

X. Accounting Processes

A. Overview:

Financial information flows into the general ledger from a variety of sources. Accounting staff are responsible for reviewing all data before *posting* it to the ledger to ensure the accuracy and integrity of the Institute's financial information.

Key Words:

Posting

Subledgers

Month-end Closing

Fiscal Year-end Closing

Objectives:

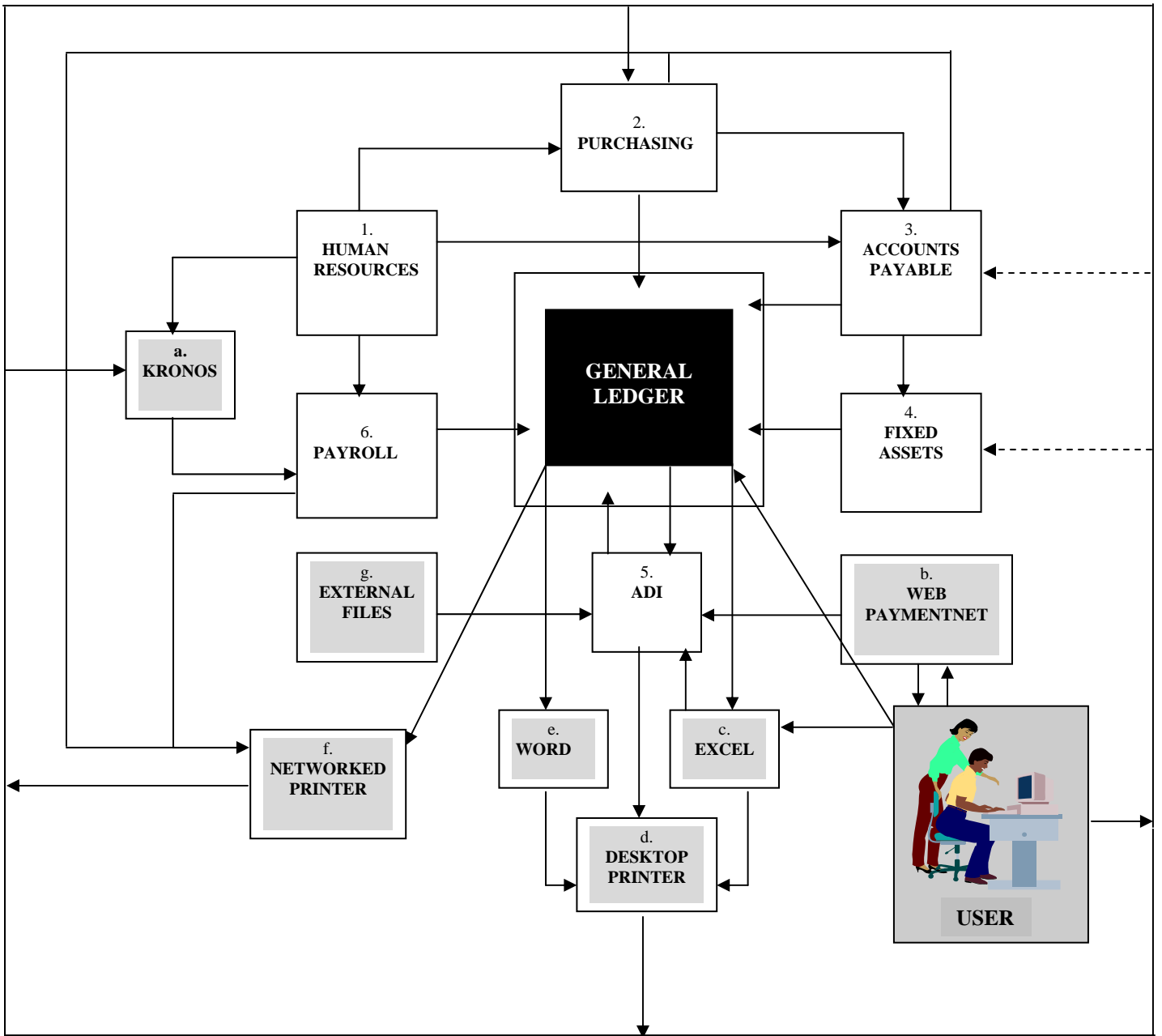
In this chapter you will learn about:

- how financial information flows between Oracle *subledgers* and other applications into the Oracle General Ledger application
- how Accounting processes data in the general ledger each day
- the steps that are taken to ensure that all financial data is complete for a *month-end closing*
- the *fiscal year-end closing* process

B. Flow of Information in Accounting

1. Financial transactions occur in various subledgers within the Oracle Financial/Human Resource applications.
 - a. For example, when an hourly employee is hired, employee data is entered into the Oracle HR system (box 1).
 - b. The employee information is transferred to the Kronos automated time & attendance system (box a).
 - c. During the payroll process, the employee's time is transferred to the Oracle Payroll application (box 6).
 - d. Once the payroll is processed, the salary information is transferred to the interface table (box surrounding the general ledger).
 - e. A journal entry is created when the data is imported to the general ledger (black box).
 - f. Accounting posts the journal entry to the general ledger.
 - g. At the end of the month, departments may request Payroll Distribution reports on line, which will print at the department's Oracle networked printer (box f).
2. In addition to the subledgers, external data is also brought into the Oracle General Ledger application through Oracle ADI software (Application Desktop Integrator).

The table below illustrates the flow of information between the various Oracle subledgers, non-Oracle applications and the Oracle general ledger.
 Shaded boxes are non-Oracle applications.



———— Direct Entry
 - - - - - Inquiry Only

C. Daily Accounting Processes

1. Each day, Accounting staff review journal entries that have been entered on-line the previous day by Oracle users across campus.
 - a. Accounting posts journal entries to the ledger if no documentation is required and/or if documentation has been received.
 - b. If required, Accounting will contact the user asking him/her to make changes/corrections to the journal prior to posting.
2. In addition to reviewing and posting journal entries entered by users, Accounting staff post all system-generated journal entries such as accounts payable batches and encumbrances, as well as those entries that come from external systems such as the Student Financial Services Office (financial aid transactions).
3. Cash deposits and petty cash transactions made at the Student Financial Services Office are reviewed and entered into the general ledger by Accounting staff.
4. Accounting staff enter manual journal entries (those involving transfers and fixed asset object codes) received from users.
5. Payroll batches are transferred from the payroll subledger and posted to the ledger after each payroll is processed once they are approved.
6. Billing files received from RIT suppliers such as Office Max and Xpedx are loaded into the general ledger by Accounting staff and posted to departmental accounts.
7. Periodically throughout the month Accounting staff downloads procurement card transactions from the PaymentNet Internet system and posts information to departmental accounts.

D. Month-End Accounting Processes

1. In order to produce accurate and complete financial information for a period, Accounting must ensure that all transactions for the month are complete and posted to the general ledger.
2. Prior to the month-end closing, Accounting notifies all users of the last date to enter journal entries for the month.
 - a. Typically, you may enter journal entries until the end of the second business day of the following month.
3. Accounting staff post journal entries processed by users.

- a. If documentation is not received prior to the final closing, Accounting moves unposted entries to the next open period.
4. Once all journal entries are posted, Accounting processes monthly the benefit rate and facilities and administrative cost rate allocations.
 - a. Once all processes are complete and journal entries are posted to the general ledger, Accounting closes the period. At this point, no further transactions may be processed. This usually occurs by the fourth business day of the following month.
5. Accounting staff opens the current period in Oracle so that users may begin to process the next month's transactions.
6. Accounting notifies users that they may proceed with printing financial information such as monthly department statements and standard reports.

A complete [month-end processing schedule](#) is located on the [Controller's Office](#) web page:
<http://finweb/controller/accounting/fy09monthendclosing.html>

E. Year-End Accounting Processes—RIT

1. RIT's fiscal year is from July 1st to June 30th. Prior to the end of the fiscal year, Accounting sends information to all department managers regarding year-end closing processes. This information is also available on the [Controller's Office](#) web page. Accounting also delivers a year-end workshop.
2. **Accounting for Current Fiscal Year Expenses**
 - a. RIT accounts for expenditures on an accrual basis. This means that expenditures are recognized in the year in which goods are received or services are rendered, not necessarily the year in which they are ordered or the year in which payment is made. Your current year budget will be charged for all invoices for services or merchandise received on or before June 30, 20XX. Your next year's budget will be charged for services or merchandise received on or after July 1, 20XX.
 - b. Payroll expenses incurred in the current fiscal year, but not paid until the following fiscal year, are automatically accrued in June by Accounting. The corresponding fringe benefit expenses are also calculated. The payroll accrual is reversed in July and the fringe benefit expenses are recalculated.
3. **Accounting for Prepaid Expenses**
 - a. Sometimes, especially during the latter part of the fiscal year, it is necessary to prepay expenses relating to next year's (FY 20XX)

budget. This often occurs with maintenance and service contracts, fees for seminars, membership dues, and subscriptions.

- b. Accounts Payable will charge prepaid expenses to the fiscal year in which the goods or services will actually be received. It would be helpful if you noted on any such invoices or requests for cash advances that the expenditure is a prepayment against your next year's budget.
- c. These payments will not be reflected on your current year budget. To assist departments in keeping track of the payments charged to their next year's budget, Accounts Payable will complete a form indicating the amount charged to next year's budget and forward it to your department along with a copy of the invoice payment form or invoice.

4. Processing Year-End Invoices, Invoice Payment Forms and Travel Expense Reports

- a. Although the current fiscal year officially ends on June 30, 20XX, for one week after that date, Accounts Payable will continue to charge invoices and invoice payment forms for goods and services received before July 1st to the current year's budget.
- b. At the close of business on July Xth, a process will be run by Purchasing to accrue purchase orders received by June 30th and not yet invoiced. This means that these items will be charged to your current budget through the accrual process and will be reversed automatically in the next fiscal year.
- c. When the invoice arrives, it will be processed and paid but it will not impact your next year's budget.

5. Invoices Not Received In Accounts Payable By July Xth

- a. Items purchased through the on-line purchasing system will be automatically *accrued* through a purchasing accrual process, if they are received in Central Receiving on or before June 30, 20XX.
- b. If items were delivered directly to your department, bypassing Central Receiving, please call Receiving at ext. 5-2119 or email slnpre@rit.edu so that they are able to update the purchasing system.
- c. Occasionally, invoices for goods and/or services received on or before June 30th may be received after July Xth. If you anticipate not receiving an invoice for a current fiscal year expenditure until after July Xth, prepare a paper "accrual" journal entry and send to Accounts Payable for processing. Debit the appropriate expense account for your department and credit the following AP accrual account: 01.15199.32900.00.00000.00000. Include a copy of the packing slip, or invoice with the journal entry.

**Key
Words:**

Accrued

*Balance
Sheet
Account*

Account 01.15199.32900.00.00000.00000 is a *balance sheet account*, used only for accruals. If you'd like additional information about preparing accrual journal entries for year-end, call Accounting at ext. 5-2237.

6. Procurement Card Purchases

- a. The closing date for items to appear on your June statement from J.P. Morgan Chase is June 30th. If you make last-minute purchases and charge them to your procurement card, there is a possibility that they may not be charged to your current year budget.
- b. You may process an accrual journal entry for these expenses: debit the appropriate expense account for your department and credit the following AP accrual account: 01.15199.32900.00.00000.00000. Forward a copy of the packing slip or receipt to Accounting for documentation.

7. Encumbrances

- a. Encumbrance entries are made automatically in the general ledger to record anticipated expenditures. A requisition encumbrance, or commitment, is generated when a requisition is entered. A purchase order encumbrance, or obligation, is recorded when a purchase order is created.
- b. An encumbrance is not an expense; it is for information and budget planning purposes only. The expense is not charged to your department's budget until the merchandise is received and the invoice is approved for payment.
- c. Open encumbrances at the end of the fiscal year are carried over to the next fiscal year.

8. Revised Format for June Department Statements

- a. There is a special June department statement that includes an "Available Balance Column" that does not reflect encumbrances (Budget - YTD = Available Balance). *Use this column to determine the actual balance remaining on each line on your budget.* For planning purposes only, there is a second balance column that does include encumbrances (Budget - Encumbrances YTD = Available Balance w/ Enc.).

Use the RIT FY 20XX Dept Statement at year-end. For more information call Accounting at ext. 5-2237.

F. Year-End Accounting Processes—NTID only

1. NTID's fiscal year is from October 1st through September 30th. While many of the closing procedures are similar to those followed during the RIT June 30th closing, there are some significant differences.
2. NTID Planning & Budget Office oversees the actual NTID year-end closing in conjunction with Accounting. Prior to the end of the fiscal year, the NTID Planning & Budget Office sends out detail year-end closing information to all NTID department heads.

3. Since NTID operates under federal guidelines, all purchase orders placed as of September 30th are encumbered. As orders are received, the expense is charged to a special account set up to track all fiscal year-end encumbrance activity.
4. Payroll expenses incurred but not paid as of September 30th are accrued automatically in September by Accounting. Corresponding fringe benefits are also calculated. The payroll and benefit accruals are reversed in October.
5. Since NTID operates on a different fiscal year than RIT, fiscal year activity is tracked as though NTID is a project. Therefore, on October 1st of each year, the project number for all NTID operating accounts changes. For example, the project number for NTID operating account for FY 2008 was 02008. The project number for FY 2009 is 02009.

Fiscal Year 2008 Account Number

01 . 44300 . 73150 . 10 . 02008 . 00000

Fiscal Year 2009 Account Number

01 . 44300 . 73150 . 10 . 02009 . 00000

- a. Beginning on October 1st, all account activity for the new fiscal year should be charged to the new account numbers.
- b. Beginning with the first pay date in the new fiscal year, Payroll will automatically change the project number on salary account lines for all employees to the new project number. It is not necessary to process new EAF's.
- c. Accounting will notify ITS, Telecommunications, The Hub and Dining Services/Brick City Catering to ask them to charge NTID billings to the new project number.
- d. Accounting will change the default account number for all NTID procurement cards to the new project number.

If you have questions about the NTID fiscal year-end closing process, contact the NTID Planning & Budget Office at ext. 5-6407 or ext. 5-6228.