Accrual Accounting
and
Year-End Tips

Presented by BFS - Campus Services
Overview:

- Accounting Standards & GAAP Principles
- What is Accrual Accounting?
- Why does Accrual Accounting matter?
- Accounting Methods – Cash vs Accrual
- Kuali Accrual Vouchers and Adjustment Vouchers
- Accrual and Adjustment Voucher Examples
- Year-End Tips
Accounting Standards

CSU has to follow governmental accounting guidance:

- Governmental Accounting Standards Board (GASB)
- Generally Accepted Accounting Principles (GAAP)
GAAP – Matching Principle

- **Matching Principle:** All expenses must be matched in the same accounting period as the revenues they helped to earn. In practice, matching is a combination of accrual accounting and the revenue recognition principle.
GAAP - Revenue Recognition Principle

- Revenue is recorded when **EARNED**, not when the money is received.
- Revenue is EARNED when the goods are provided to the customer or when the service to the customer is complete.
Importance of Accrual Accounting?

- More accurate picture of an entity’s financial condition
- Our Financial Statements depend on Kuali users to record revenue and expenses in accordance with Accrual Accounting
A Footnote on CSU’s Financial Statements

As a special-purpose government engaged primarily in business-type activities, the basic financial statements of the System have been presented using the economic resources measurement focus and the **accrual basis of accounting**. Presentation is also in accordance with the State of Colorado Higher Education Accounting Standard No. 17. Under the accrual basis of accounting, **revenues are recognized when earned**, and **expenses are recorded when incurred**.
Accounting Methods

There are two methodologies for recognizing income and expenses:

**Cash Method (Individuals)**
- Income is recorded when cash, check or credit card payment is RECEIVED
- Expenses are recorded when the vendor is PAID

**Accrual Method**
- Revenue is recorded when EARNED (the service is complete or the product is provided to the external customer)
- Expense is recorded when INCURRED (the goods or services are received by CSU)
Prepaid Expenses (OC1740)
- Amounts paid in this FY, but not incurred (received/used) until the next FY.
  - Multi year service contracts; registration expenses (Conf in next FY); & airline tickets for next FY travel, etc.

Receivables (OC14XX)
- Revenue earned in this FY, but not received yet
  - Work done by CSU this FY for an external client (hasn’t paid yet)

Unearned Revenue (OC25xx) –
- Money received in FY24 but revenue not earned until FY25
  - Ex – Football tickets sold in FY24 for a game on 9/20/24 (FY25)

Year End Payable (OC2103) –
- Amounts owed for goods/services provided in FY24 but won’t be paid until FY25
  - Service/goods CSU received on 6/29/24 or 6/30/24 (no invoice until mid-July)
Accruing Receivables (Asset) & Revenue

**Accrued Receivables** - Revenue earned by providing *external* customers with goods or services on or before FYE (6/30/24) w/o receiving payment yet.

- **DEBIT** OC14xx – Receivables
- **CREDIT** OC4xxx – Revenue

**Adjustment Voucher** (no auto-reversal)

**Accrual Accounting** – We must record a Receivable OC14XX and Revenue OC4xxx when work for an *external* client is completed or goods have been delivered but there is no cash exchange.

Revenue is recorded when earned!

**Note:** *Do not* book receivables on internal revenue
Preferred Entry for Revenue!

**Adjustment Voucher**
(no auto-reversal)
DEBIT OC14xx
CREDIT OC4xxx

When payment is received:
CREDIT OC14xx to clear the receivable

What if the payment is recorded as a credit to Revenue OC4xxx instead of Receivables OC14xx?

Enter a GLT to CREDIT OC14XX and DEBIT the double-booked OC4xxx revenue. Include the KFS AV # and CR doc #s as support.

Balances in the Balance Sheet Object Codes like 1XXX & 2XXX, will roll forward to the next year.

Review these Object Codes when reconciling your accounts and clear old Receivables and Year End Payables from the previous FY.
Prepaid Expenses (Asset)

**Prepaid Expenses** – Expense paid in advance of when it is incurred. Includes multi-year maintenance contracts, subscriptions crossing FYs, travel for next FY, conference registration for next FY, etc.

- DEBIT OC1740 – Prepaid Expenses (Asset)
- CREDIT OC6xxx – Expense

**EX:** On 3/1/24 a PREQ for a maintenance agreement covering 3/1/24 – 2/28/25. The PREQ will DEBIT OC6xxx expense for the full amount $9,000.

**Accrual Voucher** to move 8 months or $6,000 ($9,000/12 = $750/mo * 8 mo = $6,000) to OC1740 Prepaid Exp with auto-reversal in mid-July 2024.

**Accrual Accounting** - Expenses must be recognized when **INCURRED**, not when paid. The accrual records the Prepaid Expense (asset) and reduces the total Expense in this FY. When it reverses in the next FY, it clears OC1740 Prepaid Expense and records the Expense OC6xxx.
Clearing Prepaid Expenses (created via a document that doesn’t auto-reverse)

If a DV, PREQ or PCDO records a Prepaid Expense OC1740 in the current FY, it has to be cleared in the next FY on an **Adjustment Voucher** (with no auto-reversal) because those documents don’t have the auto-reversal feature.

**EX:** On 5/1/24 a PREQ pays for a $24,000 maintenance agreement covering 5/1/24 – 4/30/25. The PREQ DEBITS OC66xx for 2 mo. of the full amount or $4,000 and will also DEBIT OC1740 - Prepaid for 10 mo. or $20,000.

**FY25 Adjustment Voucher** to clear the Prepaid OC1740 and to record the Expense OC66xx for the 10 mo. in FY25. ($24,000 / 12 = $2,000/mo. * 10 mo. = $20,000). No reversal is needed because we need the expense to be recorded in FY25.

DEBIT OC66xx – Service Expense $20,000
CREDIT OC1740 – Prepaid Expense $20,000

Review OC1740 periodically for entries that need to be cleared from previous years!
Accruing YE Payable (Liabilities) /Revenue

Accrued Liabilities - Revenue not yet earned but payment has been received. This means CSU is obligated to provide goods or services. The revenue is UNEARNED (a liability) in FY24 and will be EARNED in FY25.

Accrual Voucher:
DEBIT OC4xxx – Earned Revenue
CREDIT OC25xx – Unearned Revenue

Reversal in FY25 clears the UNEARNED Revenue liability and records the Revenue as EARNED.

Check your OC25xx balances monthly and clear any old unearned revenue from previous FYs!
Accruing Liabilities/Expenses

Accrued liabilities - Expenses that are INCURRED but have not yet been paid. CSU is obligated to pay for goods and services that have been PROVIDED to CSU but the invoice will not be paid in this FY.

Accrual Voucher:

DEBIT OC6xxx – Expense
CREDIT OC2103 – Year End Payable

Auto-reversal in new FY clears the Year End Payable and washes the expense in FY25 from the DV or PREQ that is processed in the new year. The expense is recorded in the proper year (FY24).

Check your OC2103 balance monthly and clear any old payables from the previous FY!
Kuali Adjustment Vouchers and Accrual Vouchers
Kuali Adjustment / Accrual Voucher

- **Adjustment Voucher** - Used to recognize revenue when EARNED and expenses when INCURRED. No auto-reversal.
  - Great for entering revenue and receivables or when clearing a Prepaid Expense (asset) that was initially recorded on a DV, PREQ or PCDO document.

- **Accrual Voucher** - Used to post an accrual entry that will automatically reverse in a designated future month (usually the next FY).
  - Great to record Prepaid Expenses, Year End Payables for Expenses, and Unearned Revenue in the current FY to set up the Asset or Liability and have it automatically reverse in the next FY to recognize the Expense or Revenue and clear the Asset or Liability.
Kuali Accrual Voucher – Req’d Info in Notes

- **Accrual Voucher** – When posting a Prepaid Expense, you must include the following information in the Notes on the Accrual Voucher:
  
  • Calculation of the Prepaid Expense – Show how you calculated the expense to split it between the years.
  
  • Kuali Doc # where the expense originated – This would be the PREQ, DV, TR or PCDO where the expense was originally recorded. Note that if a GLT has been done on the originating PREQ, DV or PCDO doc, then include the GLT doc # in the Notes.
Account 2205000 receives an order to test a soil sample on April 1\textsuperscript{st}. The test results were completed on 4/20/24, and the customer is invoiced on April 25\textsuperscript{th} for $200.00. The customer pays on July 5\textsuperscript{th}.

- What FP and FY do we recognize the revenue in?
- What document would be used to record the receivable and revenue?
- How would you record the receipt of $200 from the customer on July 5\textsuperscript{th}?
Service Revenue Accrual - Example #1 - Answers

- Revenue is booked when the work is complete (FY24 for this example).

- Since the work is complete on 4/20/24, an **Adjustment Voucher** is used to DEBIT OC1437 – Receivables and CREDIT OC4380 – Revenue in FP10 FY24.

- Check or cash received July 5th (FY25) - Complete a Cash Receipt to post the payment as a CREDIT to OC1437 to clear the Receivable.

- **Note:** If the Cash Receipt or Credit Card Clearing document posts the payment to OC4xxx Revenue, complete a GLT to DR OC4xxx Revenue and CR OC14xx Receivable, to reduce the double-booked Revenue and to reduce the Receivable.
Account 2677800 received and booked a $500 conference deposit to OC4380 on 5/31/24 for an AIAA Technical Symposium to be held 9/15/24 (FY25) and hosted by CSU.

- What fiscal year does the revenue belong in?
- What document should be used to book the accrual and what Object Codes would you use?
- Is the deposit a liability or an asset FY24?
Revenue belongs in FY25 after the conference has been held (when the revenue becomes EARNED). This is a liability (UNEARNED REVENUE) because CSU is obligated to have the conference.

ACCRUAL VOUCHER – To move the $500 out of OC4380 Revenue and to record OC2590 Unearned Revenue. (Auto-reversal date of 9/15/24)

- DEBIT OC4380 – Revenue
  CREDIT OC2590 - Unearned Revenue

- Reversal on 9/15/24 records Revenue in FY25 and clears the OC2590 Liability

The deposit is a liability (Unearned Revenue) until we’ve held the conference
Account 1262000 ordered office supplies on June 20th in the amount of $500 and the supplies were received 6/30/24. The vendor was paid on 7/15/24 (after fiscal year end).

- What fiscal year should the expense be recorded in and why?
- What document should be used to book this expense and what will you DEBIT and CREDIT?
Expense / Payable Accrual - EX #1- Answers

➢ Expense is recognized in FY24 when the supplies are received. We record the expense when it is INCURRED (goods or services are received).

➢ Accrual Voucher with auto-reversal - To record the Expense to OC6201 and record a Liability to OC2103 - Year-End Payable. The auto reversal date should be in FY25 such as 7/15/24.

   DEBIT OC6201 – Supplies Expense
   CREDIT OC2103 – Year-End Payables

➢ When the invoice is paid in FY25 and the expense is recorded, it will offset the automatic reversal entry that credited expense on 7/15/24.
Expense / Payable Travel Accrual - EX #2

Travel for an FY24 conference where travel begins 6/24/24 and ends on 6/30/24. Since the traveler returns on 6/30/24, you won’t be able to turn in the TR by the 6/28/24 4:00PM deadline (for Travel to accrue centrally).

- What fiscal year should the expense be recorded in?
- What document should be used to book this expense and what will you DEBIT and CREDIT?
- What is needed in the Notes of the related TR?
Expense / Payable Travel Accrual  EX #2 - Answers

- Expense is recognized in FY24 when the travel occurred. We record the expense when it is INCURRED.

- **Accrual Voucher** with auto-reversal - To record the Expense to OC6xxx and record a Liability to OC2103 - Year-End Payable. The auto reversal date should be in FY25 such as 7/15/24.

  
  DEBIT OC6xxx – Travel Expense
  CREDIT OC2103 – Year-End Payables

- When the TR is processed in FY25 to reimburse the traveler, it will offset the auto-reversal entry that credited expense on 7/15/24.

- Be sure to include the AV doc # in the notes on the TR to show that you have accrued this travel expense back to FY24.
Account 1356570 entered into a 12-month service agreement in the amount of $12,000 that runs 4/1/24 – 3/31/25. The expense was booked in full to OC6601 when the invoice was paid.

- What FY(s) should the Expense be recognized in?
- What document would you use to accrue this Expense and what is the DEBIT and CREDIT?
$3,000 will be recognized in FY24 and $9,000 will be recognized in FY25

Since the full amount was booked to OC6601 originally, we need to key an ACCRUAL VOUCHER to move the FY25 portion of the expense of $9,000 out of FY24 and to FY25. The reversal date can be anytime after about mid-July 2024 (FY25) and can go out as far as 3/31/25 when the service agreement ends.

DEBIT OC1740 - Prepaid Expense   $9,000
CREDIT OC6601 – General Services Expense   $9,000

• Always include the calculation of the Prepaid in the Notes section ($12,000/12 mo. = $1,000/mo. x 9 mo. = $9,000 to FY25) and include KFS Doc # where the expense originated (PREQ, DV, TR or PCDO).
Prepaid Travel Expense Accrual - EX #4

An employee is flying to London on June 30th for a conference that runs from July 1 – July 5, 2024. The Ghostcard was used for the airfare and the related SB recorded the $2,250 expense in May of FY24 ($1,125 for airfare to and from London. The Travel Agency also charged a $27 fee for booking the airfare. The registration of $500 was paid in April of FY24 via PCard.

- What FY(s) should the Expenses be recognized in?
- What document would you use to accrue this Expense and what is the DEBIT and CREDIT?
$1,125 of airfare expense (the return flight in July), half of the airfare booking fee of $27, and the full $500 of conference registration expense needs to be recognized in FY25. The flight on June 30th of $1,125 and half of the airfare booking fee remains an FY24 expense.

ACCRUAL VOUCHER - Move the $1,125 airfare expense (July return flight), half of the airfare booking fee $13.50, and the $500 registration expense out of FY24 and to FY25. The auto-reversal date should be mid-July 2024 (FY25).

DEBIT OC1740 - Prepaid Expense   $1,125.00
DEBIT OC1740 – Prepaid Expense $13.50
DEBIT OC1740 – Prepaid Expense  $500.00
CREDIT OC6133 – Int’l Travel Common Carrier Expense $1,125.00
CREDIT OC6133 – Int’l Travel Common Carrier Expense $13.50 (booking fee)
CREDIT OC6633 – Professional Development Expense $500.00

Include the Kuali SB# (where the airfare expense originated on the account) and the PCDO# (where the Prof Dev expense originated) in the Notes and Attachments of the AV.
Multi-Year Prepaid Expense Accrual

If a contract for maintenance services is for more than 2 years, create an Adjustment Voucher and then manually move the expense from Prepaid Expense OC1740 to OC6602 Service Expense for the specific year.

Example:

The Maintenance Service Agreement of $3,000 was purchased in FY24 to cover a maintenance agreement for FY24, FY25, and FY26. Payment request for $3,000 was processed in FY24.

The entries for FY24, FY25 & FY26 would look like……..
Create an Adjustment Voucher for $2,000 because the entire $3,000 is currently recorded as an expense in OC6602 (Maintenance Services) in FY24. This moves 2 years of the expense to OC 1740 - Prepaid Expense and removes it from OC6602.

Credit OC6602 $1,000 for the FY25 and FY26 expense
Debit OC1740 $2,000
Create an Adjustment Voucher to reverse FY25 Service agreement amount of $1,000 from Prepaid Expense OC1740 and charging it to Maintenance Expense OC6602 to record the FY25 expense.

**Accounting Lines**

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<th>Sub-Account Code</th>
<th>Object Code</th>
<th>Project Code</th>
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<td></td>
<td></td>
<td></td>
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Debit OC6602 $1,000
Credit OC1740 $1,000
Create an AV document reversing FY26 Service agreement from Prepaid (OC1740) to Expense (OC6602) for $1,000.00. This would be the final AV document for this Service agreement.

Debit OC6602 $1,000
Credit OC1740 $1,000
Year-End Tips
Year-End Tips

- CSU Fiscal year is July 1st – June 30th
- We’re about to close FY2024 (FY24)
- From July 1st thru July 8th you will have a drop down on certain documents that will allow you to select either “YE 2024 Close” or “July 2024”
  - YE 2024 Close = Fiscal Period 13 for FY24
  - July 2024 = Fiscal Period 01 in FY25
Year-End Tips cont’d…

- Kuali will close FP12 FY24 on Friday, June 28th at 7:00 PM

- On June 26th thru 28th, check your documents to make sure they are getting APPROVED. If they are still ENROUTE, contact the approvers in the document Route Log and ask them to APPROVE the doc ASAP!

  • Monitor the Route Log to get the document moved thru the approval nodes

  • Documents listed below that are still ENROUTE or in a SAVED status after 7:00 PM on 6/28/24 will automatically be DISAPPROVED by the system and will have to be re-entered by you in July if it is needed.

    ▪ Includes Document Types: DI, GLT, IB, ICA, PE, SB and TF
Campus has until July 8th at 4:00 PM to make entries to FP13 FY24

Determining the Available Balance – If your account is budget-based spending authority, use the **Balance by Consolidation** screen and include All Pending Entries. If your account is cash-based spending authority, use the **Available Balance** screen and include All Pending Entries.

Determining the Spending Authority - Look up the account attributes using Account Lookup and click on the Sub-Fund Group Code link. Then look for “Spending Authority” at the bottom of the Sub-Fund Group Code screen.
Year-End Tips – Accounts and OCs that Must $0.00 Balance

- The following Accounts and Object Codes must be $0.00 at FYE by July 8th 4:00pm
  - All 17xxxxx accounts – EXTREF, EXTRSL and EXTRRR sub-funds
  - All SUSPEN sub-fund accounts (Continuation) - 200xxxx last 4 digits = the ORG/DEPT #
    - All Object Codes need to be cleared out
  - Salary Clearing Accounts – 1694xxx
  - Any account with Object Codes: 16xx, 1761, 1905; 1910; 1920; 1925; 2905; 2920; 2930; 2975; 6711; 6694; and 6695
    - OC6684 – Credit Card Clearing in all accounts – must be $0.00
      - Accrue to OC1439 – Credit Card Delay Receivable if needed to clear OC6684
    - OC6784 – PayPal Clearing in all accounts – must be $0.00
# Year-End Tips – Sub-Funds that cannot have deficits

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<th>Sub-Funds</th>
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<tbody>
<tr>
<td>10xxxxx WATER</td>
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<tr>
<td>12xxxxx CONTED, DCESUP &amp; ONLPL</td>
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<tr>
<td>13xxxxx EG accounts</td>
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<td>14xxxxx PVM, PVMFED and PVMSTA</td>
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<td>15xxxxx – EXPSTA, EXPSF, EXPRHF, EXPRHM, EXPRMC</td>
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<td>17xxxxx – EXTEN, EXTSF, EXTREF, EXTRRR, EXTRSL</td>
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<td>19xxxxx – CSFS, CSFSSF, FRP, HEAFOR</td>
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<tr>
<td>21xxxxx / 22xxxxx – RECHAR and GENOP (Plan to bring acct out of deficit must be approved thru BFS Campus Services)</td>
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<td>23xxxxx – SLiCE &amp; STUORG</td>
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<td>75xxxxx / 76xxxxx – RESERV and ERRF</td>
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<td>99xxxxx – AGENCY &amp; DHFO</td>
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FY24 Disbursement Vouchers must be submitted and APPROVED by Noon on Monday, July 5th

Deadline to submit invoices to A/P to initiate a Payment Request is Noon on Monday, July 5th

Campus Services and A/P will conduct a post-payment review to identify PREQs and DVs paid after year-end that should have been accrued in FY24

• Campus will be contacted to ask if you’ve accrued the item
• Accruals will be made if material (by campus if possible)
Year-End Tips – Travel

 June 18th - Deadline to order Ghost Card airline tickets for FY24 travel. Email will be sent to FO summarizing the Ghost Card charges posted in period 13 FY24.

 TRs with an end date of June 28th or prior need to be approved and in the Travel Action List on June 28th by 4:00 PM to have them approved by year-end or accrued by Travel
  • Travel will create the accrual entries only for documents in the Travel Action List on June 28th at 4:00 PM
  • Departments must create accruals for travel docs if the TR was not in the Travel Action List by June 28th at 4:00 PM
  • Departments must create accruals for June 29th and June 30th travel expenses

 June 29th & 30th – Black out for submitting TRs

 July 1st – First day a TR can be created for FY25
Year-End Things to Remember

- **FY25 POs** - If an invoice is paid on an FY25 PO prior to July 1\(^{st}\) (in FY24), Kuali will automatically code this payment to OC1740 Prepaid Expense
  - If this occurs, you will need to create an Adjustment Voucher in FY25 to move the OC1740 Prepaid charge to an Expense OC6xxx in FY25

- **Do not** book internal receivables or payables
Questions?
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<tr>
<td>Kris King</td>
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http://busfin.colostate.edu/Depts/Campus_Svcs.aspx