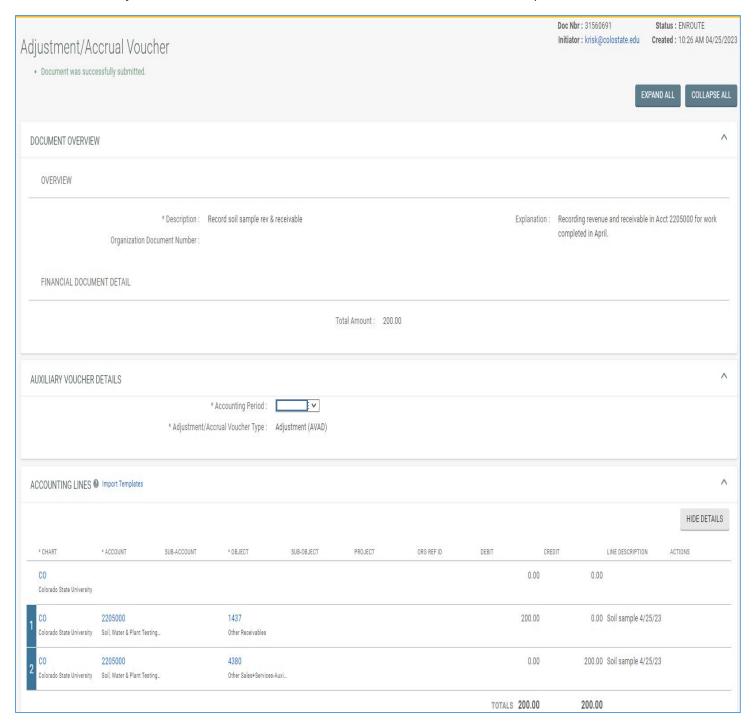
SERVICE REVENUE ACCRUAL EXAMPLE #1

Account 2205000 receives an order to test a soil sample on April 1, 2023. The test results are completed on April 20, 2023, and the customer is invoiced on April 25, 2023, for \$200. The customer pays us on July 5, 2023 (FY24).

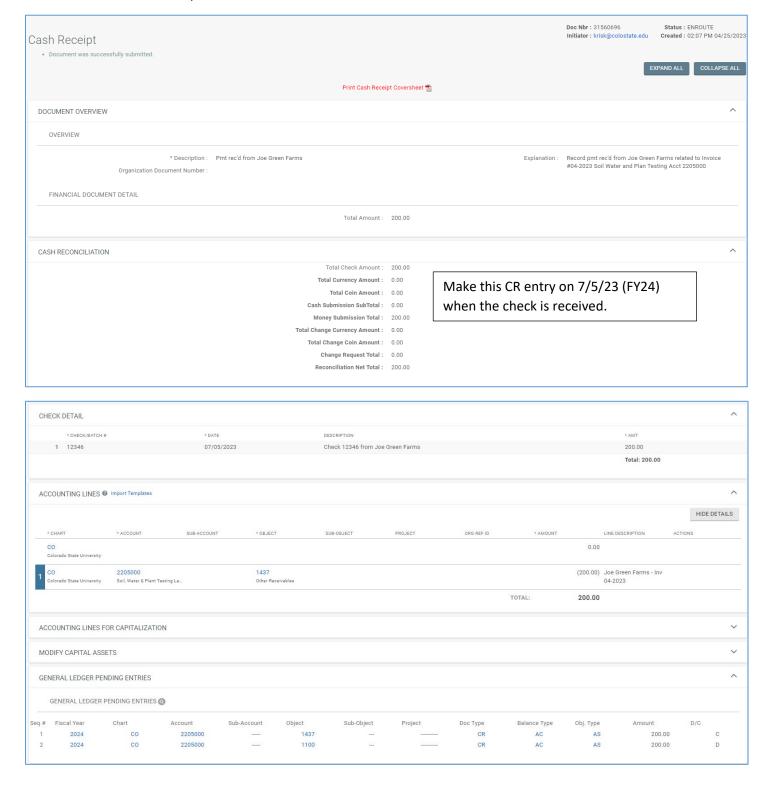
- Q1 What Fiscal Period (FP) and Fiscal Year (FY) should the revenue be recognized in?
- Q2 What document would be used to record the revenue and receivable?
- Q3 How would you record the receipt of \$200 from the customer on July 5th?
- **A1** The revenue is booked when the work is complete (when it is earned). Since the work is complete on 4/20/23 the revenue and receivable should be recorded in FP10 of FY23.
- **A2** An Adjustment Voucher document is used to book the revenue and to set up the receivable.



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SERVICE REVENUE ACCRUAL – EXAMPLE 1 CONTINUED...

A3 - Once the money is received from the customer on July 5th, complete a Cash Receipt (CR) document (cash or check) or a Distribution of Income and Expense (DI) document (if you receive a Credit Card pmt), and book it to OC1437, to clear the Receivable. Note: If the payment received is accidentally booked to revenue instead of OC1437, a General Ledger Transfer (GLT) will be needed since the revenue was already booked in April and a receivable was set up.

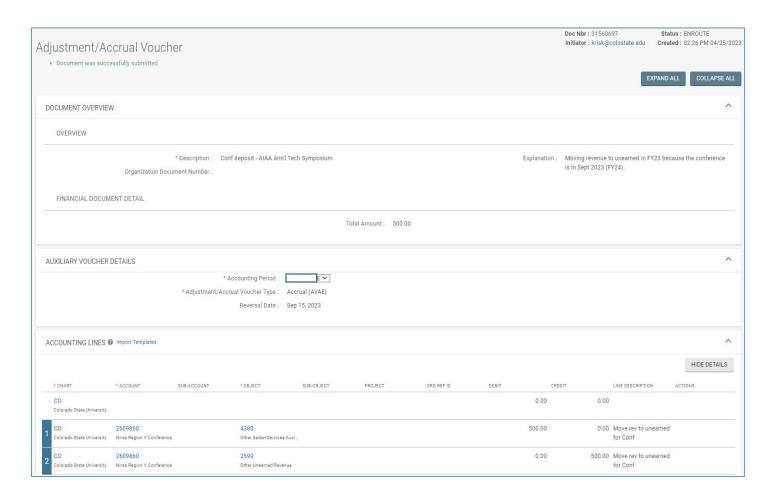


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CONFERENCE REVENUE ACCRUAL W/ REVERSAL – EXAMPLE #2

Account 2677800 received and booked a \$500 conference deposit to OC4380 on May 31st for the AIAA Technical Symposium to be held September 15, 2023. 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 FY24 since that is when the conference is being held (9/15/23) and is when the revenue will be earned.
- **A2** Since the revenue was already booked (when the deposit was made), you will do an Accrual Voucher in FY23 with a reversal date of 9/15/23 (FY24). The accrual will DR OC4380 to clear the revenue out of the current FY (FY23) and will CR OC2590 Other Unearned Revenue because it hasn't been earned yet. When the accrual automatically reverses on 9/15/23 (FY24), it will move the revenue from unearned to earned and the OC2590 liability will be cleared.
- **A3** OC2590 Other Unearned Revenue is a liability because the conference has not occurred yet. We owe them the conference that they paid for.

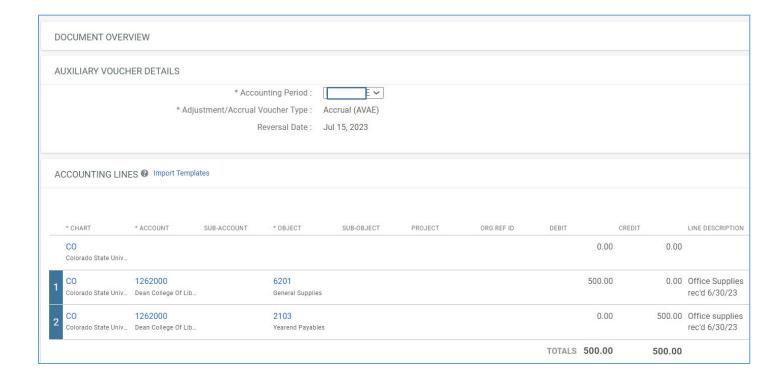


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EXPENSE / PAYABLE ACCRUAL – EXAMPLE #1

Account 1262000 ordered office supplies on June 20th in the amount of \$500 and the supplies were received 6/30/23. The vendor was paid on 7/15/23 (after FYE).

- Q1 What fiscal year should the expense be recorded in and why?
- Q2 What document should be used to book this expense?
- **A1** The expense should be recorded in FY23 because the supplies were received in FY23 (before 7/1/23); therefore, the expense was incurred in FY23.
- **A2** Book this on an Accrual Voucher in FY23 to Debit expense OC6201 and Credit Year End Payable OC2103. Set the auto reversal date in early FY24 so that when the DV or PREQ is processed in FY24 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, the OC6xxx expense or the YE Payable OC2103.

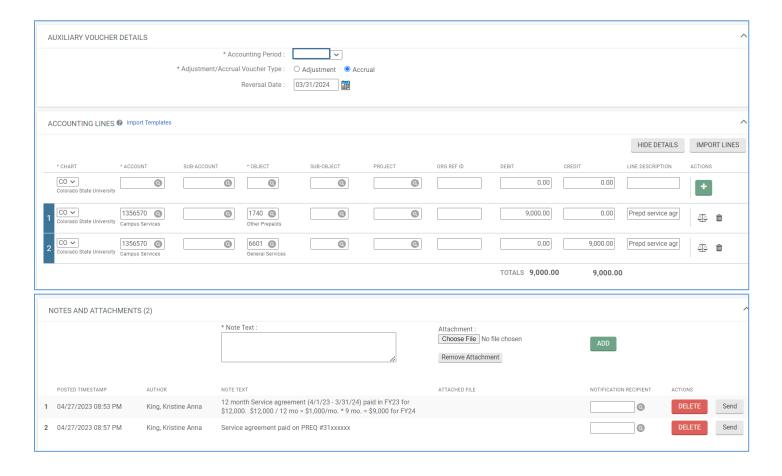


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PREPAID EXPENSE ACCRUAL w/ REVERSAL - EXAMPLE #2

Account 1356570 entered into a 12-month Service agreement in the amount of \$12,000 that runs 4/1/23 - 3/31/24. 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 is the Debit and Credit?
- A1 The expense is recognized in both FY23 and FY24: \$3,000 in FY23 and \$9,000 in FY24. (\$12,000/12mo. = \$1,000/mo. Three months of the contract is in FY23 (April June) and nine months of the contract is in FY24 (July March). 3 mo. x \$1,000 = \$3,000 for FY23 9 mo. x \$1,000 = \$9,000 for FY24
- A2 Since the full amount was booked to OC6601 in FY23 when the PREQ was paid, we need to create an Accrual Voucher with a reversal date in FY24 to record the FY24 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 FY24 so that the \$9,000 expense is recognized in FY24. Always include the calculation of the Prepaid in the notes as well as the KFS Doc # where the expense originated (PREQ, DV or PCDO).



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