



Annual Year-End Fact Sheets - Prepaid Expenses Reference Tool

This reference tool provides definitions, examples, and explanations which will hopefully be helpful when completing the Prepaid Expenses worksheet within the Fact Sheet Excel Attachment. If you have any questions as you read through this document, feel free to reach out to the applicable subject matter experts within University Accounting and Financial Reporting (UAFR) located in the link below:

- **Fact Sheets – UAFR Who to Ask List:** <https://www.obfs.uillinois.edu/accounting-financial-reporting/who-to-ask/types-questions#fact-sheets>

Prepaid Expense - Definition

Prepaid expenses (also known as deferred charges) are general ledger assets used to account for situations where an expense is paid in the current fiscal year, but the related benefits of what we paid for (such as goods, services, etc.) are not received until a future fiscal year.

While the majority of prepaid expenses would be payments to vendors, there could also be situations where a reimbursement to an employee (such as employee reimbursements for conference registration fees, or a reimbursement to an employee for professional organization membership dues) could be deemed as a prepaid expense as well.

Examples of What Should and Should Not Be Reported as Prepaid Expenses

The following are some common examples of transaction that should be recorded as prepaid expense on the Year-End Fact Sheet:

- Payments in the current fiscal year for the annual renewal of membership fees, subscriptions, software licenses, etc. where a portion (or all) of the benefits received from the renewal will occur in a future fiscal year.
- Payments in the current fiscal year for conference registration fees where a portion (or all) of the related conference does not occur until a future fiscal year.
- Payments in the current fiscal year for the cost of airline tickets (**excluding** any travel agent fees – see below for more information on travel agent fees) related to an employee's business travel when the flights will not occur until a future fiscal year.
- Payments in the current fiscal year to reserve space (such as in a hotel or restaurant) for a meeting, event, or meal related to University business which will not occur until a future fiscal year.
- Payments on or before June 30 for goods (such as supplies) which the University has **not yet taken ownership of** as of June 30.

- **Note:** Determination of when the University officially took ownership of the goods is dependent on the shipping terms outlined on the related purchase order, vendor invoice, or packing slip.
 - For example, if the shipping terms were **FOB Shipping Point**, then the University takes ownership once the goods leave the vendor's shipping dock, and the goods would belong to the University while in-transit.
 - However, if the shipping terms were **FOB Destination**, then the University takes ownership once the goods are received by the University, and the goods would still belong to the vendor while in-transit.

It is also important to be aware of common examples of transactions that should **NOT** be recorded as a prepaid expense, as these have been erroneously reported as prepaid expenses in the past. See below for examples of transactions which should **NOT** be reported as prepaid expenses:

- Any expense which has a Banner transaction date in the subsequent fiscal year (i.e., a transaction date on or after July 1 of the new fiscal year) should **NOT** be reported as a prepaid expense on the Year-End Fact Sheet, as that expense would not have posted on the closing fiscal year's financial statements.
- Credit card processing fees incurred in the current fiscal year should **NOT** be reported as a prepaid expense on the Year-End Fact Sheet, even if those credit card processing fees were related to the receipt of registration payments for an event or conference that was occurring in a future fiscal year. Since the credit card company provided the service in the current fiscal year (i.e., the payments were collected and delivered in the current fiscal year), then the credit card processing fee would **NOT** be a prepaid expense (although, the revenue received in this example would be unearned revenue).
- Travel agent fees incurred in the current fiscal year should **NOT** be reported as a prepaid expense on the Year-End Fact Sheet, even if the travel agent was planning business travel for a future fiscal year. Since the travel agent provided their service in the current fiscal year, there is no prepaid expense for the service provided (however, the cost of the airline tickets and lodging which will occur in a future fiscal year **would** be a prepaid expense).
- Payments on or before June 30 for goods (such as supplies) which the University **has taken ownership of** as of June 30 should **NOT** be reported as a prepaid expense on the Year-End Fact Sheet.
 - **Note:** Determination of when the University officially took ownership of the goods is dependent on the shipping terms outlined on the related purchase order, vendor invoice, or packing slip.
 - For example, if the shipping terms were **FOB Shipping Point**, then the University takes ownership once the goods leave the vendor's shipping dock, and the goods would belong to the University while in-transit.
 - However, if the shipping terms were **FOB Destination**, then the University takes ownership once the goods are received by the University, and the goods would still belong to the vendor while in-transit.

Completing Your Fact Sheet

Now that you have had an overview of the various definitions and examples which apply to this area, we are now ready to complete the Fact Sheet Excel Attachment. However, before we start to go through these required fields, please keep in mind the tips below:

- Make sure you are using the most recent version of the Fact Sheet Excel Attachment, which can be downloaded from the following web page:

<https://www.obfs.uillinois.edu/accounting-financial-reporting/year-end-procedures/fact-sheets/>

- When copying data over from another spreadsheet, paste the information into the Fact Sheet Excel Attachment using the **Paste Values** option. This will help ensure the formatting and formulas on the Fact Sheet Excel Attachment are not altered.

Step 1: C-FOAPAL Information

Enter the complete C-FOAPAL in Columns A through G. This should be the same C-FOAPAL that was used to make the payment to the vendor.

- The full C-FOAP (i.e., the Chart, Fund, Organization, Account, and Program code) is **required** to complete the year-end adjusting entries to Banner. However, the activity code and location code are optional.
- Enter an Account code which accurately reflects the activity of the transaction generating the prepaid expense. For example, if you made a pre-payment on or before June 30 to a vendor for conference registration fees for a conference that one of your employees will be attending in the subsequent fiscal year, then we would typically expect to see an appropriate expense account code (such as 141650, *Conference Registration Fees – Payment to Vendor*) listed on the Fact Sheet Excel Attachment to properly reflect the nature of that transaction. If you need assistance in finding an appropriate Account code to use, refer to the *Account Code Search* application located in the web page below:
 - **Banner Account Codes Webpage:** <https://www.obfs.uillinois.edu/accounting-financial-reporting/banner-account-codes/>
- See the table below for an example of what we would expect to see listed for a full C-FOAP. As you can see in these examples below, each field is properly completed, and an appropriate expense account code is listed on each line to appropriately represent the nature of the transaction. In this example below, the first line item represents a prepaid expense for conference registration fees (141650, *Conference Registration Fees – Payment to Vendor*), while the second line item was a prepaid expense for annual membership dues in a professional organization (141700, *Association Dues for Membership in Professional Organizations – Payment to Vendor*):

Chart	Fund	Organization	Account	Program
9	300300	123000	141650	123001
9	300300	123000	141700	123001

Step 2: Amount

Enter the total gross amount of the payment in Column H. Keep in mind that if the payment relates to a transaction that may span a range of days (such as a service, conference registration, subscription, membership, etc.), then make sure to enter the **total amount** of the payment that was made as of June 30, along with the applicable date range in columns M – N (see further information on the date ranges in **Step 6**). The spreadsheet will then factor in the total amount of the payment and will automatically calculate the correct amount for the prepaid expense based on the number of days in each fiscal year for that date range.

For example, if you made a payment on or before June 30 for a software subscription totaling \$1,500 for the year, where the date range of the subscription renewal ran from January 1 through December 31, then you would enter the full \$1,500 into the *Amount* column, you would enter the applicable date ranges in columns M and N, and the spreadsheet would then be able to calculate the proper amount of the prepaid expense for you.

Step 3: Banner Document Number and Banner Transaction Date

Enter the related Banner Document Number and Banner Transaction Date of the prepaid expense into Columns I and J. This is important to help confirm that the transaction actually posted in Banner on or before June 30. If the payment actually posted in the subsequent fiscal year, then it would **not** be a prepaid expense. Thus, we would expect that Banner transaction date would be within or before the fiscal year that is closing, using the MM/DD/YYYY format.

See below for a few other tips to keep in mind when completing these two columns:

- Banner page FGIBDST can be used to drill down and search for the related Banner Document Number and Banner Transaction Date, if available. Simply go to the expense account code line item that you believe the expense may have posted to within the new fiscal year, and drill down to the detail using the F3 key.
- If the payment is a legitimate prepaid expense, then there must be a Banner Document Number and Banner Transaction Date to provide, as prepaid expenses must have posted on or before June 30 within the final period 12 statements.
- Make every effort you can to itemize your prepaid expenses on a line-by-line basis if at all possible.
- If your prepaid expense was paid via TEM, then enter the **TM** document number from Banner instead of the expense report (ER) number.
- If your prepaid expense was paid via purchase order/requisition, then enter the **I** document number from Banner instead of listing the Purchase Order (PO) number.
- If your prepaid expense was paid via P-card, then enter the **PC** document number from Banner instead of listing the LN log number.
- If your prepaid expense was paid via i-Buy, then enter the **IE** document number from Banner.
- Enter the Banner Transaction Date of the Banner document in a MM/DD/YY format. Note that you should be using the Banner transaction date, **not** the Banner activity date and **not** the check date.

See below for examples of entries that would be reasonable for these two fields:

Banner Document Number	Banner Transaction Date
PCA12345	12/31/19
TM001122	3/15/20
I456789	6/26/20

Step 4: Name of the Vendor or Employee

Enter the name of the vendor or employee in Column K. If you are listing a prepaid expense for a reimbursement that was paid to an employee (such as a reimbursement for conference registration fees related to a conference that will take place in the subsequent fiscal year, or a reimbursement of professional membership dues), simply list that employee's name.

See below for some examples of reasonable entries for this field:

Name of the Vendor or Employee
National Science Foundation
Emily Clarke
XYZ Software Company

Step 5: Description of the Prepaid Expense

Enter the description of the prepaid expense in Column L. Try to be as clear and transparent as possible.

See below for some common examples of acceptable descriptions for this field:

Description of the Prepaid Expense
Conference registration fee for Andy Davis to attend the ABC conference in September
Flight in August (excluding travel agent fees) for Joe Williams to attend XYZ symposium
Annual membership dues renewal for Professor Anderson

Step 6: Start Date and End Date of Service Period Covered by the Prepaid Expense

Enter the start date and end date of the service period covered by the prepaid expense in Columns M and N. Or, if the prepaid expense is for a good, then enter the date that the University took ownership of the goods in both columns. For example, if the goods were shipped FOB Shipping Point on 7/3 (meaning that the University took ownership of the goods on 7/3), then you would enter that date in a MM/DD/YYYY format in both columns.

See below for some additional tips:

- The service dates should end on or after July 1 of the subsequent fiscal year. If the **end** date was any time **before** July 1, then the transaction should **not** be listed as a prepaid expense, as that transaction would relate to the current fiscal year which we are closing.
- If the prepaid expense relates to the purchase of goods, then the start and end date would typically be the same date (i.e., the date that the University took ownership of the goods), and that date would fall within the new fiscal year (otherwise, it would not be a prepaid expense if that date was in the current fiscal year).

See the table below for some common examples, where the first line item is for the purchase of services spanning a range of days across fiscal years and the second line item represents a situation where the University did not take ownership until July 3 of the subsequent fiscal year:

Start Date of the Service Period Covered by this Prepaid Expense <i>(if applicable)</i>	End Date of the Service Period Covered by this Prepaid Expense <i>(if applicable)</i>
6/27/20	7/3/20
7/3/20	7/3/20

Step 7: Review the Calculated Amounts in Columns O - R

Once you have completed all of the necessary columns on this spreadsheet, your final step is to review the amounts which the spreadsheet has calculated in the areas with yellow shading within Columns O through R. These are the calculated amounts which UAFR will be using to post the final adjusting entries to Banner. It is helpful to review these to get yourself familiar with the amounts that will be recorded to your Fund in Banner, as well as to make sure the amounts do not greatly differ from what you were expecting to see.

Step 8: Save and Upload the Fact Sheet Excel Attachment to the Fact Sheet Application

The final step in this process is to save your updated Fact Sheet Excel Attachment (e.g., to your desktop or shared drive) and to then upload the completed Fact Sheet Excel Attachment to the Fact Sheet Application.

Also, before officially uploading your spreadsheet, be sure to review the other tabs of the Fact Sheet Excel Attachment to see if you have any other accruals, deferrals, or inventory for resale to report as well.

Then, once you have confirmed that all items have been properly added to your Fact Sheet Excel Attachment, you would then need to upload the updated spreadsheet to the applicable Fund's Fact Sheet within the Fact Sheet application and then submit to UAFR for review.

Note that UAFR commonly has questions, so also make sure that you are available for any subsequent questions that may come from UAFR.