VII Year-End Closing - New Year Activities

This chapter describes four additional activities that affect year-end close and new year open:

- ✪ Reversing entries that must be entered in the new year;
- ✪ Transactions agencies use in the new year to liquidate encumbrances, accounts payables and "Due To's" established in prior years;
- ✪ How prior year expenditures are cost-allocated in the new year; and
- ✪ "Final thoughts" on how to begin preparing for the <u>next</u> year-end process.

REVERSING ENTRIES

Some A-*nn* entries (described in Chapter II) and reclassification entries (described in Chapter III) must be reversed in the new year to properly reflect account balances and assist new year processing. This section describes the entries required to post reversals to those accounts when the <u>automatic reversal process is **not** used</u>.

Manual Reversal of Adjusting Entries

If any adjusting entries requiring reversal were not coded and input using automatic reversal batch identification and FM 13, manual reversal is required. Refer to Chapter II, Year-end Adjusting Entries, to determine which of the standard adjusting entries need to be reversed. Be careful using the Reverse **R** code. If a document in the Document File accidentally overliquidated, it may require the assistance of CALSTARS staff to provide the correct Transaction Code and coding.

Manual Reversal of Year-End Recording of PFA

Adjusting entries were made to record PFAs pending as "Due To" or "Due From". If the automatic reversal process was not used, reverse these entries in the new year (refer to Chapter III, section *Record Year-end PFA*) and post PFA letters using TC 351/352.

Manual Reversal of Reclassifying Encumbrances (Reported as Accounts Payable)

Adjusting entries using TC's 517 and 519 may have been made at year-end to reclassify encumbrances (which the system treated as GLA 3010-Accounts Payable) to the various GLA 3100's ("Due To's"). If the automatic reversal process was not used, reverse these adjusting entries in the new year, in FM 01, if available. Refer to Chapter III, section *Reclassify Encumbrances Reported as Accounts Payable*.

Manual Reversal of GLA's 1390 and 1600 Subsidiary

Subsidiaries were added to General Ledger accounts 1390 and 1600 to satisfy SCO reporting requirements. If the automatic reversal process was not used, reverse these entries in the new year. Refer to Chapter III, section *Enter Subsidiaries for GLA 1390 and GLA 1600*.

MOVE ORF ADVANCE

After the Office Revolving Fund (A-2) reversing entries are made, the full amount of the Office Revolving Fund Advance is reflected on the Appropriation File reports in the prior fiscal year. To move the advance from the prior fiscal year to the current fiscal year, enter TC 745R in the prior year and TC 745 in the current year. This entry should be made by <u>all</u> agencies that have an Office Revolving Fund <u>regardless</u> of whether they use Fund 0998. The entry is made based on the receipt of the SCO journal entry (shown on the SCO Agency Reconciliation Report).

A TC 508 may also be required. Refer to Chapter II, Entry A-2, Adjust Revolving Fund Cash Account for additional instructions.

PRIOR FISCAL YEAR PAYMENTS IN THE NEW YEAR

Agencies may schedule payments in the new year for active prior year appropriations before starting either the YEC or YEO process. Some of the transactions commonly used to make payments also liquidate encumbrances. CALSTARS calculates the correct balances for documents regardless of whether the agency has executed the automated close process. The Modifier codes of **P**, **F** or **blank** may be used for all encumbrances regardless of Funding Fiscal Year. Use the Document Shadow File to determine document balances until the YEO process is complete.

New Year Payments Against Prior Year Continuing Appropriation Documents

Refer to Chapter I, Page 46, for instructions on making payments against prior year continuing appropriation encumbrance documents in the new year.

Payables (GLA's 3010, 3110, 3210, 3220, and 3290)

Refer to Chapter II, *Entry A-8: Accrual of Expenditures* section, for instructions on liquidating payables in the new year.

ALLOCATION OF PRIOR FISCAL YEAR EXPENDITURES IN THE NEW YEAR

At any time during the new year, expenditure transactions may be charged to available prior FFY(s) appropriations. However, expenditures charged to indirect PCAs or PCAs that use the Clearing Account for disbursement, must be cost allocated and/or fund split. As discussed below, the allocation method for <u>prior</u>