

UNIVERSITY OF CALIFORNIA, RIVERSIDE
ACCOUNTING SERVICES
SELF SUPPORTING OPERATIONS FISCAL YEAR END CLOSING
April 14, 2009

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 2008/09 Fiscal Closing Letter posted at <http://www.accounting.ucr.edu/>. **Please refer to the 2008/09 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. To begin the process of determining accounts payable items to accrue, review encumbrances appearing on the June ledger prior to 7/01/09 and identify if the related goods or services have been received by June 30th. If payment has yet to be recorded in the FY 2008/09 ledgers as an **expense**, accrue the expense using the **Accrual of Expense Form**. Send to Accounting by 5:00PM July 6, 2009. If you can do some of these steps before the July 6th deadline it would be very helpful to the Accounting Office.

REVIEW OUTSTANDING PAYROLL COSTS.

Determine if **additional** employee pay for June needs to be accrued. Prepare the **Accrual of Expense Form** and submit to Accounting by 5:00PM July 6, 2009. This will have to be reviewed by the Payroll section of the Accounting Office. Payroll will use 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 send to Accounting by 5:00PM July 6, 2009.

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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. Use the **Accrual of Expense Form** and send to Accounting by 5:00PM July 6, 2009. **NOTE: If the accrual involves an equipment item with a cost of \$5,000 or more, prepare on a separate accrual form and send it to Christina Gidley (Christina.gidley@ucr.edu) in Accounting by 5:00PM July 6, 2009.**

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 revenue that is not reflected on your ledgers that effect fiscal year 2008/09. Use the **Accrual Internal/Recharge Income Form** and send to Accounting by 5:00PM Friday July 6, 2009, so the revenue will appear on your ledgers. You will credit revenue account, R99999/fund/activity/function and debit 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 2008/09. 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 2009 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 revenue that is not reflected on your ledgers that effect fiscal year 2008/09. Use the **Accrual of External Income Form** and send to Accounting by 5:00PM July 6, 2009, so the revenue will appear on your ledgers. You will credit your revenue account/fund/activity/function and the debit will post to account 116730 and your fund. **Remember** these entries must be for services performed in 2008/09.

DEFERAL OF EXTERNAL INCOME (Primarily Self-Supporting Units)

If external revenue is recorded in the June 30th ledgers that is actually income for goods or services to be provided in fiscal year 2009/10, the income should be deferred to 2009/10. Use the **Deferral of External Income Form** and send to Accounting by 5:00PM July 6, 2009. **NOTE – Recharge activity should not be billed before services are performed.**

ENDING INVENTORY

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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 2008/09. Ensure that the inventory count is segregated. 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 and send the Inventory Accrual Form to Accounting by 5:00PM July 6, 2009.

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 account and will thus reduce the total expense for the year. The offsetting debit will be to a balance sheet account (114XXX) for Inventory with your fund.

PREPAID EXPENSES

Review your June 30th ledgers as of July 1st and determine if any expenses recorded in FY 2008/09 will not generate revenue until FY 2009/10. Use the **Deferral of Prepaid Expense Form** and send to Accounting by 5:00PM July 6, 2009, so the credit will appear on your ledgers. You will credit your account/fund/activity/function and the debit will post to a balance sheet account (114XXX) with your fund.

MISCELLANEOUS

If there are any expenditures in equipment on the operating fund for assets used in department operations (e.g., computers), transfer the expense to the asset acquisition fund or the renewal and replacement fund by June 30th. Such equipment purchases generally should not be made from the operating fund for Service and Auxiliary Enterprises. This is especially critical if the department is depreciating the expense over time. NCTs for 6/30/2009 need to be completed and ready to post on July 6, 2009.

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

Keep track of each financial or budgetary transaction relating to the 2008/09 fiscal year that is done after 7/01/09. You can run the **Financial Transaction Detail Report** through client version UCRFS Totals (to avoid bogging down UCRFS) each day. Also, all of the UCRFS reports will reflect current activity through the end of the previous business day. However, if

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everyone is running UCRFS reports each day, 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, 2009. The closing spreadsheet computes the balances for each Activity, Fund, and Budget Category, 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** code **BC75** (Prior Year's Balance). Remember the last day to process a BEA for FY2008/09 is July 6, 2009.

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

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

DATES TO REMEMBER FOR CLOSING

Current to end of May Ledgers - Reconcile April Ledgers

June 11th to June 30th - reconcile May Ledgers.

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

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

See the 2008/09 Fiscal Closing Letter for important deadline dates. It is available at <http://www.accounting.ucr.edu/>