

Accounting Treatment of Monies received/spent relating to the following school year

There are occasions towards the end of a school year that monies will be received that relate to the following year. Also, there may be some costs incurred that relate to the coming year.

If an income or an expense incurred at the end of the current year relates to the next school year, they should be deferred until 2022/2023. As long as it is possible to attribute Income or expenditure to the relevant year, income/expenses should be entered in the Income and Expense of that year.

Example

For instance, if a school receives monies for Students Insurance for the coming school year in Aug and paid the Students Insurance in August to the Insurance company, as this relates to the following year, this should be deferred until the following year. It is necessary to classify the monies received in advance as School Income Received in Advance and the costs incurred prior to the start of the new school year as a prepayment.

Year 1 Prior to the start of the next school year

Action	DR/CR	Nominal Code	Description
Monies received for Students Insurance	DR	1800	Current Account 1 Current Asset
	CR	2105	School Income Received in Advance Current Liability

Action	DR/CR	Nominal Code	Description
Payment of Students Insurance to the Insurance Company	DR	1720	Prepayments Current Asset
	CR	1800	Current Account 1 Current Asset

Year 2 Next school year

Action	DR/CR	Nominal Code	Description
Journal to reflect Income in the correct school year	DR	2105	School Income Received in Advance Current Liability
	CR	3535	Student Insurance Income Income

Action	DR/CR	Nominal Code	Description
Journal to reflect Expenditure in the correct school year	DR	4916	Student Insurance Expense Expense
	CR	1720	Prepayments Current Asset