

SERVICE REVENUE ACCRUAL EXAMPLE #1

Account 2205000 receives an order to test a soil sample on April 1, 2024. The test results are completed on April 20, 2024, and the customer is invoiced on April 25, 2024, for \$200. The customer pays us on July 5, 2024 (FY25).

Q1 - What Fiscal Period (FP) and Fiscal Year (FY) should the revenue be recognized in?

Q2 - What document would be used to record the revenue and receivable?

Q3 - How would you record the receipt of \$200 from the customer on July 5th?

A1 - The revenue is booked when the work is complete (when it is EARNED). Since the work is complete on 4/20/24 the revenue and receivable should be recorded in FP10 of FY24.

A2 - An **Adjustment Voucher** document is used to book the revenue OC4xxx and to set up the receivable OC14xx. No auto-reversal.

DEBIT OC14xx – Receivables \$200
CREDIT OC4xxx – Revenue (external) \$200

A3 - Once the money is received from the customer on July 5th, complete a Cash Receipt (CR) document (cash or check) and book it to OC14xx, to clear the Receivable. **Note:** If the payment received is accidentally booked to revenue instead of OC14xx, a General Ledger Transfer (GLT) will be needed since the revenue was already booked in April and a receivable was set up.

CONFERENCE REVENUE ACCRUAL W/ REVERSAL – EXAMPLE #2

Account 2677800 received and booked a \$500 conference deposit to OC4380 on May 31st for the AIAA Technical Symposium to be held September 15, 2024. AIAA is the American Institute of Aeronautics and Astronautics.

Q1 - What FY does this revenue belong in?

Q2 - What document would you use to book this accrual and what Object Codes would you use?

Q3 - Is the deposit a liability or an asset?

A1 - The revenue belongs in FY25 since that is when the conference is being held (9/15/24) and is when the revenue will be EARNED.

A2 - Since the revenue was already booked (when the deposit was made), enter an **Accrual Voucher** in FY24 with a reversal date of 9/15/24 (FY25). The accrual will DEBIT OC4380 to clear the revenue out of the current FY (FY24) and will CREDIT OC2590 – Other Unearned Revenue because it hasn't been earned yet. When the accrual automatically reverses on 9/15/24 (FY25), it will move the revenue from unearned to earned and the OC2590 liability will be cleared.

DEBIT OC4380 – Other Revenue (external) \$500
CREDIT OC2590 – Other Unearned Revenue \$500

A3 - OC2590 – Other Unearned Revenue is a liability because the conference has not occurred yet. CSU owes them the conference that they paid for.

EXPENSE / PAYABLE ACCRUAL – EXAMPLE #1

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 FYE).

Q1 - What fiscal year should the expense be recorded in and why?

Q2 - What document should be used to book this expense and what will you DEBIT and CREDIT?

A1 – The expense should be recorded in FY24 because the supplies were received in FY24 (on or before 6/30/24); therefore, the expense was **incurred in FY24**.

A2 – Book this on an **Accrual Voucher** in FY24 to DEBIT expense OC6201 and CREDIT Year End Payable OC2103. Set the auto reversal date in early FY25 so that when the DV or PREQ is processed in FY25 and the expense is debited, it will offset the credit to expense from the reversal of the accrual. You should check the DV or PREQ to see what was debited.

DEBIT OC6201 – Supplies Expense \$500
CREDIT OC2103 – Year End Payable \$500

EXPENSE / PAYABLE TRAVEL ACCRUAL - EXAMPLE #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.

Q1 - What fiscal year should the expense be recorded in?

Q2 - What document should be used to book this expense and what will you DEBIT and CREDIT?

Q3 - What is needed in the Notes of the related TR?

A1 – Travel expense is recognized FY24 (when the travel occurred). This records the expense when it is **INCURRED**.

A2 – An **Accrual Voucher** should be used with an auto-reversal date in mid-July. To record the Expense and the Liability. 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.

DEBIT OC6xxx Travel Expense
CREDIT OC2103 Year End Payable

A3 – Include the AV # in the Notes and Attachments section of the TR to show that you have accrued this travel expense back to FY24.

PREPAID EXPENSE ACCRUAL CROSSING FYs - EXAMPLE #3

Account 1356570 entered into a 12-month Service agreement in the amount of \$12,000 that runs 4/1/24 – 3/31/25. It was originally booked in full to OC6601 on a PREQ.

Q1 - What fiscal year(s) will this expense be recognized in?

Q2 - What document will be used to accrue the expense and what will you DEBIT and CREDIT?

A1 - The expense is recognized in both FY24 and FY25: \$3,000 in FY24 and \$9,000 in FY25. (\$12,000/12mo. = \$1,000/mo . Three months of the contract is in FY24 (April – June) and nine months of the contract is in FY25 (July – March). 3 mo. x \$1,000 = \$3,000 for FY24 9 mo. x \$1,000 = \$9,000 for FY25

A2 – Since the full amount was booked to OC6601 in FY24 when the PREQ was paid, we need to create an **Accrual Voucher** with a reversal date in FY25 to record the FY25 portion of the expense as a Prepaid Expense OC1740 and reduce service expense OC6601. The Accrual will DEBIT Prepaid Expense OC1740 \$9,000 and CREDIT General Services OC6601 \$9,000. The auto reversal date should be set in FY25 (mid-July or later) so the \$9,000 expense is recognized in FY25.

DEBIT OC1740 – Prepaid Exp \$9,000
CREDIT OC6601 – General Services Exp \$9,000

NOTE: Always include the calculation of the Prepaid in the notes as well as the KFS Doc # where the expense originated (PREQ, DV, TR or PCDO).

PREPAID TRAVEL EXPENSE ACCRUAL - EXAMPLE #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 \$1,125 from London). The registration of \$500 was paid in April of FY24 via PCard.

Q1 - What FY(s) should the Expenses be recognized in?

Q2 - What document would you use to accrue this Expense and what is the DEBIT and CREDIT?

A1 - \$1,125 of airfare expense (the return flight in July) and the full \$500 of conference registration expense needs to be recognized in FY25. The flight on June 30th of \$1,125 remains an FY24 expense.

A2 - Accrual Voucher - Move the \$1,125 airfare expense (July return flight) 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
DEBIT OC1740 – Prepaid Expense \$500
CREDIT OC6133 – Int'l Travel Common Carrier Expense \$1,125
CREDIT OC6633 – Professional Development Expense \$500

NOTE: Be sure to include the Kual 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.