

Example #1: Student Pays Tuition Bill AFTER Classes Start

Facts:

The institution has a fiscal year that occurs during the middle of a semester (summer session). The student pays the \$1,000 nonrefundable deposit upon acceptance to enroll. Once the student enrolls, the institution generates a \$9,000 invoice for the remaining balance which is due two weeks prior to the start of classes. In this particular example, the student never paid the \$9,000 invoice before classes started. Instead the student paid the invoice after classes have started. The semester spans a period of 100 days and the withdrawal period is the first two weeks of classes. Student withdrawals from 1 class during the withdrawal period. The institution estimates a 10% refund rate and uses the portfolio approach.

	A	B	C	D	E	F
Deposit Due			2 Week Withdrawal Period			
			Summer Classes			
	June			July		

A Student pays \$1,000 non-refundable deposit.

Cash	DR	CR
Contract Liability (Deferred Revenue)		

B Student enrolls in classes and remaining tuition bill of \$9,000 is sent to student.

	DR	CR
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No entry is recorded because revenue recognition has not commenced (revenue recognition will commence when classes start).

C - 1 Institution provides first day of class. No payment has been received from the student other than the enrollment deposit.

Contract Liability (Deferred Revenue)	DR	CR
Revenue		

C - 2 Alternative - Institution provides first day of class. However assume the student never paid their enrollment deposit.

Contract Asset	DR	CR
Revenue		

D Institution's fiscal year end closes.

E After the end of week 2, the withdrawal period has ended.

Accounts Receivable	DR	CR
Contract Liability (Deferred Revenue)		

F Institution records remaining revenue.

Contract Liability (Deferred Revenue)	DR	CR
Revenue		