

Appendix D: Prepayments

A prepayment is when goods or services are paid for and some or all, the goods or services relate to the next financial year.

Example:

- A bill is received in advance of the annual maintenance charge for equipment of £10,200
- The invoice is received and processed in July 2025 however it relates to maintenance for the period 1 August 2025 - 31 July 2026

The expenditure is taken out of the 2024/25 year by means of a journal which is then reversed in **AUG-25** to allocate the cost to the subsequent year.

How to raise the journal

1. Start to enter the journal in the normal way
 - a) Period: should be **JUL-25** 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: 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 |
|------------------|--------------------------|-------------------------------|
| Institution 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** the 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 remember to **manually** reverse it in the **AUG-25** period, using the More Actions button, and to post both journals.

In the accounts

Example:

| | | |
|---------------------------|--|-----------|
| ➤ Current financial year: | | |
| 16-Jul-2025 | Suppliers invoice entered in CUFS | £10,200 |
| 29-Jul-2025 | Prepayment journal reduces (credits) expenditure | (£10,200) |
| | Effect on expenditure in the current year | £ 0 |
| ➤ New financial year: | | |
| 1-Aug-2025 | Journal reverses, charging expenditure to dept account | £10,200 |