State of Tennessee

06/30/18

Procedures for Recording Accounts Receivable

Accounts receivable for departmental revenue earned and refunds of expenditures due but not yet collected as of June 30 are typically recorded using the source RA journal process described in this document.

1. **Criteria for Establishing Accounts Receivable**

1. Receivables/payables between state agencies will not be processed absent prior approval from the Division of Accounts.
2. Funding for accrued liabilities from third party entities (i.e., federal government, etc.), should be recorded in an amount equal to the third party entity’s agreed upon participation.
3. Credit card receipts and Portal Premium Subscriber revenue should not be included in the source RA journals prepared to record accounts receivable. The Division of Accounts will record the necessary accounts receivable and FY 2019 reversals for FY 2018 credit card and Portal Premium Subscriber revenue that is deposited to the State’s bank account after June 30.
4. Division of Accounts should be contacted concerning any receivables for governmental fund types that will not be collected within the first six months of FY 2019.
5. **Accounts Receivable RequirementS**
6. Accounts receivable transactions are to be entered in Edison by creating a source **RA** journal entry.
7. The journal entry should be created so that it will automatically be reversed at the beginning of the next period that is open. (Click the “Reversal: Do not Generate Reversal” link on the journal header page to indicate that the system should automatically create a reversing entry. A Journal Entry Reversal screen will appear. On this screen, if July is open, click “Beginning of Next Period” under the Reversal section and then click “OK”. If July is not open, click “On Date Specified by User” under the Reversal section and fill in the Reversal Date field with the first day of an open current fiscal year period. For the ADB Reversal section, “Same As Journal Reversal” should always be chosen. **PLEASE DO NOT CHOOSE AN ADJUSTMENT PERIOD WHEN CREATING A REVERSAL!**)

**The only time the automatic reversal feature for an accounts receivable journal entry should not be used is when the revenue being recorded by the receivable will be credited to a different** **accounting string in the new fiscal year**. In these situations, a separate journal entry with a 07/01/2018 journal date will need to be created to record the reversal. (If July is closed, the reversal journal should be dated the first day of an open current fiscal year period.) The debit line(s) of this reversal should carry the accounting string(s) that will be used when the revenue is received in the new year, and the long description for both the receivable recording and reversing journal entries should contain appropriate cross-referencing Journal ID information. Note: If the new accounting string to be charged includes a change to the fund or GL business unit, please contact the Division of Accounts for additional assistance.

1. A crosswalk of the account numbers to be used in the recording of various types of receivables has been attached (EXHIBIT II). Please note that if project costing chartfields are used in the credit (revenue or expense) line(s), an analysis type of **YAR must be entered on the revenue line only**. This will result in the accounts receivable transactions updating projects for reporting, but not billing, purposes. Generally, any source RA journal using an analysis type of YAR should be associated with a source LA journal using an analysis type of YAE.
2. **Receivables from The University of Tennessee (UT) or Tennessee Board of Regents (TBR):** Source RA journals being recorded for these component units must have the Component Unit Template attached as supporting documentation. This template will assist in reconciling Due To/Due From transactions to the proper institution/school within the UT and TBR systems for CAFR reporting purposes.

1. The journal entry long description should read as follows:

**To establish accounts receivable at June 30 per the ATTACHED SCHEDULE.**

For accounts receivable against accrued liability journal entries, the long description must also contain the Journal ID of the source LA journal recording the underlying accrued liabilities.

1. **rECORDING aCCOUNTS rECEIVABLE IN TWO PHASES**
2. **Accounts receivable against accrued liabilities:**

A copy of the Detailed Schedule of Accrued Liabilities, prepared as support for the related accrued liability journal, must accompany any accounts receivable against accrued liability transactions submitted for processing. The total amount of the Federal or Other Outside Revenue column and the Current Services Revenue column should agree to the total of the accounts receivable.

1. **Accounts receivable not against accrued liabilities:**

A Detailed Schedule of Other Accounts Receivable As of June 30, 2018, form must be completed and accompany any accounts receivable not against accrued liabilities submitted for processing. The required format for this schedule has been included with this documentation (Exhibit I).

If a customer accounts receivable has already been established through the Edison Accounts Receivable module with an accounting date of June 30 or prior, it should not be recorded again through the year-end accounts receivable journal process.