



## Division of Finance Standard Operating Procedure

# Revenue Recognition

## Introduction

Funds received from external entities must be recognized as University revenue except for specific exceptions identified in this document.

## Procedure

### I. Revenue Recognition

Use revenue object code to credit revenue.

#### A. In General

Revenue is generally recognized when funds are received from external entities. In instances where an external entity is billed by the University, revenue is recognized at the time of the billing. Only those instances identified in section II below are exceptions to recognizing revenue.

#### B. Rebill Accounts (Entity 85)

Rebill accounts facilitate billing select external entities. The first step in the billing process is to internally bill the Rebill account at which time the University will recognize revenue. Use Paired Internal Charge object codes. Adjustments to reporting will be made to recognize revenue.

##### 1. Direct Costing

When Rebill accounts are direct costed in procurement/payment or payroll processes, the University will not recognize revenue. Rationale: The University may pay a bill on behalf of the entity; this is different than providing billable goods or services.

#### C. Student Organization Accounts (Entity 80), and Foundation Accounts (Entity 50-66, 90 & 95)

Student Organizations and The Foundation, are both considered external entities but are billed internally; Use Paired Internal Charge object codes. Adjustments to reporting will be made to recognize revenue.

#### D. Other Revenue Activity

The following items will be recognized as revenue:

##### 1. Damages

Funds received from individuals and insurance companies to cover damages. Rationale: we have the option to not replace damaged items.

##### 2. Warranty Claims

Funds received for warranty claims.

##### 3. Reimbursements from Students or Student Organizations

Reimbursements for purchases made on behalf of students or student organizations are recognized as revenue. If the student organization has an agency account, then the account must be directly charged for the purchase which makes reimbursement unnecessary.

#### **4. Contractual Agreement Rebates**

Rebates received from vendors as part of a contractual agreement. (See II.D. below for Standard Purchase Rebates).

## **II. Exceptions to Revenue Recognition (Expense Reduction)**

The listed exceptions qualify as allowable expense reduction. Credit the funds to the complete account that was originally charged with the expense.

### **A. Refund of Actual Expenditures**

This is most generally seen when a vendor refunds for the return of goods. If the refund is not processed via a credit memo, then the original document number must be listed in the description of the deposit ticket (i.e., Payment or Purchase Order number).

### **B. Purchases Made in Violation of Ohio University Policies and Procedures**

This would include any personal and/or unauthorized activity inadvertently charged to an Ohio University account number. There is the expectation that these types of charges are minimal.

Examples:

- i. Reimbursement of a personal purchase inadvertently placed on the PCard.
- ii. Third party reimbursement for expenditures paid by Ohio University (note: If it is known that third party reimbursement will occur, no such charges should be incurred by, or submitted for reimbursement to, Ohio University – please see Ohio University Policy 41.121).
- iii. If the cost of an airline ticket purchased on the PCard for business travel exceeds the travel allowance allotted to an employee, then the department may deposit the monies received from the employee to the account charged with the cost of the airline ticket.

### **C. Reimbursements from Construction Contractors**

Reimbursements from construction contractors for their consumption of utilities that are provided to Ohio University by external utility companies. (Expense sharing agreement with an external entity for a non revenue generating activity; we incur expense and get reimbursed by external entity). Example: External utility company bills Ohio University, Ohio University pays the external utility company, and then Ohio University bills the construction contractor for the actual cost.

### **D. Standard Purchase Rebates**

In the description of the deposit ticket, indicate that the deposit is for a rebate associated with one specific purchase transaction. See section I.D.4 above for Contractual Agreement Rebates.

### **E. Replacement of Library Books for the Ohio University Library**

Deposit funds received to cover the replacement of books to expense object code 741320, LIBRARY BOOKS REPLACEMENT. Rationale: this will prevent the purchase of the book from being capitalized more than once. This qualifies as an exception regardless of the fiscal year the replacement book expense is posted.

### **F. Planning Implementation Fees**

Planning Implementation Fees charged to external entities are credited to Internal Charge code 480045, IC PLANNING IMPLEMENTATION FEES (REVENUE). Rationale: to avoid booking University revenue twice.

### **III. Refunding Previously Recognized Revenue**

When refunding revenue, charge the cost center (including the revenue object code) that was originally credited.

If there is an activity that isn't addressed anywhere above, and you think it should be, please email a detailed description to [sanok@ohio.edu](mailto:sanok@ohio.edu) for review. This SOP is subject to change.

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