



It's Accrual World

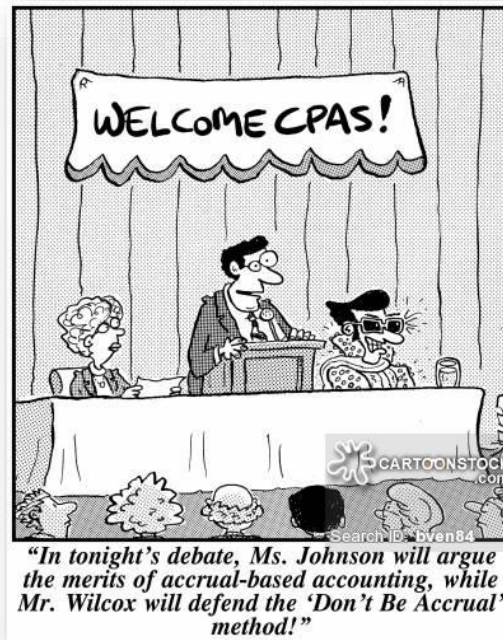
We'll get started soon...

Do you hear music playing?
If not, take a moment to adjust your audio settings



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It's Accrual World

June 18, 2020

Instructor Introductions

- ▶ **Leila McCamey, CPA**

- ▶ Associate Director – Systems, Tech Ops & Training
- ▶ University of Colorado Boulder



- ▶ **Emily Hawkins**

- ▶ FinPro Help Desk Training Consultant
- ▶ Office of University Controller





WE WILL SHARE A
RECORDING



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Webinar Format

- ▶ Ask questions using the Q&A feature
- ▶ Poll questions throughout
- ▶ **CPAs:** You must answer all poll questions and email cu.cpe@cu.edu to request credit for the live webinar.
- ▶ Let's start with a poll question ...



Poll Question

Which statement best describes you?

1. What's an accrual? It sounds painful.
2. I've processed a few, but didn't understand why.
3. I'm experienced, but could use a refresher.
4. I'm a pro and am here for the CPE credit



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Course Objectives

Today you will learn:

- ▶ What is an accrual?
- ▶ Why are accruals necessary?
- ▶ What gets accrued?
- ▶ Why are accruals reversed?
- ▶ What are the consequences of not accruing?
- ▶ What resources are available?



Accrual Basis of Accounting

For financial statements prepared in accordance with generally accepted accounting principles (GAAP):

- ▶ Transactions are recorded when they occur, irrespective of when actual cash is received or paid
- ▶ Revenues are recorded when earned, or when the government has the right to receive the revenue
- ▶ Expenses are recorded when incurred
- ▶ Matching principle attempts to place revenue and expenses in the same period



Barber Shop Revenue Example

- ▶ Cash basis

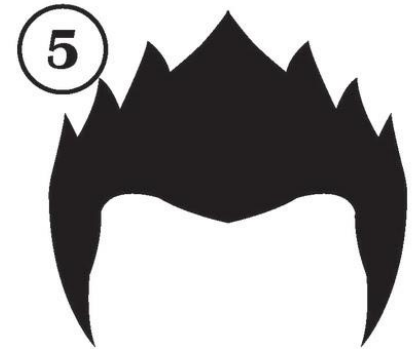
- Received $4 \times \$10 = \40

- ▶ DR Cash \$40
 - ▶ CR Revenue (\$40)

- ▶ Accrual basis

- Earned $5 \times \$10 = \50

- ▶ DR Cash \$40
 - ▶ DR Acct Receivable \$10
 - ▶ CR Revenue (\$50)



What are accruals?

- ▶ Accruals are end-of-period adjustments
- ▶ Journal entries to record revenue or expense (and related receivable or payable) in the proper period
- ▶ Many of CU's accruals are reversed, which allows our normal system processes to continue (such as procurement, CU-SIS, etc.)



Expense Accruals

▶ “Automated” Accruals

- ▶ CU Marketplace (purchase orders, payment vouchers)
- ▶ Concur (procurement card)
- ▶ HCM accruals (biweekly payroll)

▶ Manual Accruals

- ▶ Subcontractors (sub-awards)
- ▶ SPOs for goods/services received, but not yet invoiced
- ▶ Travel card expenses
- ▶ Centrally – OPEB, AMP, Comp Abs, Net Pension Liability, etc.

Deadlines? <https://www.cu.edu/controller/accounting-finance/fy-2020-year-end-processing-and-deadlines>



Why are Accruals Reversed?

- ▶ **Avoid double counting expenses**
 - ▶ Journal entry was created to accrue an expense in previous fiscal year
 - ▶ When the normal transaction cycle completes, a system-generated entry will also record that expense in current fiscal year
- ▶ **Not all accruals should be reversed**
 - ▶ OUC or campus–recorded liabilities
 - ▶ Recording revenue and accounts receivable



More About Accruals

- ▶ Accruals are not
 - ▶ Encumbrances (represent future commitments)
 - ▶ Used to budget/reconcile to budget
- ▶ Accruals must be supportable
 - ▶ Actual Invoice
 - ▶ Reasonable Estimate
 - ▶ Reasonable Methodology



Example 1

- ▶ John placed a \$100 order on June 24
 - ▶ Delivery on June 28
 - ▶ Invoice received and entered on July 9
 - ▶ Payment made July 11
- ▶ Fiscal year-end is June 30

When was the expense incurred? **June 28**

When was it paid? **July 11**



Example 1 – Journal Entries

John placed a \$100 order on June 24. The order was delivered on June 28. The invoice was received and entered on July 9. Payment was made on July 11.

June	July
<i>June 30: Accrual of expenses</i>	<i>July 9: Record invoice received</i>
DR Supplies Expense 100	DR Supplies Expense 100
CR Accounts Payable 100	CR Accounts Payable 100
	<i>July 11: Record payment</i>
	DR Accounts Payable 100
	CR Cash 100
	<i>July 1: Reverse YE accrual</i>
	DR Accounts Payable 100
	CR Supplies Expense 100



Example 2 – Sub-awards

On June 25, a department received an invoice from its subawardee on a research award for May expenses. The timing of the monthly invoice is usually consistent, i.e., invoice for June expenses should be received late July. Fiscal year-end is June 30.

- ▶ How should June's expenses be recorded?



Poll Question

- ▶ How should June's sub-award expenses be recorded?
 1. Contact the subawardee for an estimated invoice, then accrue the estimate
 2. Calculate and accrue the average monthly expense
 3. Wait until we receive June's invoice, then decide
 4. Do nothing, it's immaterial



How Manual Accruals Are Created & Reversed

- ▶ JE ID of ACCxxxxxx
- ▶ 6/30 date
 - ▶ Periods 996, 997, 998 are Adjusting Entries
- ▶ If set to auto-reverse, JE will automatically reverse with 7/1 date
- ▶ If not set to auto-reverse, OUC will reverse if 6/30 *and* the JE ID starts with ACC



FYE Accrual Journal Entry

Header	Lines	Totals	Errors	Approval
--------	-------	--------	--------	----------

Unit	UCOLO	Journal ID	ACCXXXXXX	Date	06/30/2020
------	-------	------------	-----------	------	------------

Long Description 220 characters remaining

*Ledger Group

Ledger

*Source

Reference Number

Journal Class

Transaction Code

SJE Type

Currency Defaults: USD / CRRNT / 1

Attachments (0)

Reversal: Do Not Generate Reversal

Entered By MCCA000708

Entered On

Last Updated On

Adjusting Entry

Fiscal Year 2020

Period 12

ADB Date 06/30/2020

☐ Auto Generate Lines

☐ Save Journal Incomplete Status

☐ Autobalance on 0 Amount Line

☐ CTA

Commitment Control

McCamey, Leila M

Journal Entry Reversal

Reversal

☒ Do Not Generate Reversal

☐ Beginning of Next Period

☐ End of Next Period

☐ Next Day



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Automated FYE Accruals

- ▶ **Payment Vouchers and Purchase Orders**
 - ▶ ACCAPMKT: Accrual of supplier invoices, including PO/SPO invoices and payment vouchers in the Marketplace
- ▶ **Procurement Card**
 - ▶ ACCESP: Accrual of Procurement Card expense reports plus unassigned procurement card expenses



Automated FYE Accruals

► Transactions in Marketplace

► Normal process:

1. Department creates requisition in Marketplace
2. Approved requisition creates a purchase order
3. Supplier delivers product/service
4. Department enters receipt in Marketplace (if PO >\$10K)
5. Supplier invoice received in Marketplace
6. Match process
 1. If PO < \$10K, 2-way match between PO and invoice
 2. If PO > \$10K, 3-way match between PO, invoice, and receipt
7. Successful match = “payable” status
8. Uploaded to PeopleSoft (DR expense, CR accounts payable)

Expense
incurred

Accrual
needed

Recorded
in GL



Automated FYE Accruals

► Transactions in Concur – Procurement Card

► Normal process:

- Expense incurred** {
 1. Procurement Card used for purchases by Department
 2. Bank processes Procurement Card transactions
- Accrual needed** {
 3. Transactions imported into Concur
 4. Transaction assigned to expense report by Department
 1. Allocated to Expense Type (Account Code)
 2. Allocated to ST
 5. Expense report submitted
 6. Expense report approved at all levels
- Recorded in GL** {
 7. JE upload (ESP) to PeopleSoft (DR expense, CR accounts payable)



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Automated FYE Accruals

ACCESP – 6/30 date, reversal 7/1

- ▶ Accrual of Procurement Card expense reports and unassigned Procurement Card expenses
- ▶ Accrual logic:

Procurement Card Charge Status	Unassigned	Assigned to Expense Report	Allocated
SpeedType	Default ST	Default ST	Allocated ST
Account Code	Defined by expense type, or 552601 if undefined	Defined by expense type, or 552601 if undefined	Assigned expense type (account code)



Poll Question

- ▶ Which of the following transactions will **not** be automatically accrued by the designated deadline?
 1. Procurement Card
 2. Paper forms (PA, SSP, NRI)
 3. PO invoices and Payment Vouchers
 4. They will all be automatically accrued



Consequences of Not Accruing

- ▶ Annual financial statements may be materially misstated
 - ▶ Liabilities and expenses under recorded
- ▶ Audit adjustment and/or comment
 - ▶ Search for unrecorded liabilities
 - ▶ Examine sample of payments made after YE, review underlying support
 - ▶ Errors are extrapolated



Key Dates – Close Dates FY20

2020	Campus Date	System Date
1 st Close – Period 12	July 6 (Monday)	July 7 (Tuesday)
2 nd Close – Period 996	July 13	July 14
3 rd Close – Period 997	July 20	July 21
Final Close – Period 998	n/a	varies



Key Dates and Resources

HOME | CONTROLLER | ACCOUNTING & FINANCE | 2020 FYE INFORMATION

FY 2020 Year-End Processing and Deadlines

- [Fiscal Year-End 2020: Posting, Payment, and Accrual Deadlines](#)
- [How to do an Accrual Journal Entry](#)
- What are accruals? What do they look like? Watch [FYE: An Accrual Example](#)
- [Understanding PO Encumbrances](#)

Campus FYE Town Halls

- [Colorado Springs](#) - Thursday, May 7, 2020 (9:30 a.m.)
- [Boulder](#) - Wednesday, June 3, 2020 (9:30 a.m.)

FY 2020 Year-End Calendar

- [Microsoft Excel Version](#) ◀ As of 5/1/20

NEED HELP?

Finance & Procurement Help Desk

- Email: FinProHelp@cu.edu
- Voice: 303.837.2161
- Manager: [Leslie Nittoli](#)

Finance & Procurement Help Chat

Start Chat Now



www.cu.edu/controller



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Other Resources

Your Campus Controller's Office

- ▶ Boulder: accounting@colorado.edu
- ▶ Colorado Springs: acctfinc@uccs.edu
- ▶ Denver | Anschutz: finance@ucdenver.edu



▶ Finance & Procurement Help Desk

- ▶ FinProHelp@cu.edu
- ▶ 303.837.2161



Recap

Today we talked about Accruals

- ▶ What and why
- ▶ Automatic versus manual
- ▶ Why and how to reverse
- ▶ Possible consequences of not accruing
- ▶ Resources



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Questions?

Do you have suggestions for new courses?
Submit them through the Q&A or email

cu.cpe@cu.edu



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Course Resources

The screenshot shows the University of Colorado website for CPE for CPAs. The header includes the University of Colorado logo and name, with locations: Boulder | Colorado Springs | Denver | Anschutz Medical Campus. A search icon is in the top right. Below the header is a navigation bar with links: About Us, News, Procedures, Forms, Accounting & Finance, m-Fin Reports, Training, CPE for CPAs (selected), I & E Awards, Help, and Contact. A dropdown menu is open under 'CPE for CPAs', listing: Program Overview, Course Catalog (highlighted), Instructor Biographies, Policies, Program Information, and Schedule & Registration. The main content area features a heading 'CPE for CPAs' and a subheading 'CPE is great for managers. Watch the video below to find out why.' Below this is a video player for 'CPE Commercial - Susan' with a play button. To the right, another video player for 'CPE Commercial - Mark' is partially visible. At the bottom, there are four buttons: Schedule & Registration, Course Catalog, Instructor Biographies, and Program Policies.

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CPE for CPAs

CPE is great for managers.
Watch the video below to find out why.

CPE Commercial - Susan

CPE Commercial - Mark

Program Overview
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Schedule & Registration Course Catalog Instructor Biographies Program Policies



CPE Credit

- Participating for CPE Credit?
Email cu.cpe@cu.edu



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Thank you!

cu.cpe@cu.edu

cu.edu/controller/course-catalog



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