

GASB #34/35 Issue Paper #4
Reporting Scholarship Allowances
 March 21, 2001

GASB #34, as amended by GASB #35, states that “revenues should be reported net of discounts and allowances with the discount or allowance amount parenthetically disclosed on the face of the statement or in a note to the financial statements. Alternatively, revenues may be reported gross with the related discounts and allowances reported directly beneath the revenue amount.” (GASB #34, footnote 41). Industry guidance for public colleges and universities reiterates these disclosure options in NACUBO Special Action Report 2000-05, *Accounting and Reporting Scholarship Discounts and Allowances to Tuition and Other Fee Revenues by Public Institutions of Higher Education*. NACUBO 2000-5 further allows institutions to present scholarship allowances in a disaggregated format and encourages, but does not require, institutions “to describe their general policy on discounting or to explain a significant change in the annual scholarship allowance amounts from the previous year.” (NACUBO 2000-5, ¶20.)

The four display and disclosure options are as follows:

Option A: Present net tuition, fees and other revenue, subject to allowances, and parenthetically disclose the amount of the allowances on the SRECNA.

Example Option A: Tuition and fees, (net of allowances of \$x,xxx,xxx)	\$x,xxx,xxx
Auxiliary revenue, (net of allowances of \$x,xxx,xxx)	\$x,xxx,xxx

Option B: Present net tuition, fees and other revenue, subject to allowances, on the SRECNA, and disclose the amount of the allowances in the notes to financial statements.

Example Option B: Tuition and fees, net	\$x,xxx,xxx
Auxiliary revenue, net	\$x,xxx,xxx

The amount of the allowances must then be disclosed in a note to the financial statements.

Option C: Present gross tuition, fees and other revenue, subject to allowances, on the SRECNA and present the amount of the allowances directly beneath as a reduction to revenue.

Example Option C: Tuition and fees	\$x,xxx,xxx
Less: Scholarship allowances	(x,xxx,xxx)
Net tuition and fees	\$x,xxx,xxx
Auxiliary revenue	\$x,xxx,xxx
Less: Scholarship allowances	(x,xxx,xxx)
Net auxiliary revenue	x,xxx,xxx

Option D: Present gross tuition, fees and other revenue, subject to allowances, on the SRECNA, and present the amount of the allowances directly beneath, in a disaggregated format, as a reduction to revenue. Under this Option, revenue is reported gross as in Option C. The allowance is then displayed by categories beneath the revenue. The discussion in Colorado has centered on displaying the allowance amounts by source (i.e. federal, state, institutional, private).

Example Option D: Tuition and fees	\$x,xxx,xxx
Less: Scholarship allowances	
Federal	(x,xxx,xxx)
State	(x,xxx,xxx)
Private	(xxx,xxx)
Institutional	(xxx,xxx)
Net tuition and fees	\$x,xxx,xxx

GASB #34/35 Issue Paper #4
Reporting Scholarship Allowances
 March 21, 2001

Auxiliary revenue would be displayed in a similar manner. A subtotal of the allowances is not required, but could be provided.

RECOMMENDATION – ACCEPTED BY CHEASC 2/8/01

Many Colorado institutions have traditionally avoided displaying valuation accounts on the face of the financial statements. For example, most institutions report student accounts receivable, net of allowances for uncollectible accounts on the Balance Sheet and disclose the amount of the allowances in the notes to the financial statements. Bonds and notes payable are reported net of unamortized premiums and discounts. The detail of these valuation accounts is then disclosed in the notes to the financial statements. This approach avoids the parenthetical display of numeric information and also eliminates the need to provide numerous subtotals.

Option B is a similar approach. Tuition, fees and other revenue is reported net of scholarship allowances on the face of the SRECNA. The amount of the allowances is disclosed in the notes to the financial statements. The notes can then provide additional detail. For example, if Colorado institutions elect to disclose the major funding sources of the allowances, a note designed to meet the GASB #34/35 disclosure requirements could also provide a breakdown of the allowance by major source (e.g. federal, state, private, institutional). This would enable the institutions to display a total by each source for the institution as a whole. The following illustrates a note on scholarship allowances for a SRECNA for the year ended June 30, 2002.

Note B: Tuition, Fees and Auxiliary Revenue

The university receives revenue from several sources that is restricted for student scholarships and financial aid. In addition, the university allocates unrestricted revenue for student financial aid. To the extent that these resources are used to pay student charges, the university records a scholarship allowance against tuition, fee and auxiliary revenue. *(Optional disclosure.)*

Tuition, fee and auxiliary revenue and the related scholarship allowances for the year ended June 30, 2002 were as follows:

	Tuition and Fees	Auxiliary Revenue	Total
Gross Revenue	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
Scholarship Allowances:			
Federal	(x,xxx,xxx)	(x,xxx,xxx)	(x,xxx,xxx)
State	(x,xxx,xxx)	(x,xxx,xxx)	(x,xxx,xxx)
Private	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)
Institutional	<u>(xxx,xxx)</u>	<u>(xxx,xxx)</u>	<u>(xxx,xxx)</u>
Total Allowances	<u>(x,xxx,xxx)</u>	<u>(x,xxx,xxx)</u>	<u>(x,xxx,xxx)</u>
Net Revenue	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>