



Advances (Including Petty Cash and Accounts Receivable)

POLICY STATEMENT

Cornell University provides advances of cash or other resources in limited circumstances to meet the business needs of the institution. This policy establishes these circumstances and the procedures for making such advances. This policy does not apply to any advance payment required by a vendor based on the terms of a purchase order.

REASON FOR POLICY

The university applies consistent standards and procedures to enable appropriate stewardship of its assets, cost-effective business practices, and accurate financial reporting. This policy establishes specific procedures for determining when and how the university will advance its financial resources and collect, or otherwise clear, these advances. This policy also establishes controls for petty cash funds and accounts receivable.

ENTITIES AFFECTED BY THIS POLICY

- All units of the university, including the Weill Cornell Medical College, which establishes separate procedures.

WHO SHOULD READ THIS POLICY

- Any individual who receives an advance, acts as a petty cash custodian, bills customers, or otherwise initiates, reviews, approves, or processes expense advances.

WEB ADDRESS FOR THIS POLICY

- This policy: www.dfa.cornell.edu/policy/policies/advances-including-petty-cash-and-accounts-receivable
- University Policy Office: www.policy.cornell.edu

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RELATED RESOURCES

University Policies and Documents

[University Policy 1.7, Financial Conflicts of Interest Related to Research](#)
[University Policy 3.2, Travel Expenses](#)
[University Policy 3.6, Financial Irregularities, Reporting and Investigation](#)
[University Policy 3.14, Business Expenses](#)
[University Policy 3.25, Procurement of Goods and Services](#)
[University Policy 4.2, Transaction Authority and Payment Approval](#)
[University Policy 4.3, Sales Activities on Campus](#)
[University Policy 4.6, Standards of Ethical Conduct](#)
[University Policy 4.7, Retention of University Records](#)
[University Policy 4.14, Conflicts of Interest and Commitment \(Excluding Financial Conflict of Interest Related to Research\)](#)
[Institutional Review Board for Human Participants Human Participant Regulations](#)

University Forms and Systems

[Bank Deposit Form](#)
[Forms for Establishing, Changing, or Transferring Petty Cash/Cash-in-Drawer Funds](#)
[Kuali Financial System e-docs](#)
[Participant Fee Advance Form](#)
[Project Advance Authorization Form](#)
[Set Up and Manage Accounts](#)
[Travel Advance Form](#)
[Travel Reimbursement System](#)

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CONTACTS

Direct any general questions about this policy to the unit's administrative office. If you have questions about specific issues, call the following offices:

Subject	Contact	Telephone	Email/Web Address
Policy Clarification, Exceptions, and Interpretation	University Accounting	(607) 255-0862	accounting@cornell.edu www.accounting.cornell.edu
Collection of Past Due Amounts	University Collections, Office of the Bursar	(607) 255-7234	uco-collections@cornell.edu www.dfa.cornell.edu/bursar/departments/collections
Expense Advances	Your local business service center	Unit-specific	
Expenses Funded by Grants and Contracts	Sponsored Financial Services	(607) 255-5086	sfs-help@cornell.edu www.dfa.cornell.edu/sfs
International Banking	Cash Management	(607) 254-1590	cashmanagement@cornell.edu www.dfa.cornell.edu/treasurer/cash-management
Overpayments: Payroll	University Payroll Office	(607) 255-5194	uco-payroll@cornell.edu www.payroll.cornell.edu
Overpayments: Vendor	Accounts Payable	(607) 255-0869	uco-accts-pay@cornell.edu
Petty Cash	University Accounting	(607) 255-0862	accounting@cornell.edu www.dfa.cornell.edu/accounting/topics/pettypcash
Sales Tax	University Tax Office	(607) 255-3790	tax@cornell.edu www.dfa.cornell.edu/tax/fordepartments/salesandusetax
Segregation of Duties	University Accounting	(607) 255-3380	accounting@cornell.edu www.accounting.cornell.edu
Writing Off Accounts Receivable	University Controller	(607) 255-6240	controller@cornell.edu www.dfa.cornell.edu/accounting/topics/accountsreceivable/writeoffs

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DEFINITIONS

These definitions apply to these terms as they are used in this policy.

Account Receivable	Current asset representing an amount due Cornell recorded in the general ledger. Types of receivables include travel, student, and sponsored funds, as well as others resulting from vendor, salary, or wage overpayments, etc.
Advance	Provision of cash, goods, or services before a deadline or anticipated event occurs.
Advance Account	Amount due Cornell and recorded as an asset on Cornell's balance sheet.
Advance Period	Period during which advanced funds are needed. Exact dates are required.
Aging of Accounts Receivable	Report that segregates accounts receivable by the length of time outstanding, according to the transaction date. (Example, 30, 60, 90, 120 days, etc.)
Allowance for Uncollectible Accounts	Dollar estimate of uncollectible amounts recorded as a reserve in the general ledger.
Cash Drawer	Specific amount of cash used to make change in retail operations.
Credit Sale	Transaction involving transfer of goods and services that are not paid for by cash, check, or credit card at the time of sale, but billed to the customer for subsequent payment.
Customer Receivable	Amount due Cornell that is recorded in a unit's account, resulting from the sale of goods or services by a unit to a customer other than a sponsor.
Expense Advance	Provision of cash to an individual to pay for future travel, site projects, or participant fees.
Participant Advance	Cash advance made to a unit engaged in research for paying study participants.
Petty Cash	Cash provided to a unit to cover small-dollar expenses or reimbursements, typically not exceeding \$75 per transaction.
Reconciliation	Process to determine the accuracy of an account balance, which requires knowledge of the opening and ending balance and a determination that the activity in the account is reasonable, appropriate, and accurate based on a comparison with source documents, subsidiary ledgers, etc.
Salary or Wage Overpayment	Salary and wage payments made through Cornell's payroll system in excess of authorized amounts to staff, faculty, or student employees.
Site Project Advance	Funds advanced for travel and other expenses intended for long-term, funded research projects, or other activities that typically occur in remote locations and exceed 60 days.
Sponsored Project	Signed award (grant, contract, or cooperative agreement) under which the university agrees to perform a certain scope of work for an external sponsor.
Travel Advance	Payment made to or on behalf of a traveler before travel occurs that is recorded in the university's accounting system as a receivable account.
Vendor	An individual or entity that sells goods or services to customers.
Write-off of an Account Receivable	Reduction of a receivable account's value when it is deemed uncollectible.

POLICY 3.21 Advances (Including Petty Cash and Accounts Receivable)

RESPONSIBILITIES

The major responsibilities each party has in connection with University Policy 3.21, Advances are as follows:

Staff, Faculty, or Student	Submit proper forms and supporting documentation when requesting and repaying expense advances.
Unit Administrator, Supervisor, or Business Service Center	<p>Inform staff, faculty, and students of University Policy 3.21, Advances, and provide training and guidance to individuals charged with handling expense advances, petty cash, and accounts receivable.</p> <p>Establish and implement controls and written procedures so that expense advances, petty cash funds, and accounts receivable are properly created, monitored, recorded, settled, and reconciled.</p> <p>Approve and process cash advance requests and settlements.</p> <p>Get approval from University Accounting of the Division of Financial Affairs to set up a petty cash fund.</p> <p>Designate a custodian of a petty cash fund, and notify University Accounting of that designee.</p> <p>Use the "Petty Cash Fund" form to change the petty cash custodian. See Related Resources.</p> <p>Perform periodic, unannounced audits of the petty cash fund, and in the event of theft or fraud, follow the requirements of University Policy 3.6, Financial Irregularities, Reporting and Investigation.</p> <p>If appropriate, submit outstanding advances and wage or vendor overpayments to University Collections for collection.</p> <p>Oversee processing of employee terminations and timely reconciliation of labor distribution reports to avoid wage overpayments.</p> <p>Obtain immediate repayment of salary or wage overpayments from faculty, staff, and student employees.</p> <p>Submit to University Accounting, upon their request, annual reconciliations for asset and liability accounts.</p>
Division of Financial Affairs (DFA)	<p>Vice President for Financial Affairs and University Treasurer:</p> <ul style="list-style-type: none"> • Approve all write-offs of uncollectible accounts <p>Sponsored Financial Services:</p> <ul style="list-style-type: none"> • Collect accounts receivable for sponsored funds <p>University Accounting:</p> <ul style="list-style-type: none"> • Provide guidance on accounting reconciliations and internal control procedures • Review, approve, and establish new petty cash funds and increase/decrease those funds • Review petty cash reconciliations at least annually • Obtain from units annual reconciliations for asset and liability accounts, as needed
Cash Management	Upon request, during planning stages of an international site project, advise project manager on international banking practices, international currency, and recommended payment methods.
Petty Cash Custodian	Maintain, secure, reconcile, and account for petty cash funds. In the event of theft or fraud, follow the requirements of University Policy 3.6, Financial Irregularities, Reporting and Investigation.

Cornell Policy Library
Volume: 3, Finance
Responsible Executive:
Executive Vice President and
CFO
Responsible Office: University
Controller
Originally Issued: February 6,
2006
Last Updated: January 9, 2019

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RESPONSIBILITIES, CONTINUED

University Collections

Collect referred accounts receivable, including outstanding advances and salary or wage overpayments.

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PRINCIPLES

Overview

Because of the institutional risks involved in such activity, Cornell only advances funds or other resources in very limited instances. Risks to the university include, but are not limited to, the following:

- The event for which the advance is provided does not occur
- Advance is not used appropriately
- Advance is not repaid or cleared
- The cost of processing the advance exceeds the benefit

Cornell may provide advances in special circumstances, namely for travel, site projects, and participant fees.

Cornell also may authorize (a) petty cash accounts for units to cover minor business expenses, (b) student and sponsor receivables, and (c) receivables from customers for units authorized to sell to external parties.

Units must exercise proper stewardship of Cornell's assets by recording, settling, accounting for, and reconciling expense advances, petty cash funds, and accounts receivable properly.

◆ Notes:

- This policy does not apply to advance payments made to vendors based on the terms of a contract.
- Cornell does not provide salary advances.
- Before writing off any advance or receivable as uncollectible, Cornell requires authorization from the University Controller or his/her designee.

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PRINCIPLES: EXPENSE ADVANCES

Cornell makes funds available to individuals and units involved in appropriately authorized university activities. The university prefers to pay vendors directly for goods and services related to these activities, but in limited situations when such direct payment is not practical, may provide advances of funds. Advances may be provided to university faculty, staff, and students only for three types of expenses: travel, participant fees, and site project costs.

As set forth in University Policy 3.14, Business Expenses, individuals receiving expense advances must spend university funds only on legitimate business expenses.

Advanced funds must be appropriately safeguarded and managed, and expenses must be properly reported, recorded, settled, and reconciled. Expense advances must be settled within 30 days of incurring the expense, or in the case of travel, within 30 days of the last day of travel. Advanced amounts in excess of substantiated expenses must be returned to Cornell within the same 30-day period. Advances must not be held in anticipation of future travel.

Salaries and wages must not be paid from expense advances. Cash payments to local personnel for services performed in foreign locations are acceptable if that is the only reasonable payment method.

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PROCEDURES: EXPENSE ADVANCES

For additional information related to current practices for requesting and settling expense advances, see Appendix A.

Administering Expense Advances

Units with expense advance accounts must:

- Establish and implement procedures to manage advance accounts that include separation of duties
- Submit appropriate advance requests with original signatures
- Debit an asset account for advances – not an operating account
- Follow up on any advance not settled appropriately
- Review and reconcile accounts monthly and at fiscal year-end to document that balances are accurate, and advances have been settled

In addition to the above tasks, units must follow the procedures outlined below relating specifically to the three types of expense advances, namely travel, site project, and participant fees.

Administering Travel Advances

Cornell restricts travel advances to faculty, staff, and students who are not eligible for a corporate travel card, must pay their travel expense bill before travel occurs, or require traveler's checks for travel. In special circumstances, Cornell may provide an advance to a visitor.

For additional detail, see University Policy 3.2, Travel Expenses.

Administering Site Project Advances

Because site projects generally take place in remote locations and exceed 60 consecutive days in length, the university may provide advances for purchases and payments during these assignments. Expenses during these activities may include supplies and equipment that do not require capitalization, local travel expenses, food, lodging, and costs for local workers.

Advances are only given for airfare or other expenses when they cannot be billed directly to a university account. For guidelines on airfare, lodging, meals, and other travel-related expenses, consult University Policy 3.2, Travel Expenses.

Site project advance recipients must account for expenses related to the advance at least monthly. A final accounting of the entire advance must be provided when the project ends.

In the planning stages of international activities, units must consult Cash Management for advice on international banking practices, acquiring international

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PROCEDURES: EXPENSE ADVANCES, CONTINUED

currency, and preferred payment methods for certain expenses.

Administering Participant Fee Advances

When paying a participant through a payment request is not cost-effective or the individual's privacy must be protected, the university may provide an advance for the participant's fee. There must be adequate detail to support payments to participants.

◆ **Note:** Individuals who process or pay out participant fees must read and understand Cornell's directive under the Institutional Review Board for Human Participants Human Participant Regulations. See Related Resources.

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PRINCIPLES: PETTY CASH

The preferred purchasing method for small business expenses is by procurement card. When using a procurement card is not possible, however, units may use funds from petty cash. Units must limit reimbursements from these funds to staff, faculty, or students for qualifying, small-dollar expenses, or reimbursements.

◆ **Note:** Typically, these amounts will not exceed \$75 per transaction.

Petty cash funds must not be used as a cash drawer. In addition, expenses that must not be paid from petty cash include, but are not limited to, the following: invoices from vendors, payments for services to employees or independent contractors, and loans or advances. For more details on allowable business expenses, see University Policy 3.14, Business Expenses.

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PROCEDURES: PETTY CASH

For additional information related to current practices for establishing and managing petty cash funds, see Appendix B.

Administering Petty Cash Funds

Units with petty cash funds must:

- Designate a petty cash custodian
- Segregate petty cash from other funds, such as cash drawers
- Designate an individual who is neither the petty cash custodian nor an individual reporting to the custodian to perform periodic, unannounced counts of the petty cash fund, and document such counts
- Use petty cash funds to pay only for small-dollar expenses or reimbursements, typically not exceeding \$75 per transaction. These expenses may include out-of-pocket costs for day trips, such as tolls, parking, mileage, etc.
- Follow requirements of University Policy 3.6, Financial Irregularities, Reporting and Investigation in the event of theft or fraud

Petty cash custodians must:

- Keep petty cash funds in a cash box locked in a secure area, and never leave the funds in an unlocked desk drawer or cabinet
- Record all petty cash reimbursements and collect receipts for those reimbursements
- Complete reconciliations monthly and each time the fund is replenished
- Submit original receipts with the request to replenish the petty cash fund
- Report overages or shortages to his/her supervisor, and adjust funds accordingly
- Submit such reconciliations to the unit administrator, supervisor, or designee for his/her review and approval
- Retain copies of fund reconciliations in accordance with University Policy 4.7, Retention of University Records
- Send copies of approved reconciliations to the Division of Financial Affairs (DFA) upon request by University Accounting

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PRINCIPLES: ACCOUNTS RECEIVABLE

Because receivables are costly to the university in terms of time, money, and the potential risk of uncollectibility, the preferred method of accepting payment for goods or services is by credit card or check. However, if a selling unit must bill customers as a way of doing business, the unit must evaluate costs and risks associated with managing accounts receivable.

Before engaging in selling activity, review University Policy 4.3, Sales Activities on Campus, and contact the University Tax Office to review the unit's obligation to collect sales tax, and evaluate whether the selling activity constitutes unrelated business income, which is subject to income tax.

To prevent the occurrence of receivables due to salary or wage overpayments to staff, faculty, or students, units must:

- Review labor distribution reports upon receipt
- Process terminations as much in advance of the termination date as possible, in consultation with the unit's Human Resources (HR)/Payroll representative
- Request repayment immediately from any employee who has been overpaid. If the employee does not fully repay the overpayment within two pay periods of the date of notification, the unit must record the amount due Cornell in a unit-level account receivable, and establish procedures for collection and review
- Remit all salary or wage repayments to the Payroll office. The Payroll office will notify the unit that payment has been received

◆**Note:** If a unit must establish a receivable account to collect outstanding salary and/or wage overpayments, units must contact University Accounting for guidance on establishing a receivable account, recording the transaction, and recording payments received.

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PROCEDURES: ACCOUNTS RECEIVABLE

For additional information related to current practices for establishing and recording accounts receivable, see Appendix C.

Administering Accounts Receivable

Units with accounts receivable must:

- Establish and implement written procedures for handling accounts receivable transactions, paying special attention to proper segregation of duties
- Purchase or develop a subsidiary receivable system to record customer names, addresses, invoices, payments, etc., as well as generate invoices to send to the customer
- Process via procurement card or journal entry transactions for the sale of goods or services to internal customers, and record the internal sale on a proper interdepartmental object code. Do not record a receivable
- Reconcile subsidiary detail to the general ledger on a monthly basis, and prepare correcting entries to the general ledger control account, as needed
- Submit to University Accounting, upon their request, annual reconciliations for asset and liability accounts
- Collect accounts receivable, and review aging reports to determine if outstanding amounts are collectible
- Submit outstanding receivables to University Collections if collection assistance is needed
- Propose write-offs of accounts deemed uncollectible, and obtain approval for those write-offs from the University Controller or his/her designee
- Record approved write-offs in the general ledger

In addition to the above tasks, units must follow the procedures outlined below relating to these specific types of receivable accounts:

1. Student accounts receivable, such as student loan receivables, tuition, housing, dining, and other charges. The Office of the Bursar is responsible for establishing, administering, and collecting these receivables
2. Sponsored funds receivables, such as expenses incurred for a specific agreement or project that have not yet been reimbursed by the sponsor. Sponsored Financial Services is responsible for establishing, administering and collecting these receivables
3. Receivables from customers that may occur as part of operations, such as those of the Library, Parking and Transportation, the Statler Hotel, and the Veterinary Hospital. Units are responsible for identifying and collecting these receivables. University Collections of the Office of the Bursar can help

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PROCEDURES: ACCOUNTS RECEIVABLE, CONTINUED

- units with collection efforts
4. Other accounts receivable, such as vendor overpayments, and salary and wage overpayments. Units are responsible for identifying and collecting these receivables. University Collections of the Office of the Bursar can help units with collection efforts

◆ **Note:** If a receivable becomes uncollectible, the University Controller or his/her designee must authorize the write-off of that account. The unit must provide an account to charge the amount written off.

Before billing customers for goods or services, units must request authorization from the appropriate business service center and the Division of Financial Affairs. For information on requesting a receivable account, see Appendix C.

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APPENDIX A: REQUESTING AND SETTLING EXPENSE ADVANCES

Detailed procedures are available on the University Accounting website at www.dfa.cornell.edu/accounting/topics/traveladvances.

Reminders

- Corporate cards are the preferred method of payment for travel expenses because they provide insurance coverage for business travel
- Cornell discourages the use of cash because any loss or misappropriation is not covered by insurance. Travelers are responsible for safeguarding funds they have received
- Cornell permits direct payment of travel expenses for group travel

Requesting an Advance (Travel, Site Project, and Participant Fees)

Use the online Payment Request System to request an advance. Attach a signed copy of the "Travel/Advance" request (see Related Resources) to the payment request cover sheet. If you are requesting an advance to pay a travel bill, include a copy of the bill with your request.

Settling Travel Advances

The same information, documentation, and signatures are required to settle a travel advance as are required to process a travel reimbursement request. See the University Accounting website for detailed instructions on settling travel advances.

Settling Site Project Advances

The process for settling a site project advance is the same as that of settling travel advances, with one exception.

The unit must provide an accounting of expenses related to the advance at least monthly, and a final accounting of the entire advance once the project is complete. This process documents that all payments for the project have been made, and also reduces the risk of duplicate pay for projects that often include many individuals, multiple sources of support, etc.

Generally, a final accounting includes the following:

- Name of each individual involved in the project
- Individual's relationship to the project (instructor, student, etc.)
- Dates and locations of participant's travel and activities
- Expense type for each individual (transportation, meals, lodging, auto rental, miscellaneous, etc.)
- How each expense was paid (for example, paid by another institution, air requisition, previous payment request, etc.)

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APPENDIX A: REQUESTING AND SETTLING EXPENSE ADVANCES, CONTINUED

Settling Participant Fee Advances

Settling a participant fee advance requires documentation supporting the amount paid to each participant. At the same time, when required, the confidentiality of participants must be protected. For instructions on settling participant fee advances, see the University Accounting website.

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APPENDIX B: ESTABLISHING AND MANAGING PETTY CASH

Establishing a Petty Cash Fund

Before establishing a petty cash fund, the unit administrator, supervisor, or his/her designee must designate a custodian, and contact University Accounting to request approval to set up the account.

Units must provide the following information to University Accounting, along with the request:

1. Custodian name
2. Unit name
3. Contact phone number
4. Fund amount
5. Activity the fund supports

◆ **Note:** Units may request the fund amount based on an estimate of qualifying expenses, typically for a period not to exceed two months.

University Accounting will review the request and set up the new petty cash account.

Once the account has been approved, the unit must request a new petty cash account via the online Account Management System (see Related Resources), attaching written approval from University Accounting.

To fund the account, the unit must complete a payment request via the online Payment Request System (see Related Resources), and have the check made payable to the custodian of the petty cash account. The amount of the request must be equal to the approved amount of the petty cash fund.

Designating a Petty Cash Custodian

The unit administrator, supervisor, or his/her designee must designate a custodian and an alternate, who will be responsible for safekeeping, disbursing, and reconciling the fund. Access to the fund must be limited to the petty cash custodian.

Changing the Petty Cash Custodian

Before changing the petty cash custodian, the current custodian, supervisor, or his/her designee must count and reconcile the fund. The new custodian must then complete a "Petty Cash Fund" form (see Related Resources) acknowledging receipt of the fund and the accompanying responsibility, and send this form to University Accounting in DFA.

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APPENDIX B: ESTABLISHING AND MANAGING PETTY CASH, CONTINUED

Increasing, Decreasing, or Closing a Petty Cash Fund

Increasing Petty Cash Funds

To increase petty cash funds, units must request approval from University Accounting, and provide a reason for the increase. The University Accounting supervisor must approve all increases to the fund.

Upon approval, units must complete an online payment request for the additional funds, and attach written approval received from University Accounting.

Decreasing Funds or Closing an Account

To deposit excess funds into a university bank account, units must complete a "Departmental Bank Deposit" form (see Related Resources).

Once the deposit has been completed, units must process a journal (see Related Resources) using the appropriate account(s) and object code(s) for each expense type, and attach expense receipts as backup to the entry.

Because funds are considered inactive if there is no activity for six months, business units must close inactive petty cash accounts, and return remaining funds to a university bank account.

Replenishing a Petty Cash Fund

Units must replenish petty cash funds via the online Payment Request System, using the appropriate account(s) and object code(s) for each type of expense, and attach the original receipts or other documentation to support the request.

◆ **Note:** When replenishing the petty cash fund, make payment requests payable to the custodian. These payments are not taxable income to the custodian.

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APPENDIX C: ESTABLISHING AND RECORDING ACCOUNTS RECEIVABLE

Requesting a Receivable Account

To establish a receivable account, units must request a new account through the Account e-doc (see Related Resources), and attach documentation showing approval of activity, which includes, but is not limited to, the following:

1. Notice of approval under University Policy 4.3, Sales Activities on Campus
2. Description of the business being conducted
3. Identification of potential customers
4. Explanation of why payment via credit card, cash, or check at the point of sale is not possible
5. Description of the program used to generate invoices, track outstanding balances, create aging reports, etc.

The new account will be an asset account.

◆ **Note:** The Division of Financial Affairs will advise the unit of the fund group and function code for the receivable account.

Recording a Receivable Transaction

Receivable accounts allow units to record income without receiving immediate payment for goods or services. To record sales, receipt of payment, and write-offs properly, units must use the following accounting entries.

Recording Sales

Type of Account	Transaction Type	Object Code Used
Receivable Account	Debit	Object code: 9550
Sales Account	Credit	Sales object code : 1110, 1120 (or other outside sale code)

◆ **Note:** Object codes 1130 and 1290 are for interdepartmental revenue and must not be used to record transactions in a receivable account.

Recording Payments

Type of Account	Transaction Type	Object Code Used
Cash Account	Debit	Object Code: 9890
Receivable Account	Credit	Object Code: 1310

◆ **Note:** Process this transaction as a deposit into a Cornell deposit account.

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APPENDIX C: ESTABLISHING AND RECORDING ACCOUNTS RECEIVABLE, CONTINUED

Writing Off an Uncollectible Receivable

If a receivable is deemed uncollectible, the University Controller or his/her designee must authorize the write-off of that account. The unit must provide an account to cover expenses written off.

For instruction on completing a transaction to write off a receivable once approval is granted, contact University Accounting.

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