



PREPAID INVOICES AND EXPENSES

This document will explain prepaid services and show you how to properly account for them when entering invoices and expense reports.

A prepaid expense is an amount paid for a good or service in advance of receiving or consuming it – or, paying in the current fiscal year for something to be received or consumed in a subsequent fiscal year. What this means is that any expenditure that crosses fiscal years should be *considered* for prepaid entry.

Some examples of prepaid expenses include: calendar year subscriptions, legal retainer fees, insurance, taxes. Simmons University accounts for prepaid expenses when in excess of \$2000 – with exceptions for lesser amounts. Travel and related costs paid in the fiscal year prior the event, are generally always considered a prepaid expense. Contact the Controller's Office with questions.

Examples of prepaid expenses:

- Your department is purchasing a table at a consortium gathering. The event is happening in November of 2019. The payment is due in June of 2019. The cost is \$2,700. The payment is due in FY19 while the event is occurring in FY20.
 - *The entire cost is considered a prepaid expense.*
- Your department has purchased a subscription service for an online auditing software. The subscription is for twelve months starting February 15, 2019 and ends Feb 14, 2020. The cost is \$5,000 and is due in January, prior to the start of service. 4½ months are expensed to FY19; the remainder, to FY20. Broken out, this means that \$1,875 will be expensed to FY19 and \$3,125 to FY20.
 - *This is a prepaid expense.*
 - *Enter a line for the FY20 portion with the Prepaid box checked*
- It is January 2019 and you just paid for your membership to the Women in Industry Consortium. Membership is based upon calendar year and costs \$500.
 - *This is not a prepaid expense.*
- It is July 2019 and you just paid for membership to the Laughter Society of the Universe. Membership is based upon an academic year and runs from September 1 to August 31. The cost for an institutional membership is \$2500. Breaking out the expense per FY19 and FY20 will be about \$2100 and \$400 respectively.
 - *This is not considered a prepaid expense.*
- It is May 2019 and you are attending the Annual Symposium on Good Stuff 2020, being held March 2020. You are planning ahead. Five people in your department will be attending. The conference fee cost is \$700 per person if you pay prior to July 1, 2019. You pay using your Simmons issued JPMorgan Chase Visa card.
 - *This is a prepaid expense.*
 - *You have to mark it as prepaid on your expenses report*

The Accounts Payable department will return to the initiator any expenses or invoices created in Workday when the expenditure is not properly marked as a prepaid expense. Always feel free to call or email ap@simmons.edu if your expense is in question.

Identifying prepaid expenditures in Workday

Requirements for all prepaid expenditures (supplier invoices):

- the amount that is prepaid or being expensed to a subsequent fiscal year needs to be its own line
- the prepaid box has to be checked
- service periods should be cleared defined; Jan 1 to Dec 31 rather than “one-year membership”

Purchase Orders: (new 2020) prepaid expenses on a PO are expensed to the spend category of PREPAID EXPENSE. It is not necessary to check the prepaid box. *This spend category is only used on POs.* The prepaid worktag is no longer necessary.

Line Item Description	Spend Category	Ship-To Address	Ship-To Contact	Quantity	Unit of Measure	Unit Cost	Extended Amount	Prepaid	Memo	*Cost C
Informer Renewal 7/1/21 - 9/30/21	Prepaid Expense	300 The Fenway Boston, MA 02115-5898 United States of America	Micah Hudson	0		0.00	1,994.00			270025 Integrat
Informer Renewal: 10/1/20 - 6/30/21	Software License (530010)	300 The Fenway Boston, MA 02115-5898 United States of America	Micah Hudson	0		0.00	5,982.00		Colleague repi...more	270025 Integrat

Invoices not attached to a Purchase Order:

Create the invoice as normal. When it is time to add the line item you must check the Prepaid box for the line and amount of the prepaid.

The screenshot shows the 'Invoice Lines' section of a software interface. It contains one line item with the following details:

Order	*Company	Item Description	Spend Category	Unit Cost	Extended Amount	Prepaid	Memo	*Cost
	Simmons College Company	Laugh Riot Productions	Membership Dues (520024)	0	2000	<input checked="" type="checkbox"/>		

Figure 1 Invoice single line entry of prepaid amount

The screenshot shows the 'Invoice Lines' section of a software interface with two line items:

Order	*Company	Item Description	Spend Category	Unit Cost	Extended Amount	Prepaid	Memo
	Simmons College Company	Laugh Riot Productions	Membership Dues (520024)	0	2000	<input checked="" type="checkbox"/>	
	Simmons College Company	Laugh Riot Productions	Membership Dues (520024)	0	500	<input type="checkbox"/>	

Figure 2 Invoice double line entry - prepaid amount identified on its own line

After checking the Prepaid box, click on the PREPAID DETAILS tab

Invoice Lines	Tax	Currency Rate	Prepaid Details	Attachments				
Invoice Lines 1 item								
Order	*Company	Item Description	Spend Category	Unit Cost	Extended Amount	Prepaid	Memo	*Cost
+	Simmons College Company	Laugh Riot Productions	Membership Dues (520024)	0	2000	<input checked="" type="checkbox"/>		

Figure 3 Clicking Prepaid Details

Click on the three bars in the Prepaid Amortization Type field and choose SCHEDULE

Invoice Lines	Tax	Currency Rate	Prepaid Details	Attachments
Details				
Has Prepaid Line(s)		<input checked="" type="checkbox"/>		
Prepaid Amortization Type		Schedule		
Expected Amortization Date				

Figure 3 Prepaid tab detail

Complete the invoice and submit. Accounts Payable will now schedule the prepaid amount to the proper fiscal year.

****IMPORTANT NOTE****

Expenses related to travel, including hotel, airfare, and conferences, must be marked as prepaid expenditures regardless of the amount charged. Professional development funds cannot be allocated to a future fiscal year and cannot therefore be marked as prepaid expenses.

To account for a prepaid expense on an expense report, you will need to add the Additional Worktag of Prepaid: Prepaid Expense to your expensed item (Fig. 4) – simply type “prepaid” in the box. Start by creating your expenses report as normal, then add the worktag for the expenditure.

It is important to be aware that travel and related expenses in a future fiscal year are considered pre-paid expenses when paid in the current FY. The \$2000 baseline is not applicable to travel and related. Furthermore, Simmons ****faculty professional development funds**** cannot be used to expense items in a future fiscal year.

The screenshot displays the 'Expense Report Lines' section of a software interface. At the top, there are tabs for 'Expense Report Lines' and 'Attachments'. Below the tabs, there are buttons for '+ Add' and '+ Import Existing Record'. A table lists one expense report line with the date '01/18/2019' and an amount of '2,300.00'. The description for this line is 'Subscriptions and Memberships'. To the right of the table is a detailed form for the selected 'Expense Report Line'. The form includes fields for Date (01 / 18 / 2019), Expense Item (Subscriptions and Memberships), Quantity (1), Per Unit Amount (2,300.00), and Total Amount (2,300.00). There is also a Memo field. Below these are dropdown menus for *Cost Center (510015 Comptroller's Office), *Fund (111 Operating), *Program (500 Institutional Support), Project, *Line of Business (LOB002 Traditional), and Additional Worktags (Prepaid: Prepaid Expense). The 'Additional Worktags' dropdown is circled in purple.

Figure 4 Prepaid worktag on an expense line

****Faculty professional development funds**** are issued on a yearly basis and are considered as 'use or lose' funds. Conference fees and related, paid for using a Simmons corporate Visa card that are for a future fiscal year, must be marked as prepaid. Fees and related paid with personal funds are not reimbursable until ***after the conference and travel occurs***.

Memberships effective only in a future FY, must be marked prepaid if paid in a previous FY. If a membership runs from July to June 2023 but is paid for in full previous to July 2023, it is considered prepaid regardless of the amount.