

ADVISORY REPORT 1997-1

January 17, 1997

ACCOUNTING AND REPORTING SCHOLARSHIP ALLOWANCES TO TUITION AND OTHER FEE REVENUES BY HIGHER EDUCATION

POSITION PAPER PREPARED BY NACUBO ACCOUNTING PRINCIPLES COUNCIL

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ERRATA

This Advisory Report erroneously states in the introductory paragraph that the position paper on scholarship allowances was approved by the AICPA. Under the section called "Purpose," the paper also states that the AICPA Not-for-Profit Committee has reviewed the definition of scholarship allowances used in the position paper. The AICPA has not reviewed, approved, or otherwise acted on this position paper.

Official positions of the AICPA are determined through specific committee procedures, due process, and deliberation. The NACUBO Accounting Principles Council, during the course of its deliberations, consulted with individuals on the AICPA Not-for-Profit Committee to help understand the AICPA's position on this issue. Such consultation does not mean that the AICPA reached an official position on NACUBO's interpretation of accounting and reporting on scholarship allowances.

Future copies of this position paper will delete these references to the AICPA.

The position paper that follows was approved in December 1996 by the NACUBO Accounting Principles Council and the American Institute of Certified Public Accountants. The paper represents preferred industry practice, and in the absence of any guidance from the Financial Accounting Standards Board, the Governmental Accounting Standards Board, or the AICPA, this document should be followed by all private schools, colleges, and universities.

Purpose: This document defines **scholarship allowances** for purposes of accounting for and reporting revenues net of discounts as required in paragraph 12.05 of the June 1996 American Institute of Certified Public Accountants' (AICPA) audit and accounting guide, *Not-for-Profit Organizations*. The guide states, "Revenues from exchange transactions should generally be reported gross of any related expenses. If the organization regularly provides discounts (such as financial aid for students that is not reported as an expense, reduced fee for services, or free services) to certain recipients of its goods or services, revenues should be reported net of those discounts." In paragraph 13.07, the guide continues, "Some not-for-profit organizations provide reductions in amounts charged for goods or services, such as financial aid provided by colleges and universities. Reductions in amounts charged for goods or services provided by a not-for-profit organization should be reported as expenses if such reductions are given in exchange for goods or services provided to the organization, such as part of a compensation package. Amounts reported as expenses for such reductions should be reported in the same functional classification in which the cost of the goods or services provided to the organization are reported. If such reductions in amounts charged for goods or services provided by a not-for-profit organization are given other than in an exchange for services provided to the organization, such amounts should be reported as follows:

- as expenses to the extent that the organization incurs incremental expense in providing such goods or services
- as discounts if the organization incurs no incremental expense in providing such goods or services."

The definition of scholarship allowances contained in this document has been reviewed by the AICPA Not-for-Profit Committee.

By virtue of this document's approval by the Accounting Principles Council (APC) of NACUBO, it represents preferred industry practice and, in the absence of any future guidance on scholarship allowances from the Financial Accounting Standards Board (FASB), the Governmental Accounting Standards Board (GASB), or the AICPA, this document should be followed by all private schools, colleges, and universities. Although the requirement in paragraph 12.05 of the guide is not applicable to public colleges and universities that follow GASB standards, GASB has indicated its intent to include within its proposed reporting model for public institutions a requirement that revenues be reported net of discounts and allowances or be reported gross with the related discounts and allowances reported directly beneath the revenue. GASB has also informed the APC that the guidance provided by NACUBO in this document is appropriate for public institutions.

Applicability: This position paper applies to all private schools, colleges, and universities that must follow the AICPA audit and accounting guide, *Not-for-Profit Organizations*. While public institutions must continue to report scholarships as expenses as required by the 1974 edition of the AICPA industry audit guide, *Audits of Colleges and Universities*, GASB has approved accounting and reporting of revenues net of discounts and allowances and this position paper will apply to all public colleges and universities when GASB issues its standard on a financial reporting model.

Scope: The criteria for classification as a scholarship allowance applies to tuition and fees, as well as housing and/or meal plans. Specifically, the June 1996 guide requires that revenues from all exchange transactions be reported net of discounts. Since amounts paid by students for institutional services are exchange transactions, they are subject to the same criteria as other exchange transactions for determining a discount.

Significance: Reporting tuition and fee revenues net of scholarship allowances is projected to have a very significant impact on the financial statements of many public and private institutions. The principal effect of classifying scholarship allowances as a contra-revenue is to reduce both student financial aid expenses and tuition and fee revenues.

Effective Date: The effective date of this document **for private higher education institutions** coincides with the effective date of the AICPA audit and accounting guide, *Not-for-Profit Organizations*, which becomes effective for years ending on or after December 15, 1996, with earlier application recommended. The effective date of this document **for public higher education institutions** will coincide with the effective date of GASB's forthcoming standard, *College and University Financial Reporting Model: Core Financial Statements*.

Summary

Both private and public institutions will report all tuition and fee revenues net of any scholarship allowances. A scholarship allowance is defined as the difference between the stated charge for goods and services provided by the institution and the amount that is billed to the student and/or third parties making payments on behalf of the student.

A single net tuition and fee revenue amount may be reported in a Statement of Activities, or the gross tuition and fee revenue may be reported less the related scholarship allowance, provided that the scholarship allowance is displayed immediately beneath the revenue. If the institution chooses to report only single net tuition and fee revenues on the face of the financial statement, the amount of scholarship allowance should be disclosed in the notes to the financial statements. Whether disclosed on the face of the financial statement or in the notes to the financial statements, the amount of the scholarship allowance should be disclosed for both "sponsored funds" and "non-sponsored funds."

In considering what is or is not revenue, the following guiding rule applies: amounts received to satisfy student tuition and fees will be reported as revenue only once (e.g., student fees, gifts, investment income), and only amounts actually received from students and third-party payers to satisfy student tuition and fees (e.g., room and board) will be reported as tuition and fee revenue.

Background

0. Higher education traditionally has charged students for educational programs and related services through a series of fees that collectively support the budget for educational and general activities; and specifically maintain self-supporting auxiliary enterprise activities, such as housing and food services. Typically, tuition is the primary educational fee assessed to a

student and can be defined as the gross instructional fee per credit hour or other unit of instruction times the number of credit hours taken by the student.

0. Cost of attendance is the projected total cost for the student to attend an institution. It includes tuition; room and board fees for residential students; living expenses for commuting students; and books, supplies, travel, and other institutional fees assessed for services (e.g., student activities, health, etc.). The gap between the cost of attendance amount and a calculated ability of the student to pay this amount equals the projected student financial need. From the perspective of the student, all scholarship aid is a reduction in the cost of attendance. Loans help make the residual cost more affordable by extending the period of time over which educational expenses are paid but do not reduce the cost of attendance.
0. Historically, student financial need has been met, to a large extent, by financial aid from sources external to the institution. The types of financial aid provided by external sources include a number of grant and loan programs funded by the federal government. The largest of these are the Perkins and Stafford Loan programs, the Pell and Supplemental Educational Opportunity Grant (SEOG) programs, and the College Work Study program. A number of states also provide financial aid for needy students who meet specific criteria. For example, New York administers the tax-supported Tuition Assistance Program (TAP), which awards grants to needy native students who wish to attend college in the state of New York. Alabama funds a student program that provides a flat, non-need-based tuition equalization grant. In addition to these governmentally sponsored financial aid programs, a number of private foundations and local civic groups provide some scholarship or loan funding assistance to students, either on the basis of need or their criteria. Institutions also help students reduce the cost of attendance with what has been termed "funded" and "unfunded" grants (i.e., scholarships). In fact, as increase in tuition have surpassed the growth in externally funded financial aid, institutions have narrowed the gap between the stated cost of attendance and the combined figure from all external sources of aid and the amount paid by the student. This institutional reduction in the cost of attendance has been accounted for as a financial aid expense.
0. In many ways, the reduction of the cost of attendance by colleges and universities to students is analogous to the contractual allowances recorded in the financial statements of health care providers. The health care industry, like the higher education industry, provides services to and receives payment from many payers; all of these payers contribute a different amount, based on numerous factors. For both health care and higher education, the stated price of their services pertains to a declining portion of the population served. Hospitals, for example, agree to accept insurance payments that are less than their stated charges as payment in full for the health care treatment provided. The unpaid balance between the amount the hospital charges and the amount the insurance company agrees to pay is potential patient-service revenue that the hospital contractually agrees to forgo. In hospital financial statements, this amount is called a contractual allowance and is offset against gross patient-revenue that the hospital contractually agrees to forgo. In hospital financial statements, this amount is called a contractual allowance and is offset against gross patient revenue to produce net or real patient-service revenue. The net patient-service revenue represents the amount that the hospital has actually billed for the services rendered. This is similar to what happens in higher education. When an institution makes a scholarship award, it agrees to accept less than its stated price as payment in full for the educational services rendered. A major difference is that college and university financial statements have not displayed the reduction of gross tuition and fees and the effective net tuition and fee revenues that represents the true amount collected from students.
0. The impact of discounting tuition and fee revenue began to appear regularly in the management literature of higher education in the early 1990s after many industry analysts and economists began to focus on the actual net tuition and fee payments made by or on behalf of students. The authors of these assessments argued that the historical practice of reporting gross tuition and fees was misleading to financial statement users because it did not convey an accurate sense of resource inflows and outflows of institutions and obscured the need for institutions to manage their net tuition and fee revenues.
0. Members of the audit community and many standard-setting organizations also expressed concern over the divergent treatment of higher education's contractual agreement (i.e., institutional aid award) to forgo a portion of the tuition owed by students and the contractual allowances in health care. These individuals indicated that in both instances it would be inappropriate to "gross-up" revenues and record expenses when such discounting does not meet the definitions of revenues and expenses contained in FASB's Statement of Financial Accounting Concepts (SFAC) No. 6, Elements of Financial Statements. The SFAC defined revenues as inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing products or rendering services, or other activities that constitute the entity's ongoing major or central operations. Higher education's practice of reporting tuition and fee dollars that were never received by the institution does not meet the definition of recognizing revenues as stated in FASB's SFAC No. 6. Similarly, this document also defines expense as the outflows or other using up of assets or incurrence of liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations. Since forgoing potential incoming tuition and fee revenue does not meet the definition of an expense (i.e., there is no outflow of resources or using up of existing assets), recording the scholarship allowance as an expense is also not appropriate.
0. In response to these concerns, the NACUBO Accounting Principles Council (APC) disseminated an issues paper to all

NACUBO members in August 1994, Tuition Discounts/Financial Assistance Under FASB SFAS No. 116 & 117 and the Requirements of the New AICPA Audit Guide. The paper reviewed the status of current authoritative literature for higher education and compared and contrasted it with health care reporting. The paper also addressed the advantages and disadvantages of higher education's reporting tuition and fee revenues net of scholarship allowances. In preparing this issues paper, the APC found no relevant definition of "net tuition and fee revenue" or "scholarship allowance" in the current accounting literature and therefore determined that it would need to define net tuition and fee revenue and scholarship allowance as they related specifically to the higher education tuition and fee environment. After receiving very little response to this conceptual paper, the APC decided to issue another paper containing illustrative transactions and requested the membership to indicate which transactions included a discounting component. The APC carefully considered responses to this initial set of transactions and in the spring of 1995 issued a more formal illustrative transaction paper in which a definition of scholarship allowance was developed and contrasted with payments by third-party payers, compensation expenses, and sales of educational services. Comments to this document were received over the course of the summer and contributed to the position presented in this paper.

Definition of Scholarship Allowances

0. A scholarship allowance is the difference between the stated charge for goods and services provided by the institution and the amount which is billed to students and/or third parties making payments on behalf of students. In considering what is or is not revenue, the following rule applies: amounts received to satisfy student tuition and fees will be reported as revenue only once (e.g., student fees, gifts, investment income) and only amounts received from students and third-party payers to satisfy tuition and fees will be recognized as tuition and fee revenue. In this definition, amounts received is used in a general sense, amounts effectively may be received by the reduction of a liability or the creation of an asset other than cash.
0. Although external financial aid and institutional scholarships are awarded, as described in paragraph 3, on the basis of the total cost of attendance and the student's ability to pay, the revenues forgone through scholarship allowances should not generally be assessed proportionately against both the educational and general budget and auxiliaries (e.g., room and board). This is because the auxiliaries, such as housing and food service, are treated as essentially stand alone businesses providing needed services, much like an outside contractor, to the student body. The steps that the college takes to attract or retain its students are central to the operations of the educational institution and are not, unless specifically stated in the financial award letter, offsets to the profitability of the auxiliary operations within the broad education enterprise. However, an institution may determine that it is appropriate to allocate the scholarship allowance entirely against billable tuition or, depending on institutional circumstances, it may determine that it is appropriate to allocate the scholarship allowance proportionately against tuition and other mandatory fees. However, in situations where the amount of an institutional scholarship exceeds billable tuition, the amount exceeding billable tuition should be charged as a reduction to the relative room and board revenues charged to the student. In the practical application of this reduction, the institution should determine the priority in which it collects revenues and apply the reduction in that order.
0. In some circumstances, the amount of aid awarded may exceed the tuition and fees, housing, and meals provided by or procured from the institution. In such circumstances, the excess of aid over tuition and fees and institutional housing and meals should be treated as an expense.
0. Gifts or grants given to the institution by individuals or nongovernmental entities for the purpose of reducing the cost of attendance for students historically have been accounted for in the following manner: When the gift was received, it was recorded as an addition to restricted funds. A restricted financial aid expense would then be recognized when the institution reduced the tuition for a student in the financial aid award process. Simultaneously, the institution would recognize restricted gift revenue and unrestricted tuition revenue. This approach resulted in counting revenue twice and in grossing up overall revenues.
0. The adoption of FASB's Statement No. 116, Accounting for Contributions Received and Contributions Made, effectively eliminates the historical practice of double counting gift revenues because the new standard requires that revenue be recognized at the time of receipt of an unconditional promise to give instead of being added to fund balance. Thus, revenue will be recognized before the restricted receipt is used, regardless of whether it is used because of the lifting of restriction provision or because there is a specific use of the funds made consistent with the restriction. Gifts made to the institution for the purpose of reducing the cost of attendance for students become fungible resources of the institution that allow the institution to continue to operate in lieu of the forgone tuition from students. In economic terms, gifts rather than tuition and fees are supporting the operation of the institution.
0. Income and/or total return on endowments established to provide financial assistance to students or to underwrite programs for students meeting certain criteria should only be reported once as income from investments. When such resources are used to cover forgone tuition revenue by students, revenue should not be recognized a second time as gross tuition, and the institution should not report an institutional financial aid expense. The institution would record a discount to tuition to reflect the waiver of tuition and/or fees by the student.

0. The lifting of restriction requirement in FASB's Statement No. 116 means that if money is received that is restricted to a purpose, the dollars received replace unrestricted dollars budgeted for that purpose. Similarly, restricted financial aid gifts and endowment income, except in situations where the terms are very narrow, will also act as substitutes for unrestricted budgeted dollars. In private institutions, a reclassification is recognized for the expiration of restrictions when the scholarship allowance is granted if the gift or endowment income was originally reported as an increase in temporarily restricted net assets. Public institutions would report a transfer as described in paragraph 18 below.
0. The formally stated tuition rate per student is not applicable in sales of bulk educational services because the fixed price of those services is separately negotiated with another organization, regardless of the number of students receiving the educational services. Therefore, the sales of bulk educational services do not constitute a scholarship allowance to the stated tuition rate per student. However, the reduced fees collected may be reported as a scholarship allowance--similar to the contractual allowances used by hospitals as long as the result is net tuition and fee revenue equal to the amount actually received.

Transactions That Are Not Scholarship Allowances

0. Tuition remission policies developed as employee benefits should be accounted for as compensation expense and not as a scholarship allowance to tuition because the tuition remission was given in exchange for services. Many tuition remission benefits are taxable compensation to the employee, reinforcing the position that they are part of an exchange transaction and should be accounted for as compensation expense rather than as a scholarship allowance to tuition.
0. Payments received from a third-party payer are applied directly to satisfy the fees of a specified student. Therefore, payments made by third-party payers are neither gift nor grant revenue to the institution, nor a scholarship allowance to gross tuition, because the purpose of the payment is to pay the fees that the student would otherwise have to pay. Examples of payments by third-party payers include: a check forwarded to a university on behalf of a specific student from a community Rotary Club and a Pell Grant award sent to a private institution on behalf of a specific student attending that institution.

Governmental Grants and Other Programs of Financial Assistance

0. Governmental grants and/or other programs intended to help students defray their educational expenses should be handled in accordance with guidance issued by FASB for private institutions and by GASB for public institutions. Private institutions should note that FASB considers Pell Grants and the Direct Loan Program to be third-party payments made on behalf of a specific student. As such, private institutions would report no grant revenue, grant expense, or a scholarship allowance for these programs, but rather would report these amounts as agency transactions in the Statement of Financial Position. Public institutions, however, should note that the current GASB standard is that Pell Grants meet the definition of current restricted grant revenue. Thus, in public institutions the amount of a Pell Grant used to satisfy a student's fee and charges is a scholarship allowance; any excess aid disbursed to the student would be a student aid expense. To report a scholarship allowance from a Pell Grant, public institutions would record a transfer from the current restricted fund to the current unrestricted fund where the tuition revenue is reported. Supplemental Educational Opportunity Grants (SEOG) should also be treated as a scholarship allowance to tuition and fee revenue, including the institutional matching portion since these are institutional funds.

Display of Scholarship Allowances

0. Tuition and fee revenue may be reported net as a single line item in a Statement of Activities, or the gross revenue is permitted to be reported, provided that the scholarship allowance is displayed immediately beneath as a reduction of the revenue. If the institution elects to report only net tuition and fee revenue on the face of the Statement of Activities, the scholarship allowance leading to this net tuition and fee revenue amount shall be disclosed in the notes to the financial statements. If the institution reports gross tuition and fees less a scholarship allowance, this scholarship allowance amount should have a label appropriate to the institutional setting. For example, if the institution calls such scholarship allowances "institutional grants in aid," "institutional scholarships," "sponsored or unsponsored scholarships," "funded or unfunded scholarships," each may be an appropriate label for the contra-account to gross tuition and fees. If the institution wishes to present scholarship allowances to gross tuition and fees in a disaggregated format to highlight such characteristics of the types of scholarship allowances given (e.g., merit versus need scholarships) or to show the scholarship allowances provided to students in various academic programs (e.g., liberal arts, business, science, etc.), it may do so as long as the net tuition and fee total is presented.
0. Institutions are encouraged, but not required, to describe their general policy on discounting or to explain a significant change in the annual scholarship allowance amounts from the previous year.

NACUBO POSITION ON SCHOLARSHIP ALLOWANCES

Introduction

For the examples that follow:

Student accounts receivable is generally used such that tuition and fees are recorded as accounts receivable and revenue. Then, financial assistance is applied to the receivable. Any credit balance in student accounts receivable results in a payment to the student.

Financial assistance is recorded as contra-revenue or as expense:

Contra-revenue:

Scholarship allowance

Expenses:

Financial aid

Compensation (salaries/wages)

Benefits

Although, internally, financial assistance can continue to be recorded as an expense, in many cases, it will be reported net of revenues. For example, for Student I, internally, the scholarship can be charged to the athletic department as expense, but for external financial reporting, certain amounts must be reported net of revenues.

Examples

Student A is enrolled in a local hospital's nursing program. By contract with the hospital the institution accepts the nursing students into general education courses, which are also part of the nursing program's course requirements. The hospital pays the institution a contract fee that is less than regular tuition for each student. Individual students enroll, but are not billed by the institution.

1)	Student accounts receivable	800	
	Scholarship allowance	200	
			Tuition revenue 1,000

To record tuition revenue for nursing students in general education courses; bill is sent to the hospital.

2)	Cash	800	
			Student accounts receivable 800

To record payment received from the hospital; the hospital is a third-party payer, like a parent.

Revenue will be reported net of allowance.

Student B enrolls in a general course, but is also enrolled in a local hospital's nursing program. By contract with the hospital the institution provides the nursing students with general education courses, which are also part of the nursing program's course requirements. The hospital pays the institution a contract fee for the courses. Any number of nursing students can enroll.

1)	Accounts receivable	20,000	
			Tuition revenue 20,000

To record tuition revenue for general education courses provided for nursing students.

2)	Cash	20,000	
			Accounts receivable 20,000

To record payment received from the hospital.

Revenue can be reported gross at the amount per the contract, or net. See paragraph 15.

Student C has tuition waived because she is attending a special class funded by a grant from the U.S. Department of Education on improving the teaching of mathematics to junior high school students. The grant is awarded to the institution and pays all the expenses of the course and students selected are not required to pay a fee (no charge for the course).

1)	Salaries/wages	10,000	
	Benefits	2,500	
	Supplies	2,500	
			Cash
			15,000

To record expenses for the program (special class).

2)	Accounts receivable—govt. grants	15,000	
			Grants revenue
			15,000

To record the grants receivable—letter of credit or direct billing.

3)	Cash	15,000	
			Accounts receivable—govt. grants
			15,000

To record payment received from grantor.

4)	Student accounts receivable	5,000	
			Tuition revenue
			5,000

To record tuition revenue for students enrolled in the special class.

5)	Scholarship allowance	5,000	
			Student accounts receivable
			5,000

To record tuition waiver for students enrolled in the special class.

Revenue will be reported net of allowance.

Student D has tuition waived under a program that provides free tuition to full-time religious workers of the denomination of the institution. Enrollment is on a "space available" basis. The religious workers are not employed at the institution, but work full-time in a ministry. (Note this example could also apply to state employees.)

1)	Student accounts receivable	500	
			Tuition revenue
			500

To record tuition revenue for full-time religious worker.

2)	Scholarship allowance	500	
			Student accounts receivable
			500

To record tuition waiver for full-time religious worker.

Revenue will be reported net of allowance.

Student E is awarded an "academic achievement" scholarship. This is a scholarship from unrestricted funds for 60 percent of tuition for credit courses and is awarded to students who achieve a specified high score on admissions examinations as well as

other factors.

1)	Student accounts receivable	10,000	
			Tuition revenue
			10,000
	To record tuition revenue for a student.		
2)	Scholarship allowance	6,000	
			Student accounts receivable
			6,000
	To record the scholarship.		
	Revenue will be reported net of allowance.		

Student F is awarded a partial tuition scholarship from general institutional funds. This is an international student selected as part of a plan to expose its mostly American students to the wider sphere of the world, which the institution believes to be helpful to the educational process of its students.

1)	Student accounts receivable	10,000	
			Tuition revenue
			10,000
	To record tuition revenue for the student.		
2)	Scholarship allowance	6,000	
			Student accounts receivable
			6,000
	To record the scholarship.		
	Revenue will be reported net of allowance.		

Student G is awarded a scholarship from general institution funds. The combination need-based and academic scholarship is for tuition, institutional housing, and one-half the cost of a full meal plan. Since the student is using institutional housing and meal plan, the scholarship will be treated as an allowance.

1)	Student accounts receivable	14,000	
			Tuition revenue
			10,000
			Housing revenue
			3,000
			Meal plan revenue
			1,000
	To record student charges for tuition, housing, and meal plan.		
2)	Scholarship allowance	10,000	
	Scholarship allowance	3,000	
	Scholarship allowance	500	
			Student accounts receivable
			13,500
	To record the scholarship.		
3)	Cash	500	
			Student accounts receivable
			500
	To record payment from the student for one-half of the meal plan.		

Revenue will be reported net of allowance.

Student H is awarded a "performance" scholarship by the music department equal to one-half tuition. The student is expected to participate in student opera productions but the scholarship cannot be canceled; it may not be renewed at the music department's option. The scholarship is funded from general institutional allocations to the music department.

1)	Student accounts receivable	10,000	
			Tuition revenue 10,000
	To record tuition revenue for the student.		
2)	Scholarship allowance	5,000	
			Student accounts receivable 5,000
	To record the scholarship.		
3)	Cash	5,000	
			Student accounts receivable 5,000
	To record payment from the student for one-half of the tuition.		

Revenue will be reported net of allowance.

Student I is awarded an athletic scholarship for tuition, housing, meals, and books. The athletic department is self-supporting from gate receipts and other revenue and "pays" the institution for the fees of the athlete. The book store is operated by a third-party contractor. Scholarships amounts for institutional operations are allowances. In the first scenario, the athlete lives in institutional housing and uses a meal plan, so the \$500 awarded for books is a financial aid expense. However, in the second scenario, \$4,500 is a financial aid expense, since institutional housing and meal plans were not used.

If student uses institutional housing and meal plan:

1)	Student accounts receivable	14,000	
			Tuition revenue 10,000
			Housing revenue 3,000
			Meal plan revenue 1,000
	To record student charges for tuition, housing, and meal plan, assuming housing and meals are required.		
2)	Scholarship allowance	10,000	
	Scholarship allowance	3,000	
	Scholarship allowance	1,000	
	Financial aid expense (books)	500	
			Student accounts receivable 14,500
	To record the scholarship.		
3)	Student accounts receivable 500		
			Cash 500
	To record payment to the student for the credit balance, which equals the amount provided for books.		

Revenue will be reported net of allowance.

If the student does not use institutional housing or meals.

1)	Student accounts receivable	10,000	
	Tuition revenue		10,000

To record tuition revenue.

2)	Scholarship allowance	10,000	
	Financial aid expense (housing)	3,000	
	Financial aid expense (meal plan)	1,000	
	Financial aid expense (books)	500	
	Student accounts receivable		14,500

To record the scholarship.

3)	Student accounts receivable	4,500	
	Cash		4,500

To record payment to the student for the credit balance, which equals the amount provided for books, housing, and meals.

Revenue will be reported net of allowance.

Student J is awarded the annual Griffen County scholarship. This scholarship is funded by the annual contributions from a resident of Griffen County to a student from Griffen County selected by the institution. The scholarship amount is equal to tuition. The institution is located in Griffen County and more than a thousand students from the county are enrolled.

1)	Cash	10,000	
	Contributions--unrestricted support		10,000

To record gifts for the scholarship fund. (Historically, the scholarship fund has been fully utilized each year, therefore, the gifts are recorded as unrestricted support.)

2)	Student accounts receivable	10,000	
	Tuition revenue		10,000

To record tuition revenue for a student who is a Griffen County resident.

3)	Scholarship allowance	10,000	
	Student accounts receivable		10,000

To record the scholarship.

Note: The entry results in a reclassification if the contributions were recorded as temporarily restricted.

Revenue will be reported net of allowance.

Student K is awarded a fellowship funded by the earnings from an endowment fund. The endowment earnings may be used for no other purpose than the fellowship. The fellowship amount per the endowment agreement is always \$15,000 per year. Tuition, institutional housing, and meal plan are less than the fellowship. (See page 10 for an example where institutional housing and meals are not used by a Student .)

1)	Cash	15,000	
	Endowment income		15,000

To record investment earnings for the endowment.

2) Student accounts receivable	14,000	
Tuition revenue		10,000
Housing revenue		3,000
Meal plan revenue		1,000

To record Student charges for tuition, housing, and meal plan, assuming housing and meals are chosen by the Student .

3) Scholarship allowance	10,000	
Scholarship allowance	3,000	
Scholarship allowance	1,000	
Financial aid expense (stipend)	1,000	
Student accounts receivable		15,000

To record the scholarship.

Note: The financial aid entry could result in a reclassification if the endowment income was recorded as temporarily restricted.

4) Student accounts receivable	1,000	
Cash		1,000

To record payment to the Student for the credit balance.

Revenue will be reported net of allowance.

Student L is awarded a Pell Grant of \$2,000. The federal program provides that the grant is to assist Student s with the current cost of education, but the institution cannot require Student s to use any or all of the grant for any particular component of their expenses. Tuition for the semester is \$5,000, and the Student requests \$1,000 of the Pell Grant.

1) Student accounts receivable	5,000	
Tuition revenue		5,000

To record tuition revenue.

2) Pell Grant clearing account	2,000	
Student accounts receivable		2,000

To record the Pell Grant and credit it to the Student 's account.

3) Accounts receivable--govt. grants	2,000	
Pell Grant clearing account		2,000

To record the receivable--letter of credit.

4) Cash	2,000	
Accounts receivable--govt. grants		2,000

To record payment received from grantor.

5) Student accounts receivable	1,000	
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Cash	1,000
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To record payment to the Student , as requested.

6)	Cash	4,000
	Student accounts receivable	4,000

To record payment received for the Student 's account receivable balance.

Revenue will be reported gross. Since Pell Grants are awarded to Student s, use of Pell Grants for tuition is a third-party payment, not a scholarship allowance. The Pell Grants clearing account provides the means for collecting the funds via letter of credit.

Student M is awarded a scholarship by a local civic club; the institution is not involved in the selection and the recipient may attend any college. The civic club sends the monies to the institution to be disbursed to the named Student "upon enrollment" by the Student . This example does not require a determination of gross or net reporting. A payment on behalf of the Student has the same effect as if the Student paid his/her own tuition. The result is that tuition is reported gross.

1)	Student accounts receivable	10,000
	Tuition revenue	10,000

To record tuition revenue; bill is sent to the civic club.

2)	Cash	10,000
	Student accounts receivable	10,000

To record payment received from the civic club; the civic club is a third-party payer, like a parent.

Revenue will be reported gross.

Student N is awarded an educational assistance grant by his employer (not the institution); the employer authorized the institution to bill them directly. The institution is not involved in selecting or approving those who receive educational assistance from the employer. This example does not require a determination of gross or net reporting. A payment on behalf of the Student has the same effect as if the Student paid his/her own tuition. The result is that tuition is reported gross.

1)	Student accounts receivable	5,000
	Tuition revenue	5,000

To record tuition revenue; bill is sent to the Student 's employer.

2)	Cash	5,000
	Student accounts receivable	5,000

To record payment received from the employer; the employer is a third-party payer, like a parent.

Revenue will be reported gross.

Student O resides outside the county where the institution is located but is not assessed "nonresident" tuition. Under terms of the donation of land by the county to the private institution, the institution will assess an additional fee to Student s who are not residents of the county. Exceptions are provided to military personnel assigned within the county and to graduates or dependents of graduates of a high school within the county. Student O qualifies under the exceptions. Resident tuition is \$2,000 and nonresident tuition is \$4,000.

Tuition is recorded at the resident rate since the Student qualifies under the terms of the donation as allowed by the exceptions. There is no scholarship allowance.

1)	Student accounts receivable	2,000	
			Tuition revenue
			2,000
	To record tuition revenue.		
2)	Cash	2,000	
			Student accounts receivable
			2,000
	To record payment received from the Student .		
	Revenue will be reported gross at the resident tuition rate.		

Student P resides in the state, is a senior citizen, and enrolls in a three-credit course at the state institution.

The state institution publishes a tuition rate structure in its course catalog. The rates are as follows:

Regular rates:

Resident full-time undergraduate	4,000
Nonresident full-time undergraduate	8,000
Resident part-time, per credit	350
Nonresident part-time, per credit	700

Regular rates apply to Students who are not senior or handicap citizens.

Rates for senior citizens or handicap citizens (S/H): S/H Resident full-time undergraduate 3,600 S/H Nonresident full-time undergraduate 7,200 S/H Resident part-time, per credit 315 S/H Nonresident part-time, per credit 630

Tuition is recorded at the "senior" rate since the Student qualifies. There is no scholarship allowance.

1)	Student accounts receivable	945	
			Tuition revenue
			945
	To record tuition revenue for a three-credit course. (3 x \$315)		
2)	Cash	945	
			Student accounts receivable
			945
	To record payment received from the Student .		
	Revenue will be reported gross at the rate for senior citizens.		

Student Q is charged only one-half of normal tuition as the dependent of an employee. This example does not require a determination of gross or net reporting. The institution incurs a compensation/benefits expense and the result is that tuition is reported gross.

1)	Student accounts receivable	10,000	
			Tuition revenue
			10,000
	To record tuition revenue for a dependent enrolled; notice is sent to the benefits office.		
2)	Benefits expense	5,000	
			Student accounts receivable
			5,000
	To record the benefits cost for one-half of the tuition.		

3) Cash	5,000	
		Student accounts receivable 5,000

To record payment received from the parent for the balance due. Revenue will be reported gross.

Student R has tuition waived as part of compensation for employment as a graduate assistant. This example does not require a determination of gross or net reporting. The institution incurs a compensation/benefits expense and the result is that tuition is reported gross.

1) Student accounts receivable	5,000	
		Tuition revenue 5,000

To record tuition revenue for a graduate assistant enrolled.

2) Salaries/wages or benefit expense	5,000	
		Student accounts receivable 5,000

To record the salaries/wages or benefit cost. If the tuition waived is compensation, not a qualified employee benefit, it must be reported as income. Revenue will be reported gross.

Student S qualifies to participate in the Federal College Work Study Program and is employed part-time by the institution under the program. This example does not involve tuition.

1) Salaries/wages--institution's share	300	
Salaries/wages--govt.'s share	700	
		Accounts payable (tax withholding) 150
		Cash 850

To record payment to the Student for hours worked.

2) Accounts receivable - govt. grants	700	
		Grants revenue 700

To record the grants receivable - letter of credit.

3) Cash	700	
		Accounts receivable - govt. grants 700

To record payment received from grantor.

Federal College Work Study.

Student T is awarded a scholarship of \$10,000 from the institution's SEOG award. The SEOG scholarship is funded by the annual federal appropriations to the institution for Student s selected by the institution.

1) Accounts receivable--govt. grants	10,000	
		Grants revenue--unrestricted support 10,000

To record the SEOG grant to the institution. (Historically, SEOG funds have been fully utilized each year, therefore, the grant is recorded as unrestricted support.)

2) Student accounts receivable	10,000	
		Tuition revenue 10,000

To record tuition revenue.

3) Scholarship allowance		10,000	
	Student accounts receivable		10,000

To record the SEOG scholarship.

Note: The entry results in a reclassification if the grant was recorded as temporarily restricted.

Revenue will be reported net of allowance.

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