



Rochester Institute of Technology

Controller's Division
Accounting Office

To: University Managers
From: Katie Udkovich, Manager Accounting Operations
Date: June 12, 2020
Subject: **Fiscal Year 2020: Year–End Closing Procedures – Transaction Examples**

Fiscal Year 2020 Expenses

RIT accounts for expenditures on an accrual basis. This means that **expenditures are recognized in the year in which goods are received or services are rendered**, not necessarily the year in which they are ordered or the year in which payment is made.

Expenditures - Your department's FY20 budget will be charged for the value of services rendered or merchandise received on or before June 30, 2020. Your department's FY21 (next year's) budget will be charged for services or merchandise received on or after July 1, 2020.

When items ordered on a purchase order for goods are delivered directly to your department, forward Central Receiving documentation as evidence of receipt (i.e. packing slip or invoice) so the information can be updated in the Oracle purchasing system. (Central Receiving contact information: Fax 5-6815, ext. 5-2119, email: fmsporeceiver@rit.edu)

Examples:

1. In April 2020, your department issued a purchase order for 12 chairs, which are received in August 2020. The cost of the chairs is a FY21 (next year's) expense because the chairs were received in FY21 (after June 30, 2020).
2. In July 2020, your department receives an invoice for a reference textbook received in May 2020. The cost of the textbook will be charged to your FY20 (this year's) budget since the textbook was received in FY20 (prior to July 1, 2020).

Airfare – All airfare booked with an RIT designated travel agent for a departure date prior to June 30, 2020 must be expensed for all RIT employees and non-RIT employees through “Oracle Reimbursement for Travel”.

Payroll – Your department's FY20 budget will be charged for all salaries and wages earned on or before June 30, 2020. Your department's FY21 (next year's) budget will be charged for all salaries and wages earned on or after July 1, 2020. Wages earned in the bi-weekly pay period beginning on June 5 and ending on June 18 will be paid on June 26. ***The payroll distribution report for June 2020 will reflect these charges.***

Accounting will process an accrual for the pay period June 19 through June 30 (the 12 remaining days in June using the 12/14 of the actual wages from the payroll period ending on June 18), earned in FY20 and paid on July 10th, FY21 prior to the preliminary June closing. The accruals will be automatically reversed in FY21. ***The payroll distribution report for June 2020 will not reflect these charges.***

Regular salaries for faculty and staff paid semi-monthly are not accrued since they will be paid on June 30, 2020 for the period June 16 – 30.

All Oracle Online Additional Payments, Special Assignments and Summer Salaries must be entered and approved by June 26th, to be reflected on your June **preliminary** department statements. Online entries for work performed in FY20 entered up to July 10 will be reflected on your **final** June department statements.

Examples:

1. A student in your department worked 40 hours during the pay period June 19 – July 2 and was paid \$416 ($\40×10.40) on July 10. Prior to the preliminary June closing, Accounting will charge \$356.57 (12/14 of \$416) to your department's FY20 budget on the student salary line (71250). In July (FY21), Accounting will reverse the accrual and a credit of \$356.57 will be reflected on the student salary line. The impact on your FY21 budget will be \$0 ($\356.57 actual payroll expense paid on July 10 less $\$356.57$ accrual reversal). However, the July amount reflected in 71250 for the July 10 payroll would be \$59.43 ($\416.00 minus $\$356.57$).
2. On June 26, your department processes an online exempt Additional Payment entry for a staff person for extra work performed during the pay period June 1 – 15. The Payroll Office will process the Additional Payment amount with the pay date of July 15. This amount will be charged to your department's FY20 budget through an accrual and will be reflected on your June preliminary and final department statements.

Accounts Receivable

All income for goods or services provided to an organization outside of RIT during FY20 should be recorded by June 30, ***even if the payment has not yet been received from the customer***. Invoices should be prepared using Oracle Accounts Receivable prior to or when the services are rendered. Alternatively, your department should prepare a journal entry in FY20 to debit the department's accounts receivable account XX.XXXXX.04000.00.XXXXX.00000 and credit the appropriate departmental income account.

Example:

1. Image Permanence Institute (IPI) provides research testing for 3M Corporation on May 19, 2020. Although 3M is not expected to pay until July, an invoice should be processed through Oracle Accounts Receivable or a journal entry prepared to record the transaction. The entry will debit accounts receivable 01.66500.04000.00.00000.00000 and credit corporate contracts income 01.66500.52100.15.00000.00000. If at the end of June, the invoice amount remains unpaid, it will remain in accounts receivable and a reconciliation of the balance sheet account will be required. For additional information regarding account reconciliations visit the Controller's web page at <https://www.rit.edu/fa/controller/sites/rit.edu/fa.controller/files/files/docs/reconciliations.pdf>.

Prepaid Expenses

Sometimes, especially during the latter part of the fiscal year, it is necessary to prepay expenses relating to the following year's (FY21) budget. This often occurs with maintenance and service contracts, fees for seminars, membership dues, and subscriptions. Submit invoices to Accounts Payable marked "FY21 Prepaid Expense." After verifying dates of service, AP will charge these expenses to a prepaid general ledger account in FY20. These payments **will not** be reflected on your FY20 budget.

In July 2020, Accounts Payable will prepare the journal entry (Oracle category = Prepaid) to charge these expenses to the appropriate departments. The payments will be reflected on your FY21 budget.

Examples:

1. In June 2020, your department issues a purchase order for an annual copier maintenance contract and prepays for the service for the period July 1, 2020 through June 30, 2021. Submit invoices to Accounts Payable marked “FY21 Prepaid Expense.” After verifying dates of service, AP will charge these expenses to a prepaid general ledger account in FY20 and they will be reflected on your FY21 budget.
2. In May 2020, it is necessary to pay in advance for a business trip you will take in July 2020 (e.g., hotel reservations, conference registration, etc.), and you prepare an Invoice Payment Form. Submit invoices to Accounts Payable marked “FY21 Prepaid Expense.” After verifying dates of service, AP will charge these expenses to a prepaid general ledger account in FY20 and they will be reflected on your FY21 budget.
3. In May 2020, you charge a registration fee for a conference being held in August 2020 on your procurement card. Prepare a journal entry (Oracle category = Prepaid) and email Accounting - postmyje@rit.edu, indicating the batch name in the subject line. Valid documentation includes: invoice/receipt showing the event date and a copy of the transaction record from ActivePay. Debit the prepaid account 01.15199.09000.00.00000.00000 with a line description: date of event, name of vendor & invoice #. Credit the appropriate expense account for your department. This entry will be automatically reversed in July 2020, charging the expense to your FY21 budget.

Deferred Income

When RIT receives income in advance of providing the service, it is considered deferred income. The income is recorded in the year the service is rendered, not when the payment is received. If you receive a payment in FY20 for services to be provided in FY21, record the income in your department’s deferred income account: XX.XXXXX.36280.00.XXXXX.00000. When the service is rendered in FY21, prepare a journal entry to debit deferred income and credit your department’s income account.

Examples:

1. In April 2020, Gates-Chili High School made a deposit to reserve the Field House for their high school graduations for 2020 through 2022. In 2020, the Field House will record the deposit in their deferred income account. In 2020, after the first graduation ceremony, they will debit their deferred income account and credit their income account for the amount of the deposit received for year 1. They will continue this process for each of the subsequent years until FY 2022 at which time all revenue will be recognized.
2. In June 2020, several alumni made reservations and paid the fee to attend the 2020 Brick City Weekend (in October 2020). In June 2020, Alumni Relations will record the fee in their department’s deferred account 01.XXXXX.36280.00.XXXXX.00000. In October 2020, after Brick City Weekend, Alumni Relations will prepare a journal entry to debit the deferred income account and credit revenue.

Processing Year-End Invoices, Invoice Payment Forms & Travel Expense Reimbursements:

Procurement Services & Accounts Payable will verify the accrual of Purchase Orders and Invoice Payment Forms >\$5000 and Travel Expense Reimbursements for FY20 starting Thursday June 25 until Friday, July 9 at 4:30 p.m. **The goods or services must have been received by June 30 and the travel date must have started on or before June 30.**

Purchase Orders:

At the close of business on Tuesday, June 30, purchase orders **goods** received in Oracle by Central Receiving on or before June 30 and not yet invoiced will be automatically accrued by the Procurement Services Office. These items will be charged to your department's FY20 budget through the accrual process and will be reversed automatically in FY21. When the invoice arrives, it will be processed and paid in FY21, with no impact to your FY21 budget.

- If items were delivered directly to your department, bypassing Central Receiving, fax a copy of the packing slip or invoice to Receiving at ext. 5-6815 on or before June 30. Receiving will update the purchasing system and the item will be accrued automatically.
- Purchased services are now a two-way match and **are no longer received in Oracle. Departments are responsible for preparing accrual entries for services. Invoices for services must be obtained from vendor and submitted to AP.**

Invoice Payment Forms:

Departmental Action Required – For all goods and/or services received on or before June 30 for which the vendor **has not** provided an invoice, departments should prepare an accrual journal entry (Oracle category = Year-End Accrual). Email supporting documentation to postmyje@rit.edu for the accrual entry along with the batch name. Entries impacting net assets (balance sheet) require department approval, regardless of the amount. Valid documentation includes: packing slip/receipt showing the receipt date. Debit the appropriate expense account for your department and credit the accounts payable accrual account: 01.15199.32900.00.00000.00000. When the actual invoice is received, indicate on the face of the invoice “Accrued FY20”. The payment will be processed with no impact to your FY21 budget.

Example:

1. Your department contracted for consulting services provided during April and May 2020. The consultant has not sent an invoice, and cannot be reached in July. Prepare a “Year-End Accrual” journal entry with the anticipated amount due to the consultant. This amount will be charged to your FY20 budget through the accrual process and reversed in FY21. When the invoice arrives, mark it prominently with “Accrued FY20” prior to sending to Accounts Payable. The invoice will be paid in FY21.

Procurement Card Purchases

The closing date for items to appear on your June procurement card statement from PNC is June 30. If you make last minute purchases the transactions may not be charged against your FY20 budget. On Monday July 6th, Accounting will download from ActivePay all entries with a transaction date of June and a post date of July and prepare an accrual journal entry (Oracle category = Year-End Accrual) to debit the expense account on the ActivePay transaction (if not the default account you must change it in ActivePay by July 2nd) and credit the accounts payable accrual account. This should eliminate the need for individual departments to prepare accrual JEs.

Example:

1. You purchased lab supplies at Home Depot on your procurement card for \$324.92 on June 30. The charge does not appear on your PNC statement but it does appear on-line (ActivePay) on July 2nd. Accounting will prepare a “Year-End Accrual” journal entry for \$324.92. The amount will be charged against your FY20 budget through the accrual process and be

reversed in FY21. When July billing information is received from ActivePay, the lab supplies will be charged to your department in FY21, with no impact to your FY21 budget.

Encumbrances

When an item is purchased on a purchase order, encumbrance entries are made automatically in the general ledger to record the anticipated expenditure. ***An encumbrance is not an expense; it is for information and budget planning purposes only. The actual expense is not charged to your department's budget until the merchandise or service has been received and the invoice is paid.***

Examples:

1. In June 2020 you ordered two cases of paper for your copier. When the requisition was placed and the purchase order generated, an encumbrance was recorded on your department supply line. The paper was delivered on June 19, and the invoice was approved for payment in Accounts Payable on June 25. At that time, the encumbrance will be reversed and the actual expense will be recorded on the ledger.
2. In June 2020 you ordered special forms to be delivered in August 2020. This expense will be charged to your FY21 budget since the order will be received after June 30, 2020. The amount of the order will be encumbered at the time the order is placed and it will be reflected on your June department statement in the encumbrance column. The actual expense will be recorded in FY21 when the special forms are received and the invoice is approved for payment. Open encumbrances at June 30 will be carried over into FY21.

Monthly Department Statements

There are two monthly department statements. RIT – Dept Stmt – Excl Enc with an “Available Balance Column” that does not include encumbrances (Working Budget – YTD Actual = Available Balance) and the Encumbrance column is removed. ***Use this column to determine the actual balance remaining on each line of your budget.*** The RIT – Dept Statement can be used monthly for planning purposes. The encumbrance column is included, the Available Balance column does includes encumbrances (Working Budget – Encumbrances – YTD Actual = Available Balance) and the Available Bal Excl Enc that does not include encumbrances (Working Budget – YTD Actual = Available Balance).