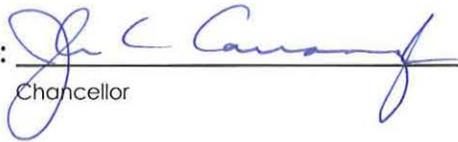


Office of the Chancellor
Pennsylvania State System of Higher Education
Procedures and Standards for University Operations

Procedure/Standard Number 2011-05
Recording of Revenues and Expenses of Summer Sessions

Approved by:  _____ Date: 10/18/11 _____
Chancellor

History:

Revised --

Additional History--

Related Policies: Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities* (GASB 35); GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* (GASB 34); *GASB 35 Implementation Guide*, NACUBO, 2001; AICPA Audit Guide, *Audits of Colleges and Universities*; Generally Accepted Accounting Principles.

Additional References: tuition, nonresident, distance education, fees

I. **Introduction**

The purpose of this standard is to prescribe in which fiscal year universities should record the revenue and expenses of summer sessions, specifically those that begin in one fiscal year and end in another. Generally Accepted Accounting Principles (GAAP) require that revenues and expenses be recorded in the fiscal year in which they are earned or incurred, respectively, and further, that directly related expenses be recorded in the fiscal year in which the associated revenues are earned.

The GASB 35 Implementation Guide (NACUBO, February 2001), which is Level D guidance in the GAAP hierarchy, states, "The revenue and expenses for a summer session should be split between the two fiscal years, with appropriate amounts being recognized in the accounting period in which they are earned or incurred and become measurable." PASSHE, however, considers summer revenue and associated expenses to be earned or incurred in the fiscal year in which the session predominantly occurs; any differences are deemed immaterial. Precedence for this position was established by the AICPA Audit Guide, *Audits of Colleges and Universities*, which prescribed that, "Revenues and expenditures of an academic term, such as a summer session, which is

conducted over a fiscal year end, should be reported totally within the fiscal year in which the program is predominantly conducted."

II. Definitions

- A. **Generally Accepted Accounting Principles (GAAP):** The widely accepted set of rules, conventions, standards, and procedures for reporting financial information. The Governmental Accounting Standards Board (GASB) predominantly establishes GAAP for governmental organizations such as PASSHE.
- B. **Level D GAAP Hierarchy:** The GAAP hierarchy governs what constitutes GAAP for all state and local governmental entities; Level D is the lowest level of authoritative literature that establishes GAAP, consisting of implementation guides published by the GASB staff and practices that are widely recognized and prevalent in state and local governments (GASB 55).
- C. **National Association of College and University Business Officers (NACUBO):** A nonprofit professional organization representing chief administrative and financial officers at colleges and universities across the country. NACUBO's *Financial Accounting and Reporting Manual (FARM)* and implementation guides are industry guidance and Level D in the GAAP hierarchy, i.e., lowest level authoritative literature.
- D. **Summer Session:** A series of academic terms that fall after the spring academic term and before the fall academic term.

III. Procedure

- A. **Recording Revenues and Expenses of Summer Sessions**

Universities will record tuition and fees revenue, related waiver expenses, and directly related expenses, such as faculty salaries and benefits, for summer academic sessions when earned or incurred.

 - 1. **Sessions Beginning and Ending Before June 30**

Revenues and expenses directly relating to summer sessions that begin and end prior to June 30 must be recorded as current year revenues and expenses.
 - 2. **Sessions Beginning and Ending After June 30**

Revenues and expenses directly relating to summer sessions that begin after June 30 must be deferred to the following year.
 - 3. **Sessions Beginning Before June 30 and Ending After June 30**

Revenues and expenses directly relating to summer sessions that straddle the current and following fiscal years are considered to be earned or incurred in the fiscal year in which the session predominantly occurs.

 - a) Examples:
 - i) If a session begins May 14 2011, and ends July 20, 2011, the related revenues and directly related expenses will be recorded in fiscal year 2010/11, since the predominant portion of the session is conducted in the 2010/11 fiscal year.

- ii) If a session begins June 18, 2011, and ends August 10, 2011, the related revenues and directly related expenses will be recorded in fiscal year 2011/12, since the predominant portion of the session is conducted in the 2011/12 fiscal year.
- b) Once a university establishes an annual session as belonging to either the current or following fiscal year, it should continue to record future years' sessions in the same respective fiscal year, regardless of how the session falls on the calendar from year to year, even if the predominant portion of the session changes years. (This will most likely occur when a session is evenly or closely split between the two fiscal years).

Example: A university's Summer Session II begins June 15, 2011, and ends July 15, 2011. While 16 days of the session fall in the year ending June 30, 2011, and only 15 days fall in the year ending June 30, 2012, the university records the session in the year ending June 30, 2011. The following year, Summer Session II begins June 17, 2012, and ends July 16, 2012. Even though only 14 days of the session fall in the year ending June 30, 2012, while 16 days fall in the year ending June 30, 2013, the university will record the session in the year ending June 30, 2012, to be consistent with the prior year.

- c) Universities must record directly related expenses, such as teaching expenses, in the same fiscal year as the related summer session revenue.

B. Indirectly Related Revenues and Expenses

1. Expenses not directly related to the generation of summer session revenue should be recorded in the fiscal year in which the expenses are incurred.
2. Nonteaching faculty, sabbatical, and chairperson compensation expenses should be allocated to the appropriate fiscal year based on each university's individual summer session circumstances.
3. Revenues and expenses relating to auxiliary enterprises should be split between the two fiscal years, with appropriate amounts being recognized in the accounting period in which they are earned or incurred and become measurable.

C. Student Credit Hours

Student credit hours will be reflected in the fiscal year in which the revenues are earned.

IV. Implementation

This standard is effective April 1, 2001.