



Prepayments

A prepayment is an advance purchase where the expense is incurred over a future period, rather than at the time of invoicing. Typically rent, insurance and subscriptions are prepaid.

Example 1:

The university receives an invoice for property insurance.

The invoice is received and paid in December 2013, but the insurance covers the calendar year 2014. In this case the payment will be allocated against the 12 months which occur in 2014.

ABC Insurance PTY Limited	
Sydney CBD NSW 2000	
15 th December 2013	
To: Macquarie University	
Property Insurance for the period 01/01/2014 – 31/12/2014	\$25,000
Total	\$25,000
GST	\$2,500
Total Incl. GST	\$27,500

Invoice to be prepaid over the 12 month period
January 2014 to December 2014.

\$25,000 over 12 months is \$2083 per month

Example of a prepayment invoice

Example 2:

The university receives an invoice for some consulting which is to be paid up-front, however the work itself is not to be carried out until the following financial year.

The invoice is received and paid in December 2013, but the consulting is to be carried out on 15th January 2014.

EFG Consulting PTY Limited	
Epping Road	
NSW 2080	
20 th December 2013	
Initial instalment for consulting work to be carried out at Macquarie University on the 15 th January 2014	
Total	\$5000.00
GST:	\$500.00
Total Incl. GST	\$5,500.00

Invoice to be prepaid in December, but the expense is to be realised in January 2014.

Example of a prepayment invoice

In this case the payment is to have a prepayment adjustment, so that it hits the accounts in January, rather than December.

The financial system will process any prepayments, but the invoice user needs to be aware of what a prepayment is and to perform the following two actions.

Prepayments in Invoices

The approval process in respect of prepayment invoices is no different to any other invoices except for two actions which are required by the users. This enables the accounts payable team to setup the prepayment within the financial system.

1. The Invoice Type must be PREPY

Invoices processed in the invoices system have an invoice type field in the basic data section. For prepayments the invoice type should automatically come through as PREPY (general invoices are invoice type: IN)
If the invoice type is not set as PREPY, users can request the AP Team to alter it or return the invoice

Invoice History	Basic Data	Comments(1)	Attachments(0)	Set Informative Flow
Company Code	01			
Company Name	Macquarie University			
Supplier Number	100258			
Supplier name	COMPUTERS NOW			
Supplier ABN	48592886118			
Invoice Type	PREPY			
Invoice Number	3190375			
Invoice Date	6/6/2014			
Invoice Amount (incl. GST)	2454.50			
GST Amount	223.14			
Invoice Amount (excl. GST)	2231.36			
Currency	AUD			
Exchange Rate	1.00			
Purchase Order				
Invoice Amount (AUD)	2454.50			
Invoice Recipient	Colum Hickey			
Customer Ref. No.				
Non-PO Automation	Autoflow			
Invoice Description				
Ext. BatchName (CSV Import)				
Payment Terms	I			
Due Date	7/6/2014			

An invoice showing invoice type 'PREPY'

2. The invoice Header must identify the schedule duration.

As well as ensuring the invoice has the correct invoice type the user should enter the prepayment details into the invoice description within basic data.

A description should include the word prepayment, the number of periods to prepay and a description of what the payment is for.

Example:

'Prepayment 3 months, computer equipment for the Science Labs'

Invoice History	Basic Data	Comments(1)	Attachments(0)	Set Informative Flow
Company Code	01			
Company Name	Macquarie University			
Supplier Number	100258			
Supplier name	COMPUTERS NOW			
Supplier ABN	48592886118			
Invoice Type	PREPY			
Invoice Number	3190375			
Invoice Date	6/6/2014			
Invoice Amount (incl. GST)	2454.50			
GST Amount	223.14			
Invoice Amount (excl. GST)	2231.36			
Currency	AUD			
Exchange Rate	1.00			
Purchase Order				
Invoice Amount (AUD)	2454.50			
Invoice Recipient	Colum Hickey			
Customer Ref. No.				
Non-PO Automation	Autoflow			
Invoice Description	Prepayment 3 months,			
Ext. BatchName (CSV Import)				
Payment Terms	I			
Due Date	7/6/2014			

An invoice showing a description entered into the basic data field

After the invoice has been approved and processed, the accounts payable team will identify the prepayment and process it as a separate batch, setting up the payment schedule to be apportioned over the identified period.

Contact us

Office of Financial Services
Macquarie University NSW 2109
Building E11A

CRICOS Provider Number 00002J