

Prepared by General Accounting & Loan Collection Office.  
This replaces Administrative Procedure A8.671 dated June 1987.

A8.671

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A8.600 Accounting

June 2002

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A8.671     YEAR-END ACCOUNTING DATA

1.     Purpose

This instruction explains how to record the accounting data necessary at year-end for the preparation of financial statements in accordance with accepted accounting principles. During the fiscal year, the University records expenditures on cash basis and revenues on accrual basis when the departments issue accounts receivable invoices using the University Accounts Receivable System (ARS).

However for the presentation of University financial statements, both revenues and expenditures must be recorded on the full accrual basis of accounting in accordance with the Governmental Accounting and Financial Reporting Standards.

2.     Objective

To review fiscal operations for unrecorded accounts receivable, allowance for uncollectible accounts, deferred revenues, deferred charges/prepaid expenses, inventory of supplies and to record them as of the end of the fiscal year during the thirteenth (13th) month. Year-end procedures for accounts payable are covered in Administrative Procedure A8.866.

3.     Applicability

Fiscal administrators are responsible for recording the necessary accounting data at fiscal year end.

4. Definitions

Accrual basis is the basis of accounting under which revenues are recorded when earned and expenditures are recorded when incurred—generally when goods and services are received but not necessarily paid.

5. Procedures

The year-end accounting data is recorded either by the departmental fiscal administrator or by the system generated accounting entries.

a. Transactions recorded by departmental fiscal administrator:

Use Journal Voucher form (FMIS-22G) and attach supporting documentation showing detailed information for each journal voucher.

1) Unrecorded Accounts receivable

The amount due to the University from the sale of goods or services, credit memos from vendors, and for reimbursements of expenditure transactions.

a) Revenue related receivables, generated by the sale of goods and the providing of services, are billed by departments. Journal vouchers must be prepared to record all **unrecorded** accounts receivable amounts if invoices were not recorded into the fiscal system by the closing of the twelve (12<sup>th</sup>) month. This procedure also applies to departments using the University Accounts Receivable System (ARS).

b) Credit memo is a notice from a vendor stating the amount owed to the University for various reasons, including the return of goods. A credit memo is considered a receivable until paid by the vendor or applied at a later date to a subsequent purchase from the vendor.

- c) Reimbursement of expenditure (REX) is a charge (expenditure) to an account, which is recovered in the subsequent fiscal year.

For general fund accounts, G-XX-011 to G-XX-3XX, monies received for a prior year expenditure shall lapse to the State general fund. Lapses should be recorded as receivables by JV or invoice, using the State's G-00-000 account.

- 2) Allowance for uncollectible accounts

The portion of the accounts receivable that is not on the University's Accounts Receivable System (ARS) which is estimated to be uncollectible. An allowance for uncollectible accounts arises when the probability of collecting on the receivable is presumed low. Six months is considered ample time to exhaust departmental collection efforts. Attach supporting documents showing the account code, invoice number and date, customer name, and amount.

- 3) Deferred revenues

Revenue collections made in the current fiscal year for services that will be rendered in the subsequent year, e.g. summer session tuition collected in June for sessions that cross fiscal years should be prorated between the two (2) fiscal years.

- 4) Deferred charges/prepaid expenses

The amounts paid as of June 30 for goods and services which will be consumed or expended in the subsequent fiscal year, e.g., summer session expenses paid in June should be prorated between the two (2) fiscal years or subscription paid in June for publications of the ensuing year, etc.

5) Inventory of supplies

The cost value of supplies on hand as of June 30<sup>th</sup>. Refer to Administrative procedure A8.636 Supply Inventory.

6) Tuition and housing waivers, scholarship discounts and allowances

The tuition and housing revenues for scholarship related payments and tuition waivers for the fiscal year must be recorded as contra-revenues. Employee tuition and housing waivers must be recorded as revenues and expenditures.

b. Transactions recorded by system-generated entries:

1) Accrued Interest Receivable

Interest accrued on time certificates of deposits and investments since the last interest payment date and the fiscal year end date.

2) Accrued Payroll and Fringe

A liability for wages earned by employees but not paid as of June 30<sup>th</sup> (e.g. lagged payroll, SCOPIS, etc.)

3) Accrued Vacation

A liability for vacation accumulated by employees but not paid as of June 30<sup>th</sup>.

4) Allowance for uncollectibles for ARS invoices

If accounts receivable invoices were created through the University's Accounts Receivable System (ARS), General Accounting and Loan Collection Office (GALC) will generate "Allowance for Doubtful Accounts" entries per program specifications.

5) Non-imposed fringe

Employer's share of fringe costs that are absorbed by the State for General Fund, Federal Work Study Program (F223), Federal USDA Direct Appropriation (F26x & F27x), and other non-imposed federal programs (F230).

6) Reclassification of negative accounts receivable

Negative accounts receivable for sponsored projects are reclassified as advance from sponsors.

7) GASB Statement 33 Requirement effective July 1, 2000

All public colleges and universities are required to adhere to the Governmental Accounting Standards Board (GASB) Statement 33 - Reporting for Non-exchange Transactions. It focuses on the timing of revenue recognition for non-exchange transactions. To comply with GASB Statement 33, the University has implemented a program to defer certain transactions related to project accounts effective as of June 30, 2001.

a) Defer revenues (direct and indirect) and expenditures of the project accounts on "Advance" status as of 06/30/yyyy. Advance accounts are established prior to receiving a fully executed agreement/contract, therefore may not meet the time requirement specified by the sponsor.

b) Defer the indirect overhead income of the project accounts with the cost sharing code "Y". Cost sharing contingency requirement may not be met since the University does not require cost sharing to be met until the end of the project.

8) GASB Statements 34/35 requirement effective July 1, 2001.

The Statement establishes accounting and financial reporting for public colleges and universities to use the economic resources measurement of focus, essentially full commercial accounting. The following two (2) year-end accounting adjustments have been added for the University.

- a) Depreciation expense- Rather than expensing the total cost of fixed assets in the year of purchase, the cost of depreciable assets is allocated and recorded as expense over their estimated useful lives.
  
- b) Elimination of internal service transactions - Internal service funds are used to account for the financing of goods or services provided by one program or department to other programs/departments of the University and the charge or fee is determined on a cost-reimbursement basis. The internal service fund is setup primarily for the University's benefit as an economic and efficient alternative to purchasing the goods or services independently by each department from external vendors. The elimination entry would remove the "doubling" up effect of expenses recorded by both the provider and user of the internal service. Revenues of the provider would reduce the appropriate expenses such that allocated (reimbursed) expenses are reported only once on the University's financial statements.