

## **ACCOUNTING FOR ADVANCE COMMITMENT - 721 ACCOUNTS**

### **Rev. 10/4/07**

Cash balances remaining in 701 and 704 accounts at fiscal year end are considered tuition and are not subject to reversion. These cash balances are comprised of two components: existing encumbrances to be covered with year end funds and Advance Commitment (AC) funds. Colleges and other resource units determine which, if any, of the encumbrances that exist at year end will be covered with year end cash. The remaining cash becomes AC funding.

Prior to year end close, the Controller's Department will ask fiscal officers or other representatives of resource units to indicate which encumbrances would be covered by year-end cash. When the opening entries appear in the new year, the resource unit will receive an allocation into the account where the noted encumbrance appears. The remaining cash will be transferred to the AC account of the resource unit.

AC control accounts are in the 721-xx-00 series and are still considered general fund accounts. Expenditures are made directly from the AC accounts. However, if the AC is used to offset revenue shortfalls in FY09 and beyond, class codes indicating the purpose of the transfer will be used.

While all AC accounts must have a spending plan (reference institution policy guidelines from Office of the Provost), resource units can manage their AC account centrally (i.e., as one pool of funds) or can allow departments to process transactions independently. A strategy the College could use to manage the AC account at the department level would be to establish individual 721 sub-accounts coded to the respective department which would facilitate transactions to be processed by the department without routing through the college office.

A 'Request for New Account' form is not required for additional AC accounts; an e-mail sent to Stephanie Fox in the Controller's Department which lists account titles and administering department codes will suffice.

Resource units that choose to manage the AC centrally may want to establish section/projects to segregate allocated funds by department.

Unlike other general fund accounts, AC accounts will not close at year end; instead, year end balances will roll forward to the next year. Subsequent years 701 and 704 balances will close into the AC control account. These closing entries will show the account numbers contributing to the AC account.

Questions regarding the administration of AC accounts should be directed to Stephanie Fox, Controller, at [ssfox@iastate.edu](mailto:ssfox@iastate.edu) or 294-2556.