

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 2019, however it relates to maintenance for the period 1 August 2019 - 31 July 2020.

The expenditure is taken out of the 2018/19 year by means of a journal which is then reversed in *AUG-19* 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-19** 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:

	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 (prepayment)	As normal (e.g. EUEF)

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-19** period, using the *More Actions* button, and to post both journals.

In your accounts

Example:

- Current financial year:

16-Jul-2019	Suppliers invoice entered in UFS	£10,200
29-Jul-2019	Prepayment journal reduces (credits) expenditure	(£10,200)
	Effect on expenditure in the current year	£ 0
- New financial year:

1-Aug-2019	Journal reverses, charging expenditure to dept account	£10,200
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