

# University GAAP Accrual Accounting Overview



## Government Accounting Standards Board (GASB)

- ▶ National organization that creates and updates **Generally Accepted Accounting Principles (GAAP)**, which are accounting rules and standards for financial reporting of government entities
  - ▶ State Governments (EOU)
  - ▶ Local Governments

## Financial Accounting Standards Board (FASB)

- ▶ National organization that creates and updates **Generally Accepted Accounting Principles (GAAP)**, which are accounting rules and standards for financial reporting of private companies and non-profit organizations
  - ▶ Corporations
  - ▶ Non-Profit organizations

# GASB Statement #34

University financial statements are prepared, as required by GASB 34, using the modified accrual basis of accounting

# What is modified accrual accounting?

Modified accrual is a combination of cash basis and full accrual.

- ▶ **Revenues** are recognized when they are both **measurable** and **available**.
  - ▶ **Measurable** - the cash flow from the revenues can be reasonably estimated
  - ▶ **Available** - the revenue is available to finance current expenditures to be paid within 60 days.
- ▶ **Expenditures** are recognized when **incurred** regardless of timing of the cash flows.
  - ▶ **Incurred** - The actual date of the occurrence (when good were received or services took place).

# EOU Monthly Accrual Process

- ▶ **Revenues:** On the last business day of the month
  - ▶ Deposits should be made as soon as funds are received, in order to reflect accurate cash for interest earnings on the last day of each month
- ▶ **Expenses:** The first 3 business days of each month
  - ▶ When paying invoices during this first week, be aware of when expenses were incurred to select the most appropriate transaction date in Banner
- ▶ **Accrual JVs:** There are no JVs entered for monthly accruals
  - ▶ Accruing and reversing on a monthly or quarterly basis would be very time consuming.
  - ▶ For now, only required for annual financial reports. Not required for quarterly budget or board reports.

# EOU Annual Accrual Process

- ▶ **Revenues:** On the last business day of June
  - ▶ Deposits should be made as soon as funds are received, in order to reflect accurate cash for interest earnings on the last day of each month
- ▶ **Expenses:** The first week or two of July (see current year deadline)
  - ▶ When paying invoices, be aware of when expenses were incurred to select the most appropriate transaction date in Banner
  - ▶ This is why we ask that users write the “date received” on each invoice during the months of June and July
- ▶ **Accrual JVs:** F&A will enter JVs to correct transactions
  - ▶ Period 14 is the accrual period (*there is no Period 13*)
  - ▶ Transactions from now through October will be monitored for corrections
  - ▶ Accruals are entered in the current fiscal year, period 14, and reversed in the next fiscal year, period 1.

# Year-End Revenues

Transactions posting to account codes 00000 - 09999

# Unearned (Deferred) Revenue

- ▶ Amounts received in one fiscal year for goods or services provided in the next fiscal year. When the goods or services are provided, the unearned revenue is decreased and the revenue account is increased.
- ▶ When unearned revenue is received (current fiscal year):
  - ▶ Record cash deposit - Credit Unearned Revenue account code (i.e. B5901)
- ▶ When services are provided (next fiscal year):
  - ▶ Debit Unearned Revenue
  - ▶ Credit Revenue (i.e. 01641)

# Unearned Revenue cont.

- ▶ Tuition Revenue received (current fiscal year)
  - ▶ Cash deposit – Credit Revenue (i.e. 01641)
- ▶ Entry to move from revenue to unearned revenue (current fiscal year)
  - ▶ Debit Revenue (i.e. 01641)
  - ▶ Credit Unearned Revenue (i.e. B5901)
- ▶ Entry Earn the Revenue and Reverse Unearned Revenue in next fiscal year
  - ▶ Credit Revenue (i.e. 01641)
  - ▶ Debit Unearned Revenue (i.e. B5901)

# Examples - Unearned Revenues

- ▶ Summer Session Tuition
- ▶ Summer Session Fees
- ▶ Fixed Cost Grants (all money is received up-front)
- ▶ Ticket Sales for Events
- ▶ Parking Passes
- ▶ Recreation Passes

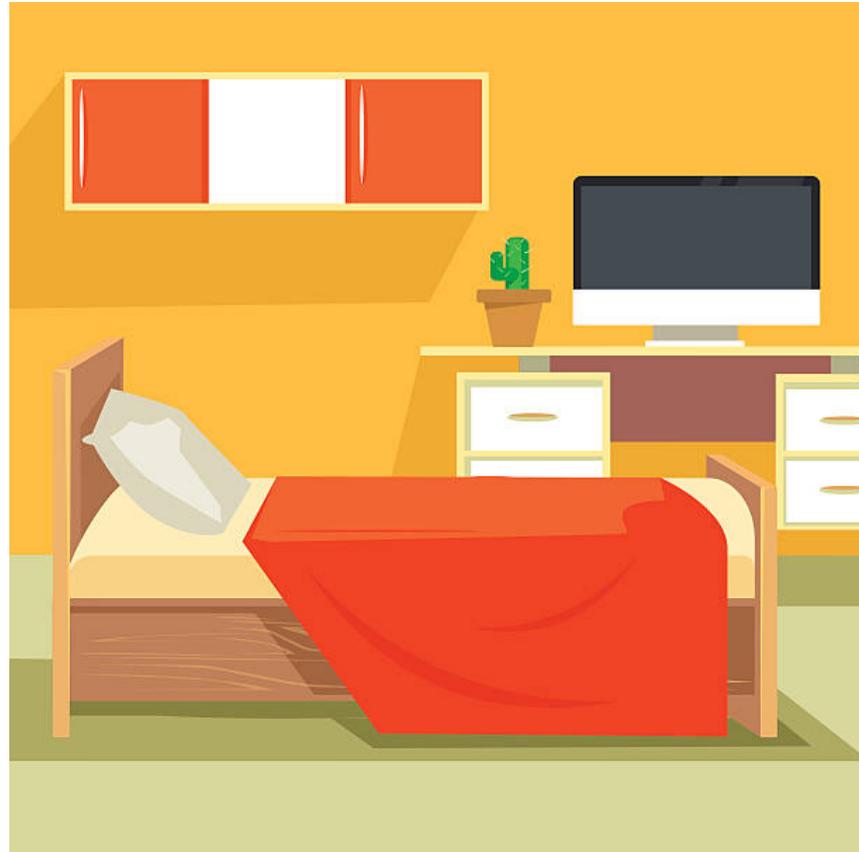


# Accounts Receivable

- ▶ Amounts due to the university for services or supplies provided but not yet paid for.
- ▶ When amount receivable is known (current fiscal year)
  - ▶ Debit A/R account code (i.e. **A3002**)
  - ▶ Credit revenue account code (i.e. 01501)
  - ▶ No impact to cash
- ▶ When cash is received (following fiscal year)
  - ▶ Credit A/R account code

# Examples - Accounts Receivable

- ▶ Tuition and Fees
- ▶ Room and Board
- ▶ Reimbursable Grants
- ▶ Rental Income
- ▶ Capital Bond Reimbursements



# EOU Process - Revenue Accruals

If you run into one of the following situations during year-end, please email [cashier@eou.edu](mailto:cashier@eou.edu) to notify them of the correction:

## ▶ Unearned Revenue Correction Needed

- ▶ Cash deposited on or before June 30<sup>th</sup>
- ▶ Cash was to pay for good or services to be provided after the June 30<sup>th</sup> date

## ▶ Accounts Receivable Correction Needed

- ▶ Cash deposited on or after July 1<sup>st</sup>
- ▶ Cash was to pay for goods or services that were already provided in full before July 1<sup>st</sup>

# Year-End Expenses

Transactions posting to account codes 10000 - 99999

# Prepaid Expense

- ▶ Prepaid expenses are future expenses that have been paid in advance. OR, costs that have been paid but are not yet used up or have not yet expired but will be used within one year.
- ▶ When the expense is paid (current fiscal year):
  - ▶ Debit prepaid expense account (i.e. A5002)
- ▶ When the expense is “consumed” (next fiscal year):
  - ▶ Credit prepaid expense account
  - ▶ Debit operating expense account code (i.e. 28601)

# Examples - Prepaid Expenses

- ▶ Conference Registration
- ▶ Subscriptions
- ▶ Insurance Policies
- ▶ Airfare
- ▶ Memberships



# Accounts Payable

- ▶ Amounts owed by the university for services or supplies received but not yet paid for.
- ▶ Check registers, ACH and wire transfers are scanned for goods and services that were received prior to June 30<sup>th</sup> but had no accrual as of June 30. These are accrued for in Period 14.
- ▶ Accrual in the current fiscal year:
  - ▶ Credit A/P (i.e. B0100)
  - ▶ Debit expense
- ▶ Paid out in the subsequent fiscal year:
  - ▶ Debit A/P

# Accounts Payable cont.

- ▶ For those items that are paid for in the subsequent fiscal year, but should have been accrued in the current fiscal year, an accrual in period 14 and a reversal in period 01 need to be entered.
- ▶ FY2020, period 01 - invoice received and paid as normal:
  - ▶ Debit operating expense
- ▶ FY2019, period 14 - supplies were received prior to June 30 and should have been paid for in FY2019:
  - ▶ Debit operating expense
  - ▶ Credit account payable
- ▶ FY2020, period 01 (or any open period) - Reverse accrual so that expense is in correct fiscal year:
  - ▶ Credit operating expense
  - ▶ Debit account payable

# Examples - Accounts Payable

- ▶ Construction Services
- ▶ Personal Services Agreements
- ▶ Supply invoices



# EOU Process - Expense Accruals

If you run into one of the following situations during year-end, please email [ap@eou.edu](mailto:ap@eou.edu) to notify them of the correction:

## ▶ Prepaid Expense Correction Needed

- ▶ Expense was posted in Banner with a transaction date on or before June 30<sup>th</sup>
- ▶ Expense was to pay for good and/or services that were provided in full or in part after the June 30<sup>th</sup> date

## ▶ Accounts Payable Correction Needed

- ▶ Expense was posted in Banner with a transaction date on or after July 1<sup>st</sup>
- ▶ Expense was to pay for goods and/or services that were provided in full or in part before the July 1<sup>st</sup> date

# Any Questions?



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