

m-Fin How-to: Understanding PO Encumbrances ^[1]

Watch the video

Read the procedures

1. A Purchase Order encumbrance is the recording of a claim or commitment against University funds. On your financial reports, a PO encumbrance reminds you of this outstanding commitment by reducing the available balance of your SpeedType until the actual expense is payable and recorded.
2. Consider this example: Your office needs to order new tables and chairs for your conference room. So you submit a furniture requisition in CU Marketplace ... your PO is created ... and the order is placed with the supplier. At this point, the funds are encumbered. How does this impact your SpeedType's balances (encumbered, actual, and available)?
3. When your PO is created, the funds are encumbered. This decreases your SpeedType's available balance, but does not decrease its actual balance.
4. When the first invoice is received and/or approved (when it becomes payable), part of the PO's encumbrance is converted into an actual expense. Your SpeedType's encumbered and actual balances are both decreased by the amount of the invoice. Your available balance is not decreased because your available balance already understood there was a claim against the funds.
5. When the second invoice becomes payable, the remaining PO encumbrance is converted into an actual expense. At this point, your available and actual balances match again.
6. Want to see how these PO encumbrances and actual expenses look on your m-Fin Financial Detail report? PO encumbrance entries will show under the Encumb column, with a BAE (Budget, Actual, Encumbrance) Code beginning with EN. Your actual expense entries will show under the Actual column, with a BAE Code of ACTUALS.
7. Want to see a financial report that focuses *only* on encumbrances? You can run the m-Fin Outstanding Encumbrances report to see a list of encumbered POs and their current encumbrance amounts for a specific SpeedType.

Have a question or feedback?

Questions & Feedback ^[2]

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[1] <https://www.cu.edu/controller/m-fin-how-understanding-po-encumbrances>

[2] <https://www.cu.edu/controller/forms/questions-feedback-0>