

Accrual Accounting

FIN-ACC-350

About This Policy

Effective Dates:

07-01-1996

Last Updated:

07-01-1996

Responsible University Administrator:

Executive Vice President for Finance and Administration

Policy Contact:

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Associate Vice President and University Controller

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Scope

All Indiana University units and employees.

Policy Statement

All University operations should be maintained and compliance reports prepared on the accrual basis of accounting at the end of the fiscal year. Revenues should be reported when earned and expenditures reported when materials or services are received or used.

Reason For Policy

To comply with AICPA Audit Guidelines 2.09.

Procedure

Indiana University is currently recording most transactions on an accrual basis. This policy is intended to clarify which method of accounting is required by the AICPA Audit Guide. Financial Management Services coordinates the year end journal entries, including accruals, for the University on non-auxiliary accounts.

The auxiliary document can be used to record entries that do not affect cash. This document is located in the Kuali Financial System (KFS).

Definitions

Accrual Accounting: Is the matching of revenue and expense. The revenue/expense should be recorded in the period that the event happened. The revenue and expense that are correlated to each other should be recorded in the same period. If there is not any revenue generated by the expense then the expense should be recorded when it occurs not when the cash is paid.

History

The source to this policy is:

AICPA Audit Guidelines, Generally Accepted Accounting Principles, Chief Accountant