

Prepaid and Accrual Schedules That Rerun Themselves

Most teams rebuild the prepaid schedule and the accrual list by hand every month, and the errors hide in what nobody looks at: a policy still amortizing after it expired, an accrual booked in June and never reversed. Change one date and these schedules roll forward, build the entry, and tie to the GL. The spreadsheet does the math. AI reads the invoices and explains the month. A person reviews and posts.

1. New items

Prepaid invoices and accruals for the month.

2. AI drafts rows

Vendor, accounts, amount and service dates, read from the invoice or contract.

3. Formulas roll

Amortization, open accruals, the proposed entry, the GL tie.

4. AI explains

A short note on what changed this month.

5. Person posts

Reviews the entry and the tie, then posts.

The monthly cycle

Step	What happens
Prepays	Each invoice amortizes straight-line by month from service start to service end. Change the month-end date and the balance and this month's expense recalculate.
Accruals	Each estimate or received-not-invoiced item stays open until the invoice arrives. Then it reverses in full, and the invoice posts through AP, so the difference lands in expense as the true-up.
The entry	One proposed entry: amortization, new accruals and reversals, by account, with a debits-equal-credits check.
The GL tie	GL balance before the entry, plus the entry, must equal the schedule for every prepaid and accrued account.

What the checks catch

Check	What it means
Fully amortized, still on the schedule	The service period ended. Remove it so the list stays readable.
Missing or backwards service dates	Nothing amortizes until the dates are fixed. A typo here quietly overstates the prepaid.
Stale accrual	Still open months after it was booked. Either the invoice was paid and nobody reversed it, or it was never going to come.
True-up over tolerance	The invoice came in well above or below the estimate. Explain it, and improve next month's estimate.
Doesn't tie to the GL	Something was booked to the account outside the schedule, or an entry was missed.

The accrual nobody reversed. An estimate booked in June, an invoice paid in August straight to expense, and the accrual still sitting on the balance sheet in December. That is the same cost recorded twice. A stale-accrual flag each month catches it in one close instead of at audit.

Where AI fits, and where it doesn't

1. **AI reads new invoices and contracts** and drafts schedule rows: vendor, description, the prepaid or accrued account, the expense account, the amount, and the service start and end dates. Anything it can't find, it leaves blank and lists for you instead of guessing.
2. **Formulas do every calculation:** months, monthly amortization, balances, the entry and the tie. The AI never does the arithmetic.
3. **AI explains the month** from the Summary tab and the flagged rows, for example: *"Prepays fell \$12,550 from amortization. Audit fees came in \$2,850 over the \$12,000 accrual. The June contract-review accrual of \$2,500 is still open. Other prepaids are \$1,500 higher in the GL than on the schedule."*
4. **A person reviews** the rows AI drafted against the source documents, works the flags, and posts the entry.

Conventions worth writing down

- ☐ **Full month in the month service starts**, straight-line, with any rounding in the last month. Pick one convention and keep it.
- ☐ **A materiality floor.** Many teams expense small prepaids, such as anything under \$2,500, instead of scheduling them. Set yours with your auditors.
- ☐ **Reverse in full when the invoice arrives**, then clear the row. The schedule should only hold what's still open.

What never goes into an AI tool

Vendor bank details, signed contracts with confidential terms you aren't allowed to share, and anything with employee personal information, such as bonus accruals by name. Give the AI the invoice or the relevant contract pages, not your vendor master.

The free Prepaid and Accrual Schedules workbook and the prompt are at cforesource.ai/library/prepaid-and-accrual-schedules. Free weekly newsletter: cforesource.ai/subscribe.

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