

School Income Received in Advance

(Document last updated June 2023)

1. Introduction

Schools may be in receipt of income which is received in advance of the next academic year. Examples of such income are student insurance, locker income, uniform costs etc. Such income and any related expenditure should be deferred to the next academic year and entered as income and expense in the year to which it relates.

2. Accounting Treatment

For example, a school receives income for Students Insurance in August of the current academic year which relates to the next academic year. It also pays the Students Insurance in August to the Insurance company. As both the income and the expense relates to the next academic year, they should be deferred. 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: Income received in advance that relates to next academic year

Action	DR/CR	Nominal Code	Description
Income received for Student 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 Student Insurance to 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 year to which it relates	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 year to which it relates	DR	4916	Student Insurance Expense Expense
	CR	1720	Prepayments Current Asset