**Year-end Accruals**

Peoplesoft works as an accrual system, which means it recognizes expenditures and revenues when they are earned, rather than when they are paid. Invoices and Billings are entered in Peoplesoft until period 12 is closed. At that time, any unprocessed expenditures or revenues, for services provided prior to June 30th, will need to be accrued.

**Issue:**

Peoplesoft functionality is to create a journal entry to accrue to expenditures against a liability, marking the journal to reverse in the next year. Unfortunately, this creates the following issues:

* **Utilization of appropriations that are no longer valid in the new year**

The accrual journal is created in the current year, when reversed in the next fiscal year, the reversing journal may contain appropriation indexes that are no longer vaid. When the actual expense are entered, it also can no longer utilize the invalid appropriation index.

AFRS will not accept these closed appropriation indexes, which leads to errors in our reporting.

* **Grants**

When cost-collect grant expenditures are entered, either by voucher or journal entry, a cost-collection process happens which creates a journal entry to book revenue against a receivable (unbilled receivable). The process happens based on entry date, rather than accounting date. So, for any expenditures entered in July, even if they have an accounting date of June, the cost collect journal will recognize the revenue in the new year.

That means, any revenue recognized in the new year, for expendures 6/30 or prior, will have to be accrued into the correct fiscal year with a reversing journal (reversed in new fiscal year). If you accrue, reverse, and then re-enter your expenditures, this creates additional lines in your Proj/resource table for billing purposes.

**Recommended Solution:**

Any solution must ensure we meet the needs of our state reporting (AFRS) while also minimizing the workload impact on our colleges.

**Note:** When these instructions reference a “fixed” chartstring – The fund would be 146. The remaining chartstring would be a suspense department and class that will be locally determined by the each college.

**Expenses:**

Accrue journals for expenses should **(do not reverse this journal)**:

Debit Expense (5xx account), utilizing full chartstring for expense

Credit Internal Cash (1000199), utilizing full chartstring for expense

Debit Internal Cash (1000199), using **fixed** chartstring for accrual

Credit Accrued Liability (2001090), using **fixed** chartstring for accrual

When voucher is created, use Accrued Liability account with fixed chartstring.

Debit Accrued Liability (2001090), using **fixed** chartstring for accrual

Credit Accounts Payable Liability (2000010), using **fixed** chartstring for accrual

When the voucher is paid:

Debit Accounts Payable Liability (2000010), using **fixed** chartstring for accrual

Credit Cash (1000070), using **fixed** chartstring for accrual

Net results:

Debit Expense (5xx account), utilizing full chartstring for expense

Credit Internal Cash (1000199), utilizing full chartstring for expense

Debit Internal Cash (1000199), using **fixed** chartstring for accrual

Credit Cash (1000070), using **fixed** chartstring for accrual

In period 132 or 133, and Internal cash entry will be made to move all strings in 1000199 to 1000070. This will then leave:

Debit Expense (5xx account), utilizing full chartstring for expense

Credit 1000070, utilizing full chartstring for expense

If the accrual was done incorrectly, all adjustments would be made in the new year to reverse errored amounts.

To accrue “Due to” payables:

Note: this accrual journal should be reversing (**use the auto reverse feature – make sure to post at the same time the original journal is posted**). This should be done with a **fixed** chartstring.

Debit Accounts Payable (2000010)

Credit Due to payable (2012050)

**Revenue:**

Accrued journals for revenue should be reversing (**use the auto reverse feature – make sure to post at the same time the original journal is posted**):

For Cost Reimbursable Grants:

To account for the cost collection process happening in the wrong year:

Note: This is easier to identify if you hold back entering any 7/1 forward expenses until you close period 12. That way you can copy the CAPC journals rather than having to figure out what is/isn’t included in which period. This will not help with journals in your adjustment periods, but they are easier to identify.

CAPC

Debit unbilled receivable, with actual chartstring (1010050)

Credit Revenue, with actual chartstring (4xxxxxx)

Accural

Debit receivable, with actual chartstring (101xxxx)

Credit unbilled receivable, with actual chartstring (1010050)

For Fix Price grants or non-grant billing:

Debit receivable, with actual chartstring (1010xxx)

Credit Revenue, with actual chartstring (4xxxxxx)

To accrue “Due from” receivables: (fixed string)

For cost collect grants:

Debit due from receivable account (1010180)

Credit Accounts Receivable ST (1010020)

**VPA:**

Accrued journals for VPA billings should be reversing (**use the auto reverse feature – make sure to post at the same time the original journal is posted**), unless you post with AI. Then utilize the fixed string method above and don’t reverse):

Payroll (June 30):

Create the billing prior to the submodule closing – you want to include in current year. If you miss the closing date, you will want to accrue into current year.

Non-payroll VPA:

Follow VPA processing instructions for periods 12, 13, 131, and 132 (if applicable). Each of these should be accrued in current year.

**Warning:** Not accruing or entering VPA in June will cause issues with re-allocation in periods 132 and 133, which might leave fund balance in a state fund.