Expense Recognition Appendix A - Quick Reference Guide

	Accrued Expense	Prepaid Expense	Nonrefundable Deposits Paid	Refundable Deposit Paid
When is it needed?	When Harvard receives goods or services and won't pay for them until a subsequent quarter, Harvard recognizes the expense and records an ACCRUED EXPENSE LIABILITY	When Harvard pays a vendor in advance and won't receive the goods or services until a subsequent quarter, Harvard records a PREPAID EXPENSE until it actually receives the goods or services	When the Harvard pays a nonrefundable deposit on goods or services and won't receive the goods or services until a subsequent quarter, Harvard records a DEPOSITS PAID asset until it actually receives the goods or services.	When Harvard pays a refundable deposit (like a security deposit on a lease) that will be returned to Harvard at the end of the lease or other agreement, Harvard records a DEPOSITS PAID asset until the end of the related lease or other agreement.
How do I record it?	Process a journal entry: DEBIT expense (6000-8879) CREDIT accrued expense liability (2191)	Use the following object codes when requesting an A/P payment: DEBIT prepaid expense asset (0540) (AP will automatically CREDIT cash 0010*)	Use the following object codes when requesting an A/P payment: DEBIT prepaid expense asset (0540) (AP will automatically CREDIT cash 0010*)	Use the following object codes when requesting an A/P payment: DEBIT security deposits paid asset (0550) (AP will automatically CREDIT cash 0010*)
When do I reverse the original entry?	Reverse/reduce the accrual when A/P pays the vendor.	Reverse the prepaid expense asset and recognize the expense when Harvard receives the goods or services.	Reverse the prepaid expense asset and recognize the expense when Harvard receives the goods or services.	Reverse the deposit paid asset when the deposit is returned to Harvard, generally at the end of the lease or other agreement.
What is the reversal entry?	Process a journal entry: DEBIT accrued expense liability (2191) CREDIT expense (6000-8879)	Process a journal entry: DEBIT expense code (6000-8879) CREDIT prepaid asset (0540)	Process a journal entry: DEBIT expense code (6000-8879) CREDIT prepaid asset (0540-0599)	Process the refund on a credit voucher: DEBIIT cash 0010* CREDIT security deposits paid asset (0550)
Examples	• Harvard receives supplies but is not invoiced for them until the following quarter	• Harvard pays in advance for a $3,000 piece of equipment that will not be shipped until the following quarter.	• Harvard pays a deposit on a consulting engagement that will not take place until the following quarter	• Security or other lease-related deposits: record as asset until lease term ends and amount is returned to Harvard

*Object code 0010 "Cash" is debited on the Central Bank's balance sheet and a due to/from entry is created crediting object code 0375 "CO^Due to/from Tub" on the Central Bank's balance sheet and debiting object code 0375 on the appropriate tub's balance sheet.