

# UCOP Business Resource Center

## Fiscal Close Classes!



### ACCRUALS & DEFERRALS

#### ***What is the difference between Accrual and Deferral?***

**Accrual:** If a service/good has been received by June 30, but the payment will not be made until July 1 or later, the expense should be accrued so that it appears on the June GL of the year that the service/good was received. Any single expense that is greater than \$25,000 which has not hit the June ledgers and is applicable to the current fiscal year needs to be accrued. Encumbering an expense is NOT the same as an accrual.

**Deferral:** If a service/good will be received after June 30, but the payment will be made prior to July 1, the expense should be deferred so that it appears on the July GL of the year that the service/good will be received. Any single expense that is greater than \$25,000 which has hit this year's ledgers and is applicable to the following fiscal year needs to be deferred.

#### ***Can I process an accrual or deferral via the NPEAR system?***

No, an accrual or deferral is always processed on a financial journal; it is coded as a type entry 53 and the Trans # is **14XXXX** which represents a reversing journal. The entry will automatically be reflected on the July ledgers as a credit (accrual) or debit (deferral).

#### ***What is a Financial Journal?***

Journal entries generally move expenses between balance sheet accounts or between balance sheet and operating accounts. They are also used to move transactions between UCOP departments and campuses. A financial journal is always used to record accruals and deferrals during fiscal close.

#### ***Are Journals and Transfer of Funds (TOFs) the same?***

No, a journal moves transactions financially from one FAU/chart string to another FAU/chart string while a TOF moves funds from one FAU/chart string to another FAU/chart string. TOFs are "budgetary transactions". If you are sending funds to a campus, that is an interlocation transfer of funds (ITF). For example, your department agreed to fund a project on another campus, an ITF would be processed.

#### ***How do I process an accrual or deferral?***

There is a specific excel template that is used to process an accrual or deferral. Send all completed forms and documentation to the BRC in ServiceNow. From the Opening page select Request Service > Business Resource Center > Compliance, Accounting, Audit and Policy (CAAP) > Cost Transfer. Be sure to select Accrual/Deferral in the drop-down box. There is a copy of the template in the [BRC website](#).

#### ***Can I use the same template for accruals and deferrals as a regular journal?***

No, the accrual & deferral template is different since these are entered as a specific type of journal – type 14 reversing journal. Please go to the BRC website for the different templates.



## ACCRUALS & DEFERRALS (CONTINUED)

### ***Why do I have to use a template?***

The templates are uploaded in the UCLA financial system application and it uses a specific format. The system also validates the FAUs, source codes, etc., when processed. If the correct format is not used an error will occur. This can cause a delay in processing the journal. This is critical at month end and year end due to ledger cut off dates.

### ***When are Financial Journals processed?***

Financial journals are processed throughout the fiscal year. However, accruals and deferrals are only processed in June at fiscal close; typically one of the very last transactions processed against the June ledgers.

### ***How does an accrual appear on the June and July ledgers?***

An accrual will be a debit on June ledgers and a credit on July ledgers. When the invoice is paid in the new fiscal year, it will be a debit and the transaction in the new fiscal year will net to zero.

### ***How does a deferral appear on the June and July ledgers?***

A deferral will be a credit on June ledgers and a debit on July ledgers. The June credit will net out the payment made in the current fiscal year and the charge will be recorded as an expense in the new fiscal year.

### ***What information do I need to submit when I request a Financial Journal?***

At a minimum, you need to provide the FAUs that will be affected, an explanation of why you are requesting the journal, the preparer's name and phone number, the approver's name and phone number. If you have a specific invoice you are accruing/deferring, also please include a copy of that.

### ***Where do I submit my accruals/deferrals journal?***

Send all accrual and deferral journals to the BRC in ServiceNow. From the Opening page select Request Service > Business Resource Center > Compliance, Accounting, Audit and Policy (CAAP) > Cost Transfer. Be sure to select Accrual/Deferral in the drop-down box.

### ***What if I miss the deadline?***

Deadlines are firm so please submit all transactions sooner than later. Unfortunately accruals/deferrals cannot be processed after the deadline or across fiscal years.

***What if I have additional questions about Financial Journals?*** Please send questions to the BRC CAAP team email box at [BRC-CAAP@ucop.edu](mailto:BRC-CAAP@ucop.edu) and one of the team will reply to you. You can also contact [journals@ucop.edu](mailto:journals@ucop.edu) with questions.