PREPAID TRANSACTIONS IN PEOPLESOF

If you have questions about information in this user guide, please e-mail the Disbursement Center or Purchasing Services.

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Background

It is sometimes necessary to make a purchase or a payment in one fiscal year for goods or services which must be accounted for in the next fiscal year.

This document discusses how to:
- Determine the correct fiscal year for a purchase
- Initiate a purchase in the old fiscal year
- Prepare the correcting entry in the new fiscal year

All of these transactions ensure that expenses are appropriately reflected in the annual financial report.

Definitions:

Prepaid Expenses or Deferred Charges - Costs which are incurred in the current year for future year's activities are recorded as an asset (prepaid expense) and amortized over the periods to which the charges relate. Examples are: rent paid in advance, subscriptions for the new year, or payments in the current year for software licenses for the next year.

Unearned (Deferred) Revenue - Payments received by UVM for services rendered in a future fiscal year are recorded as a liability (unearned revenue) in the current fiscal year. The liability is eliminated and the revenue recognized in the year the service is provided. Examples are tuition for summer session courses taught in July & August, fees received in May or June, advance sale of athletic tickets for future year's season, and fixed price grants when the money is received up front and revenue is recognized as expenses are incurred.

Purchases for the New Year

Requisitions

Requisitions for goods that relate to a new year activity must use a prepaid category on the requisition. This will charge a prepaid account (13xxx) in the general ledger. The function code must be 000, or the requisition will fail budget checking.

If the invoice is paid in the old fiscal year, the requester must then prepare a journal in the new fiscal year to move the payment from the prepaid account and function 000 to an appropriate expense account and function.

If the invoice was not paid in the old fiscal, the purchase order will be cancelled. A new requisition will need to be created in the new fiscal year to an appropriate expense account.

Some examples of requisitions on prepaid categories are new fiscal year rent, insurance, and software licenses. Routine purchases like supplies made in the current year that may also be used in later years should not use a prepaid category unless the amounts to be used in the future year are specifically designated for a new fiscal year program.
Purchasing Card (PurCard)

Purchases made on the Purchasing Card for future year activity must be put on a prepaid account (13xxx) and function 000 when the journal is reallocated in the old fiscal year. The cardholder or proxy must then prepare a journal in the new fiscal year to move the payment from the prepaid account and function 000 to an appropriate expense account and function.

Some examples of old year PurCard transactions that need to be allocated to prepaid accounts are registration fees and airfare for conferences held in the new fiscal year. These should be allocated to account 13102 PurCard Travel in the old year.

Find Prepaid Expenses

Closeout Report
The Closeout Report can be used to find prepaid transactions from the prior fiscal year which need to be moved to the correct account in the current fiscal year. This report can be used for both projects and general fund chartstrings.

Section 4F. Vouchers in Progress displays an Alert line if there are prepaid vouchers which need to be corrected. Below is a screen shot taken from that report:

```
4F. All Vouchers are completed for the selected parameters.

4F1. Alert: There are balances in these accounts.

13001 Pre-Paid Exp - General 01 30200 100 100001 000 0000 0000 0000 240.00
13001 Pre-Paid Exp - General 01 30200 100 100001 000 0550 0000 0000 85.00
13001 Pre-Paid Exp - General 01 30200 100 100001 000 0552 0587 0000 1,075.00
13001 Pre-Paid Exp - General 01 30200 100 100001 000 0550 0000 0000 750.00
13102 Pre-Paid Exp - Purcard Travel 01 30200 100 100001 000 0000 0361 0000 607.80
13102 Pre-Paid Exp - Purcard Travel 01 30200 100 100001 000 0550 0000 0000 195.00
```

For help running the Closeout Report, consult:

PeopleSoft Drill Down
The General Ledger screens in PeopleSoft are also useful in reviewing accounting information, particularly prepaid accounts. This example is for an FY 10 prepaid transaction.

Using the PeopleSoft Drill Down
1. Log into PeopleSoft Financials [https://www.uvm.edu/~erp/portal/](https://www.uvm.edu/~erp/portal/)
2. Navigate to: General Ledger > Review Financial Information >Ledger
3. If you have already created an Inquiry Name, skip to Step 8. Otherwise, click Add a New Value to create a new inquiry name.
4. Click **Add**.

5. Enter the following in the Ledger Criteria
   - Unit (always UVM01)
   - Ledger (always Actuals)
   - Fiscal Year
   - From Period
   - To Period
   - Show Transaction Detail check box

6. Enter the following in the Chartfield Criteria
   - Account (13xxx)
   - Department, Project or Program (as needed)
   - Sum By check box

7. Click **Save**.
8. Click **Search**.

9. The ledger summary is displayed. By selecting any hyperlink for Activity or Detail, one can drill to the source information.
10. In this example below, the Activity hyperlink for Period 9 was selected. Transactions are displayed on the Transaction Details page. Additional details, including the full chartstring, can be reviewed by following the Journal ID hyperlink. In this example, there is one prepaid transaction in FY 10 for the department 30200. **Note:** To change criteria, press the Inquiry Criteria hyperlink.

![Ledger Inquiry Transaction Details](image)

11. Click the hyperlink for **Journal ID AP00096310** to display information about a voucher which was paid on the Journal Inquiry Details page.

![Journal Inquiry Journal Inquiry Details](image)
12. To change criteria, click the Inquiry Criteria hyperlink.

**Note:** To go back one screen to the Transaction Detail, press the Transaction Detail hyperlink. Click **View All** in header, i.e. Journal Line, to see all returned results (if necessary).

13. To find additional information about this voucher, click the **Drill to Source icon**. A new window will open to display the following Drill to Source screen.
14. Select the **Voucher ID** hyperlink. A new window will open to display the Voucher Accounting Entries, including the voucher number, invoice number, vendor name, and invoice description.

15. To view a purchasing card transaction, click **Inquiry Criteria**, and select the checkbox **Show Transaction Details** and perform another search.
16. On the Transaction Details page, select the **Journal ID hyperlink** P089635-51. The following Journal Inquiry Details page will be displayed.

17. Notice that the purchasing card journal information is displayed, including the vendor name in the Line Description field.

**Correct Prepaid Accounts**

Prepare correcting journals only in the new fiscal, crediting the prepaid account and function 000, offsetting with a debit to the correct expense account and function where the expense should be charged.
In the example below, Period 0 for $90.00 brought forward prepaid expenses from FY 09. These expenses were corrected in Period 6 ($50.00) and Period 8 ($40.00) in FY 10, bringing the Year to Date Balance to $0 in Period 8.

### Helpful Links

**Relevant UVM Departments**

- **Disbursement Center** - for questions on corrected prepaid expense or unearned revenue transactions
- **Purchasing Services** – for questions relating to requisitions and purchase orders