1/18/93

THE TAU BETA PI CHAPTER BOOKKEEPING SYSTEM

All newly established chapters of Tau Beta Pi are given a Tau Beta Pi Treasurer's Book, a set of instructions, and a supply of forms. Unless the chapter must use a bookkeeping system prescribed by its college or university, this Tau Beta Pi system is to be used. (See Bylaw III, Sec. 3.01(e)(9) and Bylaw V, Sec. 5.03(e)(2).)

At the time of the annual audit, the retiring treasurer should remove all pages used that year, and pass on the cover, instructions, and unused forms to his or her successor, whose first job should be to estimate the number of forms to be used next year and order them from headquarters. If a treasurer runs out of blank forms, plain Lefax paper (obtainable at any office supply store) may be ruled to supply the need.

The used forms removed from the book by the retiring treasurer should be fastened together and put in an envelope, properly labeled, and placed with a copy of the audit in the "permanent file." This may be the treasurer's file, chapter file, or other safe place where they will be preserved for future reference.

The treasurer's records are kept on two basic forms, Form 1 and Form 2, which are received in blank from headquarters. The several headings of the sub-forms which constitute the treasurer's record are shown in the table below, with the form number and the paging code letter. You will not know at the outset how many of each sub-form will be needed, but this being a loose-leaf system, more can be inserted at any time. Number each sub-form with a letter and a series from 1 as far as is required (I-1; I-2; I-3; etc.).

Sub-Form	Form No.	Paging Code
Journal--Income	1	I-
Journal--Expenditures	1	E-
Balance Sheets	1	B-
Due on Old Accounts	1	D-
Received on Old Accounts	1	R-
Ledger--Special Income	1	S-
Ledger--Active Member Accounts	2	A-
Ledger--Classified Expenditures	2	C-

A blank line is provided at the top of Forms 1 and 2 on which the treasurer is to write the title of the sub-form. A space is also provided for the paging code letter and number. A description of each sub-form follows, and attached will be an illustration of how such a page might look. It must be remembered that chapters differ in several important ways: some operate on semesters, some on quarters; some charge only a flat initiation fee, others have an initiation fee plus dues per quarter or semester; some chapters have special assessments for social functions or initiation banquets, others do not; some have fines and/or deposits, others do not. Therefore these sample sheets cannot show exactly what you will enter on each sub-form, only the type of entry to be made.

JOURNAL

The journal is the day-to-day running account of all transactions of the chapter. For purposes of cross-checking, the journal entries also appear in two other places among the treasurer's records, as will be described later.

Journal--Income. Prepare sub-forms for this use by putting the heading in the blank provided. Use the top line of the form for descriptive headings as shown on samples I-1 and I-2. Items of income will first appear in a receipt book, as a carbon copy or a "stub," the original receipt going to the person making the payment. These receipt books are readily obtainable at local book stores, office suppliers, or discount department stores, at small cost. The item is transcribed from the receipt book into Journal--Income in chronological order, which will also be in order of receipt number. **All** receipts, no matter how small, must follow this procedure. Next the entry is transferred to the ledger account to which it applies. These ledger accounts are: Received on Old Accounts, Active Member Accounts, and Special Income. When making a trial balance, the receipt book total plus the amount received from the previous treasurer should be checked against the Journal--Income total, but in the annual audit these two totals must also check the "received" columns of all ledger accounts.

The sample Journal--Income sheets are not done as a normal I-1 or I-2 combination. Normally, the last line of I-1 or E-1 would be reserved for a subtotal labeled "Carried forward," and the first line below the headings on I-2 or E-2 would be marked "Brought forward." However, the last line might be next to last (or above that depending on whether a trial balance had been made) in order to have just 25 items per page, for ease of maintaining a numbering system.

Journal--Expenditures. The initial entry for expense items is usually the check book. If small items are paid by cash, a small slip recording the disbursement should be placed in the check book to facilitate trial balance and audit procedures. Another device occasionally used is the "Petty Cash Fund." Here a check is written to petty cash for, say, $25.00, and small amounts are paid out of this until it is used up. Small slips are placed in the petty cash box to show where the money went. When it is all gone, another check may be written.

Each amount expended as a check is next entered on the Journal--Expenditures form in chronological order which again is usually the same as the check number order. See sample E-1. It is then entered into the proper classification of the Ledger--Classified Expenditures. Again, in making a trial balance, checks written should check the total of Journal--Expenditures. In making the annual audit, it must also balance the ledger accounts of the various classifications of expenditure.

Note: Enter as an expenditure any check deposited which the bank later charges back to you as being "no good." When it is "made good" at the bank and is re-deposited to your account, enter it again as income.

BALANCE

Balance Sheets: A balance may be struck at any time. Chapters should "aim" to make such a balance sheet every two or three months. The procedure will be detailed here and illustrated on B-1. Draw a line under the last items on the Journal--Income and Journal--Expenditures sub-forms, and get a sub-total which will appear as "Sub-total to Date." (See illustration on I-1, I-2, and E-1 samples.) Check these totals against the receipt book and the check book. Then proceed as follows:

A- Check book balance $____________________. (Check book balance **must** be used rather than bank balance because some checks written may not have cleared the bank by the time bank balance was struck, and because of check charges or monthly service charges made by the bank, but only charged off by the treasurer in closing books.)

B- Cash on hand $________________________. (This means cash or checks awaiting deposit; it does not include petty cash if such an account is used.)

A + B = Cash balance $________________________.

C- Expenditures sub-total $______________________________. (This is the sub-total from Journal--Expenditures as added and checked against check stubs.)

A + B + C = $__________________________.

D- Income sub-total $____________________.

The total A + B + C should obviously agree with D. Always continue records throughout the year, adding to sub-totals all subsequent transactions, so that these balance sheets check your records from the time you started your year until the time each balance was taken.

A practice which may be recommended to all chapters using the bookkeeping system is that of showing each completed Balance Sheet to the chapter president and the chair of the advisory board, getting each to sign and date it as indicated on the sample.

OLD ACCOUNTS

Due on Old Accounts. As each succeeding treasurer passes on his or her records to the next treasurer, he or she has to close the records in preparation for an audit. Any member whose account is not paid in full will have an amount due showing on his or her ledger sheet in the A- group. The amount of each unpaid balance, together with the name of the member, must be transferred to a "Due on Old Accounts" sub-form if the member is to graduate before the opening of the next school year. If the member is to be active again in the next school year, it appears as "old account" on his or her new ledger sheet, and a separate list of these members and the amounts they owe should be given to the incoming treasurer for making out the new ledger sheets for his or her records. See samples D-1 and D-2. The outgoing treasurer also brings up to date the similar form received from his or her predecessor, deleting the names and amounts of those who have paid. Both of these lists represent money owing to the chapter, and the incoming treasurer should make every effort to collect this money. The treasurer must not expect the graduates to remember to pay up. He or she should secure from the departments or the alumni office the new addresses of these alumni and write to them about the accounts due. The rule is to carry all old accounts for two years after graduation; those not collectible in that length of time are placed in the files.

Received on Old Accounts. As amounts are received from old accounts, the procedure is similar to other income. A receipt is written, a Journal--Income entry made, then finally an entry made under the heading of "Received on Old Accounts." See sample R-1. If, as occasionally happens, an amount is received for an account no longer in either of the "Due on Old Accounts" lists in the Treasurer's Book, it is entered as "Special Income."

SPECIAL INCOME

This classification is set up for entering all items not falling into regular categories. Samples of such items include the old debt referred to above, alumni and faculty payments for dinners or banquets attended, gifts from any source, etc. However, the first entry to be made on this sub-form is the balance received from the previous treasurer, which should be the bank balance as of June 1, similar to the first entry in Journal--Income. See sample S-1.

ACTIVE MEMBER ACCOUNTS

The four spaces on a Form 2 are sufficient for four active accounts. It is usual to make out in alphabetical order active accounts for all members who are active at the beginning of the school year. Then as a new group is elected, start with a new page and put their names on active accounts in alphabetical order. Since there may be different amounts of dues or assessments applicable to each group, it helps to have them in separate groups in the ledger section of the Treasurer's Book.

The method of keeping these records is the same for all, old or new. As an amount falls due, it is described at the left and the amount placed in the right-hand amount column. As payments are made, the date and receipt number appear at the left, and the amount in the first amount column. Obviously, at the end of the year, these two amount columns should agree. If they do not, the amount still due should be indicated, preferably in red, for ease of transfer to the "old account" lists discussed above. See samples A-1 and A-2.

CLASSIFIED EXPENDITURES

It will be found that expenditures fall into certain categories, and it is reasonable that all expenses of a similar nature be listed together. A sample of the classification used by some chapters will include headquarters, Convention, initiation expense, social, supplies and printing, gifts, and miscellaneous. Part or all of a Form 2 sheet may be used for each such category or classification, as indicated by numbers of items likely to fall into each. See sample C-1. (Some chapters have a category entitled Loan Fund. Others prefer to keep a Loan Fund separate from the active chapter accounts. See later discussion of this problem.)

THE BUDGET

Soon after taking over, the new treasurer should study the various classifications of expense shown on the copy of the audit sheet he or she received, and estimate which of these items will increase or decrease, and how much. Some classifications may not be probable for the next year, other new ones may be on the horizon. By evaluating these, he or she makes a proposed **budget** for the following year. (See Bylaw V, 5.04(c).) This budget should include any addition to the amount carried over this year which might be needed to take care of any special items for next year.

Next he or she should study the trends shown by past records and try to predict how many members of each of the three classifications there might be. The three groups are (a) return actives, active all year; (b) fall initiates; and (c) spring initiates. On the theory that every student should bear a fair share of the expense of the year, and realizing that new initiates must pay for their initiation fees, Convention pro-rata, initiation expense, and a share of the chapter overhead for the year, he or she sets a **schedule** of rates for the three categories such that each rate times the expected number results in an amount which, when added to the other categories, equals or slightly exceeds the expected budget expense. Many chapters require that this schedule of charges be approved by the executive committee of the chapter (the officers); some also get the approval of their advisory board; while a few insist that the chapter itself vote to approve this "schedule." Whatever the procedure, the treasurer must advise the members who will be active as the school year starts what their schedule will be, as soon as possible. And the chapter must, in all fairness, inform the students it invites to membership concerning the "financial considerations" attendant upon membership.

It may sometimes happen that in spite of a carefully thought out budget and schedule, outgo exceeds income. The best way to restore a balance is to re-figure the schedule. However, it is probably best to label this addition to scheduled amounts as an "assessment." It also helps if the chapter votes to approve this assessment; then the members at least know how much they will owe. This should be done about April 1 (depending on when your school term ends), so that the treasurer has time to collect these additional amounts before time to close the books. Also about April 1, the treasurer should advise all members of the status of their accounts, which is easily determined from the Ledger--Active Member Accounts. In larger chapters, it may be wise to confine this notification to those who have an unpaid balance only, announcing that those not so informed are paid up to date.

CLOSING THE BOOKS

Books should be closed by June 1. They should be audited at once. Some chapters appoint a committee of graduating seniors as an audit committee. This has drawbacks as these students are busy getting everything finished up so they can graduate. A better solution may be to ask the faculty members of the advisory board to be the audit committee. Whichever way is decided upon, the job is not too difficult if the committee uses the audit forms suggested in Appendix A herewith. One copy should go to the new treasurer, one to the new president, and one should be filed with the old treasurer's materials. Additional copies may be made for other special uses.

In closing the books, the old treasurer has certain things to do:

1. Close out the Petty Cash Fund if there is one and write a receipt for the balance. Deposit this with any other cash or checks awaiting deposit. Have the bank balance the account, and get the new treasurer's signature authorized at the bank.

2. See that all journal entries have also been entered as ledger items.

3. Determine the total amount of bank service charges, and enter on a check stub **as if** a check had been written to pay these amounts. Enter them in the journal and ledger just as any check.

4. Total all accounts, journal and ledger alike.

5. Make the three lists of old accounts amounts: (a) Students who will be back next fall (so the new treasurer can enter them on the Ledger--Active member Accounts as soon as these are set up); (b) students who will be graduating before the opening of school next fall; and (c) students who graduated a year earlier whose old accounts were not collected.

   Items (b) and (c) should be on Form 1, ready to insert in the book in the D-section.

6. Prepare Form 990 for the Internal Revenue Service only if the chapter's income for the fiscal year exceeded $25,000. For more information, see page C-6 of the President's Book, write to the national Secretary, or call your local I.R.S. office.

7. Turn the books, etc., over to the chairman of the auditing committee, with a list of any bills remaining unpaid for any reason.

SPECIAL NOTE TO NEW TREASURER

Each new treasurer will probably find it convenient to start out with new receipt books and new check books, filing the previous treasurer's receipt and check books with the pages which come out of the Treasurer's Book after the audit is completed.

If any problems arise in connection with the treasurer's office, feel free to write to the national Secretary-Treasurer for assistance.

LOAN FUNDS

It was mentioned earlier that some chapters find it convenient to keep a Loan Fund in a separate account, sometimes with a separate treasurer who may be a faculty person. But to have a Loan Fund, you must have money. Three approaches are obvious, and you may think of others: (a) By chapter action, set aside a certain amount of the chapter's current expense account; (b) conduct a drive among the alumni for donations for this purpose — it makes a splendid project to have electees address and mail these letters to the alumni; or (c) have a special committee go over the old treasurer's records in the file, making a list of old account names and amounts from the D- pages "retired" each year. The committee would check these against Special Income pages to see if any were paid after being filed as uncollected. To the alumni remaining on this list, a letter, probably signed by the advisory board, could be sent explaining that the records indicate they did not pay the amount shown before they left school, and if they could pay it now, it would be put in the proposed new Loan Fund.

Any combination of the above methods, or other methods, could be used. Once started, a Loan Fund could be enlarged by interest amounts and gifts from alumni.

If a separate Loan Fund is set up, it means keeping a separate set of books for it. However, these are much simpler than the active chapter's current expense account and could be kept in a second Treasurer's Book using the same Forms 1 and 2 as used in the regular Book.

STUDENT vs. FACULTY TREASURER

Some chapters have found it advantageous to have a faculty member serve as treasurer, re-electing him or her year after year as long as the arrangement continues to be satisfactory to the chapter, and to the person. The advantages, which are obvious, stem from two sources:

Because of the continuity, a faculty treasurer can more readily deal with the alumni who knew him or her as treasurer when they were in school, make the preparation of the chapter budget much easier, and make suggestions to the chapter and advisory board based on experience.

If the treasurer is a faculty member, he or she has an office where members may pay dues, fees, schedules, or assessments and where the chapter may keep its materials if there is no chapter room. He or she can send for students whose accounts are not closed in time for graduation, and secure payment thereof usually putting an end to the "Due on Old Accounts" category in the records; and because he or she is more or less permanent as treasurer, the signature at the bank is not changed each year, and the bank gets to know him or her.

There is nothing in the Constitution or Bylaws which says that a treasurer must be an undergraduate, although he or she should be an "active member" in the technical sense of Constitution Article VI, Sec. 1. Of course, the faculty member chosen must be temperamentally suited to this detailed sort of work and must be willing to accept the responsibility. Most faculty treasurers have gotten great personal satisfaction from being able to serve their chapter and from the close contact with the outstanding young students who comprise the chapter each year.

APPENDIX A

SUGGESTIONS TO THE CHAPTER AUDITING COMMITTEE

1. Be sure to have access to an adding machine, preferably one which prints the figures on a tape for ease in checking.

2. Take one sheet of the audit form and fill it out in pencil until you are sure everything is coming out as it should, after which the necessary copies can be made, perhaps by computer.

3. From the Journal--Income, I-1, secure the amount carried over as the bank balance from the previous year, checking it against the audit of last year. Enter this balance in the proper blank space, Column A.

4. From the receipt books used by the retiring treasurer, total the various amounts paid in as shown by the stub, or carbon copy, of each receipt. Enter this total in Column A.

5. Add these two amounts and enter the total in Column A.

6. The treasurer should show a total on the last of the Journal--Income pages. If this agrees with the total of Column A, enter it in the two spaces in Column B, as indicated. If it does not agree, re-check his additions.

7. (a) Total the amounts in the Received on Old Accounts ledger (R- pages), and enter in line 1, Column C.

   (b) Total the amounts in the Special Income ledger (S- pages), and enter in line 2, Column C. The first item of special income should be the bank balance from the previous year.

   (c). Total the amounts of the **left-hand columns only** of the Active Member Accounts (A- pages), and enter in line 3, Column C.

8. Add these three totals. If the sum agrees with Totals A and B, place this amount in Column D at I.

9. Add the amounts of all checks written as shown by the check book stubs, and enter in Column A, Total Checks, and again as Total, bottom of column.

10. The total of Journal--Expenditures as shown by the treasurer should agree with Total Checks. If it does, enter it in Column B in two places as in Column A.

11. In a manner similar to step 7, total the sums of the various Classified Expenditures (C- pages) in Column C, using whatever classification names appear in the ledger. (Names other than those suggested by the form will need to be written in.) Then total this column.

12. If totals A=B=C, enter the amount in Column D at II.

13. Enter the bank balance as of the audit date at D-III and add to D-II. This total should equal D-I.

14. If a Petty Cash Fund is used, the two amounts must agree.

15. There should be no bills owing, unless due to lack of funds. This is **bad**, and the chapter should take some action promptly.

16. The amounts due the chapter should decrease year by year if the treasurer is doing his job well. (Compare this total with some previous audits to see the trend.)

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_______________ CHAPTER OF TAU BETA PI

REPORT OF THE CHAPTER AUDITING COMMITTEE AS OF _________

This copy for ______________________________

A Receipt Book	B Journal	C Ledger	D
Balance from previous Treas. $	Income $	Old. Accts. $	
		Special $	
Total of Receipts $		Active $	
Total $	Total $	Total $	I $
A Check Book	**B Journal**	**C Ledger**	
Total Checks $	Expenditures $	Convention $	
		National	
		Initiation	
		Social	
		Supplies	
		Printing	
Total $	Total $	Total $	II $
Balance in bank to be turned over to incoming Treasurer			III$
(The sum of D-II and D-III should equal D-I)			

To be used only if a Petty Cash Fund was maintained by outgoing Treasurer.

Checks issued to Petty Cash $ __________

"Pay-out slips" in Petty Cash box __________

Bills owed by the Chapter
(itemized list on back) $ __________

Amounts owed to the Chapter
(Sum of 3 Old Accounts lists) $ __________

Certified by Auditing Committee:

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