1 Introduction

1.1 A basic understanding of certain accounting terminology as it applies to the University's accounting system is helpful in understanding the information presented in this section and in dealing with the Controller's Office. The remainder of this statement discusses terms that are basic to the understanding of the University's accounting.

2 Scope

3 Definitions

3.1 Budget Account Number

A budget account number is a twelve digit number assigned to a general ledger, subsidiary expenditure or revenue account for identification purposes. Refer to Policy Statement 5, Account Numbers, for a detailed description of the account numbering system at the University.

3.2 Budget

A department's budget is the amount of money allotted to it (for each Account Number) for the fiscal year (July 1 - June 30). All budget amounts for expenditure accounts have debit balances. All budget amounts for revenue accounts have credit balances.

3.3 Encumbrance

An encumbrance is the amount of money a department has contracted to spend through procurements and purchase orders. Once the department has contracted to make the purchase, the money becomes obligated or encumbered. Encumbrances have debit balances and can never be less than zero.

3.4 Liquidation

Liquidation is the paying of an encumbrance. When checks are written to pay encumbrances, the encumbrance amount is reduced or liquidated. Amounts liquidated will appear as credits in the encumbrance column and as debits in the expenditure column.

3.5 Expenditure

Expenditures are amounts paid from each account. All expenditures are debits. If there is an expenditure refund or a correction, the entry will be a credit and reduce the total expenditure balance.

3.6 Transaction

A transaction is any entry made in the accounting records except those affecting the budget or encumbrances. The following are a few examples of accounting transactions:

1. Posting of a check in payment of supplies or services.
2. Cancellation of a check.
3. Posting of monthly payroll charges to their respective budget accounts.
4. Expenditure refunds.
5. Posting of warehouse or other on-campus charges.
6. Posting of sales tax.
7. Expenditure adjustments to correct coding or classification errors.

3.7 Unexpended Balance

The unexpended balance of an expenditure account is the amount of budgeted money that is remaining to be expended or
spent. The unexpended balance is found by subtracting year-to-date expenditures from the budgeted amount.

Example

Budget = $2,000
Minus Year-To-Date = 500
Unexpended Balance = $1,500

A debit unexpended balance represents money that is remaining to be spent. A credit balance represents the amount that a department has overspent its budget.

3.8 Unencumbered Balance

The unencumbered balance of an expenditure account is the “free” (available to encumber or spend) amount of budgeted money that is remaining for use by the department. The unencumbered balance is found by subtracting the year-to-date expenditures and encumbrances outstanding from the budgeted amount.

Example Budget = $2,000 Minus Year-to-date expenditures = 500 Minus Encumbrances Outstanding = 250 = $1,250 A debit unencumbered balance represents money that is available to be obligated and spent. A credit unencumbered balance represents the amount of money that a department has over obligated or over encumbered its budget.

4 Policy and Procedure Statements

5 Additional References

6 Authority

7 Contact Information

8 Original Effective Date

9 Revision Dates