Appendix A: Expenditure accruals

At the end of any month there might be some costs that you know you have incurred but for which you haven't yet received (or logged onto UFS) the invoice.

> ***Example***:
>
> ➤ An engineer comes to the Department in the middle of July and repairs a machine.
>
> ➤ You know that he is going to charge you £1,500 for the work but you won't get his invoice until the end of August.
>
> ➤ However, that repair actually took place in July and should therefore be included in the accounts for July.

This is more significant at year end when it is important to get the repair cost in the right accounting year.

The costs are allocated to the correct year by means of a General Ledger journal. This journal is then reversed out in the following month/year so that when the invoice is logged onto UFS and paid in the normal way, you don't have a double charge to your department account.
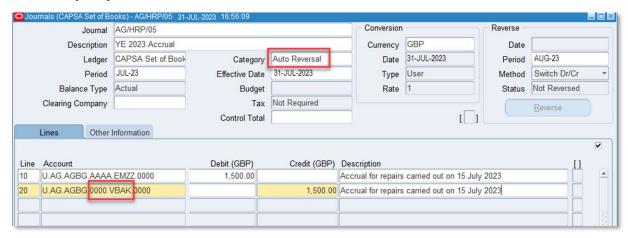
How to raise the accrual journal

1. Log into UFS in the normal way and go into your department GL responsibility.
2. Select **Journals ➔ Enter**.
3. Click on the **New Batch** button and complete the header details in the normal way.
4. Click on the **Journals** button and start to enter the accrual journal for July

   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: enter as appropriate

   d) Control Total: enter as appropriate

5. Account codes to be used:

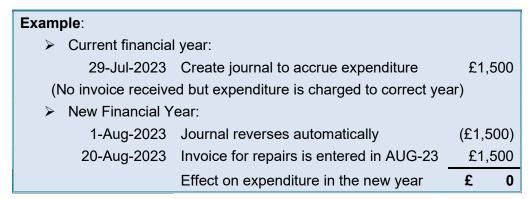|	*Debit*	*Credit*
Department code	As normal	As per debit line
Cost Centre	As normal	As per debit line
Source of Funds	As normal	0000
Transaction code	Appropriate to the expenditure being accrued	**VBAK** (accrual)

6. **Save** your journal

Post 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 **Accrual** or **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…

The accrual journal debits (or charges) expenditure - in place of the absent invoice. The credit entry goes to the **VBAK** balance sheet code, representing a liability for the goods/ services received but not yet invoiced.

The reversal journal creates a credit against the original expenditure transaction code (e.g. **EMZZ** from the screen shot above). This in turn is cancelled out by a corresponding debit balance when the supplier's invoice is finally received and processed on UFS in the normal way.

> **Example**:
> ➢ Current financial year:
>   29-Jul-2023   Create journal to accrue expenditure   £1,500
> (No invoice received but expenditure is charged to correct year)
> ➢ New Financial Year:
>   1-Aug-2023   Journal reverses automatically   (£1,500)
>   20-Aug-2023   Invoice for repairs is entered in AUG-23   £1,500
>   Effect on expenditure in the new year   £   0

FAQs

Does it matter if I have already raised a purchase order for the goods/services in July?
     No
Should I include the VAT element of the goods/service in the accrued total?
     Yes
What if the invoice is still not received in August?
     Then the accrual journal must be repeated in August. It will reverse in September when, hopefully, the invoice will be entered on UFS