

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.

- ◇ You are billed in advance for the annual maintenance charge for your equipment of £10,200.
- ◇ The Invoice is received and processed in July 2015, however it relates to maintenance for the period 1 August 2015 - 31 July 2016.

The expenditure is taken out of the 2014-15 year by means of a journal which is then reversed in AUG-14 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-15** at this year-end
 - b) Category: select **Auto Reversal** from the list of values
 - 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:

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

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-15 period using the 'More Actions' button and to post both journals.