

2. Understanding Prepayments

What are prepayments?

How to account for prepayments

Monitoring the General ledger balance of code 1720 for accuracy

What are Prepayments?

A prepayment arises when a school pays for a cost in advance of receiving the benefit

Example: ICT Annual Maintenance cost paid in July for cover running July to June – 10 months relate to the next financial year

Example: Books bought under the Free schoolbook grant scheme for the future academic and financial year

Prepayments Example



ICT Annual Maintenance

Pay €19,682 on July 1 for 12 months ICT Maintenance



Financial Year ending Aug 31:

Expense: €3,280 in the BOM Income & Exp Account code 4420

Prepayment: €16,402 in the BOM Balance sheet code 1720

BOM Monthly Reports

ICT Maintenance July – June 202x

Must show the amount paid in advance in the BS

BOM Income and Expenditure

ICT Maintenance for July – Aug relating to the financial year to Aug 202x. Record in code 4420

BOM Balance sheet

The insurance cost for Sept – June relates to the future Financial Year and is shown in code 1720 in the Balance sheet

BOM I&E
New Fin Year

Journal entry at 1.9.202X required to move the insurance cost for Sept – June *from* code 1720 (Cr) in the Bal Sheet to *the maintenance expense* code 4420 (Dr) in the I&E for the new Financial Year

Prepayments Code 1720

Other Examples of costs prepaid in current year for future use

- Free Schoolbooks grant expense for a later financial year
- Payroll cost for admin of the schoolbooks grant for a later financial year
- Deposit on school tour for a later academic year
- Science Implementation Grant (Future Year) expense
- Subscriptions
- Software licences
- Maintenance contracts

Balances Forward

- The Accountants figures

Movements for the Financial Year

- Journals @ 1.9.20xx
- Look up general ledger activity checking for accuracy
- Supporting paperwork for movements in the current Financial Year

Closing Balance

- Does balance make sense?
- Follow up minus balances

BOM Balance sheet

Reviewing General ledger activity for Balance sheet codes


Reversing Prepayments


**Journal
1-9-2025
DR Expense code
CR 1720**

Prepayments @ 31-8-2025

School Insurance	€5,000.00
NAPD	€1,500.00
Computer Maintenance	€5,500.00
Books in Advance	€11,500.00
Science Subjects Expense	€5,650.00
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	€29,150.00

JOURNALS DETAILS

DATE	REF NO.	TYPE
01/09/2025 	Prepd 25	Journal

Code	Description	Notes	Debit	Credit	DEP
1720 	Prepayments	Allianz Insurance,NAPD & comp Maint	0.00	12,000.00	AOD
5450	General Insurance Expense	Allianz Insurance	5,000.00	0.00	AOD
6700	Annual Subscriptions Expense	NAPD 25-26	1,500.00	0.00	AOD
4420	Computer Maintenance & Support Expense	Comp Maint Advance charge	5,500.00	0.00	AOD

Reversing Prepayments

**Journal
1-9-2025
DR Expense code
CR 1720**

Prepayments @ 31-8-2025

School Insurance	€5,000.00
NAPD	€1,500.00
Computer Maintenance	€5,500.00
Books in Advance	€11,500.00
Science Subjects Expense	€5,650.00
	<hr/>
	€29,150.00

JOURNALS DETAILS

DATE

01/09/2025

REF NO.

Rev Prepd

TYPE

Journal

Code	Description	Notes	Debit	Credit	DEP
4390	Science Expense	Reverse Prepaid Expense	5,650.00	0.00	SCIEN
4731	Free Schoolbook Grant Expense	Reverse Prepaid Expenses	11,500.00	0.00	JCFBS
1720	Prepayments	Reverse Prepaid 31-8-2025	0.00	17,150.00	AOD

Reversing Prepayments

General Ledger Account Activity

C&C Demo School

Date Range: 1st Sep 2025 To 31st Aug 2026


Code	Date	Doc.No.	Type	Details	Debit	Credit	Balance
5450-General Insurance Expense							
5450	01/09/2025			Balance Forward	-	-	-
5450	01/09/2025	48	NURNL	Allianz Insurance	5,000.00	-	5,000.00
Totals:					€5,000.00	-	€5,000.00
Totals:					€5,000.00	-	€5,000.00

Reversing Prepayments

General Ledger Account Activity

C&C Demo School

Date Range: 1st Sep 2025 To 31st Aug 2026

Code	Date	Doc.No.	Type	Details	Debit	Credit	Balance
4731-Free Schoolbook Grant Expense							
4731	01/09/2025			Balance Forward	-	-	-
4731	01/09/2025	50	NURNL	Reverse Prepaid Expenses	11,500.00	-	11,500.00
Totals:					€11,500.00	-	€11,500.00
Totals:					€11,500.00		€11,500.00

Reversing Prepayments

General Ledger Account Activity

C&C Demo School

Date Range: 1st Sep 2025 To 31st Aug 2026

Code	Date	Doc.No.	Type	Details	Debit	Credit	Balance
1720-Prepayments							
1720	01/09/2025			Balance Forward	29,150.00	-	29,150.00
1720	01/09/2025	48	NJRNL	Allianz Insurance,NAPD & comp Maint	-	12,000.00	17,150.00
1720	01/09/2025	50	NJRNL	Reverse Prepaid 31-8-2025	-	17,150.00	-
Totals:					€29,150.00	€29,150.00	-
Totals:					€29,150.00	€29,150.00	-



Review Balance sheet before & after adjustments

Balance Sheet
C&C Demo School

Current Assets:

Date Range: 1st Sep 2025 To 31st Aug
2026

		2026	2025
Code	Description	Current	Comparative
		€	€
Current Assets			
Debtors & Prepayments			
1720	Prepayments	-	29,150.00
1730	Grants Due	-	13,450.00
		-	€42,600.00



Recording amounts prepaid in the current financial year in BrightBooks

The screenshot displays the BrightBooks interface for a 'Quick Purchase Invoice'. The top navigation bar includes the BrightBooks logo, a 'Need Help?' button, and several utility icons. A left-hand sidebar lists various modules: Overview, Customers, Purchases, Banking, General Ledger, and CRM. The main area shows a table with the following data:

Date	Ref.No.	Inv. No.	Supplier	Supplier Name	Gross	VAT Code	VAT	Net	Code
12/03/2026	123	567	SCH004	Schoolbooks Direct	6,000.00	Z 0.00% (Zero)		00	1720

An information message box is overlaid on the screen, stating: 'Information Message: You have selected Prepayment control code.' with a 'Close' button. A blue arrow points from the 'VAT' column to the 'Net' column. A table below the main one shows a 'Net' value of 6,000.00, a 'Code' of 4731, and a 'Notes' field containing 'Book Grant Expense'.

Accounting for Prepayments in BrightBooks

Journal entry to move from I&E to Balance sheet

General Ledger

Chart of Accounts **Journals** VAT Returns VIES INTRASTAT

Journals

Debit
Enter the amount here for debit value, the sum of all debit value should match with the sum of all credit value

JOURNALS DETAILS

DATE: 12/03/2026 REF NO.: TYPE: journal [Add Attachment](#)
Max file size 4 MB.

Code	Description	Notes	Debit	Credit	AOD
4731	Free School Book Grant Expense	Schoolbooks 26/27	0.00	6,000.00	BGR
1720	Prepayments	Schoolbooks 26/27	6,000.00	0.00	BGR

Monitoring the nominal ledger balance of code 1720 for accuracy

► Look up the nominal ledger activity for code 1720 for the financial year to date and check postings

1. Is opening balance as per statutory accounts?
2. Know the breakdown of this balance
3. Have the prepayments carried forward and relating to new financial year being journalled out of code 1720 and recorded as an expense in the new years I&E account?
4. Have supporting calculations for any new prepayments posted in the current year
5. Know the exact makeup of the closing balance at month end

► Balance at 30.9.20xx would be expected to be zero

► Review the Balance sheet balances monthly – Does the prepayments balance make sense at month end?

► Follow up and correct credit balances

1720 Prepayments

Show: This Financial Year Date: 01/09/2025 to 31/08/2026 Type: All O/S Only Trans. 1 to 20257

No	Type	Date	Ref.	Ex.Ref.	Dept	Details	Amount	Debit	Credit
		01/09/2025			0	B/Fwd Balance	131505.18	131505.18	
18813	JC	01/09/2025			0	Colorimeter, Water Bath, Precision B...	5290.05		5290.05
18815	JC	01/09/2025			0	Microscopes	1410.79		1410.79
19935	JC	01/09/2025			0	Free Schoolbooks Admin Salaries	9393.78		9393.78
20053	JC	01/09/2025	Y/E Adj		0	Journals 25/26	10385.03		10385.03
20055	JC	01/09/2025	Y/E Adj		0	Stationary 25/26	12031.08		12031.08
20057	JC	01/09/2025	Y/E Adj		0	Schoolbooks 25/26	80343.48		80343.48
20059	JC	01/09/2025	Y/E Adj		0	schoolbooks	662.97		662.97

Schoolbooks bought for 26/27 will appear here on the debit side later in the year

The balance of €11,988 can only be carried forward if it is a legitimate prepayment and is not an expense for the current financial year – e.g. a deposit for a school trip not yet taken

Balance: 11988.00

Prepayments

Summary of key learning points

Common school prepayments: Amounts paid in advance for:

Schoolbooks, insurance , maintenance contracts, subscriptions, and software licenses

The opening balance at 1.9.202X should be the Accountant's figure as per the statutory accounts

Invoices cannot be coded directly to a control accounts including code 1720

Code to I&E and then record a journal entry to move relevant amount to the Balance sheet code 1720

The balance in code 1720 should be

quantifiable

be supported with invoices and calculations

and should be legitimate prepayments.

A credit balance in code 1720 should be followed up and corrected

Monitor the nominal activity postings regularly throughout the year for accuracy