

University System of Maryland Accounting Practice

Accounting for student accounts receivable for instructional sessions not yet started

Institutions of the University System of Maryland employ differing academic calendars and billing cycles.

Particularly at the end of reporting periods, differences in the timing of billing for the Fall semester at the fiscal year end can give rise to intended and unintended differences in amounts reported as accounts receivable and deferred revenue, largely dependent on when the billing of revenues for future instructional sessions takes place.

Differences in academic calendars are an important element of the diversity of options students enjoy in selecting from institutions of the USM, and these differences should not affect the recording and recognition of accounts receivable, which should be based on when a student has a legally enforceable obligation which cannot be avoided by withdrawal or other administrative action on the part of the student. For example, many institutions will provide a 100% refund or cancellation of charges up until the first day of classes. In these situations, the student could be considered to not have a legally enforceable obligation which cannot be avoided by withdrawal or other administrative action until the first day of class.

As a result, institutions should not recognize accounts receivable, and accordingly deferred revenue, for billings for instructional sessions not yet started, until the first day of classes for that academic session.

This is not to suggest, imply, or recommend, changes in any institutions billing calendar or cycle.

Note: This accounting practice is relevant only for compiling annual, audited financial statements only.