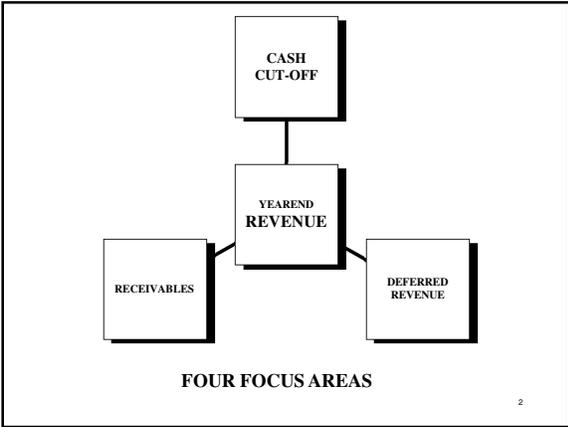


**Yearend Revenue
Accounting**

Presenter: Gary Morris 801-538-3371 gmorris@utah.gov

1



Objectives

- Correctly cut-off cash between fiscal years.
- To understand the yearend accrual needs for receivables and deferred revenue

3

2013 Yearend Revenue Training

State of Utah
Department of Administrative Services
Division of Finance
Fiscal Year 2013

Detailed Closing Instructions and Examples

<p>Page</p> <p>1 General Information</p> <p>1 JVYE Closing for Accruals and Deferrals</p> <p>10 Revenue, Receivables, and Cash Cut-off</p> <p>18 Deferred Revenue</p> <p>20 Old & New Year Payments</p> <p>20 Accrued Expenditures</p> <p>22 Prepaid Expenditures</p> <p>24 Closing Package Instructions</p> <p>37 Fiscal Yearend Leave Accounting Requirements</p>	<p>Location: www.finance.utah.gov > Financial Reporting section (under "Our Mission") > Meeting Recordings and Handouts > Budget and Accounting Officer Mtg Handouts > June 2013 > Detail Closing Instructions and Examples</p>
---	--

4

FINET On-Line Helps

The screenshot shows a web browser window with the URL 'http://www.finance.utah.gov/finet/help/cashandrev.htm'. The page title is 'FINET Help' and the breadcrumb trail is 'Home > Periodic Processes > Yearend Processes > FINET Accounting Yearend Processes > Cash and Revenues > Cash and Revenues'. The main heading is 'Cash and Revenues' with a sub-heading 'Important Questions'. Below this, there are two bullet points: 'In what fiscal year was the cash received?' and 'In what fiscal year was the revenue earned?'. Under 'Apply the Answers', it says 'Use the following table to determine how to correctly record a transaction.' A table titled 'Revenue Earned' is shown with columns for 'Revenue Earned Prior to July 1' and 'Revenue Earned After June 30'. The table has two rows: 'Treatment' and 'Examples'. The 'Treatment' row shows 'Old Year cash' and 'New Year revenue' for both periods. The 'Examples' row shows 'Old Year CB' and 'Deferred Revenue' for both periods. A 'Cash Received' section is partially visible at the bottom left.

TOP-NOTES

- **It is essential that cash be recorded in the correct fiscal year.** During closeout, FINET requires entry of fiscal year and accounting period.
- Agency **closing schedules are not considered complete until yearend bank reconciliations with no reconciling items are received.** (See Policies and Procedures FIACCT 19.01.01(6))

6

TOP-NOTES

- **Old Year CRs** - record as soon as possible but no later than **July 19, 2013**.
- **Old Year REs** - process or modify through **August 2, 2013**.
- **Old Year WOs** – will not process after July period 12 close in old year (pending or new WOs need to be New Year).

7

“CASH”

“EARNED REVENUE”

“RECEIVABLES”

“DEFERRED REVENUE”

8

CASH CUTOFF

CASH

- **Payments by currency, checks, or electronic transactions including credit or debit cards, electronic funds transfer, or any type of electronic payment.**

(See Detailed Closing Instructions & Examples p. 9)

9

CASH CUTOFF

Old Year Cash

- Received by an agency on or before the end of the day on June 30
- Regardless of when deposited in the bank
- Includes receipts in satellite offices or by personnel out in the field.
- For electronic transactions, transaction processed by your agency or on your agency's website.

New Year Cash

- Received on or after July 1

It is essential that cash be recorded in the correct fiscal year.

(See Detailed Closing Instructions & Examples p. 10)

10

REVENUES

EARNED REVENUE

When revenue is “earned” depends on what kind of revenue it is . . .

11

REVENUES

“Earned” Revenue

Exchange Transactions

Examples are licensing fees, inspection fees, and sales of publications.

Revenue is earned when the goods or services have been provided or license has been issued.

(See Detailed Closing Instructions & Examples p. 10)

12

REVENUES

“Earned” Revenue
Imposed Revenues

Examples are fines and forfeitures.

Revenue is earned when an **enforceable legal claim** exists.

(See Detailed Closing Instructions & Examples p. 10) 13

REVENUES

“Earned” Revenue
Federal grants, other grants, and donations

Revenue is earned when **all stipulations and eligibility requirements** made by the grantor or donor have been met.

(See Detailed Closing Instructions & Examples p. 10) 14

REVENUES

“Earned” Revenue
Taxes on earnings or consumption

Examples are sales taxes, personal and corporate income taxes, and motor fuel taxes.

Revenue is earned when the **underlying transaction takes place**, such as **when the income is earned or when the underlying goods or services are received or provided.**

(See Detailed Closing Instructions & Examples p. 10) 15

REVENUES

Old Year Revenue
Revenue “**earned**” by the end of the day on June 30, **regardless** of when the cash is received.

New Year Revenue
Revenue “**earned**” on or after July 1, **regardless** of when the cash is received.

(See Detailed Closing Instructions & Examples p. 10) 16

RECEIVABLES

RECEIVABLES

“Receivables are recorded when the State has rights to an asset that has not been received.”

“As a general rule, the recognition of receivables is tied to the recognition of revenue.”

(FIACCT 06-00.01) 17

DEFERRED REVENUE

Two types:
Unearned Deferred Revenues

- Monies or assets have been received before the revenue has been **earned**.
- The provider or legislation will not allow the monies or assets to be used until the next fiscal year.

Unavailable Deferred Revenues – Governmental funds
Revenue earned by June 30 but not expected to be collected until after mid-August (45 days after year end) or in the case of Federal revenues, not until after June 30, 2014.

(See Detailed Closing Instructions & Examples p. 18) 18

**Reminders & Guidelines for
the Close Out Process**

19

REVENUES, RECEIVABLES, and CASH CUTOFF

Receivable and Cash Receipt Policies

- The regular Federal cash management transaction dates apply at yearend:
 - If the RE is to a federal customer using a federal revenue code, the **transaction date** should be the date the funds were requested.
 - The **transaction date** on CR that references the RE should be the date the funds were received.

20

REVENUES, RECEIVABLES, and CASH CUTOFF

Old year CR, new year NSF – The yearend process is different:

If amount is less than \$20,000:

- In **new year**, process a **negative CR** to correct cash in **new year**.
- In **new year**, process an RE for the amount of the NSF plus the NSF service charge.

Why? Minimize changes to old year FINET cash balance.

If amount is \$20,000 or more – contact Gary Morris (801-538-3371).

(Use the normal NSF process if CR and NSF occur in the same year.)²¹

REVENUES, RECEIVABLES, and CASH CUTOFF

Receivable Policies

- At yearend only, for old year revenue that has been **earned, but cannot yet be billed** or for a new year CR or RE that **includes both old and new year revenue**
- Record the old year revenue on a JVYE document entered from an "Accounts Receivable" form (FI-61AR).

(See Detailed Closing Instructions & Examples p. 15)

22

DEFERRED REVENUE

Deferred Revenue Policies

- **All cash received by June 30 should be recorded in FINET as Old Year Cash.**
- If this cash includes New Year revenue, record this deferred revenue for new year on a JVYE document entered from a "Deferred Revenue" form (FI-61DR).

(See Detailed Closing Instructions & Examples p. 18)

23

PLEASE NOTE

Training for creating and entering a yearend JVYE type transaction is taught in a separate session

24

Examples

25

REVENUES, RECEIVABLES, and CASH CUTOFF

- **Important Questions**
 - In what fiscal year was the cash received?
 - In what fiscal year was the revenue earned?
- **Applying the Answers...**

26

Important Questions:

- **In what fiscal year was the cash received?**
- **In what fiscal year was the revenue earned?**

- An agency earns federal revenue on June 25. Because of the federal customer's billing requirements, a "draw down" request could not be made until June 30. The federal funds are received July 1.

(See Detailed Closing Instructions & Examples p. 13)

27

- Revenue earned Old Year. Record the revenue on an **Old Year** RE document with a transaction date of June 30 (**the date the federal funds were requested**).
- Payment received **New Year (July 1)**. Process a **New Year** CR document that references the RE with a transaction date of July 1 (**the date the federal funds were received**).

28

Important Questions:

- In what fiscal year was the cash received?
- In what fiscal year was the revenue earned?

- Labor Commission inspects a company's boiler on June 1. On June 29, the payment of \$250 is received and deposited. After 2 attempts at processing the check, the bank returns it as non-sufficient funds on July 7.

(See Detailed Closing Instructions & Examples p. 14)

29

Key: Old year CR (cash received June 29) but new year NSF

Only at yearend and NSF for less than \$20,000:

- In **new year**, process a **new negative CR** to correct cash in **new year**.
- In **new year**, process a **new RE** for the amount of the NSF plus the NSF service charge.

(Use the normal NSF process if CR and NSF occur in the same year.)

30

Important Questions:

- In what fiscal year was the cash received?
- In what fiscal year was the revenue earned?

Human Services bills on July 9 a customer for services that occurred between June 29 thru July 8. The customer pays the full amount on July 16.

New year cash BUT revenue earned in both years.

Use the "Accounts Receivable" form (FI-61AR) to accrue the old year (June 29 -30) portion of the billed revenue.

(See Detailed Closing Instructions & Examples p. 15)

31

Important Questions:

- In what fiscal year was the cash received?
- In what fiscal year was the revenue earned?

Natural Resources receives payments during June of \$25,000 for camping reservations for the week of July 4.

(See Detailed Closing Instructions & Examples p. 13 & 18)

32

- **Old Year Cash**
- **Revenue is earned new year** when the goods or services are provided (July 4).
- This is an unearned deferred revenue
- Record this deferred revenue at yearend on a JVYE document entered from a "Deferred Revenue" form (FI-61DR).

33

Unavailable Deferred Revenue example 1:

- An agency bills a non-Federal customer for services. When paid, it is recorded into the General Fund. In the past, this customer has routinely taken 60 days to pay. The June RE billing was sent June 21 and the agency expects collection about August 21.
- Because the agency does not expect collection until after mid-August (45 days after yearend), this is an unavailable deferred revenue.
- Contact Gary Morris at 801-538-3371.

(See Detailed Closing Instructions & Examples p. 18)

34

Unavailable Deferred Revenue example 2:

- Until yearend costs are accurately determined, an agency can't bill a non-Federal customer for services. When paid, it is recorded into the General Fund. The agency bills in late July and records old year revenue. Because of the late July billing, the agency expects collection after mid-August (more than 45 days after yearend).
- Because the agency does not expect collection until after mid-August, this is an unavailable deferred revenue.
- Contact Gary Morris at 801-538-3371.

(See Detailed Closing Instructions & Examples p. 18)

35

RE Exempt Agencies

- Summarize and record receivables and earned revenues as of June 30.
- Reconcile FINET to your receivable accounting system.
- Record old year receivable activity on an old year IDT.
- Record allowance for doubtful accounts as needed.
- Coordinate write-offs with OSDC.

36



FINET Help Desk
801-538-9690

37

In conclusion . . .
The two most important points

- **It is essential that cash be recorded in the correct fiscal year.** During closeout, FINET requires entry of fiscal year and accounting period.
- Agency **closing schedules are not considered complete until yearend bank reconciliations with no** reconciling items are received.
(See Policies and Procedures FIACCT 19.01.01(6))

38

Questions



39

