And now it’s time for…….Accruals and Deferrals

**What are accruals and deferrals?**

**Accrual**: If a service/good has been received in FY 17-18, but the payment will not be made until July 1 or later, the expense must be accrued so that it appears on the June GL of the year that the service/good was received. Any single expense greater than $25,000 which has not hit the GL and is applicable to that fiscal year must be accrued. Encumbering an expense is NOT the same as an accrual.

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

**What do I need to do?**

- Identify any expenses that meet the above criteria.
  - Review your June prelim general ledger.
  - Contact vendors that you are expecting invoices from to get copies of invoices or estimates of FY 17-18 expenses.
- Complete the [accrual/deferral journal template](mailto:accrual/deferral journal template). Be sure to include as much information as possible to link the journal entry to the actual expense.
- Submit the completed journal form to journals@ucop.edu by or before July 20.

**What will this look like on my GL?**

Accrual: The journal will place a debit on your June GL and a credit on your July GL. The credit will zero out the expense when it is paid in the new fiscal year.

Deferral: The journal will place a credit on your June GL and a debit on your July GL. The credit will zero out the expense that was paid in the current fiscal year.

Please note that accruals are not a budgetary tool to spend down current year surplus appropriations, they are financial tools used to ensure that we are recording expenses in the appropriate fiscal year.