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Policies & Procedures

1 Fiscal Environment

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1.2 Conducting, Recording and Reporting Financial Activity

Policy Statement

Unless otherwise stated in the Business and Financial Policies and Procedures Manual, all business and accounting of the system must conform to Generally Accepted Accounting Principles (GAAP) and practices for educational institutions established, in order of precedence, by:

1. [Statewide Accounting Management System \(SAMS\)](#), Illinois State Comptroller
2. Officially established accounting principles of the Government Accounting Standards Board (GASB)
3. GASB Technical Bulletins, applicable, American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guides, and AICPA Statements of Position
4. AICPA Practice Bulletins, applicable to Colleges and Universities
5. GASB Implementation Guides (Q&As) published by the GASB staff, as well as practices that are widely recognized and prevalent in the College and University environment
6. Financial Accounting and Reporting Manual, National Association of College and University Business Officers (NACUBO) and other accounting guidance provided by NACUBO.

The Banner General Ledger and Operating Ledger systems constitute the official financial record of the University of Illinois System. The system reports financial

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Anti-Bribery
Laws****Employee Gift
Policy****Fraud
Prevention and
Awareness****Approval of
Financial
Documents**

activity using the accrual accounting method.

Reason for the Policy

Centralized accounting processes maintain the system's chart of accounts and other methods for classifying financial data. These processes also ensure the integrity of the data recorded in the financial record and permit comparison to formal spending authority (budgets, appropriations, etc.) for fiscal control purposes. These centralized accounting systems generate reports that help to safeguard the system's assets.

Applicability of the Policy

All business and accounting of the system, unless otherwise stated in the Business and Financial Policies and Procedures Manual.

Procedure

Business and accounting of the system's financial activities must be conducted, recorded, and reported in a manner appropriate to the type of transaction. It also must adhere to additional system-wide standards.

Basis of Accounting

The system reports financial activity using the accrual accounting method. In accrual accounting, revenues are reported when earned, not necessarily when money is received. Expenses are reported when materials or services are received, not necessarily when money is paid out. Although some revenue and expense transactions are recorded throughout the year, at year-end all must be recorded for inclusion in annual reports. Recording revenue and expenses on the accrual basis requires that:

- Revenue earned at a reporting date, but not yet received, is added and recorded as a receivable.
- Revenue received, but applicable to future periods, is subtracted and recorded as unearned revenue.
- Expenses incurred at a reporting date, but not yet paid, are added and a payable is recorded.
- Expenses paid, but applicable to future periods, are subtracted and recorded as a prepaid expense.

Accruals and Deferrals

Financial activity may occur before the related transactions have formally processed through the appropriate Banner financial system. In other cases, financial activity that covers more than one financial accounting period may be recorded in Banner. When these situations occur, temporary entries that adjust for the timing of these transactions may be recorded at the end of a financial period. This provides more accurate financial reporting as of the end of that period.

Entries that add unrecorded financial activity are referred to as accruals. Entries that adjust for activity that belongs to a future period are referred to as deferrals. When accruals and deferrals are recorded at the end of a particular accounting period, they must be reversed at the beginning of the next accounting period so the transactions will not be duplicated or misstated in future accounting periods. Units may initiate accrual and deferral entries only for these fund types:

- Self-Supporting
- Services plans
- Plant

Your unit may (or in some cases must) process accrual and deferral entries at the end of an accounting period.

Additional Resources

[University Accounting Fund Types](#)

[University of Illinois Annual Financial Reports](#)

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Business and Finance

For questions or concerns about the BusFin site, please contact sharedservices@uillinois.edu.

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