

UNIVERSITY OF CALIFORNIA, RIVERSIDE
ACCOUNTING SERVICES
SELF SUPPORTING OPERATIONS FISCAL YEAR END CLOSING
April 27, 2011

What is Fiscal Year Closing?

At the department level it is the process of closing the financial records for the year, so that the financial condition (profit or loss) can be measured at a given point in time. In UCR's case it is at June 30, fiscal year end.

The main objective of fiscal year closing is to ensure all the financial records are in a **reportable condition**, so that financial statements can be prepared with accurate and complete information in order for conclusions and decisions to be made based on these financial statements will lead to successful outcomes. An additional objective at year end is to prepare budget adjustments (BEA's) to cover (& explain) budget versus actual variances, and close out (zero) the expenditures and income accounts to clear them for next fiscal year's data, and move the financial balances into BC75 (unallocated).

What is a **reportable condition**? Financial records should be in accordance with Generally Accepted Accounting Principles (GAAP), UC and UCR policies, and relevant state, federal, and other funding agency policies. All the expenses and revenues to run your department for that fiscal year are recorded **accurately** and **completely** in the appropriate FAU values. All ledgers have been reviewed for completeness, correctness, and reconciled for accuracy. Capital type expenses (e.g. inventorial equipment purchases if you depreciate, facilities renovations) are appropriately recorded in funds **OTHER** than the operating fund (e.g. asset acquisition fund).

Remember the Matching Principal. Expenses are recorded in the year incurred to produce revenue (rather than merely the year the check was produced to pay for the expense). Revenues are reported in the year earned (rather than year received). Adjusting entries (e.g., accruals and deferrals) are used at year end to match revenues with the expenses incurred to generate that revenue within the same fiscal year.

SELF-SUPPORTING OPERATIONS CLOSING INSTRUCTIONS

The following is a supplement to the procedures and cutoff dates outlined in the 2010/2011 Fiscal Closing Letter posted at <http://www.accounting.ucr.edu/>. **Please refer to the 2010/2011 Fiscal Closing Letter for procedures and important deadline dates.**

One important note, **please** reconcile your May ledgers and have these corrections going into your June ledgers. All previous months corrections should have been done and reflect on your May ledgers. Reconcile your June activity throughout the month of June to ensure that all expenses and income for the month of **June** are complete and accurately recorded in the ledger. This can be done daily. Coordinate correction of errors or omissions with Accounting. (There is

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a sample of how one can reconcile May through June's ledgers available at <http://www.accounting.ucr.edu/general.htm>).

Accruals, Deferrals, and Inventory forms will be submitted to Accounting via e-mail to Jerry Monahan (jerry.monahan@ucr.edu). The department will retain supportive detailed documents for their accruals and deferrals. Your Organizational CFO will give instructions on the routing of the forms before being submitted to Accounting. Materiality thresholds should be used when processing Accruals and Deferrals.

The following guideline is to be used in determining Materiality.

- \$1,000 when combined gross revenues range from \$5,000 up to \$50,000.
- \$2,500 when combined gross revenues range from \$50,000 and up to \$250,000
- \$5,000 when combined gross revenues are greater than \$250,000

Combined gross revenues include internal and external revenue sources.

ACCRUAL OF EXPENSE

REVIEW ENCUMBRANCES.

To begin the process of determining accounts payable items to accrue, review encumbrances appearing on the June ledger prior to 7/01/2011 and identify if the related goods or services have been received by June 30th. If payment has yet to be recorded in the FY 2010/2011 ledgers as an **expense**, accrue the expense using the **Accrual of Expense Form**. E-mail the forms to Jerry Monahan in the Accounting Office no later than 5:00PM on July 6, 2011.

REVIEW OUTSTANDING PAYROLL COSTS.

Determine if **additional** employee pay for June needs to be accrued. Prepare the **Accrual of Expense Form** and e-mail to Jerry Monahan in the Accounting Office by 5:00PM on July 6, 2011. This type of requests will be reviewed by the Payroll section. Payroll will determine the appropriate expenditure accounts to record the payroll accrual.

REVIEW AMOUNTS DUE TO OTHER ON-CAMPUS DEPARTMENTS.

Check if other campus self-supporting enterprises (e.g. Printing, Physical Plant) have billed your department for all services/products received during the year. If a self-supporting enterprise has not billed your department, please contact them to make sure they accrue the expense. Those departments will use the **Accrual of Internal/Recharge Income Form** (see below) and e-mail to Jerry Monahan in the Accounting Office by 5:00PM on July 6, 2011.

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PURCHASE ORDERS, BLANKET ORDERS, FORM 5's.

Review all outstanding (yet to be paid) purchase orders, blanket orders, and Form 5's. If the goods or service orders have been received by June 30th, but the transaction is not shown as an **expenditure** on the June 30th ledger, accrue the expense. Consider materiality when accruing. Complete the **Accrual of Expense Form** and e-mail to Jerry Monahan in the Accounting Office by 5:00PM on July 6, 2011. **NOTE: If the accrual involves an equipment item with a cost of \$5,000 or more, prepare on a separate accrual form and e-mail to Jerry Monahan in Accounting by 5:00PM on July 6, 2011.**

Examples of goods and services you may accrue:

Space rental	Equipment repair costs
Temp employment services	Equipment rental/lease
Utilities	Consultant payments
Property insurance expenses	Memberships
Intercampus recharges	

ACCRUAL OF INTERNAL INCOME/RECHARGE (Only for Self-Supporting Units)

Review your June 30th ledgers as of July 1st and determine if revenue earned is not reflected on your FY 2010/2011 ledgers. If an accrual is necessary, complete the **Accrual Internal/Recharge Income Form** and e-mail to Jerry Monahan in the Accounting Office by 5:00PM on Friday, July 6, 2011. A credit will be posted to the recharge revenue account, R99999/fund/activity/function and a debit will be posted to the FAU of the department that received the services (Account, Activity, Fund, Function, Cost Center and Project Code). **Remember** these entries must be for services performed in 2010/2011. Please coordinate this type of accrual with the department being charged to avoid duplicate accruals. Also, remember to include the accrued recharge in the July 2011 journal feed, because it needs to offset the reversal of the accrual posted on July 1.

ACCRUAL OF EXTERNAL INCOME (Primarily Self-Supporting Units)

Review your June 30th ledgers as of July 1st and determine if revenue is not reflected on your FY2010/2011 ledgers. If an accrual is necessary, complete the **Accrual of External Income Form** and e-mail to Jerry Monahan in the Accounting Office by 5:00PM on Friday, July 6, 2011. A credit will be posted to the revenue account/fund/activity/function and a debit will be posted to account 116730 using the same fund number. **Remember** these entries must be for services performed in FY 2010/2011.

DEFERAL OF EXTERNAL INCOME (Primarily Self-Supporting Units)

If external revenue is recorded in the June 30th ledger that is actually income for goods or services to be provided in fiscal year 2011/2012, the income should be deferred to 2011/2012. Complete the **Deferral of External Income Form** and e-mail to Jerry Monahan in the

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Accounting Office by 5:00PM on Friday, July 6, 2011. **NOTE – Recharge activity should not be billed before services are performed.**

ENDING INVENTORY

On or near June 30th, count the inventory on hand (i.e., inventory purchased on the operating fund that will be held for resale or be used in the production process in FY 2011/2012). Ensure that the inventory count is segregated by FAU. In other words, inventory purchased on different FAUs can **not** be lumped together in the accrual journal. Rather, the value of inventory purchased on each FAU must be separately determined and credited on the accrual journal. Determine the purchase cost of this ending inventory and the FAU combination which it was purchased by tracing back to purchase orders, invoices, etc.

Retain the supporting documentation in the department to support the various inventory components and values. Complete the Inventory Accrual Form and e-mail to Jerry Monahan in the Accounting Office by 5:00PM on Friday, July 6, 2011.

When determining the purchase cost of the ending inventory, make sure the cost has been recorded as an **expense** in the current year (either as a current year expenditure, accrual, or beginning inventory cost) on the operating fund number where the ending inventory value will be recorded.

The ending inventory value will be recorded as a credit in the operating FAU and will thus reduce the total expense for the year. The offsetting debit will be to an Inventory balance sheet account (114XXX) using the operating fund number.

PREPAID EXPENSES

Review your June 30th ledgers as of July 1st and determine if any expenses recorded in FY 2010/2011 will not generate revenue until FY 2011/2012. Complete the **Deferral of Prepaid Expense Form** and e-mail to Jerry Monahan in the Accounting Office by 5:00PM on Friday, July 6, 2011. A credit will be posted to the specified account/fund/activity/function and a debit will post to a balance sheet account (114XXX) with the same fund.

MISCELLANEOUS

If there are any capital equipment expenditures recorded on the operating fund, prepare a cost transfer to move the expense to the asset acquisition fund or the renewal and replacement fund by June 30th. Equipment purchases generally should not be made from the operating fund for Service and Auxiliary Enterprises. NCTs for 6/30/2011 need to be completed and ready to post on July 6, 2011.

FISCAL CLOSING SPREADSHEET AND TRANSFER OF FUNDS TO CLOSE ACCOUTS/FUNDS/SUBS

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Keep track of each financial or budgetary transaction relating to the 2010/2011 fiscal year that is done after 7/01/2011. UCRFS standard reports and UCRFS Totals will reflect current activity through the end of the previous business day. Note: at year end, due to the volume of transactions, reports and inquiries being processed, the system's performance may be adversely affected.

The Fiscal Closing Spreadsheet is an effective tool for tracking and logging adjustments between July 1 and July 6, 2011. The closing spreadsheet computes the balances for each Budget Category, Activity, Fund, and Function taking into account the adjusting transactions you log. This will help you complete the necessary BEA to zero out (close) each of the **Budget Categories** on the operating fund, and transfer the residual (i.e., profit or loss) to the **Unallocated Budget Category-BC75** (Prior Year's Balance). Remember the last day to process a BEA for FY2010/2011 is July 6, 2011.

Explain what you are doing in the **Header Description** and **Journal Line Description** field on the **BEA**. This will give the PAN reviewer a good explanation of what is being done and why the budgetary adjustment is necessary.

Examples:

Header Description

1. Recharge (internal) income higher than budgeted due to unanticipated 30% rise in customer demand for typesetting service.
2. Maintenance costs higher than projected due to unanticipated \$10K major repair on typesetter equipment.

Journal Line Description

1. 30% rise in typesetting service
2. \$10K typesetter equip repair

ANNUAL TRANSFER FROM OPERATIONS TO ASSET ACQUISITION OR RESERVE FOR EQUIPMENT

Beginning July 1, 2009, Accounting no longer processed the monthly charge to operating funds for equipment "depreciation". This charge was subsequently reclassified at year end as a fund transfer to the asset acquisition fund.

To streamline the process, Sales and Service and Auxiliary enterprises are now required to request a year-end transfer of funds from Operations to either an Asset Acquisition or Reserve Fund to cover the cost of capital equipment already purchased or to set aside funding for the future purchase of capital equipment per Campus Policies 300-66 and 300-66B.

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Please refer to “Service & Aux Enterprise YE Transfer of Funds” located under “Forms” at <http://www.accounting.ucr.edu/>. E-mail the year-end transfer of funds request to Jerry Monahan (jerry.monahan@ucr.edu) by 5pm on June 15, 2010 for posting to the Period 12-FY2010/2011 ledgers.

DATES TO REMEMBER FOR CLOSING

Ensure completion of current year ledger reconciliations.

Resolve all outstanding reconciling items on the current year 2010/11 ledgers the end of May

Reconcile May Ledgers by June 25th.

If you are using the Fiscal Closing spreadsheet, you can enter expected June activity in the May spreadsheet to reflect June ending balances.

In June, begin reconciliation of June Ledgers.

July 1st to July 6th – Continue to reconcile your June Ledgers. Use the Fiscal Closing spreadsheet if needed. Add transactions (Accruals, Deferrals, Inventory) that should be reflected on your final ledgers.

See the 2010/2011 Fiscal Closing Letter for important deadline dates. It is available at <http://www.accounting.ucr.edu/>