



Payment Related Activities

Accrual of expenses – The area affecting most departments as part of the year-end closing process is the accrual of current year expenses. This may be confusing because the budget encumbrance of large expenditures occurs in the University's accounting system when an order is placed. Generally accepted accounting principles (GAAP) used for the year-end closing, however, make a distinction between accruals and encumbrances. GAAP requires an accrual of an expense when goods are shipped or services received prior to the fiscal year-end regardless of when actual payment is due. Your assistance is needed to ensure that the Payments Department receives any invoices relating to goods shipped or services received before June 30 as soon as possible, but in no case later than Friday, July 15. When forwarding invoices to the Payments Department, please clearly mark them as either **ACCRUAL** or **NEW YEAR** using the following methodology:

- **ACCRUAL** - Invoices reflecting goods shipped or services received prior to July 1
- **NEW YEAR** - Invoices reflecting goods shipped or services received after June 30.

Accrual of income – The GAAP mandated accrual process also includes the recognition of income earned on or before June 30, regardless of when payment is received. Departments performing income-producing activities need to be aware that the amount of income earned (i.e., the goods have been delivered or services provided to the purchaser by June 30) must be recognized as revenue this year even though the cash payment may not be received until after June 30. For income received and deposited in July for the prior year, please note **ACCRUAL** on the transmittal of funds form. Please notify the General Ledger staff of any revenue that has not been recorded as an accrual as of the second close (**July 21**).

Inventories - For those departments keeping large inventories of materials or supplies on hand (i.e., supplies valued at \$5,000 or more in the aggregate as of June 30), the value of the inventory should be determined and a detailed list reflecting description, quantities, and associated costs be provided to the General Ledger staff by Friday, July 15. Per GAAP guidance, these inventory counts need to be completed as close to fiscal year-end as possible (i.e. between June 28 and 30).

Prepaid expenses - Prepaid expenses are payments remitted this year that relate to use, receipt, or activity during the next fiscal year. Examples of prepaid expenses include advance conference registrations, insurance premiums paid in advance, or annual maintenance agreements spanning multiple fiscal years. Please identify any prepaid expenses on the request for payment and notify the General Ledger staff of any pre-paid expenses that have already been processed for payment this year by June 30.

Purchasing Cards - At fiscal year-end, it is critical that everyone submits any and all remaining purchasing card statements to the Controller's Office prior to Friday, July 15. If you are going to be out of the office for an extended period during the year-end closing window or for the summer, it is still your responsibility to get the details and receipts reconciled to the card statement on or before Friday, July 15. When purchasing card holders received their cards, they agreed to submit receipts on time and within the guidelines outlined in the agreement signed when they received the card, including timeliness related to our year-end closings. Failure to abide by these guidelines

jeopardizes continuing use of the purchasing card and may result in card suspension and imputed income tax to the cardholder for unreconciled expenditures that will be treated as a taxable reimbursement.