

Example #2: Student Pays Tuition Bill BEFORE 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 does pay the \$9,000 invoice before classes 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.

	DR	CR
Cash		
Contract Liability (Deferred Revenue)		

C - 2 Institution provides first day of class.

	DR	CR
Contract Liability (Deferred Revenue)		
Revenue		

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

	DR	CR
Cash		
Contract Liability (Deferred Revenue)		

C - 3 At the end of day 1, student withdraws from one class and tuition is reduced by \$900.

	DR	CR
Refund Liability		
Cash		

C - 1 Institution recognizes a refund liability of 10% based on historical experience of drop rates.

	DR	CR
Contract Liability (Deferred Revenue)		
Refund Liability		

D Institution's fiscal year end closes.

E The withdrawal period has ended.

F Institution records remaining revenue.

	DR	CR
Contract Liability (Deferred Revenue)		
Revenue		