Appendix B: Unearned (deferred) revenue

Income should be **deferred** where it has been received by the institution in advance of the goods or services being supplied (e.g. in the case of trading, course fees).

> **Example**: Course fees invoiced on 1 July of £11,000 for a course starting on 5 August.

How to adjust for Deferred Income

1. Raise a new journal batch and create a journal choosing the category **Auto Reversal**

   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.

   Choose the period **JUL-24**
   Enter a suitable description e.g. Defer AR Invoice 123456 for course starting 5-Aug-2024

2. Code as follows:

	Debit	*Credit*
Institution code	As normal	As per debit line
Cost Centre	As normal	As per debit line
Source of Funds	As normal	0000
Transaction code	As normal (e.g. **LAAD**)	**VZAA** (unearned revenue)

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-24** period, using the **More Actions** button, and to post both journals.

In your accounts…

The deferred income journal will debit (i.e. reduce) income in July. The credit entry will go to the **VZAA** balance sheet code, creating a liability for the income received for which no goods/services have yet been provided.

> Example:
>
> Current financial year:
>
> | 2-Jul-2024 | Sales invoice raised | £11,000 |
> |---|---|---|
> | 29-Jul-2024 | Create journal to reduce income | (£11,000) |
> | | Effect on income in the current year | £   0 |
>
> (Proceeds of sales invoice is deferred and a liability created on Balance Sheet)