700 - 1799 Pension Obligations

This liability account is shown on the Statement of Financial Position and represents the unfunded liability of the pension funds to which the Government contributes (e.g., Prince Edward Island Public Sector Pension Plan and the Prince Edward Island Teachers' Pension Plan).

1800 PEI Operating Fund

The PEI Operating Fund is comprised of all departments and government units of the Government. It does not include Agencies, Boards and Crown corporations. The Operating Fund receives all revenues, unless otherwise specified by law. Spending from the Operating Fund is appropriated by the Legislative Assembly.

(9) INTERPRETATION

In cases where an interpretation is required, such should be referred to the Office of the Comptroller or Treasury Board Secretariat, who will make the interpretation or refer the matter to Treasury Board, if a Treasury Board decision is deemed necessary.