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 May 31 income and expense ledgers and monitor June activity *(using GL Inquiry, QDB or online financial system reports)* and submit the appropriate reports to General Accounting 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 sent to Accounts Payable 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, 2018). This is true even though the ledger reflects a valid encumbrance for the item.

**NOTE:** Vendor invoices and check requests relating to fiscal year 2017-18 must be received by that are received by Accounts Payable by 4:00 p.m. June 15, 2018 will be processed as 2017-18 business and appear on the preliminary ledger. Invoices incurred between June 1 – June 24, 2018 must be received by 10:00 a.m. June 25, 2018 in order to be processed for the prelim ledger. Vendor invoices and check requests received after the June 25 cutoff will be processed as 2018-19 business, and therefore may need to be accrued.

The BruinBuy system will be open through June 27, 2018 to process orders chargeable to June 2018. All orders and requisitions will post to the accounting period delineated by the **EFFECTIVE DATE.** The effective date will default to the current date unless over-ridden at time of entry. Departmental preparers should use a June effective date for any orders or requisitions for which invoices should be processed as 2017-18 business. The letter to BruinBuy users dated April 11, 2018 contains more detailed information regarding these deadlines.

If invoices have not yet been received, it may be necessary to contact the vendor in order to determine the cost to be accrued.
Example: Word Processing Services provided by outside contractor through June 30, 2018, but invoice is not received until July 15.

Supplement III

*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 8:00 p.m. June 29th for 2017-18 recharges, they should charge you based on an estimate, and adjust to actual in 2016-17.

B. Expenditure Deferrals. Expenditure items recorded for fiscal year 2017-18 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, 2018, but Applicable to Income to be Earned 2018-19).

Example: Printing and related cost for publications that will not be released for sale until after July 1, the beginning of the new fiscal year, but appear in the May 2018 expenditure ledger statement as an expense.
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, 2018).

**Example:** Work was completed and delivered to customer on June 27, 2018, but the university invoice will not be recorded in the ledger until July 2018.

<table>
<thead>
<tr>
<th>Order</th>
<th>Description</th>
<th>Date Goods Delivered</th>
<th>Customer</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rabies Test</td>
<td>June 27, 2018</td>
<td>Dr. Martin</td>
<td>203.00</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**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 2018-19 to adjust the 2017-18 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, 2018, but Will Not be Earned until 2018-19). 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.
Example 1: Check for annual subscription to “Grass Roots” at a cost of $30.00 (12 issues at $2.50 each) received by mail April 2018. As of June 30, 2018, three issues have been mailed, nine are still undelivered.

Example 2: Order for annual subscription received June 16, 2018, but the first publication to be mailed will be the July 2018 issue. However, the university invoice (non-BAR or BAR) has been recorded in the June 2018 ledger.

<table>
<thead>
<tr>
<th>Description</th>
<th>Date of Entry</th>
<th>Type Entry</th>
<th>Transaction Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Subscrip/Research Labs</td>
<td>April 2018</td>
<td>33</td>
<td>104321</td>
<td>22 50</td>
</tr>
<tr>
<td>2  Subscrip/Univ. of Wisconsin</td>
<td>June 2018</td>
<td>50</td>
<td>12SBSA</td>
<td>30 00</td>
</tr>
</tbody>
</table>