

# MACRS

Spring 2023

## ***Reading Accounting Reports***



Scott Henderson, Deputy Chief Auditor | PERAC  
MACRS Spring Conference | June 7, 2023

## Starting Point

- Double-entry accounting
- Total debits = total credits
- Might be more than 2 accounts in one entry

2

## Rule of Thumb

- Cash and other assets
  - If increasing, debit
  - If decreasing, credit
  - Opposite of bank statement

3

### NOTES:

---

---

---

---

## Trial Balance

- Assets and Liabilities on top
- Funds next
- Then operating accounts
  - 4000's receipts (generally)
  - 5000's disbursements
  - PERAC Accounting Manual has chart of accounts

4

## Trial Balance (Cont'd)

- Why is total \$0?
  - Funds and liabilities have credit balances
  - Offset the assets' debit balances
  - Note that total debits = total credits

5

### NOTES:

---

---

---

---

## Cash Books

- Cash Receipts
- Cash Disbursements
- Adjusting Journal Entries
- All 3 contained in General Ledger
- Trial Balance

6

## Cash Receipts

- Cash increases, so always debited
- Other account involved always credited
- Want good transaction descriptions
- All entries should be a receipt of cash

7

### NOTES:

---

---

---

---

## Cash Disbursements

- Cash decreases, so always credited
- Other account involved always debited
- Again, want good descriptions
- All entries should be a disbursement of cash

8

## Adjusting Journal Entries

- Do not involve cash

9

### NOTES:

---

---

---

---

## February

- Member paying make-up in installments
  - Follows Board policy?
- Known receipts
  - 3(8)(c)s
- Look at the cash balance
  - How much will be needed?
  - Where does it come from?
  - Board aware of transfers?

10

## March

- First month with investment accounting
  - All pooled funds
  - All quarterly manager statements
- Long-standing accounts
  - Gains and losses
  - Income and fees

11

### NOTES:

---

---

---

---

## Investments

- Newer ledger accounts
  - Carried interest
  - Equalization expenses
  - Miscellaneous fees
- Could be a series of entries all involving the asset
- Asset entries could also be combined

12

## April

- Real estate manager's quarterly statement
- Less liquid investments take longer to value

13

### NOTES:

---

---

---

---

## April Cash Receipts

- Appropriation received
  - Timing agrees with funding schedule?
  - Effect on cash balance
    - Leave in cash or invest?

14

## April Adjusting Journal Entries

- Correcting entry
  - Disbursement originally booked to wrong ledger account
    - 5320 on TB has both debits and credits
  - No cash involved- already paid
  - No need to reverse the original entry
    - Two entries needed if reversing debits and credits

15

### NOTES:

---

---

---

---



## May

- Finally received alternative investment manager's statement for 1st Quarter
- This example might actually be optimistic
  - In the real world the 1st Q numbers are often received at the end of the 2nd Q

16

## May Cash Receipts

- Miscellaneous Income
  - Used for receipts not covered by the other accounts
    - Writing off old payables
    - Bank errors in the system's favor
  - Usually small and infrequent

17

### NOTES:

---

---

---

---

## Things To Watch For

- Trial balance not \$0 at bottom
- Adjusting journal has many entries with “correcting” in the description
- Accounts not being used that should be
  - State COLA
  - expenses that were on warrant

18

## Things to Watch For *(Cont'd)*

- Vague descriptions
- Negative debits or credits

19

### NOTES:

---

---

---

---

## Timing of Cash Books

- Late cash books are a red flag
- Due at PERAC “within 4 weeks of the close of each month” (840 CMR 4.03)
- Realistically, no accounting done until prior year’s Annual Statement finished
- Regulation currently in the process of being updated to reflect this

20



**Questions?**

21

### NOTES:

---

---

---

---

---

## **COMMONWEALTH OF MASSACHUSETTS**

### **Public Employee Retirement Administration Commission**

Five Middlesex Avenue, Suite 304 | Somerville, MA 02145

Phone: 617-666-4446 | Fax: 617-628-4002

TTY: 617-591-8917 | Web: [www.mass.gov/perac](http://www.mass.gov/perac)

