Deferred Revenue

What is it?
Deferred revenue is an advanced payment that the University receives for products or services that will be delivered or performed in the future.
Deferred revenue is held on the balance sheet as a liability until the University provides the products or services—then it is recognized as earned revenue.

How does it affect me?
If you have deferred revenue, and if the products or services are cancelled, the University may owe that money back to the customer.
Following GAAP guidelines, it is important to ensure that revenue is reflected in the period when it was earned. At year-end especially, we want to ensure that any revenue received in the current fiscal year for products or services delivered in the next fiscal year is properly reflected in the general ledger.

How do I account for it?
The object code for deferred revenue is 2606. This is the code that will be used on the credit line of the journal.
The object code for the debit line will be where the revenue belongs once earned.

Example
Department X receives $100,000 from a company on June 1, 2021. The payment is for a conference that Department X is leading in August of 2021, and it was received under object code 5360—Event+Program Services, External.
Because the payment was received in FY21, but the conference isn’t occurring until FY22, the revenue must be deferred.
The journal type must be “Auto JV Rvrsl,” so it will reverse automatically in the next period—in this case, the next fiscal year.

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