

UCR

Welcome to the Fiscal Close Accruals and Deferrals Webinar May 28, 2015

Start Time: 10:00 a.m.

Duration: 1 hour

Questions : Last 15 minutes

Webinar Technical Support:

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UNIVERSITY OF CALIFORNIA, RIVERSIDE

UCR



Fiscal Close

Accruals and Deferrals

May 28, 2015

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UNIVERSITY OF CALIFORNIA, RIVERSIDE

- Introduction
- Why Accrue/Defer
- Materiality Thresholds
- Definitions & Examples
- Bi-Weekly Payroll Accruals (Service & Auxiliary)
- Identifying Expenditures to Accrue
- Accrual and Deferral Templates
- FAQ's
- Contacts
- Other Questions



- The material included in this presentation is intended to provide general guidance. Please contact the Accounting Office for unique or unusual situations.
- Every effort should be made to have approved invoices and payment requests, for goods and services received, to the Accounting Office by the June 12th deadline to minimize the need for expense accruals.

Introduction *(cont)*

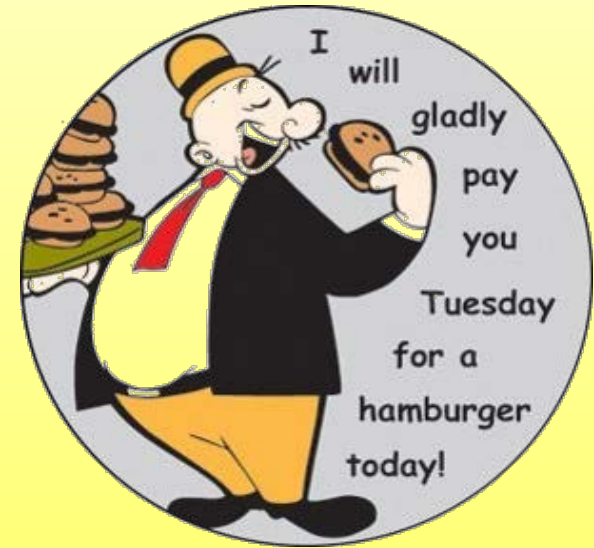
- ▶ Please ensure purchase orders are promptly marked as “okay to pay” as appropriate in eBuy.
- ▶ Please continue to send approved invoices and payment requests to the Accounting Office after the June 12th cut-off. The Accounting Office will make every effort to process by June 30th but will prioritize based on materiality. Departments should monitor ledgers to see if an accrual is necessary for items sent to Accounting after June 12th.



Let the Good Times Roll !

Why Accrue and Defer?

- ▶ To comply with Generally Accepted Accounting Principles (GAAP), expenses for goods and services should be recorded in the fiscal year received, and income for goods and services should be recorded in the fiscal year provided. In order to meet the fiscal year-end and financial reporting deadlines, accrual and deferral entries are processed based on materiality thresholds.



Materiality Thresholds

- ▶ Materiality thresholds relate to the significance of transactions contained in the campus general ledger and reported to UCOP for the UC financial statements.
- ▶ Individual transactions should be evaluated for accrual/deferral based on the dollar thresholds listed on the next slide. The materiality threshold increases as the closing process and year-end financial audit nears completion.



- ▶ As soon as the item is identified, the accrual/deferral should be communicated to Accounting.

Materiality Threshold Schedule

Amount	Date	Notes
\$10,000	July 1 – 2	Accruals/deferrals submitted and approved by the July 2nd cut-off will be reflected on the Period 12 ledgers
\$25,000	July 3 – 10	
\$50,000	July 11 – 17	
\$75,000	July 18 – 31	
\$100,000	August 1 – 30	

Accruals and deferrals are not common for most departments, but all large transactions should be examined/evaluated to ensure the integrity of our campus financial statements.



What is an Expense Accrual?

- Accrued expenses acknowledge that goods and services were received (actually delivered or performed) by 6/30, but the expense is not yet recorded through the normal processing of transactions to the general ledger in the related fiscal year
- The 6/30 accrual entry records the expense and offsetting payable for year-end; this journal entry is marked to automatically reverse with a 7/1 date in the new year (UCRFS source code = ACL). The actual expense is then processed via normal channels in the new fiscal year
- **Example:**

25 desktop computers (total cost of \$10,500) are received on June 27th, but UCR has not received the invoice. An expense accrual must be submitted to record the expense to the general ledger in the fiscal year that the order was received. The purchase order, receiving/packing slip and “okay to pay” is the supporting documentation for the accrual request.

Expense Accrual Ledger Sample

Year	Per	Jnl Date	Journal Id	Source	Account	Account Descr	Activity	Fund	Fcn	Line Descr	Amount
2014	012	06/30/2014	0000853061	ACL	720230	Furniture Non-Inve	A01615	70019	76	BKM	10,324.00
2014	012	06/30/2014	0000853061	ACL	720230	Furniture Non-Inve	A02014	70019	76	BKM	11,095.14
2015	001	07/01/2014	0000853061	ACL	720230	Furniture Non-Inve	A01615	70019	76	BKM	(10,324.00)
2015	001	07/01/2014	0000853061	ACL	720230	Furniture Non-Inve	A02014	70019	76	BKM	(11,095.14)
2015	003	09/03/2014	PD00859747	ATP	720230	Furniture Non-Inve	A02014	70019	76	10560186 WMK OFFICE SA	10,324.00
2015	004	10/24/2014	PD00867054	ATP	720230	Furniture Non-Inve	A01615	70019	76	10560158 WMK OFFICE SA	11,095.14

- > Note that the **ACL source code entries** net to zero between fiscal years.

- > The new year transactions associated with the **ATP source code net to zero with the new year ACL reversal**, leaving the expense in the old year.



What is an Expense Deferral?

- ▶ Deferred expenses most commonly relate to prepayments for goods and services that have not yet been delivered/performed as of 6/30, but have been recorded through the normal processing of transactions to the 6/30 general ledger. The expense will provide benefit in the new fiscal year. The deferral entry removes the expense from the department's 6/30 ledgers and records the expense in the new year via the deferral journal automatic reversal process on 7/1.



What is an Expense Deferral?

➤ **Example 1:**

A \$12,000 invoice is received for an annual software maintenance and licensing agreement. The invoice is processed and recorded in June. However, the agreement period is July 1st thru June 30th of the following fiscal year. An expense deferral must be submitted to record the expense in the appropriate year.

➤ **Example 2:**

A monthly lease payment of \$15K recorded as of 6/30 results in 13 installments payments for the current fiscal year. It is only appropriate to record 12 monthly installment payments in any given year; the 13th payment must be deferred.

Expense Deferral Ledger Sample

Year	Period	Journal Date	Journal Id	Source	Account	Account Descr	Activity	Fund	tion	Line Ref	Line Descr	Amount
2014	012	06/30/2014	0000853037	ACL	712140	Travel,Foreign-Lodging	A01160	20291	40	Spain	Colegio Mayor Jaime lodging	(10,928.00)
2014	012	06/30/2014	PD00850246	ATP	712140	Travel,Foreign-Lodging	A01160	20291	40	01527983	10561798 COLEGIO MAYOR JAIME	10,928.00
2015	001	07/01/2014	0000853037	ACL	712140	Travel,Foreign-Lodging	A01160	20291	40	Spain	Colegio Mayor Jaime lodging	10,928.00

Note that the **ACL source code entries net to zero. The transactions on the 6/30 ledgers net to zero, leaving the expense in the new fiscal year.*

What is a Revenue Accrual?

- ▶ Accrued revenue is income that has been earned but not received and not yet recorded to the general ledger through the normal process (e.g. SIS-Campus Sundry Debtor Billing Process or Campus Recharge System). The accrual entry records the revenue with a June 30th date and then automatically reverses July 1st. The revenue is recorded when actually received in the new fiscal year via standard process.
- ▶ **Example:**
A department performed and completed testing and data analysis as of 6/30 for a non-UCR entity, but the department was unable to process the billing of \$11,500.00 via SIS by 6/30. A revenue accrual must be submitted, as well as a new year SIS billing.

Revenue Accrual Ledger Sample

2014	012	06/30/2014	0000852823	ACL	R60000	Rev, Sales & Service Educ A	A01746	64550	20	CK#716624	TEXAS ST MBA GUAR	(10,000.00)
2015	001	07/01/2014	0000852823	ACL	R60000	Rev, Sales & Service Educ A	A01746	64550	20	CK#716624	TEXAS ST MBA GUAR	10,000.00
2015	001	07/01/2014	FDR0063310	DFS	R60000	Rev, Sales & Service Educ A	A01746	64550	20	TXSTUNIV	CK16624 :187801 JH	(10,000.00)

Note that the **ACL source code entries net to zero. The new year accrual reversal nets to zero with the deposit, leaving the revenue reflected on the 6/30 ledgers.*

What is a Revenue Deferral?

- ▶ Deferred revenue is income that has been received and recorded to the general ledger through the normal process but not yet earned. The deferral entry removes the revenue from the 6/30 ledger and through the automatic deferral reversal process records the revenue in the new fiscal year.
- ▶ **Example:**

A department collects \$25,000 in fees in the current fiscal year for a conference that will not take place until the following fiscal year. A revenue deferral must be submitted to record the income in the appropriate fiscal year.

Revenue Deferral Ledger Sample

Year	Period	Journal Date	Journal Id	Source	Account	Account Descr	Activity	Fund	tion	Cost Center Descr	Line Ref	Line Descr	Amount
2014	011	05/15/2014	FDR0062678	SIS	R20000	Rev, Student Fee	A01160	20291	20	Summer Travel England	0999400026	** SIS+ BBD100 ACCT FEED **	(16,924.00)
2014	011	05/16/2014	FDR0062694	SIS	R20000	Rev, Student Fee	A01160	20291	20	Summer Travel England	0999900019	** SIS+ BBD100 ACCT FEED **	(3,064.00)
2014	011	05/19/2014	FDR0062711	SIS	R20000	Rev, Student Fee	A01160	20291	20	Summer Travel England	1000600029	** SIS+ BBD100 ACCT FEED **	(13,192.86)
2014	011	05/20/2014	FDR0062730	SIS	R20000	Rev, Student Fee	A01160	20291	20	Summer Travel England	1001300028	** SIS+ BBD100 ACCT FEED **	(5,824.04)
2014	011	05/27/2014	FDR0062787	SIS	R20000	Rev, Student Fee	A01160	20291	20	Summer Travel England	1003500031	** SIS+ BBD100 ACCT FEED **	(1,532.00)
2014	011	05/28/2014	FDR0062800	SIS	R20000	Rev, Student Fee	A01160	20291	20	Summer Travel England	1003900022	** SIS+ BBD100 ACCT FEED **	(108.04)
2014	012	06/10/2014	FDR0063020	SIS	R20000	Rev, Student Fee	A01160	20291	20	Summer Travel England	1009300020	** SIS+ BBD100 ACCT FEED **	(300.00)
2014	012	06/16/2014	FDR0063097	SIS	R20000	Rev, Student Fee	A01160	20291	20	Summer Travel England	1011600029	** SIS+ BBD100 ACCT FEED **	(1,211.60)
2014	012	06/16/2014	FDR0063100	SIS	R20000	Rev, Student Fee	A01160	20291	20	Summer Travel England	1011800004	** SIS+ BBD100 ACCT FEED **	(500.00)
2014	012	06/24/2014	FDR0063200	SIS	R20000	Rev, Student Fee	A01160	20291	20	Summer Travel England	1015400026	** SIS+ BBD100 ACCT FEED **	(589.92)
2014	012	06/30/2014	0000853039	ACL	R20000	Rev, Student Fee	A01160	20291	20	Summer Travel England	England	Defer SSA Inc England	43,246.46
2015	001	07/01/2014	0000853039	ACL	R20000	Rev, Student Fee	A01160	20291	20	Summer Travel England	England	Defer SSA Inc England	(43,246.46)

**Note that the ACL source code entries net to zero. The prior fiscal year transactions net to zero, leaving the revenue reflected in the new fiscal year.*




Service and Auxiliary Enterprises Only

- Review the bi-weekly payroll accrual report (see next slide) and the Time & Attendance System (for actual time reported) for possible accruals.
- Determine if an accrual should be submitted for the pay period 6/21/15-6/30/15 based on materiality by FAU.
- Complete the bi-weekly payroll accrual form/template posted at: <http://accounting.ucr.edu/general/> under the “Fiscal Closing” tab and submit to Accounting by 07/02/15.

All other fund groups will be booked at a consolidated level for financial reporting purposes by Accounting.

Bi-Weekly Payroll Accruals

- ▶ The bi-weekly payroll accrual report is available via R-Space UCRFS On-Line Reports under “UCRFS Biweekly Payroll Accrual Report”
- ▶ The report will be updated June 26th to reflect projected 6/21/15-06/30/15 bi-weekly payroll based on previously processed payroll.



UCRFS Biweekly Payroll Accrual Report

Please click [here](#) to view the announcement.
Please click [here](#) for report explanation.

<u>Name</u>
FY2015_Per10_Biweekly_Payroll_Accrual.xlsx
FY2015_Per09_Biweekly_Payroll_Accrual.xlsx
FY2015_Per08_Biweekly_Payroll_Accrual.xlsx
FY2015_Per07_Biweekly_Payroll_Accrual.xlsx
FY2015_Per06_Biweekly_Payroll_Accrual.xlsx
FY2015_Per05_Biweekly_Payroll_Accrual.xlsx
FY2015_Per04_Biweekly_Payroll_Accrual.xlsx
FY2015_Per03_Biweekly_Payroll_Accrual.xlsx

(<http://ucrfsreports.ucr.edu/payrollaccrual/>)



Suggestions for Identifying Unrecorded Expenses

1. Analyze the nature of spending in your department. What types of expenses does the unit typically experience during the year and when? Pay particular attention to large expenses usually occurring in June of each year. Is there a typical timing lag for certain invoices? Make a list of these to review at each year-end.
2. Review open purchase orders (or other agreements) over \$10K and/or purchase orders over \$10K that have not been marked as “okay to pay”/received during the month the June. Monitor and inquire about the status of the receiving of goods/services and be aware of invoices over \$5K being submitted to the department for approval. If goods and/or services were received as of 6/30, but not reflected on the 6/30 ledgers, submit an accrual request by the 7/2 deadline.



3. Review all contract and grant subcontracts during the month of June to confirm billing is up to date, check on the status of invoices pending PI approval, and/or request an invoice for any current year outstanding periods.
4. If you receive an invoice for a previously unidentified material expense after the July 2nd cut-off, please contact the Accounting Office as soon as possible.

Accrual & Deferral Templates

Accrual and deferral templates are posted at:

<http://accounting.ucr.edu/general/> under the “Fiscal Closing” tab

The workbook contains multiple tabs for the various types of accruals and deferrals. Please delete the unused sheets prior to submitting to Accounting. Submit completed templates to: FYCLOSE@UCR.EDU

Accrue External Income

Accrue Internal Income

Accrue Expense

Biweekly Payroll Accrual

Defer Income

Defer Expenses

Inventory

➤ **Question:**

Do I need to continue to review my department ledger after I have submitted all payment requests, accruals, and deferrals?

➤ **Answer:**

Absolutely! It is important to continue to review transactions appearing in July and August related to the prior fiscal year to identify and report on material entries.



➤ **Question:**

Do I need to submit an accrual or deferral for a transaction that is less than \$10,000.00?

➤ **Answer:**

No, it is not required. The initial materiality threshold is \$10,000.00 (Materiality relates to the significance of transactions contained in the financial statements). Thresholds differ for Service & Auxiliary enterprises.

Please refer to the supplemental guide at <http://accounting.ucr.edu/general/>



➤ Question:

How are outstanding encumbrance balances related to accrual requests?

➤ Answer:

A review of encumbrance balances can aid in the identification of expenditures that may need to be accrued if the goods or services (or a portion) were received by 6/30 and are not reflected on the 6/30 ledgers. Although encumbrances record future obligations, before submitting an accrual, additional analysis is required to determine when the goods/services were received.



➤ Question:

My department received \$10K in equipment, but the payment to vendor is not reflected on the ledger as of 6/30. Do I need to submit an accrual?

➤ Answer:

If the equipment has been received and is in acceptable condition (installation complete if applicable), submit an accrual using the purchase order and receiving documentation as back up (the PO should also be marked as “okay to pay” in eBuy). The Accounting Office requests department approval to pay invoices over \$5K.



➤ **Question:**

I am not sure if I need to submit an accrual or deferral.
What should I do?

➤ **Answer:**

Discuss the situation with your department Financial Manager and/or organizational CFAO. If questions still exist, contact Pauline Librenjak, Jerry Monahan, or Linda Casteel in the Accounting Office for assistance.



Contact Information

Send general inquiries to:
UCRFSfeedback@ucr.edu



All other inquiries:

General Accounting Supervisor: jerry.monahan@ucr.edu

Assistant Controller: pauline.librenjak@ucr.edu

Treasury Manager: linda.casteel@ucr.edu



Any questions?

