



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

Determination has been made that the following items will be recognized as revenue.

1. Damages

Funds received from individuals and insurance companies to cover damages. Rationale: we may not replace in the same fiscal year or replace at all. In any event, we'll record as revenue.

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. Prior Fiscal Year Expense Association

In regard to exceptions to revenue recognition listed in section II. below: when the receipt of funds is associated with a PRIOR fiscal year expense the exception does not apply - credit the funds to the cost center that was originally charged, but use revenue object code 475210, REIMBURSEMENTS, instead of the original expense object code.

5. 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 (Allowable Expense Reduction)

The listed exceptions qualify as allowable expense reduction when the receipt of funds is associated with a CURRENT fiscal year expense. 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 travel 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 III.E. below for Contractual Agreement Rebates which are NOT an exception to revenue recognition.

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 collected in the current fiscal year charge the cost center (including the revenue object code) that was originally credited. When refunding revenue collected in a prior fiscal year charge expense object code 770400, MISCELLANEOUS EXPENSE.

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 for review. This SOP is subject to change.

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