**University of Houston**

ACCOUNTS RECEIVABLE GUIDELINES

Fiscal Year 2025

**Completed packets should be uploaded to the**

**Key Dates Calendar Documents SharePoint site**

<https://uofh.sharepoint.com/sites/cfa/controlleroffice/FY20252026/Forms/AllItems.aspx>

Accounts Receivable Reconciliation due to Accounting Services

September 08, 2025

#### Accounts Receivable Guidelines

**Fiscal Year 2025**

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# Purpose and Overview

The goal of this procedure is to provide the policies and procedures related to accounts receivables, and to improve the accounts receivable management as outlined by the State Auditor’s Office. By understanding the policies and procedures, and by incorporating good business practices, university employees who monitor and maintain receivables will avoid undue delays and errors.

This packet addresses:

* What is a Receivable
* How to record a Receivable
* How to post Receivables, Payments, and Returns
* The Aging, Collecting, and Reconciling of Receivables
* How to Write Off Accounts and Record Recoveries
* How to formally submit the Write-Off Request

This material is a supplement to the universities formal policies as detailed in the UH Manual of Administrative Policy and Procedure (MAPP), and in the UH System Administration Memorandum (SAM).

**Personnel working with Receivables should review and be familiar with:**

* **The UH** **System Administration Memorandum (SAM) 03.A.24, and**
* **The UH Manual of Administrative Policy and Procedure (MAPP) 05.04.04.**

**These can be found on the UH home page**  [www.uh.edu/mapp](http://www.uh.edu/mapp) **and** [www.uh.edu/sam](http://www.uh.edu/sam)***.***

# General Guidelines

The institution is not allowed to deliver merchandise or provide services to individuals, associations or corporations in any situation where the use of state appropriated funds are involved, unless payment is received. *This prohibition does not apply to federal, state, county or municipal government agencies or tuition and fees installment options.*

Each college or division of the University of Houston is responsible for establishing procedures for extending credit, billing and collecting receivables, recording and monitoring receivables, determining allowances for doubtful accounts, and writing off uncollectible accounts. *The procedure shall ensure that any extension of credit is done so in a prudent manner, including the use of standardized credit applications, commercial credit reports, and specification of the level of authority required for approval of the credit request.* These procedures must be documented in writing and made available to Accounting Services or Internal Audit upon request.

# Definition of a Receivable

Receivables are assets that represent claims against other entities for goods or services provided, but for which cash has not been received.

Accounts Receivable is considered valid after:

* The buyer of the goods/services has entered into a legally binding agreement
* The receivable can be accurately measured
* The seller has provided goods or services to the buyer
* The payment is due to the seller from the buyer
* The payment has not been received from the buyer
* The revenue from the transaction has been recorded on the seller’s books
* There is a reasonable expectation of collection

# When is it Appropriate to Record a Receivable?

The recording of a receivable by a UH department may be appropriate if:

* The buyer of the goods or service is not another UH department (Note: Certain exceptions may apply)
* The receivable is valid (see definition of a receivable)
* Total outstanding receivables represent a significant percentage of a department’s sales, (i.e., accounts receivable are material to the financial records of the department and thus to the university)
* The transaction does not represent an extension of credit that is prohibited by law
* The event is deemed to be appropriate by the university’s accounting officer

# Recording a Receivable – Accounting Entries to PeopleSoft

A Receivable is recorded using a journal entry prepared by the department and submitted to Accounting Services via workflow with the appropriate supporting documentation. These entries debit the appropriate receivable account, and credit the appropriate revenue account in the department’s cost center in the general ledger.

***Accounting Terminology:***

*Debit: Increases a Receivable account*

*Credit: Decreases a Receivable account*

***Example 1 - Low Volume Sales on Account (Single Revenue Account):***

**Description Cost Center Combination \_\_Debit\_\_ \_\_Credit\_\_**

A/R - May Sales (on acct) 00730-2XXX-H0XXX-AXXXX-12100 $ 2,500.00

May Sales & Services 00730-2XXX-H0XXX-AXXXX-43600 $ 2,500.00

The total of the debit(s) must equal the total of the credit(s). Credits may be recorded to more than one account (See Example 2).

If the sale is subject to state and local tax, the tax liability must be recorded at the time the revenue is recognized. The sales tax account is credited for the appropriate amount as calculated from the taxable sale (in this case 8.25 percent).

***Example 2 - Low Volume Sales on Account (Multiple Revenue Accounts):***

**Description Cost Center Combination \_\_Debit\_\_ \_\_Credit\_\_**

A/R - May Sales (on acct) 00730-2XXX-H0XXX-AXXXX-12100 $ 2,500.00

May Non-Taxable Sales 00730-2XXX-H0XXX-AXXXX-43600 $ 1,000.00

May Taxable Sales 00730-2XXX-H0XXX-AXXXX-43606 $ 1,385.68

Sales Tax Payable 00730-2XXX-H0XXX-XXXXX-20604 $ 114.32

Both of the above examples show the recording of receivables as a balance for a specific period—the total sales on account for a month. This method is appropriate for a department with limited sales on account, with each sale of relatively low value. Entries are prepared by the department on the last business day of the month and forwarded to Accounting Services before the deadline for recording that month’s business. Entries should be prepared more frequently by departments with a significant amount of their business on account.

An alternative, and the preferred method for departments with a high value sales volume, is to record each sale as an individual receivable.

***Example 3 - High Value Sales on Account:***

**Description Cost Center Combination \_\_Debit\_\_ \_\_Credit\_\_**

A/R - L. Smith #3012 00730-2XXX-H0XXX-AXXXX-12100 $ 811.88

A/R - C. Nash #3015 00730-2XXX-H0XXX-AXXXX-12100 $ 2,067.58

May Taxable Sales (3012, 3015) 00730-2XXX-H0XXX-AXXXX-43606 $ 2,660.00

Sales Tax Payable 00730-2XXX-H0XXX-AXXXX-20604 $ 219.46

All journal entries must be supported by copies of the detailed sales records and invoices for the sales on account.

The department business manager should review the business records to ensure that the total of the detailed sales records equal the ‘cash sales’ (currency, check, credit card) plus the ‘sales on account.’

In this example separate lines exist (debits) for the receivables due from L. Smith and from C. Nash. This method produces separate detail lines in the A/R account for the departmental cost center in the PS general ledger. When a transaction report prints (from PS) each line displays. This method makes the reconciliation of the Receivable much easier.

Because revenue recognition does not result from the collection of cash on account, the entries to record ***sales on account*** should never be confused with, or included with, the entries to record cash ‘received’ on account (SEE Example 4).

**Recording Payments Received – Accounting Entry to PeopleSoft**

***Example 4 – Receipt of Payment on Account (L. Smith):***

**Description Cost Center Combination \_\_Debit\_\_ \_\_Credit\_\_**

Cash Deposit 00730-BANK $ 811.88

A/R - L. Smith #3012 00730-2XXX-H0XXX-AXXXX-12100 $ 811.88

In this example, L. Smith sent a check in the amount of $811.88 for payment of the receivable recorded above (SEE Example 3). A credit ‘to the receivable’ for the entire amount of the payment ‘reduces’ the account balance to zero. Note that credit entries to ‘Sales Tax Payable’ (20604) and to the ‘Revenue’ (43606) were previously recorded (SEE Example 3). As a result, this entry does not duplicate the Payable or the Revenue.

Cash received as payment on an account:

* Is included in the department’s daily cash receipts
* Must credit the receivable
* Must NOT be reported as a new sales revenue

**Recording Cash Sales – Accounting Entry to PeopleSoft**

***Example 5 – To Record Cash Sales:***

**NOTE** 🡪 When cash is received at the time of sale, no Receivable Account will exist. Instead, the debit is to the BANK account.

**Description Cost Center Combination \_\_Debit\_\_ \_\_Credit\_\_**

Cash Deposit 00730-BANK $ 501.55

Nontaxable sales 00730-2XXX-H0XXX-AXXXX-43600 $ 350.00

Taxable sales 00730-2XXX-H0XXX-AXXXX-43606 $ 140.00

Sales Tax Payable 00730-2XXX-H0XXX-AXXXX-20604 $ 11.55

The above entry records both Taxable and Non Taxable sales. The amount of the Sales Tax entry is derived by multiplying the amount of the Taxable Sales by the current tax rate (@ 8.25% in this case).

**Recording the Return of Merchandise – Accounting Entry to PeopleSoft**

In the event that merchandise sold on account is returned, the amount of the receivable is reduced (credit) by the amount of the return. The revenue and sales tax are debited for the appropriate amounts. The entries for the ‘Return of a Sale’ are show below, using the C. Nash sale (Invoice #3015) as an example.

***Example 6 - Return of Merchandise Purchased on Account:***

**Description Cost Center Combination \_\_Debit\_\_ \_\_Credit\_\_**

Taxable Sales (Nash Return) 00730-2XXX-H0XXX-AXXXX-43606 $ 1,910.00

Sales Tax Payable 00730-2XXX-H0XXX-AXXXX-20604 $ 157.58

A/R - C. Nash #3015 00730-2XXX-H0XXX-AXXXX-12100 $ 2,067.58

As with all accounts receivable entries:

* The debits and credits must balance.
* Sales/Return Documentation must support the transactions.

**Recording** **Returned Checks – Accounting Entry to PeopleSoft**

Payments received by check that are returned to the University as unpaid (insufficient funds, cancellations, etc.) are recorded by Student Business Services (SBS).

The entry recorded is a debit to account 12101, A/R – Returned Checks, and the designated cost center provided by the College/Division to SBS and a credit to the BANK account.

***Example 7 - Returned Checks:***

**Description Cost Center Combination \_\_Debit \_\_Credit\_\_**

Returned Check 00730-2XXX-H0XXX-AXXXX-12101 $ 100.00

Returned Check 00730-BANK $ 100.00

If payment is received for the returned check, the following entry should be made:

***Example 8 -- Payment for Returned Checks:***

**Description Cost Center Combination \_\_Debit \_\_Credit\_\_**

Payment Returned Check 00730-BANK $ 100.00

Returned Check 00730-2XXX-H0XXX-AXXXX-12101 $100.00

Detailed information for returned checks recorded to your department’s cost center can be obtained by running the 1074 Report Section 3, Transaction Detail for Asset/Liability /Fund Equity, for your College/Division.

Review the transaction detail for account 12101 to obtain a list of journals recording transactions to account 12101.

After obtaining the list of journals, review the journals in PeopleSoft. The backup attached to the journals will have the information regarding the returned checks.  *(Returned check journals will record transactions for more than one College/Division you will have to identify the information specific to your College/Division.)*

The information obtained from the journal backup should be used to complete the Returned Checks Worksheet.

# Aging, Collecting and Reconciling Accounts Receivable

All departments recording accounts receivable must maintain adequate records of their accounts. Each transaction is individually reviewed; this is important for aging, collection and write-off, if necessary.

Departments will reconcile their outstanding receivables to the institution’s financial system monthly. Monthly reconciliations will be maintained and must be made available to Accounting Services and/or Internal Auditing upon request.

Departments must also maintain an aging schedule for all accounts receivable. The total of the aging schedule should be equal to the total accounts receivable recorded. Standard aging brackets used are:

0-30 days,

31-60 days,

61-90 days,

91-120 days,

121-180 days,

181-360 days,

361-720 days, and

Over 720 days.

The department recording the receivable has the sole responsibility for collecting the account. The department must have a documented collection procedure in place and on file in Accounting Services. A recommended schedule of activities for this procedure includes:

0-30 days Mail original invoice

31-60 days Mail second copy of invoice with stamped notice “PAST DUE”

61-90 days Mail standard collection letter demanding payment

91-120 days Place telephone call to debtor

121-180 days Mail ‘certified’ letter with ‘return receipt’ each month

Place telephone call each month

181+ days Mail letter each month with copy to UH General Counsel

***All collection activity must be logged, and copies of all correspondence to the debtor retained.***

# Writing-Off Accounts Receivable

Accounts deemed as not collectible must be written off. Accounts receivable are eligible for write-off when they remain outstanding for 720 days (2 years). Outstanding accounts, originating during or before fiscal year 2022, are eligible for write-off in this fiscal year.

Before a receivable is written-off, the department must demonstrate that adequate steps were taken to collect the receivable. Departments writing off any account(s) must prepare a package and send it to Accounting Services.

The package will include:

1. A cover memo signed by the business manager, stating the total amount of the requested write-off.
2. Cost Center, account and amount for Accounting Services to prepare a Journal Entry to book the write-off when BOR approval is received.
3. A current reconciliation of the department’s outstanding Accounts Receivable.
4. A current Aging Schedule supporting the accounts to be written off.
5. A list of the individual accounts for write off consideration.
6. Each individual account to be written-off must be supported by:

* A copy of the original invoice,
* A copy of the Collection Activity Log, and
* All correspondence relating to the collection activities for that account.

If account to be written off are checks, additional information required is:

* Name of Check Writer
* Check Number
* Check Date
* Check Amount
* Check Purpose
* PeopleSoft ID, if check was written by a student or employee

The Board of Regents of the University of Houston System approves all amounts written off. A list of the accounts slated to be written off is prepared by Accounting Services and submitted to the Board once each fiscal year.

**Accounting Entries to PeopleSoft Financials to Write Off Accounts to Record the Recovery of an Account Previously Written Off**

**A/R Write Off Entry: (Note: Write off journals are prepared by Accounting Services)**

***Example 9 - A/R Write Off Entry:***

The following entry will reduce the Accounts Receivable and the Fund Equity. The amount is equal to the total of all accounts written off.

**Description Cost Center Combination \_\_Debit\_\_ \_\_Credit\_\_**

Fund Equity Deduction 00730-2XXX-H0XXX-AXXXX-36100 $ XXX

A/R 00730-2XXX-H0XXX-AXXXX-12100 $ XXX

Fund equity is used because the sales revenue associated with the write-off was recorded in a prior fiscal year.

**Recovery Entry – For Payment Received on Account Previously Written Off: (Note: Recovery journals should be discussed with Accounting Services prior to preparation)**

***Example 10 - A/R Recovery:***

If a vendor submits payment on an account previously written off the books, then an entry must be written to record that transaction.

The entry should be written and submitted to Accounting Services during the month the recovery is made.

**Description Cost Center Combination \_\_Debit\_\_ \_\_Credit\_\_**

Cash Deposit 00730-BANK $ XXX

Fund Equity Increase 00730-2XXX-H0XXX-AXXXX-32100 $ XXX

# Forgiveness of Debt

The write-off of an account is a bookkeeping entry only and does not relieve the debtor from financial responsibility to the university. Although the account has been removed from the books, the university may still have a claim against the debtor and may still seek legal remedy. Therefore, it is the responsibility of each department to maintain adequate records regarding legal debts owed to the university. Departments who wish to forgive a debtor's obligation to the university shall seek advice from UH Counsel and the Director of Tax Compliance in the office of the Assistant Vice President for Finance regarding any special tax consequences relating to the forgiveness of debt.

**Completing & Submitting the Accounts Receivable Reconciliation**

Completed packets should be uploaded to the Key Dates Calendar Documents SharePoint site [https://uofh.sharepoint.com/sites/cfa/controlleroffice/FY20252026/Forms/AllItems.aspx](https://uofh.sharepoint.com/sites/cfa/controlleroffice/FY20232024/Forms/AllItems.aspx)

The department should retain copies of all materials and worksheets used to calculate the values.

**Due:** **September 08, 2025**

**The Business Administrator will be notified of any incomplete packages.**

**Tips on how to complete Accounts Receivable Packet:**

* If “Outstanding Receivables as of August 31, 20XX in **PSGL**:” (account code 12100) is *$100.00*, and “Departmental Records as of August 31, 20XX:” is *$125.00,* then the “Difference” of $25.00 will need to be recorded via journal in period 998 to increase AR from $100 to 125.

|  |  |
| --- | --- |
| Outstanding Receivables as of August 31, 20XX in **PSGL**: | $ **100.00** |
| Departmental Records as of August 31, 20XX: | $ **125.00** |
| Difference: | $ **25.00** |

Example of adjusting journal entry required in period 998 to increase AR by $25.00:

\**Upload a copy of adjusting journal entry to AR Packet.*

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Cost Center/ Account Code** | **Debit (+)** | **Credit (-)** |
| AR | 00730-2XXX-H0XXX-AXXXX-12100 | $25.00 |  |
| Sales & Services | 00730-2XXX-H0XXX-AXXXX-43600 |  | $25.00 |

* If a department is requesting a Write Off, then a completed *Write Off Request Form* is required.

If a department is NOT requesting a Write Off, then a completed *Write Off Request Form* is NOT required.

*(Accounts Receivable balances outstanding over 720 days and deemed not collectible should be written off.)*

* If your College/Division has an accounts receivable balance recorded to only account 12101, A/R- Returned Checks, your College/Division is only required to submit Memorandum & the working paper for insufficient checks. A complete account receivable reconciliation is not required.