Accruals

• NMSU prepares full accrual financial statements that require income to be reported when earned and expenses to be reported when incurred.

• Our financial statements must include all revenue earned and expenses incurred in FY15, even if the transactions have not been completed. The year end accruals adjust the revenues and expenses that are in Banner to amounts required for full accrual financial reporting.

• The effect of the accrual is reversed in FY16
Accruals, cont.

Three-way match

The terms of the PO require that the invoice be matched to the PO, and that the goods/services have been received in Banner, before the invoice can be paid.

Example:

- Ordered a microscope on 5/30/15 which was received 6/29/15.
- MUST show receipt in Banner by to 6/30/15 or it will not be automatically accrued.
- Invoice sent to A/P to be paid.
- A/P will automatically accrue if it was received correctly in Banner by 6/30/15.
- **VERY** important to receive items in Banner that were actually received by 6/30/15.
Accruals, cont.

• There is a process that automatically identifies and posts three-way match PO accruals. The criteria used to identify the amount to be accrued are:
  – As of June 30, 2015
    • A valid three way match PO exists
    • Goods/services have been received in Banner
    • The Invoice has not been posted in Banner
Two-way match

- The terms of the PO requires that the invoice be matched to a line on the PO before the invoice can be paid. (usually services). Only need to accrue expenses over $10,000.00.

Example:
- Procured services 5/30/15, the services were complete by 6/30/15. Invoice sent to A/P, but not before 2nd close. You will need to let AFR know to accrue the amount of the services.
- Procured services 5/30/15, the services were NOT complete on 6/30/15. AFR will NOT need to accrue the amount for services.
-Procured services 5/30/15, the services were partially complete on 6/30/15. AFR will need to accrue the amount for services completed.
Accruals, cont.

• Two Way Accrual Process:
  – AFR runs a COGNOS report that lists open two-way match POs.
  – Each department will receive a list of their open two-way match POs for review.
  – Departments are asked to review the information and provide AFR with a list of the POs should be accrued for year-end, and the amount of each accrual based on invoices or correspondence from the vendor.
  – PO balances for plant funds charged to account codes 754x, 782x, 783x and 792x will not appear on the two-way report. These POs are included in the Construction or Subcontract accrual reports.
Accruals, cont.

• Subcontract accrual process:
  – AFR uses a COGNOS report to identify subcontractors.
  – Banner Subcontract form is FGIENCD
  – Each department will be sent a list of their subcontracts and asked to provide information on any services rendered before 7/1/15 that have not been billed to the University.
  – Based on information received, AFR will post the subcontract accrual.
Accruals, cont.

• **Construction accrual process:**
  – Facilities and Services are given a list of open PO balances associated with large construction projects.
  – Facilities and Services personnel review the POs and if necessary, contact the vendors to determine the appropriate accrual.
  – AFR posts the accrual based on information provided.