

	GA-503
	Expense Recognition and Prepaid Assets
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<p>Purpose</p> <p>To ensure the Controller’s Office can manage the stewardship of the university’s funds, produce financial statements per Generally Accepted Accounting Principles (GAAP) and Financial Accounting Standards (FASB) and federal and non-federal funding agency regulations.</p>
<p>Policy</p> <p>The university recognizes expenses after the goods have been received or services rendered. Recognition is by payment or accrual of an incurred expense. Prepayments made for goods and services in the current fiscal year relating to a future fiscal year must be recorded as a prepaid expense.</p>
<p>Definitions</p> <p>Prepaid asset – Payment is made upfront for services provided at future dates, for example insurance and maintenance contracts that extend into the next fiscal year.</p>
<p>Procedures</p> <p>The Purchasing department will review the requisition and other pertinent information and make a determination if the purchase qualifies as a prepaid asset.</p>
<p>Guidelines</p> <ol style="list-style-type: none"> 1. Expenses must be recorded and classified properly by the correct FOAP. Prepaid expenses should use a prepaid account number in the appropriate line of business and noted in the comment area what expense account should be charged when the expense is incurred. 2. Payments for goods and services must adhere to Accounts Payable policies and guidelines. Please refer to the policy for guidelines on requesting payments. 3. Prepaid expenses in the general ledger are reviewed and reconciled by the controller’s Office on a monthly basis. Prepaid expenditures include any item for which payment has been made but the goods have not been received or the services have not been rendered. <ol style="list-style-type: none"> a. Departments transferring expenditures from prepaid accounts to expense accounts are required to adhere to the GA-502 journal entry policy and guidelines. b. Prepaid expense payments requested between the last day of the current fiscal year and the close of the first Pre-Audit period will be recorded as a prepaid expense in the new fiscal year.
<p>References</p> <p>GA-502 Journal Entry Policy</p>

Responsibilities

Requisitioners must provide appropriate documentation so the purchasing department can make an accurate determination.

Required Forms

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