

INSPIRING INCLUSIVE EXCELLENCE

UTSC Year-End Accrual & Carryforward
Lunch & Learn Session – April 08, 2024

AGENDA

Accruals

Deferred Revenue and Prepaid Expenses

Other Considerations

Year-End Operating Reserves

Year-End Deadlines

Question & Answer Period

ACCRUALS

What is an accrual?

An accrual is recognized when “the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent” (CPA Canada Handbook section 10041.41). Accruals are recorded in the Financial Information System (FIS) to ensure that all significant expenses for the year are recorded.

When to record an accrual?

Expenses - An accrual should be recorded when a department has incurred an expense for goods or services received and an invoice has not yet been received.

Revenue – An accrual should be recorded for goods or services rendered in the current fiscal year but not expected to receive the payment or provide an accounts receivable invoice to the client before the end of the fiscal year.

How to prepare an accrual?

1. Gather all source documents that confirm the expense, some examples include but not limited to are, seminars/conferences held but waiting for an invoice to be processed in the system; packing slip received along with goods purchased; and Utility estimates for the current fiscal year for which bills haven't been received
2. The journal would include the following information
 - Expenses – debit side should be a G/L account in your department and the credit side should be charged to G/L account 536000 (Accrued Liability)
 - Revenue – credit side should be a revenue G/L account in your department and the debit side of the journal entry should be charged to G/L account 203000 (Accounts Receivable)
 - Brief description of the expenses/revenues being accrued
3. The completed journal entry along with back up documents should be sent to your Financial Services contact by the year-end deadline of April 12, 2024.

DEFERRED REVENUE AND PREPAID EXPENSES

What is a deferred income or expense?

A deferral is a means of delaying the recording of an expense or revenue to a future year.

Revenue is not recognized when the cash is received but rather recognized as revenue in the period in which the related products have been shipped or services have been rendered.

Similarly, expenses related to a future period are deferred and recognized in the same period as the products or services are delivered.

Internal revenue or expense recovery entries for services to be provided in the next fiscal year should not be processed in the current fiscal year.

DEFERRED REVENUE AND PREPAID EXPENSES

When to recognize deferrals?

- When a department has recorded an expense in Financial Information System (FIS) but has not received part or all the service by April 30. For example, annual fees paid upfront for a service contract to be rendered past April 30. The expense should be prorated over the period of the contract and only the portion of the expense up to April 30 should be recognized. The remaining portion of the contract would be considered a deferred or prepaid expense.
- Where a department has recorded revenue but has not performed the service or delivered goods. For example, if a department is organizing an event in the next fiscal year but needs to sell tickets in the current fiscal year to allow enough time to prepare for the event. The collected ticket revenue is processed in the system in the current fiscal year. In this case, the total ticket revenue should be realized in the next fiscal year along with related expenses.

DEFERRED REVENUE AND PREPAID EXPENSES

How to prepare a deferral?

1. Gather source documents that indicates an expense or revenue spans across fiscal years, some examples include but not limited to are, air fares and hotel bookings made for seminars/conferences that will be held in the next fiscal year; lease payments that extends into the new fiscal year; unearned portion of revenue collected.
2. The journal would include the following information
 - Revenue – Debit side should be the revenue account in your department and the offsetting credit for deferred revenue is G/L 550400 advance receipts.
 - Expenses – Credit side should be the expense account in your department and the offsetting debit will be recorded in the prepaid expense G/L 322000
 - Brief description of the expenses or revenues being deferred
3. The completed journal entry along with back up documents should be sent to your Financial Services contact by the year-end deadline of April 12, 2024.

OTHER CONSIDERATIONS

Purchase Orders and Manual Reserves

It is a good practice to review existing purchase orders and manual reserve commitments in your accounts and close out the ones that do not need to be carried over to next fiscal year. All existing purchase orders and manual reserve commitments are carried forward into the next fiscal year.

Materiality

Materiality is the term used to describe the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision. Materiality is a matter of professional judgment in a particular circumstance (CPA Canada Handbook, sec 1001.14).

OTHER CONSIDERATIONS

Threshold

The materiality threshold is a measure of determining if an amount is significant enough to affect the users of the financial statement. The amount is solely determined based on professional judgement and discretion.

UTSC has determined that \$5,000 is the materiality threshold for year-end entries. Any year-end adjustment requiring more than or equal to \$5,000 must be sent to Financial Services for an entry to be prepared. If the department determines that the amount is below the threshold but material to their financial reporting, please send an entry to Financial Services to be prepared.

Taxes

The accrual amount is determined by excluding any applicable taxes. Please use the [tax code table](#) to refer which rate should be used in the calculation. For deferred revenue & expenses, please use the amount entered to the expense or revenue GL account when determining the entry amount.

YEAR-END OPERATING RESERVES

Definition

A department's net overspending or net underspending in its operating accounts at the end of the University's fiscal year

Use of the Operating Reserve:

- Divisions should have deliberate plans for using carried forward funds and for eliminating deficits.
- Operating Reserves should be used to supplement base budgets and NOT to support continuing expenses, particularly salary expenses.

Due Date:

The completed journal entry along with back up documents should be sent to your Financial Services contact by the year-end deadline of May 1, 2024 at noon.

YEAR-END OPERATING RESERVES

Budget Carry Forward Report: Selection Criteria

Budget Carry Forward Report: Selection Criteria



Budget Carry Forward

FM Area ← Enter Fiscal Year **FROM** which the Operating Reserve is to be shown

Fiscal Year

Funds Center Classification to

Funds Center ← 1) Enter FC
2) select "Include Funds Center Hierarchy" (if required)

Include Funds Center Hierarchy ←

Hierarchy variant

Including Funds Centers to

Excluding Funds Centers to

Central use only

Server File Name ← 1) Do **NOT** select "Central use only" box
2) Delete contents of the "Server File Name" field

Note: You may select one, multiple, or FC hierarchy and/or FC classification. You CANNOT drilldown on details.

YEAR-END OPERATING RESERVES



Budget Carry Forward Report: Output

From Division		From Funds Center	From CI	To Funds Center	To CI	Type	Amount
		POSTAGE		104128 FAST Training	CARRYFWD	11	544.13-
		SERVICES		104128 FAST Training	CARRYFWD	11	667,933.39-
		SERVICES		104128 FAST Training	SERVICES	03	372,190.64
		STIPEND-NAP		104128 FAST Training	CARRYFWD	11	20,994.00-
		SUPPLIES		104128 FAST Training	CARRYFWD	11	33,925.66-
		TA		104128 FAST Training	CARRYFWD	11	16,181.98-
		TELEPHONE		104128 FAST Training	CARRYFWD	11	15,825.61-
		TRAVEL		104128 FAST Training	CARRYFWD	11	22,568.10-
				Total Funds Center: 104128			436,273.32
				Total Division: 100782			436,273.32
				Total Class: OPERATING_FUND			436,273.32
				Report Total:			436,273.32

YEAR-END OPERATING RESERVES



Report Template

2023-24 Fiscal Year End - Operating Reserve Report		Department: _____					
(previously called "Carryforward Spending Plan")		Prepared by: _____					
Fund Centre #	Fund Centre Name	(1) Capital Reserve	(2) Research Funds	(3) Student Assistance	(4) Endowment Matching Funds	(5) Operating Contingency Reserve	Total Carryforward
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
							\$ -
							\$ -
							\$ -
							\$ -

Please note:

- a. Manual reserves are treated as free balance, and need to be assigned to one of the five categories.
- b. Definition of the 5 categories, as follows:

(1) Capital Reserve

This category is intended to capture funds that have been reserved by the division in anticipation of new building construction, renovations to facilities, infrastructure upgrades such as computer networking, equipment replacement, etc. **Please supply UTSC Financial Services with your back up documentation / details if you are using this category.**

(2) Research Funds

Funds reserved for research are to be included in this category. This includes funds allocated to Principal Investigators as a result of the expense reimbursement program for Faculty and Librarians, overheads, research allowance or start-up funds. Also included are funds reserved for Canada Research Chairs and any related research allowance.

(3) Student Assistance

This category captures all funds reserved for scholarships, bursaries and other student assistance.

(4) Endowment Matching Funds

This category captures all funds reserved to match future external donor contributions. The division must have a written plan that defines what type of contributions it will match (i.e., chairs and professorships, student aid, academic programs and research), with a set limit for the matching. The plan must be approved by the Provost before it can be reported in this category.

(5) Operating Contingency Reserve

This category is intended to capture divisional operating contingency reserves. Funds in this category include reserves for anticipated budget reductions, voluntary early retirement payouts, increases in university wide costs, and fluctuations in revenues due to enrolment shortfalls and lower investment returns. The total operating reserve contingency would normally fall in range of 5% to 10% of the division's total operating expense budget. Divisions with greater distributed risk (i.e. large international enrolment, significant growth, high levels of external revenue, etc.) may establish larger operating contingency reserves.



UTSC FISCAL 2024 YEAR-END DEADLINES

- **Key Dates:**

- Monday April 15, 2024
- Certified and purchase order invoices
- Expense reimbursements (direct deposit and cheque payment)
- Journal entries (regular and recovery)

- All documents submitted prior to submission deadline will be posted in the current fiscal year.
- Any documents submitted after the deadline will be posted on best effort basis.

QUESTION & ANSWER PERIOD



FINANCIAL SERVICES CONTACT INFORMATION



Who to contact in Financial Services in case you need further help and support with the financial forecasts.

Thubasini Rameshkumar	Cindy Yang	Carlton Li	Aileen Cabrera	Carmina Elefano
AccessAbility Services	Campus Planning and Analysis	Anthropology	Bookstore	Academic Advising and Career Centre
Biology	Community Partnership and Engagement	Art's Culture & Media, Incl. Cultural Affairs	International Academic Program Initiatives Business Development	Arts and Science Co-op
Centre for Teaching & Learning	Computer & Mathematical Sciences	Doris McCarthy Gallery		Atheletics and Recreation
Library	Design & Construction Management	Health & Society		Department of Student Life
Human Resources	Facilities Management	Management		Health and Wellness Centre
Equity Diversity and Inclusion Office	Global Development Studies	Office of the Vice-Principal Academic and Dean		International Development Studies Co-op
Development and Alumni Relations	Human Geography	Registrar and Admissions Office		International Student Centre
Marketing and Communications	Philosophy	Sociology		Management Co-op
Office of the Vice-President and Principal	Political Science	Transition Year Program		Office of Student Affairs
Physical and Environmental Sciences	Historical Cultural Studies	Psychology		
Office of the Vice-Principal Research and Innovation	Office of Business Operations and Strategic Affairs	Information and Instructional Technology Services		
English	Financial Services	Campus Safety Security and Critical Incidence Response Office		
Language Studies				
Culinaria Research Centre				
Centre for Disability Studies				