

# University of Missouri System

## Accounting Policies and Procedures



**Policy Number:** APM 65.15

**Policy Name:** Deferral of Summer Student Related Fees and Related Expenses

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### General Policy and Procedure Overview:

In November 1999, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 35, "Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities" and GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." These Statements provided for many changes to the financial reporting of Colleges and Universities, as well as a requirement to use full accrual accounting. Revenues and expenses related to the summer academic term must be reported in the fiscal year in which the services are performed and the expenses are incurred to fully implement the accrual standards.

This policy addresses the University's accounting for revenues and expenses related to the summer academic term must be reported in the year in which the services are performed and the expenses are incurred.

### Detail Policy and Procedure:

Student related fees revenue and related expenses for the summer academic term should be split between fiscal years based on the timing of when services are performed and when expenses are incurred. The process for allocating the revenues and expenses to the two fiscal years, including the calculation methodology, processing of student transactions and the related accounting entries are documented below.

### Allocation Methodology for Summer Session Student Related Fees

An analysis of the summer session allocation percentage was performed in fiscal year 2005. Using the calendar days within the various summer sessions, the allocation percentages for the academic campuses ranged from 45.9% - 52% for the current year revenue and 48% - 54.1% for the current year deferred revenue. Based on these percentages, and the consideration that the summer session calendars do not change significantly from year-to-year, the allocation for Summer Session Revenue will be as follows:

- Current Year Revenues - 50%
- Current Year Deferred Revenue - 50%

This percentage distribution will be used for all academic campuses. The reasonableness of these percentages will be re-evaluated on a five-year rotating basis, beginning with fiscal year 2010.

## Recording Summer Session Student Related Fees - Current Year Revenue and Deferral

The process to record the Summer Session Student related fees as current year revenue and as deferred revenue is a multi-step process. The process begins through transactions initiated by the student finance systems, with the final entries being recorded by the Campus Accounting Offices. The steps are as follows:

### 1. Student Enrolls in Summer Session Classes, Revenue and Receivables are Recorded

Early enrollment generally starts in March each year, with students enrolling in classes through June/July. When the student enrolls in classes, PeopleSoft will not record the income for the Summer Sessions until July.

**Example Assumption:** An undergraduate student enrolls in 6 credit hours of courses during the core summer session on Columbia Campus, at a rate of \$100 per credit hour, with instructional computing fees and activity and facilities fees of \$25 each. The student has received a departmental scholarship of \$250 for the semester. The entry recorded would be as follows:

	Account #	Account Description	Debit	Credit
DR	132000	Accounts Receivable - Students	400.00	
DR	760100	Student Aid - Undergraduate Resident	250.00	
CR	400100	Undergraduate Summer Fees - Resident		600.00
CR	404500	Instructional Computing Fee - Summer		25.00
CR	406000	Activity and Facilities Fees - Summer		25.00

NOTE: This transaction is reflected at a college, school, division level.

### 2. Monthly Reversal of Nightly Transactions Related to Summer Session

Based on the scenario presented above, the reversal entry will be as follows:

	Account #	Account Description	Debit	Credit
DR	400100	Undergraduate Summer Fees - Resident	600.00	
DR	404500	Instructional Computing Fee - Summer	25.00	
DR	406000	Activity and Facilities Fees - Summer	25.00	
CR	132000	Accounts Receivable - Students		400.00
CR	760100	Student Aid - Undergraduate Resident		250.00

NOTE: This transaction is reflected at a college, school, division level.

### 3. Monthly/Year End Recording of Summer Session - Current and Deferred Revenue

At the end of the month, the amount of summer session revenue generated is known based on the transactions created and subsequently reversed by the student systems. The Campus Accounting Offices will extract the student related fees from the Student Receivables System. Using this data, the Campus Accounting Offices prepare the Student Related Fees, and Deferred Revenue entries on either a monthly basis or retain the data to record the entry at year end (The Campus Accounting Departments, along with support from the Budget Offices, will determine the frequency of recording the summer session transactions). Campus Accounting Offices will record the deferred revenue and student related fees and fees revenue with related student financial aid using the allocation percentage of 50. The student aid which is applicable to the subsequent fiscal year is reflected as prepaid expense.

#### *Current Fiscal Year - Student Related Fees Revenue at 50.0%*

	<b>Account #</b>	<b>Account Description</b>	<b>Debit</b>	<b>Credit</b>
DR	132000	Accounts Receivable – Students	200.00	
DR	760100	Student Aid – Undergraduate Resident	125.00	
CR	400100	Undergraduate Summer Fees – Resident		300.00
CR	404500	Instructional Computing Fee – Summer		12.50
CR	406000	Activity and Facilities Fees – Summer		12.50

NOTE: This entry is recorded at a high administrative level and is NOT reflected at the college, school or division level.

#### *Current Fiscal Year - Deferred Revenue at 50.0%*

	<b>Account #</b>	<b>Account Description</b>	<b>Debit</b>	<b>Credit</b>
DR	132000	Accounts Receivable - Students	200.00	
DR	161000	Prepaid Expense	125.00	
CR	231000	Deferred Revenue - Student Fees		325.00

NOTE: This entry is recorded at a high administrative level and is NOT reflected at the college, school or division level.

### Allocation of Summer Session Salaries

Summer session salaries are to be allocated between current year expense and prepaid expense based on when the salaries are earned by the faculty. In order to appropriately reflect the expenses at the same operational level as the revenues, the salaries will be reclassified from the college, school and divisional level to a high administrative level.

**Example Assumption:** Faculty member has an exempt summer appointment for June and July in the amount of \$5,000. Using a benefit rate of 27% for the fiscal period, the related expenditure entries are as follows:

## 1. Month End Payroll Processing Charges 1/2 of Contracted Services as Payroll Expense

As an exempt employee with a two month contract, at June 30th, 1/2 of the contracted services have been performed. Through the monthly payroll processing interface between the HR system and the General Ledger, the salary and benefits for the faculty are charged to the applicable funding source based on the ChartField information reflected on the individual's Personnel Action Form (PAF). The entry recorded at the detailed departmental level is as follows:

### *Departmental Payroll Expenditures - June 30th (1/2 of contracted services)*

	<b>Account #</b>	<b>Account Description</b>	<b>Debit</b>	<b>Credit</b>
DR	701000	Salaries and Wages - Ranked Faculty	2500.00	
DR	710100	Staff Benefits - Ranked Faculty	675.00	
CR	190000	Cash		3175.00

NOTE: This transaction is reflected at a college, school, division level as is consistent with the methodology for recording summer salaries and benefits in prior years.

## 2. Reversal of Departmental Payroll Expenditures for Summer Session Faculty and Record Entry at Campus Level for Reporting Purposes

At fiscal year end, the salaries and benefit expenses related to summer session faculty which were charged to a departmental level are reversed by journal entries recorded by the Campus Accounting Office. Consistent with the application of full accrual accounting, the salaries related to the summer session faculty are not reflected as prepaid expenses, but will be reflected as operational costs of the current fiscal year. Therefore, the expenses that were reversed from the departmental ChartFields will be re-recorded at a high administrative level in order to have a minimal effect on the operations of the departments. The entry is as follows:

### *Reversal of Departmental Payroll Expenditures & Rebook at Campus Level - June 30th*

	<b>Account #</b>	<b>Account Description</b>	<b>Debit</b>	<b>Credit</b>	
DR	701000	Salaries and Wages - Ranked Faculty	2500.00		Campus Level
DR	710100	Staff Benefits - Ranked Faculty	675.00		
CR	701000	Salaries and Wages		2500.00	Department Level
CR	710100	Staff Benefits - Ranked Faculty		675.00	

NOTE: This transaction is reflected at a college, school, division level.

### *Allocation of Student Related Fees Discounts and Scholarships*

The summer session also includes discounts and scholarships awarded to students. Consistent with the methodology for allocating student related fees, discounts and scholarships will be allocated based on the percentages derived by each campus. The recording of the student aid will be split between the two fiscal years, with the current year amount being reflected as student related fees discounting or financial aid, and the subsequent year student aid being reflected as

prepaid expense. See documentation under #3 of the Recording Summer Session Student Related Fees - Current Year Revenue and Deferral section above.

***Operational Effect of Deferral Process on Revenues Recorded at the Academic Units***

As discussed in the notes to the entries above, certain transactions will be reflected at the college, school, division level, while other transactions will only be reflected at a higher administrative level. This methodology is used in order to meet the accounting and financial reporting requirements needed for accrual accounting, while maintaining the operational processes being used for the University.

***Subsequent Year Reversal Process***

All of the entries documented above will be set to reverse in the subsequent fiscal year in order to allocate all funds to the correct college, school or division level for operational purposes. This will result in a consistent funding process to the operating units on an annual basis.

	<b>Account #</b>	<b>Account Description</b>	<b>Debit</b>	<b>Credit</b>
DR	231000	Deferred Revenue – Student Fees	325.00	
DR	760100	Student Aid – Undergraduate Resident	125.00	
CR	400100	Undergraduate Summer Fees – Resident		300.00
CR	161000	Prepaid Expenses		125.00
CR	404500	Instructional Computing Fee – Summer		12.50
CR	406000	Activity and Facilities Fees – Summer		12.50

NOTE: This entry is recorded at a high administrative level and is NOT reflected at the college, school or division level.

**RESPONSIBILITIES:**

Controller’s Office:

- As part of the year end checklist, will send e-mails to the campuses to remind them to make summer session adjustments.
- Perform a year to year comparative review to ensure the summer student related fees deferral entries have been made and that the amounts are reasonable.

Campus Accounting Offices:

- Run the required reports to obtain the information required
- Allocate and make the entries for the summer student related fees deferral.

*Effective Date: July 1, 2006*

*Revised Date: April 21, 2007*

**Questions and Comments?**

Questions regarding interpretation and implementation of the Accounting Policy should be directed to the Campus Accounting Office. Suggested edits or revisions to the policy should be directed to the Office of the Controller.

