

Guidance for using Prepaid Index (110500), and Account Code (710450), and for New Fiscal Year Requisitions

Since implementing NSF functionality there are a few changes required when entering requisitions for services or software licenses that cross fiscal years. First, if payments are being made on a monthly or quarterly basis that aligns with the fiscal year start, it is not necessary to use the prepaid index. The only time it is necessary is when the department is paying for goods/services in one fiscal year but not receiving them until the next fiscal year.

When purchasing services or software that crosses fiscal years and full payment is required up front in the current fiscal year, departments should use department index for the portion of payment that is incurred in the current fiscal year and use the prepaid index and account code (110500-710450) for the portion of expenses that are provided in the next fiscal year. Accounting uses a monthly pro-rata allocation method so if a start date is not on the first of the month, then the expense needs to be prorated. If the start date falls between 1st – 15th of the month, round back to the 1st of the month and include the whole month in current year but if the start date falls between the 16th – 30th/31st round forward to the next whole month in the current year.

Example:

Annual Software license costs \$10,000 per year and the start date is 4/21/21 and runs through 4/20/22. To prorate, consider start date to be 5/1/21 so two (2) months (May and June) will be paid from current fiscal year funds. Divide \$10,000 by 12 = 833.3333; $833.3333 \times 2 = \$1,666.6666$. That means you will charge \$1,666.67 to your index for the current year and the balance, 8,333.33 (833.3333×10) to the prepaid index (110500) and account (710450).

If the start date is 4/5/2021 and runs through 4/4/2022, then round back to 4/1/2021 and pay three months from the current fiscal year and nine months from the prepaid index.

Also, if there are multiple line items then departments must enter the index and account code on each line item and not at the header level, even if the index and account codes are the same for all lines. This is required due to a defect in the way Banner reads the data as it is passed from eProcure to Banner.

When entering requisitions for the new fiscal year, use the accounting date of 7/1/XX but you must have available funds in the new fiscal year budget to pass the NSF check.

Any questions, please contact the Procurement office for guidance, 953-5510.