

Under GAAP (Generally Accepted Accounting Principles) expenses that will cross the fiscal year must be recorded in the period in which the benefit is utilized.

Examples of prepaids:

- Advertising
- Annual Access Fee
- Insurance
- License Renewal
- License/Support
- Maintenance
- Membership
- Online Training
- Protection Plan
- Service Contract
- Software License
- Subscription
- Tech Support
- Termite Contract
- Warranties

The part of the expense that is for the next fiscal year is credited back to the current year budget and deducted from next year's budget.

**The example below shows a prepay for a \$360 subscription.**

| RENEWAL DETAILS                                   |  |  |  |  |  | Make Payment |
|---|--|--|--|--|--|--------------|
| Subscription: <b>Mar 20, 2018 to Mar 19, 2019</b> |  |  |  |  |  |              |
| Total: <b>\$360</b>                               |  |  |  |  |  |              |

| Amount    | Starting | Ending   | DAYS IN CONTRACT | NO OF DAYS 2018-2019 | AMOUNT PREPAID | Current Year |
|-----------|----------|----------|------------------|----------------------|----------------|--------------|
| \$ 360.00 | 03/20/18 | 03/19/19 | 365              | 262                  | \$258.41       | (\$101.59)   |

Of the \$360 amount, \$101.59 belongs in the current fiscal year, and \$258.41 belong in the next fiscal year. The check is issued to the vendor for the full amount of \$360.00. At the end of the month, AP will make an adjustment in Banner to credit the \$258.41 the account. The prepay credit will begin with PRE in Banner.

**The prepay transaction will appear in Banner as below.**

| Field | Amount  | Increase (+) or Decrease (-) | Transaction Date * ▼ | Activity Date * | Description            |
|-------|---------|------------------------------|----------------------|-----------------|------------------------|
| YTD   | -258.41 |                              | 04/30/2018           | 05/02/2018      | PRE SurveyMonkey, Inc. |
| YTD   | 0.00    | -                            | 04/13/2018           | 04/13/2018      | SurveyMonkey, Inc.     |
| YTD   | 360.00  | +                            | 04/12/2018           | 04/12/2018      | SurveyMonkey, Inc.     |

**After July 1, the \$258.41, will be charged to the correct fiscal year.**