

# ENCUMBRANCES

- Encumbrances are transactions that have an object class code of 0XXX.
- They have special balance forward procedures in order that departments may know exactly what purchase orders were brought forward from the previous year.
- Most encumbrances that remain at year-end are brought forward in a lump sum transaction with an 0X99 object class code.
- This balance forward entry is then split up by individual purchase order numbers in the new fiscal year.

Example: The 0200 balance on account 18-1234-5651 is \$700.00. This balance is brought forward to the new fiscal year with object code 0299.

Another entry is made to reverse the 0299 transaction, and the \$700.00 lump sum is broken down into individual purchase order numbers with object code 0200:

9/1/2004	B001253	BACK OUT 0299	0299	RF	700.00
9/1/2004	B001253	BOOK 0200	0200	RF	(300.00)
	P0VJB999785	2003A17325	'0201		9/4/2004
9/1/2004	B001253	BOOK 0200	0200	RF	(400.00)
	P0VJB999785	2003A17325	'0201		9/4/2004

Notice that the net balance on code 0299 is zero: voucher B001216 with a debit of \$700, and voucher B001253 with a credit of \$700. The new fiscal year transactions with the 0200 code total to the previous year balance of \$700.