OVERVIEW OF THE ASSESSMENT PROCESS RELATED TO A TRANSACTION INVOLVING EXISTING RECEIVABLES

Does the transaction relate to: Future University’s revenues? See Section 3

The University’s existing revenues?

If receivables are bought and sold between the University and one of its blended components, contact the UT System Office of the Controller to assess the financial reporting ramifications.

Does the assessment of the transaction result in a determination that the University’s continuing involvement with these receivables is effectively terminated? ¶6-9 Refer to the assessment questionnaire in Exhibit 1.

YES

The transaction should be reported as a sale and the receivables sold no longer recognized as assets. ¶6

Determine whether the proceeds received include as an asset a residual interest resulting from a subordinate or junior note, or a residual certificate. ¶17

Remove the receivables from the Balance Sheet at their carrying value, recognize the difference between proceeds received and the carrying value as a gain or loss in the period of the sale (gain or loss on sale of investment if investment assets are sold; otherwise, other operating revenue or other operating expenses). ¶13

The University should recognize estimated liabilities arising from the purchase and sale agreement (recourse obligations or repurchase commitments) if information prior to the issuance of the financial statements indicates an obligation under FAS 5. ¶18

The University must make the appropriate footnote disclosures as outlined in ¶21.

NO

The transaction should be reported as a collateralized borrowing and the receivables should be considered to be pledged, not sold. ¶11

Determine whether the proceeds received include as an asset a residual interest resulting from a subordinate or junior note, or a residual certificate. ¶17

Report the proceeds as an asset and collateral liability in the statement of assets and a noncapital financing activity in the statement of cash flows. ¶11

Retain the receivables in the Balance Sheet and report collections as a cash receipt and a reduction of the receivable. ¶11, 12

Collections of pledged receivables that are subsequently paid to the transferee are reported as a reduction of the collateralized borrowing obligation in the Balance Sheet and a noncapital financing activity in the Statement of Cash Flows. ¶12

Collections of pledged receivables that are subsequently paid to the transferee after the collateralized borrowing obligation has been liquidated are reported as an operating expense in the in the Statement of Revenues, Expenses and Changes in Net Assets and other operating payment in the Statement of Cash Flows. ¶12