REAL LIVING OPTIONS
ASSOCIATION INC.
"Supporting a lifestyle for people with a disability"

Prepayment Policy

POLICY NUMBER: NDIS FIN 21

INTENT

To define the process for accounting for prepayment for goods or services in excess of $5,000.00

DEFINITION

Prepayment: *an accounting term for the settlement of a debt or instalment loan in advance of its official due date.*

POLICY STATEMENTS

- This Policy applies to all suppliers of goods and services to Real Living Options Association Inc. (RLO).
- Prepayments represent funds paid in advance of receiving the goods or services to which the payments relate. This is a purchasing activity and accordingly must comply with Real Living Options policy NDIS FIN 6 – Purchases and NDIS FIN 19 – Delegations – Finance.
- The goods or services to which prepayments relate may be received at one future point in time or continually over a period in the future.
- Prepayments for transactions of less than $5,000 (Excluding GST) will be expensed directly and not apportioned over the time for which the expense relates.

PROCEDURES

- The main types of prepayments made by RLO are “Up Front” payments for Goods and Services such as insurances (including workers compensation insurance), consultancy costs/other professional fees and charges paid in advance, subscriptions and memberships or where part payment is made in advance of goods/services being delivered where the total cost of the final delivery being made of more than $5000.
- Advance payments and prepayments for goods/services more than $5,000 (excluding GST) should be avoided wherever possible unless a requirement of supply or a material discount is provided by prepaying a future supply of goods/services in advance. This ensures where possible that supply is rendered satisfactorily before payment is made. This risk to RLO of making a prepayment, especially before delivery, is that the goods or services do not get delivered and RLO incurs a loss as payment has already been made.
- When goods/service are prepaid instead of expensing the total payment to the profit and loss the cost/payment net of GST the total initial outlay is to be initially coded to the prepayments account on the RLO balance sheet. It will then be expensed monthly either proportionally over a future period or as a whole amount at a future time/month when the goods/services are delivered in full.

- Where a future timeframe for the provision of a goods/services can be determined then the expense needs to be proportioned over each future monthly period until fully expensed. For example, a $6,000 insurance prepayment for insurance cover over the subsequent 12 months will be expensed at $500 a month for the applicable 12 monthly period via a journal entry each month until the prepayment amount is fully expensed.

DELEGATIONS

Management Committee

- Approve all purchases in excess of $5,000.00

Treasurer

- Oversee prepayment journals and give directions/instructions to the Finance Officer

Finance Officer

- Process prepayment journals and report to the Treasurer, General Manager and Finance Sub-Committee.

RELATED DOCUMENTATION

Policy Fin 6 Purchases
Policy Fin 19 Delegations Finance

REFERENCES

AMENDMENTS/REVIEWS