SUBJECT: Non-student Accounts Receivable

SOURCE: Non-student Accounts Receivable, Financial Management Services

ORIGINAL DATE OF ISSUE: August 2003

DATE OF LAST REVISION: March 2016

AROP NO: 1.0

RATIONALE: To ensure compliance with Generally Accepted Accounting Principles (GAAP), and to record credit sales of goods or services. This should occur so that the current period financial statements are fairly stated, satisfying the matching principle.

ARSOP: Non-Student External Accounts Receivable (8118, 8119, 8122) includes all charges billed outside of the bursar system (SIS) to students, and charges billed to external parties.

Non-Student Internal Accounts Receivable (8117) includes all charges between university accounts that are either unbilled or billed and unapproved at month end.

University organizations must use the KFS Accounts Receivable system or a previously approved Accounts Receivable system for invoicing goods and services at the time the goods or services are provided to a third party via an extension of credit (See Policy I-490 Non-Student (External) Accounts Receivable, Annual Write-off Report).

KFS Accounts Receivable reflects the Accounts Receivable amount due to the university on a daily basis as invoices and payments are electronically entered into the Accounts Receivable system. If KFS Accounts Receivable is being utilized and there are no unbilled sales at the end of the month, there is no need to manually record (accrue) an Accounts Receivable entry on an auxiliary voucher. KFS Accounts Receivable users with unbilled sales at month end, should manually book the related Accounts Receivable, to object code 8122.

KFS Accounts Receivable users with unbilled sales and organizations using an approved independent Accounts Receivable system may use either the adjusting method or the accrual method for recording Accounts Receivable in the current period. The auxiliary voucher document should be used to record these transactions. (See ASOP 3.0 for recording an Auxiliary Voucher).
Adjusting Method

The adjusting method is used to adjust Accounts Receivable on a regular basis; this can be daily, weekly or monthly, depending upon the activity level. Unlike the accrual entry, the adjusting entry does not reverse in a subsequent period. Instead, the adjusting method requires an entry that adjusts the total Accounts Receivable balance for any charges or payments impacting Accounts Receivable for the period.

Example: A conference center using an approved independent Accounts Receivable system holds two conferences during the month of June. One for an external customer billed at $700 and one for an internal customer billed at $400. In July, the conference center collects 100% of the internal receivable and 50% of the external receivable. The following entries are recorded to reflect the credit sale and subsequent receipt of cash:

Entry to record credit sales and Accounts Receivable (June):

<table>
<thead>
<tr>
<th>Document</th>
<th>Object Code</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVAD</td>
<td>External Accounts Receivable 8119</td>
<td>$700</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Internal Accounts Receivable 8117</td>
<td>$400</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sales and Services 1500</td>
<td></td>
<td>$1,100</td>
</tr>
</tbody>
</table>

Entry to record cash deposit of payments (July):

<table>
<thead>
<tr>
<th>Document</th>
<th>Object Code</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR or AD</td>
<td>Cash 8000</td>
<td>$750</td>
<td></td>
</tr>
<tr>
<td></td>
<td>External Accounts Receivable 8119</td>
<td>$350</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Internal Accounts Receivable 8117</td>
<td>$400</td>
<td></td>
</tr>
</tbody>
</table>

At the end of the month all internal unpaid invoices should equal the internal Accounts Receivable general ledger balance (8117) and all external unpaid invoices should equal the external Accounts Receivable general ledger balance (8119).

KFS AR User: Example: Printing services using KFS Accounts Receivable system has a total of $2,500 in unbilled sales at the end of July. The previous month unbilled sales totaled $2,000. In July, printing services would record the following entry if they are using the adjusting method:
Adjusting Entry for unbilled Accounts Receivable (July):

<table>
<thead>
<tr>
<th>Document</th>
<th>Object Code</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVAD</td>
<td>KFS Accts Rec (Unbilled)</td>
<td>8122</td>
<td>$500</td>
</tr>
<tr>
<td>Sales and Services</td>
<td>1500</td>
<td>$500</td>
<td></td>
</tr>
</tbody>
</table>

At the end of the month all internal unpaid invoices should equal the internal Accounts Receivable general ledger balance (8117) and all external unpaid invoices should equal the external Accounts Receivable general ledger balance (8118 and 8119). 8122 should equal all unbilled sales at month end. **Accrual Method**

The accrual method is used to record the total ending Accounts Receivable balance at the end of each month. This entry will automatically reverse in the following month and a new accrual entry will be recorded by the department. This method can be used to record either unbilled KFS Accounts Receivable at month end or the total Accounts Receivable balance at month end if the department is using an approved independent Accounts Receivable system.

If unbilled KFS Accounts Receivable is being accrued, all unbilled KFS Accounts Receivable sales at month end are totaled and accrued using an auxiliary voucher accrual (AVAE) to object code 8122. The following month, the department invoices these customers through the KFS Accounts Receivable system and the AVAE is reversed automatically.

If an approved independent Accounts Receivable system is being used, the entire Accounts Receivable balance is recorded on an AVAE at the end of the month. The following month a new AVAE document is issued and the original AVAE is reversed automatically. Organizations with an approved independent Accounts Receivable system should record the Accounts Receivable balance using an Aged Receivable Report generated by the independent system.

**Example:** A conference center using an approved independent Accounts Receivable system has a total Accounts Receivable balance on June 30th of $5,500. Open invoices to external customers total $4,500 and open invoices to internal customers total $1,000. The following entries are recorded to reflect the total receivable balance for the month of June.

<table>
<thead>
<tr>
<th>Document</th>
<th>Object Code</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVAE</td>
<td>External Accounts Receivable</td>
<td>8119</td>
<td>$4,500</td>
</tr>
<tr>
<td></td>
<td>Internal Accounts Receivable</td>
<td>8117</td>
<td>$1,000</td>
</tr>
<tr>
<td></td>
<td>Sales and Services</td>
<td>1500</td>
<td>$5,500</td>
</tr>
</tbody>
</table>

In the following month this AVAE will automatically reverse and the conference center will enter a new auxiliary accrual voucher (AVAE) for the total outstanding
Accounts Receivable balance at July 31st.

**KFS AR User Example**: Printing services using KFS Accounts Receivable system has a total of $3,500 in unbilled sales on July 31st. The following entry is recorded to reflect the total unbilled receivable balance for the month of July.

<table>
<thead>
<tr>
<th>Document</th>
<th>Object Code</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVAE</td>
<td>KFS Accts Rec (Unbilled)</td>
<td>8122</td>
<td>$3,500</td>
</tr>
<tr>
<td></td>
<td>Sales and Services</td>
<td>1500</td>
<td>$5,500</td>
</tr>
</tbody>
</table>

In the following month this AVAE will automatically reverse and printing services will enter a new auxiliary accrual voucher (AVAE) for the total unbilled sales at August 31st.

**Additional Conditions:**

- Receipts generated by KFS Accounts Receivable invoices must be deposited via the lockbox. Approved Non-KFS Accounts Receivable users deposit receipts via remote capture, accountable mail, or their own lockbox.
- The Accounts Receivable balance should be reconciled to a list of outstanding invoices on a monthly basis. For KFS Accounts Receivable users object code 8118 should agree to the Aged Receivable report. The Aged Receivable report should be generated the 1st business day of the month, prior to transacting any business and either an electronic or hardcopy maintained by the department. For departments using an independent Accounts Receivable system, the total of all outstanding Accounts Receivable invoices recorded in the independent system should equal the department's balance in 8117 and 8119.
- Internal and external receivables must be reported in separate object codes.

**Non-student Accounts Receivable Object Codes:**

- 8117-Internal receivables. These are monies owed by one university account to another in exchange for goods or services.
- 8118-Restricted to KFS Accounts Receivable users only. External receivables invoiced via KFS Accounts Receivable. These are monies owed to the university by outside entities that have received goods or services for which payment is expected.
- 8119-External receivables invoiced via an independent Accounts Receivable system.
- 8122-KFS Accounts Receivable Unbilled (KFS users only) to record a month end accrual for amounts not yet reflected in 8118 balance.

**Other Accounts Receivable Object Codes**

- 8160-Bursar Student Accounts Receivable. Used to record money owed to the university by students, who have been billed through the campus Bursar.
• 8114-Accounts Receivable Auxiliary Bursar. Used to record credits as an offset to the Bursar Accounts Receivable object code 8160 debits.
• 8100-Accounts Receivable. Used to record State Appropriations. Not to be used for recording external Accounts Receivable by departments.
• 8131-Vendors Receivable. Used by auxiliary retail operations to record funds due the department from vendors for returned inventory.
• 8700-Due From. Used for "balances due" between departments within the university. The corresponding "due to" object code, 9500, must be recorded.
• 8750-Interim Operating Loan. Used for loans issued by the university to individual departments.
• 8900, 8950-Allowance for Doubtful Accounts. Used for recording allowances for bad debt.

DEFINITIONS:  

Accrual accounting is the matching of revenue and expense. The revenue/expense should be recorded in the period that the event happened. The revenue and expense that are correlated to each other should be recorded in the same period. If there is not any revenue generated by the expense then the expense should be recorded when it occurs not when the cash is paid.

Aged Receivable Report should include Customer Name & outstanding balance, aged receivables for Current, 30, 60, 90 and 120 days. Report should be system generated by KFS Accounts Receivable or by an Accounts Receivable system previously approved for use by Auxiliary Accounting in consultation with campus administration.

CROSS REFERENCES:  
FIN-TRE-VI-121 - Establishing and Generating Revenue Producing Activity (RPA)  
FIN-ACC-I-490 - Non-Student (External) Accounts Receivable, Annual Write-off report  
ARSOP 6.0 - Allowance for Doubtful Accounts and Write-offs for Non-Student Accounts Receivable  
ASOP 3.0 - Accruing vs. Adjusting Entries - Auxiliary Voucher Use  
Auxiliary Voucher Documentation

RESPONSIBLE ORGANIZATION: All revenue generating operations that bill for goods and/or services outside of the bursar system (SIS).

1"The matching principal means that revenues generated and expenses incurred in generating those revenues should be reported in the same income statement. Revenues for an accounting period are recognized in accordance with the realization principle. Then the expenses incurred in generating those revenues are determined in accordance with the matching principle. Thus, expenses are reported in the income statement for the accounting period in which the related revenues are recognized." (Intermediate Accounting, by Chasteen, Flaherty, and O'Conner; 1992; McGraw-Hill, Inc.; p.60).