
**GUIDELINES FOR COMPLETING INCOME AND
EXPENDITURE ACCRUAL AND DEFERRAL REPORTS**

- I. **INTRODUCTION**. Proper accounting practice for recording income and expense directs that for fiscal reporting purposes, the books of account reflect only income earned and related expenses incurred for goods and services actually delivered or performed during the fiscal period being reported. It is, therefore, necessary to record various entries to adjust General Ledger income and expense statements to reflect this situation. Managers are asked to review their end of May ledgers and monitor June activity (*using GL Inquiry, QDB or online financial system reports*) and submit the appropriate reports to Financial Management and Reporting to be used as the basis for making adjusting entries.

We have enumerated below the types of items to be reported and have provided sample situations to be used for reference. Complete details regarding the method used to compile the figures should be available in your files for University or external auditors, who may wish to audit the reports in detail.

II. **REVIEW OF EXPENDITURE LEDGER STATEMENTS**

- A. Expenditure Accruals Operating expense items (as distinguished from inventory or equipment) which have been received by June 30 but check requests or invoices have not yet been received by Accounts Payable by the deadline for the June 30 final ledger should be listed on **Form E**, Accrued Expense (Operating Expense Incurred but Not Recorded as Expense as of June 30). This is true even though the ledger reflects a valid encumbrance for the item.

Vendor invoices and check requests relating to current fiscal year must be received by Accounts Payable by the submission deadline in order to be processed in the current fiscal year. If invoices have not yet been received prior to the submission deadline, it may be necessary to contact the vendor in order to determine the cost to be accrued. Vendor invoices and check requests submitted after the cutoff date will be processed with accounting date in the next fiscal year (with the exception of select catalog vendors). Please refer to the Fiscal Close Calendar for submission deadlines.

Supplement III

Example: Word Processing Services provided by outside contractor through June 30, but invoice is not received until July 5.

UNIVERSITY OF CALIFORNIA, LOS ANGELES											FORM E	
Accrued Expense (Operating Expense Incurred but not Recorded as Expense as of June 30, 20XX)											Page ____ of ____	
L O C	Account	CC	Fund	Project	Fin. Class		Source	Description	Reference Number	Debit		Credit
					Sub	Object						
4	401073	3X	61022		03	3565		Insta – Type	1640X12345	184.00		
									Total			
Department: <u>Pediatrics – Biopsy Study</u>									Prepared By	S. Jones	Ext. 5XXXXX	Date: 7/5/XX
									Approved By			Date

***If the anticipated expense is a recharge from a campus service department or approved recharge unit, the expense should be handled as a recharge and not accrued.** If the recharge unit will not be able to meet the cutoff of June 30 for current fiscal year recharges, they should charge you based on an estimate, and adjust to actual in next fiscal year.

B. Expenditure Deferrals. Expenditure items recorded for current fiscal year that are costs incurred to earn income that will not be recorded in the ledger until the ensuing fiscal year should be listed on **Form F**, Deferred Expense (Operating Expenses Recorded as of June 30, but Applicable to Income to be Earned in next fiscal year).

Example: Printing and related cost for publications that will not be released for sale until the new fiscal year, but appear in the May expenditure ledger statement as an expense.

UNIVERSITY OF CALIFORNIA, LOS ANGELES											FORM F	
Deferred Expense (Operating Expense Recorded as of June 30, 20XX but Applicable to Income to be Earned in next fiscal year)											Page ____ of ____	
L O C	Account	CC	Fund	Project	Fin. Class		Source	Description	Reference Number	Debit		Credit
					Sub	Object						
4	602501		61050		03	6000		Hart Printing	5400X12345		350.00	
									Total			
Department: <u>Library Publication</u>									Prepared By	G. Dale	Ext. 5XXXXX	Date: 7/7/XX
									Approved By			Date:

Supplement III**III. REVIEW OF INCOME LEDGER STATEMENTS****A. Income Accruals**

Income Accounts should be reviewed for income items pertaining to goods or services completed and delivered to customers by June 30 but which will not be recorded as income earned on the June ledger. These items should be listed on **Form G**, Accrued Income (Income Earned but not Recorded as of June 30).

Example: Work was completed and delivered to customer on June 27, but the university invoice will not be recorded in the ledger until July 15.

UNIVERSITY OF CALIFORNIA, LOS ANGELES					<u>FORM G</u>	
Accrued Income (Income Earned but Not Recorded as of June 30, 20XX)					Page ___ of ___	
Department: VETERINARY			Approved: SANDI AGO			
Acct/CC/Fund: 4-266052-XX-66052			Date: JULY 5, 20XX			
	Order	Description	Date Goods Delivered	Customer	Amount	
1	1567	Rabies Test	June 27, 20XX	Dr. Martin	203	00
2						

Recharges for current year business must be recorded on the June preliminary ledger.

Recharge income cannot be accrued. If you are unable to determine the actual recharge amount, recharges should be submitted based on an estimate. Recharges should be prepared and processed in the new fiscal year to adjust the current fiscal year estimates to actual.

B. Income Deferrals

Income items recorded as of the June 30 preliminary ledger which represents payment for goods or services that will not be provided to customers until the next fiscal year should be listed on **Form H**, Deferred Income (Income Recorded as of June 30, but Will Not Be Earned until next fiscal year). If the payment recorded includes reimbursement for orders that have been partially delivered to customers, the amount recorded should be prorated between delivered and undelivered goods. The amount to be shown on **Form H** should reflect only the undelivered portion of the order.

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Example 1: Check for annual subscription to "Grass Roots" at a cost of \$30.00 (12 issues at \$2.50 each) received by mail in April. As of June 30, three issues have been mailed, nine are still undelivered.

Example 2: Order for annual subscription received on June 16, but the first publication to be mailed will be the July issue. However, the university invoice (non-BAR or BAR) has been recorded in the June ledger.

UNIVERSITY OF CALIFORNIA, LOS ANGELES Deferred Income (Income Recorded as of June 30, 20XX <u>but Will Not Be Earned until next fiscal year</u>						FORM H Page ___ of ___	
Department: Biology Acct/CC/Fund: 4-261032-XX-61032			Approved: MARINA DELREY Date: JULY 3, 20XX				
	Description	Date of Entry	Type Entry	Transaction Number	Amount		
1	Subscript/Research Labs	April 20XX	33	104321	22	50	
2	Subscript/Univ. of Wisconsin	June 20XX	50	12SBSA	30	00	