Guiding Principles and Acceptable Methods for Processing Non-Sponsored, Non-Student Billing & Accounts Receivable

Any University department that has an arrangement with an external customer which results in the generation of income from providing services or sales or is for a reimbursement of costs incurred, must record amounts due as accounts receivable in the General Ledger (GL). The following principles will help guide you in determining how, when and what to record for your billing activities:

1. Accounts Receivable must be booked when services are rendered, sales are made or costs are incurred;
2. Accounts Receivable must be specific to an individual customer;
3. Accounts Receivable must be supported by back-up documentation including an invoice or agreement showing amounts due, payment terms, customer, etc.;
4. Accounts Receivable must be promptly collected upon and aged.

There are two acceptable ways to record accounts receivable:

1. Preparing General Ledger journals in the accounting system directly for activity not required to go through the Billing and Accounts Receivable modules;
2. Preparing invoices through the PeopleSoft Billing (BI) module and monitoring customer activity through the Accounts Receivable (AR) module. Using these modules will automatically update the General Ledger.

Which method your department should use is based on a combination of customer history, volume, frequency and dollar value. On average, the following criteria apply. If you have specific considerations or exceptions to the below criteria, please request them from Financial Reporting and Accounting Services. (FRAS).

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Handling of Billing, AR</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your customer has previously been billed through the Billing Module (even if by another department)*</td>
<td>Billing and Accounts Receivable needs to be recorded within the Billing module</td>
<td>The customer history needs to be complete and transparent for all receivables.</td>
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<tr>
<td>You have a customer with a high likelihood of non-payment</td>
<td>Billing and Accounts Receivable needs to be recorded within the Billing module</td>
<td>The customer history needs to be complete and transparent for all receivables.</td>
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<td>You bill your customer frequently or send several invoices per year, regardless of dollar value</td>
<td>Billing and Accounts Receivable needs to be recorded within the Billing module</td>
<td>Frequent billing requires monitoring and maintenance of customer’s accounts within the Accounts Receivable module</td>
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<td>You bill your customer large dollar values per year, regardless of the number of invoices</td>
<td>Billing and Accounts Receivable needs to be recorded within the Billing module</td>
<td>Large dollar value billing requires monitoring and maintenance of customer’s accounts within the Accounts Receivable module</td>
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*Note, you should ask Financial Reporting and Accounting Services if you are unsure if your customer has been billed through the Billing system in the past.*

**Processing Billing & Accounts Receivable via Journal Entry**

The process for entering billing and accounts receivable activity via journal entry should be limited to non-recurring customers, infrequent, low dollar value or low volume transactions. Pre-requisite: Access and training in preparing journal entries in PeopleSoft General Ledger.

Create a detailed customer invoice. Ensure that the invoice header clearly references:

- The University of Vermont
- Your department’s complete mailing address, and phone number.
- The invoice must state that the check is payable to UVM or the University of Vermont and mailed to your department per the Endorsement guidelines in the [Securing and Depositing of Cash Receipts University Operating Procedure](#).
- Good or service provided
- Invoice number (if at all possible, maybe the invoice number the General Ledger Journal ID)
- Due date
- Dollar amount
- Net terms: never greater than 30 days

An approved invoice template can be found on the [Financial Reporting and Accounting Services website](#).

Create a PeopleSoft journal. (Note: For assistance creating a journal entry, refer to the [Journal Entries User Guide](#)) It must contain the following:

- Journal header description must contain the invoice number, customer name, goods or services provided
- Journal class on the header tab is AR
- Journal line description must contain the customer name
- Debit (+ entry) AR Account 11450, function 000 and credit (- entry) the departmental account (i.e., 4xxxx, 6xxxx)
  - Some things to remember:
    - i. Because you are billing an external entity, you should not use Internal Charge (IC) accounts
    - ii. If you are requesting a reimbursement of internal expenses (80xxx), your entry should not credit the expense account but rather credit a revenue account
    - iii. You will be unable to credit sponsored project (GCA01 projects). The ability to record billing and accounts receivable transactions within the General Ledger is limited to external customers for non-sponsored activity
iv. You may credit gift or endowment chartstrings for a reimbursement of expense, after consulting with Financial Reporting and Accounting Services. At no time can you credit a gift or endowment chartstring for revenue.

- The rest of the chartstring for both lines is the departmental chartstring.
- Reference number is the invoice due date (mm/dd/yyyy). It is important this is properly formatted to perform aging on unpaid invoices at a later time.

**Payments Received for Receivables Booked via Journal Entry**

If your billing activity is processed in the General Ledger via journal entry, you will record subsequent payment against the AR created. When payment arrives, use standard cash transmittal sheet to credit the AR account chartstring (11450, function 000). Reference the journal entry ID associated with the customer invoice.

You can find your Accounts Receivable transactions by running the UV_GL_JRNL_INQUIRY_CF_DESCRS query by account 11450 and the rest of your chartstring. This query will bring in the journal class, header description, line reference and line description, all of which contain information pertinent to the customer, invoice, due date, etc.

**Past Due, Delinquent and Uncollectable Invoices**

When using the General Ledger to book your receivables, aging must be done manually to determine which customers have past due, delinquent or uncollectable invoices. Definitions and time thresholds of what constitutes “past due”, “delinquent” and “uncollectable” invoices can be found in the University Operating Procedure. The department must age their receivable balances from the General Ledger and promptly perform collections with their customers at the time the balances become past due. In the event a receivable is outstanding 120 days or more, it may be considered uncollectable and the General Ledger transaction will be written off as bad debt to the department’s chartstring.