

## Appendix D: Prepayments

A prepayment is when you pay for goods or services and some or all of those goods/services relate to the next financial year.

### Example:

- You are billed in advance for the annual maintenance charge for your equipment of £10,200.
- The invoice is received and processed in July 2023 however it relates to maintenance for the period 1 August 2023 - 31 July 2024.

The expenditure is taken out of the 2022/23 year by means of a journal which is then reversed in **AUG-23** to allocate the cost to the subsequent year.

### How to raise the journal

#### 1. Start to enter your journal in the normal way

- a) Period: should be **JUL-23** at this year end
- b) Category: select **Auto Reversal** from the list of values  
The auto-reverse function should only be used when it is appropriate for the journal to be reversed in the next period. When it is not appropriate to reverse the journal in the next period the journal should be entered in the normal way and manually reversed in the appropriate period.
- c) Description: Pre prepayment of invoice X for period dd/mm/yy to dd/mm/yy
- d) Control Total: enter as appropriate

#### 2. Enter the following journal lines:

	<b>Debit</b>	<b>Credit</b>
Department code	As per credit line	As normal
Cost Centre	as per credit line	As normal
Source of Funds	0000	As normal
Transaction code	<b>UNGA</b> (prepayment)	As normal (e.g. <b>EUEF</b> )

#### 3. **Save** your journal

### Posting the journal

From the **Navigator** screen choose **Journals > Post**. Enter the batch name to recall the journal and tick the box to select it for posting. Behind the scenes, a second (reversing) journal will be created in the next period and will be automatically posted by the Finance Division.

If the journal category Adjustment is used then you must remember to **manually** reverse it in the **AUG-23** period, using the More Actions button, and to post both journals.

In your accounts

**Example:**

➤ Current financial year:

16-Jul-2023	Suppliers invoice entered in UFS	£10,200
29-Jul-2023	Prepayment journal reduces (credits) expenditure	(£10,200)
	Effect on expenditure in the current year	<u>£    0</u>

➤ New financial year:

1-Aug-2023	Journal reverses, charging expenditure to dept account	£10,200
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