United States General Accounting Office

GAO

Accounting and Financial Management Division

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ACCOUNTING GUIDE

Basic Topics Relating to Appropriations and Reimbursables

Contents

Contents

Contents

Contents

Abbreviations

FY	fiscal year
GAO	General Accounting Office
OMB	Office of Management and Budget
SGL	Standard General Ledger

PREFACE

This guide explains basic budgetary and proprietary accounting for operating appropriations and reimbursable work under interagency agreements. It provides illustrations of journal entries and key reports involved. It also discusses the relationship of accounts to each other.

The guide supports and integrates related portions of Title 2, "Accounting Principles and Standards," of GAO's Policy and Procedures Manual for Guidance of Federal Agencies, the United States Government Standard General Ledger, the Treasury Financial Manual, and Office of Management and Budget Circular A-34: "Instructions on Budget Execution." The guide focuses on situations most common to agencies or for which little guidance is available.

The guide is intended to be used by federal operations and systems accountants as both a reference document and a teaching aid. It will facilitate understanding concepts involved and assist in (1) properly recording transactions in existing systems and (2) designing future systems.

An exposure draft of this guide was sent to the U.S. Government Standard General Ledger Board, to the federal agencies, and to other interested parties for comment. GAO appreciates the time and effort of those who responded. We also appreciate the assistance provided by the Issues Resolution Committee of the Standard General Ledger Board.

PREFACE

Questions and comments on this document may be sent to Ronald S. Young, Director, Accounting Principles and Standards Group. He can be reached on (202) 275-9578.

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CHAPTER 1: INTRODUCTION

BACKGROUND

The United States Constitution sets forth the underlying requirement for federal accounting. Article 1, Section 9 mandates that

> "No money shall be drawn from the Treasury but in consequence of appropriations made by law . . ."

and that

> ". . . a regular statement and account of receipts and expenditures of all public money . . . shall be published from time to time."

The Department of the Treasury prepared such statements and was principally responsible for compiling budgets to be presented to the Congress from 1789 to 1921, when the Budget and Accounting Act of 1921 was passed (see p. 1-11) and the responsibility was transferred to the Office of Management and Budget (OMB). Nineteenth century federal budgets and statements of account were essentially schedules of proposed and actual cash receipts and disbursements.[1]

[1] See, for example, An Account of the Receipts and Expenditures of the United States for the Fiscal year Ending June 30, 1876, U.S. Department of the Treasury (Washington, D.C.: Government Printing Office, 1883).

Present-day budgets and financial statements are considerably more complex than their early predecessors. Many now commonplace budgetary concepts such as apportionments, allotments, and commitments, and proprietary accounting concepts, such as accrual-based financial statements, are relatively modern and would have been foreign to early Treasury officials responsible for the federal government's financial management.

Notwithstanding the lack of such modern concepts, however, early Congresses were concerned that budgets not be overspent. The first general appropriation act, in 1789,[2] restricted obligation of an annual appropriation to the fiscal year for which the appropriation was made. This restriction has been followed consistently since.[3]

Despite the restriction, however, for many years after the Constitution was adopted federal agencies paid little attention to spending limitations established by Congress. Obligations to spend money were often incurred in excess of or in advance of appropriations. In addition, funds were commingled or used for purposes far different than the purposes for which they had been appropriated. Agencies would sometimes spend their entire fiscal year appropriations during the first few months of the year and then present the Congress with a list of

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[2] 1 Stat. 95

[3] Principles of Federal Appropriation Law, 1st ed., GAO, Office of the General Counsel (Washington: GPO, June 1982), pp. 4-3 through 4-4.

"coercive deficiencies." These were obligations to others who had fulfilled their part of bargains made with the United States and who now had a right to be paid.

The Congress felt it had no choice but to fulfill these commitments. These "deficiency appropriations" became frequent and greatly impeded federal financial management.[4]

LAWS AND REGULATIONS

Over the years, Congress has enacted a number of laws in order to address the problem discussed above and better control federal spending. In 1870, legislation[5] was enacted which prohibited federal officials from making expenditures or incurring obligations in excess of available or in advance of new appropriations. Subsequently, Congress enacted additional laws to complement the 1870 legislation and strengthen federal accountability and financial reporting in general. This was in recognition of and response to a mushrooming of the scope, magnitude, and complexity of federal government operations over the years. A synopsis of selected additional laws is provided in the appendix to this chapter.

To carry out provisions of these and other laws, agencies charged with central financial management roles have established regulations and guidance governing various aspects of

[4] Principles of Appropriation Law, p. 5-7.

[5] This statute, as amended, currently appears at 31 U.S.C. 1341(a)

accounting and financial management in the federal government. Key GAO guidance and regulations issued by OMB and Treasury include the following.

-- The GAO Policy and Procedures Manual for Guidance of Federal Agencies, which contains principles and standards governing federal accounting; internal control; financial management systems; pay, leave, and allowances; and fiscal requirements, among other topics.

-- The Treasury Financial Manual, which contains Treasury's standard reporting requirements and requirements for processing collections and disbursements.

-- The United States Government Standard General Ledger (SGL), which contains a uniform chart of accounts and supporting transactions to be used to standardize federal agency accounting and to support the preparation of standard external reports.

-- OMB Circular A-11: Preparation and Submission of Budget Estimates, which contains OMB's instructions for development and submission of agencies' annual requests for funding authority.

-- OMB Circular A-34: Instructions on Budget Execution, which contains OMB's standard requirements for agency reports on the status of their budget authority.

TERMINOLOGY GUIDE

In addition to the laws, regulations, and guidance cited in the preceding section, GAO's Glossary of Terms Used in the Federal

Budget Process and Related Accounting, Economic, and Tax Terms (PAD-81-27, dated March 1981), is also useful. It provides standard definitions of basic budgeting terms. GAO is presently revising and updating the glossary and plans to reissue it in 1990.

BUDGETARY AND PROPRIETARY ACCOUNTING

This publication discusses budgetary and proprietary accounting in the federal government. Budgetary accounting is intended to facilitate compliance with legal constraints and controls over the use of federal funds. It was developed in the federal government to help federal agencies comply with many of the laws and regulations cited in this chapter. For about the first 175 years of our country's history, federal accounting was geared almost exclusively to this goal.

In addition, since the 1930's there has evolved a growing consensus that the application to federal accounting of accrual-based accounting concepts for assets, liabilities, capital, and the components of capital can contribute greatly to improved accountability for and management of federal financial resources. The accounting process which supports this accrual-based focus is known as proprietary accounting, which is affirmed by many of the laws and regulations cited in this chapter.

Carrying out these legal requirements and integrating budgetary and proprietary accounting requires more sophisticated federal accounting systems than anything envisioned by the founding fathers, early Congresses, or first officials of the

Treasury. Current federal accounting requirements, designed to meet the accountability and financial reporting needs of a government greatly expanded in its magnitude, scope, and complexity, would be a source of wonder to them.

PURPOSE, SCOPE, AND METHODOLOGY OF THE PUBLICATION

The dual nature of budgetary and proprietary accounting which has evolved in the federal government gives rise to special accounting problems. The purpose of this guide is to explain the theory underlying relationships among federal accounts--both budgetary and proprietary--and to illustrate basic budgetary and proprietary accounting for operating appropriations and reimbursable work. For purposes of this publication, we define "basic operating appropriation" as one which is used solely to provide goods and services for agency operations.

The guide is intended for use by federal operations and systems accountants (1) to facilitate their understanding of concepts involved and (2) to assist them in properly recording transactions in systems already implemented and in designing future systems. The text assumes that readers have a working knowledge of accounting principles and related terminology.

Because of the variations in complexity and unique situations existing in the operation of federal agencies, it is not feasible to cover every possible accounting circumstance. The guide focuses on selected situations that are most common to agencies or for which little guidance is available. It includes illustrations at the general ledger level and is targeted to agencies which receive annual appropriations. Resulting scope limitations include the following items, accounting for which is not covered in this publication:

-- appropriations other than basic operating appropriations, such as those for grants or transfer payments to others;

-- situations in which less than the full amount of an operating appropriation is apportioned by OMB;

-- dispersions of allotment authority internally by an agency through more than one organizational level;

-- unobligated, unspent appropriations for reimbursable work authority which do not expire at fiscal year-end;

-- the government's equity in fixed assets other than those accounted for by purchase or construction;

-- dispositions of fixed assets;

-- unfunded expenses other than for annual leave;

-- profits on reimbursable work;

-- revolving and trust funds; and

-- deposit accounts such as for the withholding and payment of payroll taxes.

Readers are referred to the legislative and regulatory material cited earlier for information on this material or for more detail on material summarized by this publication, which avoids inclusion of lengthy information available elsewhere.

In addition, this publication illustrates accounting which achieves reporting goals primarily by utilizing different general ledger accounts for that purpose. There is no requirement for agencies to standardize accounting systems with this methodology, however. We recognize that agencies may achieve the same goals by using control accounts with appropriate subsidiary ledgers, or by the addition of data elements to individual entries which identify certain characteristics needed for proper reporting. Until requirements to standardize such methods are levied, agencies should use methods appropriate to their accounting systems which are efficient, effective, and economical.

Journal entries illustrated in the guide are prepared in standard general journal form, with SGL titles used wherever available. Financial statements illustrated are in conformance with GAO, Treasury, and OMB guidance. We have used terminology consistent with that in the Glossary mentioned on pp. 1-4 and 1-5 wherever possible, and any additional terms used are defined where they occur in the text.

ORGANIZATION OF THE GUIDE

This publication has seven additional chapters.

-- Chapter 2 explains and illustrates budgetary accounting for a basic operating appropriation.

-- Chapter 3 explains and illustrates proprietary accounting for a basic operating appropriation.

-- Chapter 4 provides a comprehensive example of budgetary and proprietary accounting for a basic operating appropriation and includes an illustration of principal financial statements.

-- Chapter 5 explains and illustrates the reconciliation of budgetary and proprietary accounting for appropriations.

-- Chapter 6 explains and illustrates budgetary accounting for reimbursable work under interagency service agreements.

-- Chapter 7 explains and illustrates proprietary accounting for reimbursable work under interagency service agreements.

-- Chapter 8 provides a comprehensive example of budgetary and proprietary accounting for reimbursable service work and combines it with the comprehensive appropriation accounting example in chapter 4. Resulting financial statements are illustrated.

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APPENDIX TO CHAPTER 1: SELECTED LEGISLATION INVOLVING FEDERAL FINANCIAL ACCOUNTABILITY

In addition to the 1870 legislation cited on p. 1-3, which was one of the earliest laws addressing problems of financial accountability in the federal government, the following are major examples of subsequent legislation on the topic. Legal citations are provided for each example.

-- The Budget and Accounting Act of 1921, which established GAO, responsible directly to the Congress, to independently audit the financial transactions of the executive branch. (31 U.S.C. ch. 7) The Act also established the Bureau of the Budget, now OMB, under the direction of the President, to develop and submit annually to the Congress a consolidated budget for the government. (31 U.S.C. chs. 5 and 11)

-- The Federal Property and Administrative Services Act of 1949, which requires each executive agency to maintain adequate inventory controls and accountability systems for property. This act established the General Services Administration to promulgate property regulations, among other functions, for the executive branch. (40 U.S.C. 483(b) and 751)

-- The Budget and Accounting Procedures Act of 1950, which:

  o requires apportionments of appropriations by OMB (31 U.S.C. 1512 and 1513);

- o requires agencies to develop systems for control of apportionments and their administrative subdivisions (allotments and further internal allocations) (31 U.S.C. 1514);
- o expands the original prohibitions against obligations in excess of appropriations to prohibit obligations in excess of apportionments and subdivisions [31 U.S.C. 1517(a)];
- o requires that violations of the act be reported to the President and the Congress and prescribes penalties for the violations (31 U.S.C. 1349-1351, 1517-1519);
- o mandates that GAO prescribe the accounting principles and standards and related requirements for federal agency accounting systems [31 U.S.C. 3511(a)]; and
- o establishes the Joint Financial Management Improvement Program to promote integrated accounting systems which serve the needs of both the central management agencies (OMB, Treasury, the Office of Personnel Management, and GAO), and the operating agencies. [31 U.S.C. 3511(d)]

-- An untitled 1956 enactment, which prescribes use of the accrual basis of accounting within agencies in accordance with GAO's principles and standards. [(31 U.S.C. 3512(d)]

-- The Prompt Payment Act of 1982, which requires agencies to pay bills when due as specified in contracts or, if not specified, within 30 days after receipt of proper invoice or acceptance of goods and services, whichever is later. Otherwise, agencies must pay interest to affected business concerns. (31 U.S.C. ch. 39)

-- The Debt Collection Act of 1982, which gives federal agencies authority to use a variety of means to aggressively pursue collection of receivables. (31 U.S.C. ch. 37, subch. II)

-- The Federal Managers' Financial Integrity Act of 1982, which requires agencies to report annually to the President any aspects of their accounting systems which do not conform to GAO's principles and standards. [31 U.S.C. 3512(b) and (c)]

Additionally, appropriation acts in recent times have usually included the following general provision:

> "No part of any appropriation contained in this act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein." [See, for example, P.L. 99-178 (99 Stat. 1133), P.L. 99-591 (100 Stat. 3341-28), and Principles of Appropriation Law, p. 4-4.]

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CHAPTER 2: BUDGETARY ACCOUNTING FOR BASIC OPERATING APPROPRIATIONS

INTRODUCTION

Most entities--public or private, nonprofit or profit--operate on a budget. They normally maintain a budgetary system to assist in reaching financial goals and assure that deviations from goals are brought to management's attention.

In the federal government, proper budgeting is essential. In addition to its use for the purposes just mentioned, proper budgeting provides a means to track the status of budget authority to help avoid overexpending or overobligating appropriations, actions that carry penalties under the law (see the appendix to chapter 1). By "budget authority" we mean authority to acquire goods and services and to make payments in accordance with applicable laws and regulations.

Because of the special importance of control over budget authority (called "fund control" or "administrative control of funds") to the federal government, the SGL provides accounts in the 4000 series to record the status of budget authority. Reports based on these accounts indicate budget authority available for funding agency operations and amounts already used, committed or obligated to be used, or still available for use. The budgetary accounts are self-balancing and comprise a separate system from that of the proprietary accounts. Their function, to aid in controlling the use of budget authority, is integral with the proprietary accounting for assets, liabilities, and capital that is also required.

While authority for a federal agency to acquire goods and services can come from many different sources, this publication discusses accounting for such authority from the two most common sources--basic operating appropriations and reimbursable work that one agency performs for another agency. This chapter and chapter 6 discuss budgetary accounting concepts and entries for operating appropriations and reimbursable work, respectively, while chapters 3 and 7 cover proprietary accounting for appropriations and reimbursable work, respectively.

CONCEPTUAL FRAMEWORK FOR A BASIC OPERATING APPROPRIATION

Budget authority granted in a Congressional appropriation enacted into law is available to be used to fund agency operations. Once appropriated, the authority is delegated and "used" through the following events, which generally occur sequentially.

1. **Apportionment** of the appropriation by OMB, usually by quarter. An apportionment delegates the amount of the appropriation which may be used by an agency as authority to procure goods and services through the end of the quarter. This guide illustrates accounting for apportionments under the normal circumstance that OMB apportions the entire appropriation during the year.

2. **Allotment** of the apportionment by the head of an agency or his designee. An allotment delegates budget authority for procurement of goods and services to selected individuals in the organization. To simplify illustrations, this publication assumes that allotments are made at a single management level in an agency.

3. **Commitment** of the allotment by authorized employees prior to the actual ordering of goods and services. A commitment reserves budget authority from the allotment for the estimated amount of the order. Commitment accounting, required by GAO's Title 2, is useful for planning and fund control and is, therefore, included in this publication. However, commitments do not legally encumber an appropriation as do obligations (see next item), and some agencies use commitments only for certain spending categories.

4. **Obligation** of the allotment through a formal order for the acquisition of goods and services. An obligation releases any related prior commitment and charges the allotment with the latest estimate of the cost of items ordered. Obligations are initially recorded as "undelivered orders" pending receipt of the goods and services involved.[1]

5. An **expended appropriation** exhausts budget authority through the receipt of goods and services ordered. An expending of appropriation authority releases the related obligation (that is, the undelivered order) and charges the appropriation with the actual cost of items received. Care must be taken

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[1]OMB Circular A-34, "Instructions on Budget Execution," defines obligations as being the sum of Undelivered Orders plus Expended Appropriations. To clearly distinguish between the two, this guide uses the term "obligations" in the more narrow sense of Undelivered Orders only. Thus, when we say a transaction obligates an appropriation, we mean that an order for goods or services is placed against the appropriation.

not to confuse an expended appropriation with an "expenditure" of funds in the sense of a cash disbursement. The word "expended," as used in the context of federal budgetary accounting, means that the appropriation authority "expended" has been used to acquire goods and services. It is no longer available to provide for the acquisition of additional goods and services. (It should be noted that payment for goods and services received and related liabilities for such payment are part of proprietary accounting. They are not accounted for in budgetary accounts.)

Thus, at any given point in time, the appropriation authority must be accounted for as delegated (via apportionments and allotments) or not delegated. Delegated authority may be either reserved (via commitments and obligations) or expended (by receipt of goods and services ordered). The following equation represents the relationships between these elements.

(A) =	(B) +	(C)
Appropriation authority	Appropriation not apportioned (not delegated)	Delegations, reservations, and expending of appropriation authority

Part C of the equation is the sum of the following items, which correspond to the five events described on pp. 2-2 through 2-5:

1. apportionments of the appropriation,
2. allotments of the apportionment,
3. commitments against the allotments,

4. obligations against the commitments (if made) or against the allotments (if commitments are not made), and
5. expenditures of appropriation authority against the obligations.

The SGL provides an account for each item in the equation, with normal balances of either debit or credit as set forth below.

Equation Item No.	SGL Acct. Number	SGL Account Title	Normal Balance
A	4119	Other Appropriations Realized[a]	Dr.
B	4450	Authority Available for Apportionment	Cr.
C1	4510	Apportionment Available for Distribution	Cr.
C2	4610	Allotments Available for Commitment/Obligation	Cr.
C3	4700	Commitments Available for Obligation	Cr.
C4	4800	Undelivered Orders	Cr.
C5	4900	Expended Appropriations	Cr.

[a] "Other" in the title means "other than certain specific appropriation authority for which the SGL provides separate individual accounts."

BASIC TRANSACTIONS

The nature of the budgetary equation gives rise to six basic transactions. The transactions record the total appropriation authority and subsequent changes in status as the authority is delegated, committed, obligated, and expended. The flow and basic entries involved are set forth in the chart on the next page.

Entries for the receipt of goods and services are recorded upon receipt regardless of when payment is made. Proprietary accounting entries, discussed in chapter 3, are made for the accrual and payment for the goods and services.

Transaction Number	Description	Journal Entry
2-1	Receipt of Appropriation Authority	Other Appropriations Realized Authority Available for Apportionment
2-2	Apportionment	Authority Available for Apportionment Apportionment Available for Distribution
2-3	Allotment	Apportionment Available for Distribution Allotments Available for Commitment/Obligation
2-4	Commitment[2]	Allotments Available for Commitment/Obligation Commitments Available for Obligation
2-5	Obligation[2]	Commitments Available for Obligation Undelivered Orders
2-6	Receipt of Goods/Services	Undelivered Orders Expended Appropriations

[2]Note that, if commitment accounting was not used prior to the obligation of an allotment, transaction 2-4 would be omitted. Transaction 2-5, to record the obligation, would then be

Allotments Available for Commitment/Obligation
   Undelivered Orders

* * * * *

ILLUSTRATION-- BASIC BUDGETARY TRANSACTIONS FOR AN APPROPRIATION

This section illustrates the journalizing for transactions described in the preceding section. Small dollar values are used to simplify the illustration. The transactions and required entries, prepared in general journal form, are shown below.

(1)

2-1 The agency receives an appropriation of $100.

Other Appropriations Realized	100	
Authority Available for Apportionment		100

* * * * *

(2)

2-2 During the year, OMB apportions the entire appropriation.

Authority Available for Apportionment	100	
Apportionment Available for Distribution		100

* * * * *

(3)

2-3 During the year, the agency head allots $93 of the apportionment.[3]

Apportionment Available for Distribution	93	
Allotments Available for Commitment/Obligation		93

* * * * *

(4)

2-4 During the year, the agency commits $91 of the allotment.

Allotments Available for Commitment/Obligation	91	
Commitments Available for Obligation		91

* * * * *

(5)

2-5 During the year, goods and services for $88 of the commitment are ordered via purchase orders, travel orders, and other obligating documents ($3 of the $91 in commitments from the previous transaction remains unobligated). Assume that the total of the orders

[3]In practice, an agency head normally allots the entire apportionment over the course of the year. In order to better illustrate the flow of transactions through the accounts here and in other examples, we have assumed an allotment amount less than the total apportionment.

placed is $90, because the commitment process underestimated the cost of items for which commitments were made.

Allotments Available for Commitment/Obligation	2	
Commitments Available for Obligation	88	
Undelivered Orders		90

* * * * *

Note that, because the actual dollar value of the orders exceeded the amount committed, the allotments account must be reduced accordingly to provide the correct ($90) balance in the Undelivered Orders account.[4]

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[4]This compound entry is the net result of two interrelated transactions. The first is an adjustment of the commitment from $88 to $90, as shown below.

2-4	Allotments Available for Commitment/Obligation	2	
	Commitments Available for Obligation		2

* * * * *

The second entry removes the commitment and establishes a $90 obligation for the appropriation:

2-5	Commitments Available for Obligation	90	
	Undelivered Orders		90

* * * * *

(continued on next page)

(The text continues on page 2-12.)

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[4](continued from preceding page)

Alternately, an accounting system could be programmed to reverse the commitment and record the obligation, respectively, with these two entries:

(1)

<u>To reverse the commitment</u>

Commitments Available for Obligation	88	
Allotments Available for Commitment/Obligation		88

* * * * *

(2)

<u>To record the obligation</u>

Allotments Available for Commitment/Obligation	90	
Undelivered Orders		90

* * * * *

Many agencies use the compound entry shown in the text. Others use the reversal method illustrated in this footnote. For purposes of illustration, we will use compound entries to liquidate commitments and obligations at amounts different than those for which the commitments and obligations were placed on the books.

(6)

2-6 During the year, of the $90 in orders placed, goods and services are received for $80 of the orders ($10 of the orders are still undelivered). The amount of the verified bills totals $79.

Undelivered Orders	80	
Expended Appropriations		79
Allotments Available for Commitment/Obligation		1

Note that, because the actual dollar value of the orders received was less than the amount estimated, the difference is added back to the allotments account, from which it was first taken.

* * * * *

At fiscal year-end, after these transactions have been posted, the budgetary accounts would have the following balances.

Illustrative Federal Agency
Trial Balance of Budgetary Accounts
September 30, Year

Key	Account Name	Account Bal. Dr.	Account Bal. Cr.
(a)	Other Appropriations Realized	$100	
(b)	Authority Available for Apportionment[a]		$ 0
(c)	Apportionment Available for Distribution		7
(d)	Allotments Available for Commitment/Obligation		1
(e)	Commitments Available for Obligation		3
(f)	Undelivered Orders		10
(g)	Expended Appropriations		79
	Totals	$100	$100

[a] Normally, accounts with zero balances would not appear in a trial balance, but we have included this account for purposes of illustration. This technique will be used in presenting several of the trial balances in this publication, but subsequent illustrations will not carry this note.

The following information can be derived from the accounts in the trial balance, using the keys (a through g) provided.

-- All $100 in budget authority was apportioned by OMB (b),

-- $7 is being held for future allotment to organizations within the agency (c), and

-- Goods and services totalling $79 have already been received (g).

Of the remaining $14 ($100 - $7 - $79),

-- $10 has been used to order goods and services not yet received (f),

-- $3 has been reserved for goods and services yet to be ordered (e), and

-- $1 is still available for additional goods and services from the current allotment (d).

CLOSING ENTRIES WHEN AN APPROPRIATION IS NOT FULLY EXPENDED

An appropriation is usually not completely expended or reserved at the end of the fiscal year or other period for which it is valid.[5] When it is not, the disposition of the budget authority from the appropriation occurs as follows.

1. Budget authority which is not expended or obligated normally expires and must be "returned" to Treasury.[6] This expired

[5] In order to avoid the awkwardness of having to say "end of the fiscal year or other period for which an appropriation is valid" each time we refer to the end of such period, we will assume for discussion purposes that appropriations for which we provide narrative and illustration cover one fiscal year. Hence, we will refer only to "fiscal year-end."

[6] The "return" is made by the TFS 2108, "Year-End Closing Statement," which reports the amount of budget authority to be withdrawn by Treasury. See 31 U.S.C. 1552(a) (2) and Title 7, Sec. 4.2.

(continued on next page)

authority is reflected in the accounts for commitments, allotments, and apportionments of budget authority, and is removed from the books.

2. Authority related to the portion of appropriations which has been expended is removed from the books.

3. Authority to pay for undelivered orders remains, and may be used to fund the orders when they are received subsequent to fiscal year-end.

Closing entries for expired and expended appropriation authority are discussed in the remainder of this section. Accounting for undelivered orders which are filled after the appropriation's fiscal year-end is discussed in a separate section beginning on p. 2-25. Before closing entries are made, the basic budgetary accounting equation may be represented as follows.

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[6](Continued from prior page)

Note that no actual cash flows between agencies and Treasury. Rather, spending authority is provided by appropriations, and agencies make payments, or request Treasury to make payments, from cash held by Treasury in accordance with the appropriation and other applicable laws and regulations. Accounting for this "Fund Balance With Treasury"--the receipt and disbursement of cash--is part of proprietary accounting and is discussed in chapter 3.

Other Appropriations Realized	=	Expired Appropriations for: o Commitments o Allotments o Apportionments	+	Expended Appropriations	+	Undelivered Orders

At fiscal year-end, budgetary entries must be made to close accounts representing (1) expired budget authority and (2) Expended Appropriations. The process is explained below.

<u>**Step 1--Remove expired budget authority from the accounts**</u>

Five entries are required to remove expired appropriation authority from the budgetary accounts--one each for commitments, allotments, and apportionments; one to establish the amount of expired budget authority to be returned to the Treasury; and one to return the authority to Treasury and reduce the appropriation accordingly. The account used to indicate the amount of authority to be returned to Treasury is SGL account 4391, "Restorations, Writeoffs, and Withdrawals," and the account used to reduce the appropriation when the return is effected is SGL account 4114, "Appropriations Realized but Withdrawn." The entries follow.

(1)

2-7 To remove unobligated commitments from the accounts:

Commitments Available for Obligation
    Allotments Available for Commitment/Obligation

The effect of this entry is to close the commitments account and restore the budget authority reserved for the commitments, which has expired, to the allotment account.

* * * * *

(2)

2-8 To remove unused allotment authority from the accounts:

Allotments Available for Commitment/Obligation
   Apportionment Available for Distribution

The effect of this entry is to close the allotment account and restore the expired allotment authority to the apportionment account.

* * * * *

(3)

2-9 To remove the apportionment authority from the books:

Apportionment Available for Distribution
   Authority Available for Apportionment

The effect of this entry is to close the apportionment account and restore the expired apportionment authority to the appropriation. At this point, the balance in the account Authority Available for Apportionment is the sum of expired commitments, allotments, and apportionments. These are the components of the amount of budget authority which, because it has expired, must be returned to Treasury.

* * * * *

(4)

2-10 To establish the account for budget authority which must be returned to Treasury:

Authority Available for Apportionment
Restorations, Writeoffs, and Withdrawals

The effect of this entry is to close the authority available for apportionment and establish the amount of budget authority which is to be returned to Treasury.

* * * * *

(5)

2-11 To reduce the appropriation by the amount of budget authority returned to Treasury when the return is made:

Appropriations Realized but Withdrawn
Other Appropriations Realized

The effect of this entry is to reduce the appropriation by the amount of expired authority. The SGL mandates a separate account--Appropriations Realized but Withdrawn--to use in recording the reduction in the appropriation rather than debiting Restorations, Writeoffs, and Withdrawals. This is done to assist in providing a history of what was returned to Treasury and amounts returned but subsequently used or additional amounts subsequently returned. (A primary use of budget authority returned to Treasury is to fund undelivered orders existing at fiscal year-end for which the amount estimated for the orders is less than the actual amount. Filling undelivered orders after fiscal year-end is discussed beginning on p. 2-25.

Note that Restorations, Writeoffs, and Withdrawals would have been closed had it been debited directly. Even though it is not closed, however, it is offset by the account which is debited--Appropriations Realized but Withdrawn. In other words, after making entry 2-11, credit balance of Restorations, Writeoffs, and Withdrawals equals the debit balance of Appropriations Realized but Withdrawn. These two accounts serve as memorandum accounts to indicate the amount of lapsed appropriations returned to Treasury. Additional related information is set forth in the section on filling undelivered orders in subsequent years, which begins on p. 2-25.

* * * * *

After this entry is made, the remaining account balances have the following relationship.[7]

---

[7]Note that the relationship could also be brought about by substituting the following two entries in place of entries 2-7 through 2-11. The first entry closes the accounts for lapsed authority into Other Appropriations Realized. The second entry establishes the memorandum accounts to indicate the amount of lapsed authority returned.

(continued on next page)

Other Appropriations Realized	=	Expended Appropriations	+	Undelivered Orders

and

Appropriations Realized but Withdrawn	=	Restorations, Writeoffs, and Withdrawals

[7](continued from preceding page)

Alternate Closing Entry 1:

Commitments Available for Obligation
Allotments Available for Commitment/Obligation
Apportionment Available for Distribution
   Other Appropriations Realized

* * * * *

Alternate Closing Entry 2:

Appropriations Realized But Withdrawn
   Restorations, Writeoffs, and Withdrawals

* * * * *

The entries shown in the body of the text will be used for illustrative purposes in subsequent sections of this guide. In practice, either set of entries may be made.

Step 2--Remove Expended Appropriations

2-12 To remove expended appropriations from the accounts:

Expended Appropriations
   Other Appropriations Realized

The effect of this entry is to close the Expended Appropriations account and reduce the Other Appropriations Realized account by the amount of expended appropriations.

* * * * *

After the entry is made, all budgetary accounts involved with entries 2-1 through 2-6 have been brought to zero except those accounts which are left open until the appropriation is fully expended by the receipt of goods and services ordered but not delivered at fiscal year-end. Specifically, at this point,

Other Appropriations Realized (Remaining Appropriation Authority)	=	Undelivered Orders

and

Appropriations Realized but Withdrawn	=	Restorations, Writeoffs, and Withdrawals

ILLUSTRATION--CLOSING ENTRIES FOR AN APPROPRIATION

An analysis of the trial balance on p. 2-13 indicates that at fiscal year-end, before closing entries are made, \$79 has been expended and \$10 has been obligated for undelivered orders. The remaining budget authority, $11, expires. Entries to close the books and return the expired appropriation to Treasury are set forth below.

(1)

2-7 To close the commitments account:

Commitments Available for Obligation	3	
Allotments Available for Commitment/Obligation		3

* * * * *

(2)

2-8 To close the allotments account:

Allotments Available for Commitment/Obligation	4	
Apportionment Available for Distribution		4

* * * * *

(3)

2-9 To close the apportionment account:

Apportionment Available for Distribution	11	
Authority Available for Apportionment		11

* * * * *

(4)

2-10 To establish the requirement to return expired budget authority to Treasury:

Authority Available for Apportionment	11	
Restorations, Writeoffs, and Withdrawals		11

* * * * *

(5)

2-11 To reduce the appropriation by the amount of budget authority returned to Treasury when the return is made:

Appropriations Realized but Withdrawn	11	
Other Appropriations Realized		11

* * * * *

After this entry, the SGL anticipates the preparation of a trial balance, which it terms "pre-closing trial balance." (The phrase "pre-closing" may be misleading, as some of the accounts are already closed.) The trial balance is significant at this point because the SGL refers to certain reports that require account information that appears on the trial balance. Such a "pre-closing" trial balance for our illustration, after entries 2-7 through 2-11 had been made, is shown on the next page.

Illustrative Federal Agency
"Pre-Closing" Trial Balance of Budgetary Accounts
September 30, (Year)

Account	Acct. Balance Dr.	Acct. Balance Cr.
Other Appropriations Realized	$89	
Undelivered Orders		$10
Expended Appropriations		79
Appropriations Realized but Withdrawn	11	
Restorations, Writeoffs, and Withdrawals	___	11
	$100	$100

To close the expended appropriations account, the following entry is made.

2-12	Expended Appropriations	79	
	Other Appropriations Realized		79

* * * * *

After closing entries have been posted, only four accounts have balances: Other Appropriations Realized, which has a debit balance of $10, and Undelivered Orders, which has a credit balance in that amount. Similarly, the accounts Appropriations Realized but Withdrawn and Restorations, Writeoffs and Withdrawals each have $11 balances, debit and credit, respectively. A post-closing trial balance consists of only those accounts. Accounting for the disposition of the undelivered orders is discussed beginning on the next page.

CLOSING ENTRY FOR A FULLY EXPENDED APPROPRIATION

The preceding sections dealt with the normal situation in which an operating appropriation is not fully expended at the end of the fiscal year. If the appropriation is fully expended at the end of the fiscal year, only the following entry is required:

2-12 Expended Appropriations
    Other Appropriations Realized

Once that entry is made for a fully expended appropriation, all accounts will have zero balances, and no additional transactions are required for the appropriation.

* * * * *

UNDELIVERED ORDERS FILLED AFTER FISCAL YEAR-END

Often, undelivered orders exist at the end of a fiscal year. When the goods and services are received or the orders are cancelled subsequent to the end of the fiscal year in which they were placed, they must be accounted for. Four basic situations[8] involving these undelivered orders arise. They are listed on the next page.

---

[8] A fifth situation is one in which, as of a given point in time subsequent to the end of the appropriation year in which they were placed, the orders are neither received nor cancelled. Such a case requires no accounting. The order and related budget authority are valid until filled or cancelled.

1. The orders are cancelled.

2. The orders are received in the same amount as estimated.

3. The orders are received in an amount less than estimated.

4. The orders are received in an amount greater than estimated.

Accounting for these situations is set forth in this section. Remember that, in each case illustrated, just prior to receiving or cancelling the orders, Other Appropriations Realized and Undelivered Orders will have equal balances. To continue with the preceding example, assume that, after closing entries are made at fiscal year-end, the two accounts each have a balance of $10. Thus, $10 of undelivered orders remain on the books, and there is $10 of budget authority to pay for the orders. In addition, assume that both Appropriations Realized but Withdrawn and Restorations, Writeoffs, and Withdrawals have an $11 balance.

Situation 1--The Orders Are Cancelled

When orders are cancelled, they must be removed from the books. Simultaneously, because the appropriation authority has expired, budget authority reserved for the purchase of goods and services must be withdrawn from the agency. Because such withdrawal occurring after fiscal year-end must be reported on standard external reports illustrated in chapter 4, the SGL provides account 4630, "Other Funds Unavailable for Commitment/Obligation," to facilitate the reporting.

2-13	Appropriations Realized but Withdrawn	10	
	Other Funds Unavailable for Commitment/Obligation		10

and

2-14	Undelivered Orders	10	
	Other Appropriations Realized		10

Note that the credit in entry 2-14 is to Other Appropriations Realized instead of to Allotments Available for Commitment/ Obligation, because the Allotments account was closed at the end of the prior fiscal year (see entry 2-8 on p. 2-17).

* * * * *

At this point, Undelivered Orders and Other Appropriations Realized are closed and all budget authority has either been expended or withdrawn. Accounts related to the withdrawal of appropriations authority are as follows:

Account	Acct. Balance Dr.	Cr.
Appropriations Realized but Withdrawn	$21	
Restorations, Writeoffs, and Withdrawals		$11
Other Funds Unavailable for Commitment/Obligation		10

From this, the following information can be derived:

-- $11 in budget authority has previously been withdrawn and reported to Treasury,

-- $10 in budget authority has subsequently been withdrawn but has not yet been reported to Treasury (see footnote 6), and

-- $21 in total budget authority has been withdrawn.

Note that the information satisfies the basic equation that

Net Appropriations Withdrawn/ Restored	=	Withdrawals/ Restorals Reported to Treasury	+	Withdrawals/ Restorals Not Yet Reported to Treasury
(Appropriations Realized but Withdrawn)		(Restorations Writeoffs, and Withdrawals)		(Other Funds Unavailable for Commitment/ Obligation)

At year-end, the $10 in unused budget authority is returned to Treasury via the reporting described in footnote 6 (see p. 2-14). To record this, the following entry is made to close the temporary account Other Funds Unavailable for Commitment/ Obligation to the account Restorations, Writeoffs, and Withdrawals.

2-15	Other Funds Unavailable for Commitment/Obligation	10	
	Restorations, Writeoffs, and Withdrawals		10

* * * * *

After this entry is made, all budget authority has either been expended or withdrawn. Appropriations Realized but Withdrawn has a debit balance of $21. Restorations, Writeoffs, and Withdrawals also has a credit balance in that amount, signifying that a total of $21 in appropriation budget authority has been withdrawn and has been reported to Treasury.

Situation 2--The Orders Are Received in the Amount Estimated

If orders are received in the amount estimated, they are accounted for in the same manner as any other undelivered orders received, and the following entry is made.

2-6	Undelivered Orders	10	
	Expended Appropriations		10

* * * * *

The books are then closed with the following entry.

2-12	Expended Appropriations	10	
	Other Appropriations Realized		10

* * * * *

At this point, Undelivered Orders, Expended Appropriations, and Other Appropriations Realized are closed and all budget authority has either been expended or withdrawn. Appropriations Realized but Withdrawn still has a debit balance of $11. Restorations, Writeoffs, and Withdrawals also has a credit balance in that amount, signifying that $11 in appropriation budget authority has been withdrawn and has been reported to Treasury.

Situation 3--The Orders are Received in an Amount Less Than Estimated

Assume that all orders are received, with $9 billed by vendors. The following entry is made to show expending of the appropriation.[9]

2-16	Undelivered Orders	10	
	Expended Appropriations		9
	Other Appropriations Realized		1

Note that the $1 credit is to Other Appropriations Realized instead of to Allotments Available for Commitment/Obligation, because the budget authority has expired and cannot be used to acquire additional goods and services.

* * * * *

In addition, the following entry is required to indicate that the $1 in spending authority must be returned to Treasury.

[9]Two separate entries are sometimes made in practice, one to decrease the undelivered orders by $1 and one to expend the appropriation. For the example, these entries would be:

Undelivered Orders	1	
Other Appropriations Realized		1

and

Undelivered Orders	9	
Expended Appropriations		9

* * * * *

2-13	Appropriations Realized but Withdrawn	1	
	Other Funds Unavailable for Commitment/Obligation		1

* * * * *

At this point, accounts related to the withdrawal of appropriations authority are as shown below:

Account	Acct. Balance Dr.	Cr.
Appropriations Realized but Withdrawn	$12	
Restorations, Writeoffs, and Withdrawals		$11
Other Funds Unavailable for Commitment/Obligation		1

From this information, the following can be derived:

-- $11 in budget authority has previously been withdrawn and reported to Treasury.

-- $1 in budget authority has subsequently been withdrawn but has not yet been reported to Treasury (see footnote 5), and

-- $12 in total budget authority has been withdrawn.

When unused budget authority is returned to Treasury, the following closing entry is made.

2-15	Other Funds Unavailable for Commitment/Obligation	1	
	Restorations, Writeoffs, and Withdrawals		1

* * * * *

Also, the Expended Appropriations account must be closed, with the entry below.

2-12	Expended Appropriations	9	
	Other Appropriations Realized		9

* * * * *

After these entries are made, Undelivered Orders, Expended Appropriations, and Other Appropriations Realized are closed and all budget authority has either been expended or withdrawn. Appropriations Realized but Withdrawn has a debit balance of $12. Restorations, Writeoffs, and Withdrawals also has a credit balance in that amount, signifying that $12 in appropriation budget authority has been withdrawn and has been reported to Treasury.

Situation 4--The Orders Are Received in an Amount Greater Than Estimated

Assume that all orders were received, with vendors billing $12. Assume further that the agency had previously returned at least $2 in expired appropriation authority to Treasury (if it had not, the agency would have to return the goods, renegotiate the prices, or seek additional budget authority from the Congress).

First, $2 in withdrawn budget authority would have to be restored from the expired appropriations returned to Treasury.[10] This would be recorded with the following entry.

[10]This restoration is normally effected by agencies at the time funds are needed and is reported to Treasury after the end of the fiscal year on the TFS-2108, "Year-End Closing Statement," illustrated in chapters 4 and 8.

2-17	Other Funds Unavailable for Commitment/Obligation	2	
	Appropriations Realized but Withdrawn		2

* * * * *

The following entry would be made to record the receipt of goods and services and exhaust the budget authority.[11]

2-18	Undelivered Orders	10	
	Other Appropriations Realized	2	
	Expended Appropriations		12

Note that the $2 debit is to Other Appropriations Realized instead of to Allotments Available for Commitment/ Obligation, because the Allotments account was closed at the end of the prior fiscal year (see entry 2-8 on p. 2-17).

* * * * *

[11]Two separate entries are sometimes made in practice, one to increase the undelivered orders by $2 and one to expend the appropriation. For the example, these entries would be:

Other Appropriations Realized	2	
Undelivered Orders		2

and

Undelivered Orders	12	
Expended Appropriations		12

* * * * *

After the entry is made, the following account balances related to withdrawals and restorations of budget authority would result:

Account	Acct. Balance Dr.	Cr.
Appropriations Realized but Withdrawn	$ 9	
Restorations, Writeoffs, and Withdrawals		$11
Other Funds Unavailable for Commitment/Obligation	2	

This information indicates that:

-- $11 in budget authority has previously been withdrawn and reported to Treasury,

-- $2 in budget authority previously withdrawn has been restored, but the restoral has not yet been reported to Treasury (see footnote 6), and

-- $9 in total budget authority has been withdrawn.

When the restored appropriation authority used is reported to Treasury, this entry would be made:

2-19	Restorations, Writeoffs, and Withdrawals	2	
	Other Funds Unavailable for Commitment/Obligation		2

In addition, the Expended Appropriations account would be closed, using the standard closing entry for that transaction, as shown below.

2-12	Expended Appropriations	12	
	Other Appropriations Realized		12

* * * * *

At this point, Undelivered Orders, Expended Appropriations, and Other Appropriations Realized are closed, and all budget authority has either been expended or withdrawn. Appropriations Realized but Withdrawn has a debit balance of $9, and Restorations, Writeoffs, and Withdrawals has a credit balance of that amount. This indicates that $9 of appropriation authority (in net) has been returned to Treasury, and that all $9 has been reported.

CURRENT AND EXPIRED APPROPRIATIONS ACCOUNTED FOR IN A SINGLE YEAR

Because undelivered orders and related budget authority may exist at the end of an appropriation year and thus carry over into subsequent time periods, transactions involving both current and expired appropriations may be accounted for in a single year. For example, if undelivered orders from a Year A appropriation exist at the end of Year A, then in Year B, both (1) the remaining transactions related to the Year A appropriation and (2) those related to the Year B appropriation must be accounted for.

When budget authority from an appropriation remains at the end of the appropriation year, budgetary accounts associated with the appropriations must be separately maintained through the end of the two succeeding years.[12] Because each appropriation must be accounted for separately, federal accounting systems must segregate accounts for each appropriation. This segregation may be achieved by using year designators with the

[12] 31 U.S.C. 1552 and 1553.

account titles, such as "Other Appropriations Realized--Year A" and "Undelivered Orders--Year B;" by associating Treasury appropriation symbols (which contain a data element identifying the year to which an appropriation applies); or by some other segregating method.

If budget authority still remains after the 2 years subsequent to that for which the appropriation was made, all such authority is "merged" into a single account. For example, Year A authority would be accounted for separately through Years A, B, and C, and at the end of year C would be placed in the merge category. At that point, it would no longer be identified with appropriation year A. Similarly, Year B authority would be accounted for separately through years B, C, and D, and at the end of Year D would be placed in the merge category.

Thus, at any given point in time, an agency which received one-year appropriations might have active on its books four sets of appropriation accounts--the current year's appropriation, the prior year's appropriation, the appropriation for the second-prior year, and the appropriations for all years prior to that--the merged appropriation. (This last account is often referred to as the "M appropriation account").

Outputs Required for Delegating, Obligating, and Expending an Appropriation

Certain laws and regulations impose a number of external reporting requirements on federal agencies. Principal reports are illustrated in chapter 4. The SGL provides "crosswalks" that define the relationship between accounts for the transactions described earlier and standard external reports.

The crosswalk information will not be repeated here because the material is lengthy. However, readers using this publication should be aware of the existence and content of the crosswalks in the SGL. By using the crosswalks, it is possible to determine for each standard form which accounts are used and on which line they appear (by report line number). One can also look up an account number and determine all of its appearances in standard reports.

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CHAPTER 3: PROPRIETARY ACCOUNTING FOR BASIC OPERATING APPROPRIATIONS

INTRODUCTION

Federal agencies must account for assets entrusted to their care and for the equities in those assets--liabilities and capital. This accounting for federal assets, liabilities, and capital is called "proprietary accounting." Proprietary accounting is performed concurrently with budgetary accounting. (Budgetary accounting for appropriations and reimbursables is discussed in chapters 2 and 6, respectively.)

Standards for proprietary accounting are set forth in title 2, "Accounting Principles and Standards," of GAO's Policy and Procedures Manual for Guidance of Federal Agencies, and the SGL provides proprietary accounts in numbering series other than 4000 (which is used for budgetary accounts) and 9000 (which is used for certain statistical information accounts). This chapter discusses proprietary accounting for transactions relating to basic operating appropriations, while chapter 7 discusses proprietary accounting for reimbursable work performed for other agencies. Chapter 4 provides a comprehensive example illustrating concurrent budgetary and proprietary accounting for appropriations.

DIFFERENCES BETWEEN BUDGETARY AND PROPRIETARY ACCOUNTING

There are a number of distinctions between budgetary and proprietary accounting which must be understood before exploring the theory underlying proprietary accounting and its relationship to budgetary accounting. Some basic characteristics of each are contrasted in the table on the next page.

Table 3.1: Summary of Key Differences Between Budgetary and Proprietary Accounting in Recognition of Events Which Constitute Transactions

Budgetary Accounting	Proprietary Accounting
Entries are made for commitment of funds in advance of preparing orders to procure goods and services.	Entries are not made for commitments.
Entries are made for obligation of funds at the time goods and services are ordered.	Entries are not made for obligations.
Entries are made to expend appropriations when goods and services chargeable to the appropriation are received, regardless of when they are used and regardless of when they are paid for.	Goods and services which will last more than a year and otherwise meet the criteria to qualify as assets are capitalized and expensed when consumed, regardless of what appropriation funded them and when they are paid for.
Entries are only made against an appropriation for transactions funded by the appropriation.	Goods and services consumed in the current period for which payment is to be made from one or more subsequent appropriations is recognized as an expense in the current period.
Entries are not made against an appropriation for transactions not funded by the appropriation.	Goods and services consumed in the current period but paid for in prior periods are expensed in the current period.

CONCEPTUAL FRAMEWORK OF PROPRIETARY ACCOUNTING

The nature of proprietary accounting for a federal agency closely resembles that of a private sector firm. As with the private sector firm, assets equal liabilities plus capital. However, "capital" in federal accounting is called "Equity of the U.S. Government." Therefore:

Assets = Liabilities + Equity of the U.S. Government

Listed below are the asset and liability accounts used in this chapter and provided by the SGL.

Account Number	Account Title	Normal Balance
1010	Fund Balance With Treasury	Dr.
1510	Inventory for Agency Operations	Dr.
1750	Equipment	Dr.
1759	Accumulated Depreciation on Equipment	Cr.
2110	Accounts Payable	Cr.
2120	Disbursements in Transit	Cr.

As in commercial accounting, assets normally have debit balances and liabilities have credit balances.

Capital accounts warrant further discussion. Just as each type of private firm--sole proprietorship, partnership, cooperative, and corporation--has different capital accounts, so does the federal government. A list of the capital accounts relating to operating appropriations and reimbursable work transactions covered by this publication follows.

1. Appropriated Capital (SGL account 3100), represents equity from an appropriation authorized but for which goods and services to be funded by the appropriation have not been ordered or received.

2. Invested Capital (SGL "summary account"[1] 3200), represents equity in the following items purchased through appropriated authority:

   a. supplies and materials inventory,

   b. property, plant, and equipment, net of accumulated depreciation (fixed assets), and

   c. certain long-term loans receivable.

   SGL account 3210, "Capital Investments," represents the government's equity in these items from acquisition by purchase or construction using appropriation authority, transactions for which are illustrated in this publication. The purpose of the account is to defer recognition of the full appropriation as a financing source until there are related expenses for inventory used and depreciation (discussed in this chapter) or losses (which are beyond the scope of this guide) against which to match the appropriation used to acquire inventory and fixed assets or make long-term loans. The account is one of three provided by

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[1]An SGL summary account is one for which the sum of designated sub-account balances is used as the balance for the category represented by the summary account. No postings are made to summary accounts.

the SGL which are summed to yield the balance sheet category "Invested Capital."

3. Results of Operations (SGL account 3300), reports the balance in SGL account 3310, "Cumulative Results of Operations." Cumulative Results of Operations, roughly equivalent to the Retained Earnings Account for a commercial corporation, summarizes:

   a. Financing sources, revenues, and gains, including appropriated capital used to fund agency operations for which goods and services have been received; earnings from provisions of goods and services to other agencies, on an accrual basis; and gains from the disposal of assets. The SGL provides financing source, revenue, and gain accounts in the 5000 and 7100 series. The financing source account for expenses funded by appropriated capital is "Appropriated Capital Used," account 5700.

      Because increases in financing source, revenue, and gain accounts increase Equity of the U.S. Government, the accounts all normally have credit balances.

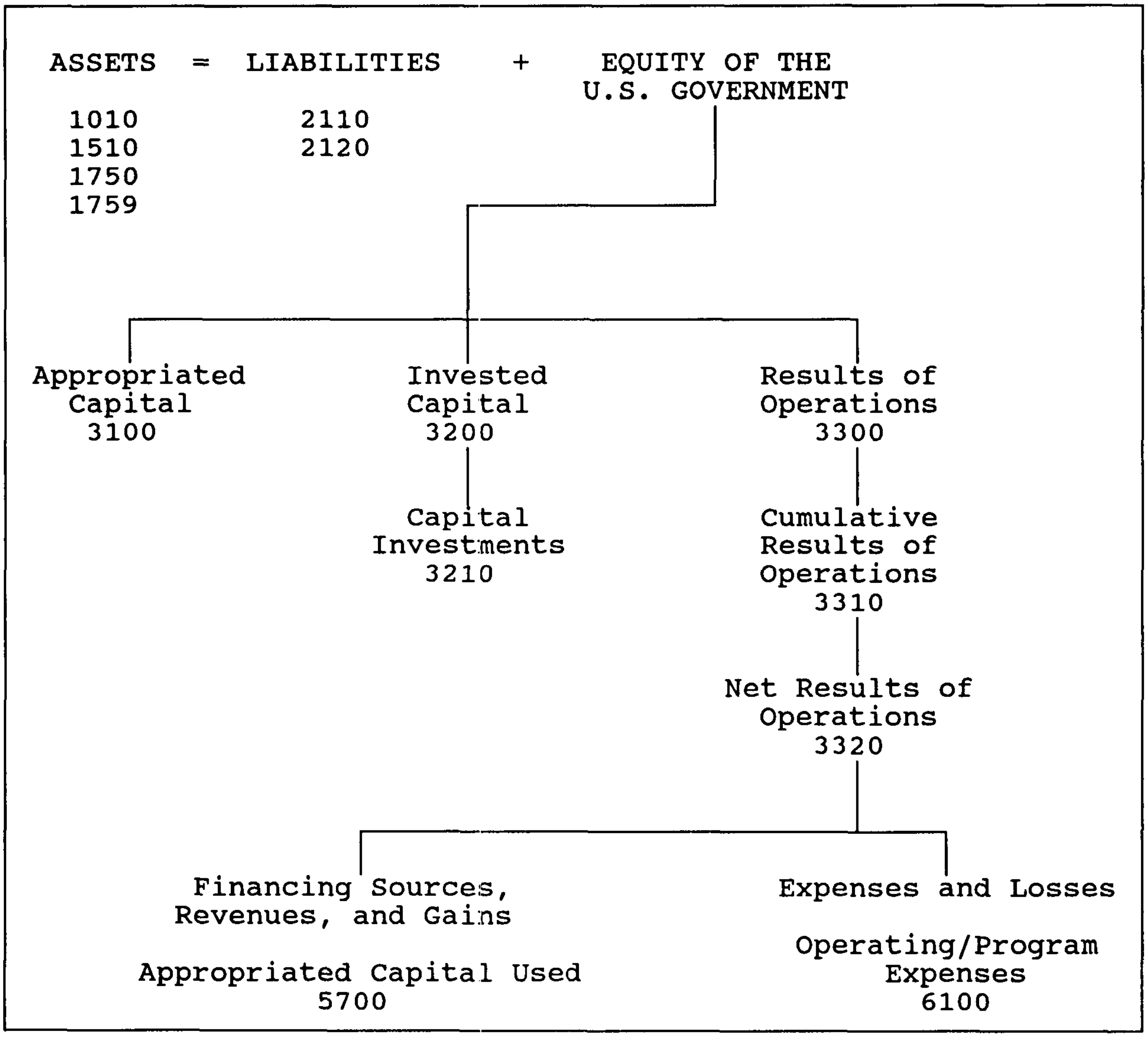
   b. Expenses and Losses, which represents consumption of goods and services on an accrual basis, and losses from the disposal of assets. The SGL provides for these accounts in its 6000 and 7200 numbering series. The SGL expense account pertinent to a basic operating appropriation we use is number 6100, "Operating/Program Expenses." (Note that since the operating statement, equivalent to an income statement in a commercial firm, requires expenses to be disclosed by nature of expense, a subsidiary ledger or other means must be used to capture data for and summarize each individual expense. Account 6100 would be a controlling account for such a subsidiary ledger.)

Because expenses and losses decrease Equity of the U. S. Government, they normally have debit balances.

c. Net Results of Operations (SGL account 3320)--an intermediate account which summarizes categories a and b, above. This account is equivalent to the "Income and Expense Summary" account in commercial accounting systems in which posting to ledger accounts is performed manually. Just like the commercial account, it would normally have a zero balance during the accounting period. During the closing process, it would have a changing debit or credit balance depending on the order in which closing entries were posted. Though not necessary in an automated system which has been properly tested, we will use this account in our illustrations.

Thus, the basic accounting equation for a government agency becomes as follows (account numbers mentioned in this section are placed in the appropriate category for the accounts they represent).

Figure 3.1: Basic Accounting Equation Showing Detail of the Capital Structure for a Federal Agency With an Operating Appropriation



BASIC ENTRIES AND ILLUSTRATIONS

Most proprietary accounting entries for basic operating appropriations correspond directly to entries for commercial enterprises. There are, however, five situations covered by this publication for which entries are unique to the federal government. These entries are discussed in the following sections. They involve

1. Receipt and return of appropriations,

2. Consumption of appropriation authority,

3. Expenditure of monies,

4. Purchase of inventory and fixed assets (property, plant, and equipment), and

5. Use of inventory and depreciation of fixed assets.

A final section discusses proprietary accounting for undelivered orders received after fiscal year-end.

1. Receipt and Return of Appropriation

The entry to record an agency's appropriation is made upon receipt of an appropriation warrant from Treasury specifying that funds are available. The entry is:

3-1 Fund Balance With Treasury
    Appropriated Capital

The account "Fund Balance With Treasury" (SGL account no. 1010) is an asset account representing the future economic benefit of monies which can be spent for authorized transactions. For most agencies, the actual cash involved is held and disbursed by Treasury. Some agencies, such as the Department of Defense, have their own direct disbursing authority. Disbursements are discussed in section 3 of this chapter.

* * * * *

As discussed in chapter 2, budget authority related to appropriations which are unexpended and unobligated at fiscal year-end normally expires. The related Fund Balance With Treasury must be returned to Treasury. The Fund Balance is not physically returned--as it was always in the keeping of Treasury--but rather is reported to Treasury as returned via the report TFS 2108, "Year-End Closing Statement," illustrated in chapters 4 and 8. Since the return is normally made promptly after fiscal year-end, the entry to record it is as shown below.

(1)

3-2 To return unused Fund Balance With Treasury at fiscal year-end:

Appropriated Capital
    Fund Balance With Treasury

Note that the entry reverses entry 3-1.

* * * * *

(2)

If an agency was to prepare a balance sheet before the return was reported to Treasury, a liability could be accrued through this entry:

3-3 To establish a liability to return funds relating to expired appropriations:

Appropriated Capital
    Other Liabilities

The SGL does not provide a specific liability account, such as "Liability to Return Unused Appropriation to Treasury," for the transaction. We have used SGL account 2990, "Other Liabilities," for the purpose.

* * * * *

(3)

3-4 To return the unneeded funds to Treasury:

Other Liabilities
Fund Balance With Treasury

* * * * *

2. Consumption of Appropriation Authority

To the extent goods and services funded by an appropriation are consumed, the "revenue," against which the resulting expenses are matched is from the appropriation. To reflect this, an amount equal to expenses funded by the appropriation is transferred from the Appropriated Capital account to the Cumulative Results of Operations account. The transfer is made by way of the account "Appropriated Capital Used," which appears on the operating statement as a "financing source." The required entries follow.

(1)

3-5 To record appropriated capital used to finance expenses:

Appropriated Capital
Appropriated Capital Used

* * * * *

(2)

3-6 To close the Appropriated Capital Used account:

Appropriated Capital Used
   Net Results of Operations

* * * * *

(3)

3-7 To close Net Results of Operations when expenses exceed revenues:

Cumulative Results of Operations
   Net Results of Operations

* * * * *

(4)

3-8 To close Net Results of Operations when revenues exceed expenses:

Net Results of Operations
   Cumulative Results of Operations

* * * * *

Illustration--Consumption of Appropriation Authority

Assume that a new agency receives a $1,000 appropriation and incurs expenses of $250. The entry to record the appropriation would be:

Fund Balance With Treasury	1,000	
Appropriated Capital		1,000

* * * * *

At this point, the basic accounting equation, along with the appropriate accounts to be used, would appear as follows.

Assets	=	Liabilities	+	Equity of the U.S. Government		
Fund Balance With Treasury	=	Accounts Payable	+	Appropriated Capital	+	Cumulative Results of Operations
$1,000		-0-		$1,000		-0-

The entry to record the expenses incurred, assuming all were on account, is:

Operating/Program Expenses	250	
Accounts Payable		250

* * * * *

If no additional entries were made, an operating statement would show expenses of $250 with no matching revenue, leaving a net loss and a resulting deficit balance in Cumulative Results of Operations after closing entries are made. However, from the agency standpoint, there has been neither a net income nor a net loss, because the appropriation provided the means to fund the expenses. Hence, the following additional entry must be made to show the funding source.

Appropriated Capital	250	
Appropriated Capital Used		250

* * * * *

Closing entries would then be made as follows.

(1)

3-6 To close the Appropriated Capital Used account:

Appropriated Capital Used	250	
Net Results of Operations		250

* * * * *

(2)

3-9 To close the Operating/Program Expenses account:

Net Results of Operations	250	
Operating/Program Expenses		250

* * * * *

Note that, since expenses equal financing source in our illustration, the balance of the "Net Results of Operations" account is zero. If Net Results of Operations had other than a zero balance, it would be closed to Cumulative Results of Operations. In this example, then, the account "Cumulative Results of Operations" has not changed.

After the transactions and closing entries have been posted, the basic accounting equation would appear as follows.

Assets	=	Liabilities	+	Equity of the U.S. Government		
Fund Balance With Treasury	=	Accounts Payable	+	Appropriated Capital	+	Cumulative Results of Operations
$1,000		$250		$750		-0-

Note that the flow of capital is from Appropriated Capital to Cumulative Results of Operations. Later sections discussing situations 4 and 5 illustrate the transfer of amounts from one capital account to another for certain more complicated transactions.

Note also that not all expenses are funded by appropriations for the year in which the expense is incurred. For example, annual leave expense for annual leave taken in a certain appropriation year but earned in a previous one is paid from the salary appropriation of the year in which it is taken, regardless of when the leave was earned.

Additionally, care should be taken not to confuse the funding of an expense with the payment of monies. To the extent that monies are paid to acquire fixed assets, for example, there is no expense to be funded (the assets are capitalized). It is only as the assets acquired are depreciated that an expense occurs and a matching funding source is to be recorded. This is discussed in more detail in parts 4 and 5 this section.

3. Expenditure of Monies

If an agency has its own disbursing authority, then cash disbursements are accounted for in the same manner as in commercial accounting, with the credit made to "Fund Balance With Treasury." However, Treasury or another authority disburses funds for most agencies and requested disbursements are accounted for as liabilities, Disbursements in Transit (SGL account 2120), until the requesting agency is notified that disbursements have actually been made. Hence, two entries are required in the disbursement process.

(1)

3-10 To request disbursements:

Assets, Expenses, Liabilities, etc.
    Disbursements in Transit

* * * * *

(2)

3-11 To receive notice that disbursements have been made:

Disbursements in Transit
  Fund Balance With Treasury

* * * * *

For purposes of simplifying our illustrations, disbursement transactions in all but chapters 4 and 8 will be recorded by netting these two entries. The disbursement entries will be shown by the following.

Assets, Expenses, Liabilities, etc.
  Fund Balance With Treasury

* * * * *

Readers are asked to recall in each case that two entries--entries 3-10 and 3-11--are required in practice.[2]

---

[2]An alternate method used by some agencies is to make the simplified "net" entry shown following entry 3-11, above, at the time disbursements are requested. Before preparing financial statements, an adjusting entry is made to reflect the amount of disbursements in transit at the balance sheet date. The entry follows.

3-18 Fund Balance With Treasury
  Disbursements in Transit

* * * * *

This entry would be reversed at the beginning of the next accounting period.

4. Purchase of Inventory and Fixed Assets

The basic entry for the purchase of inventory and fixed assets (property, plant, and equipment) is the same for the federal government as for commercial enterprises. It is set forth below, using generic account names. In an actual transaction, accounts for the specific type of inventory and fixed assets are used. The SGL provides specific accounts in the 1500 and 1700 series.

3-12 Inventory
Fixed Assets
Accounts Payable (or other appropriate account)

* * * * *

However, because the inventory and fixed assets are not immediately consumed, the government records its equity in the items as "Capital Investments" and transfers an amount from "Appropriated Capital" equal to the purchase amount. The entry made is:

3-13 Appropriated Capital
Capital Investments

* * * * *

The effect of this on the basic accounting equation is that the nature of the government's equity changes from Appropriated Capital, which provided the authority for the purchase, to Capital Investments, which represents the government's equity in inventory and net fixed assets.

Illustration--Purchase of Equipment

Assume that, just prior to the purchase of equipment, Fund Balance With Treasury was $1,000 and $100 of equipment was subsequently purchased. Before the purchase, the basic accounting equation (ignoring liabilities, which are not relevant to the illustration) would appear as follows.

Assets			=	Equity of the U.S. Government		
Fund Balance With Treasury	+	Equipment	=	Appropriated Capital	+	Capital Invest-ments
$1,000		-0-		$1,000		-0-

As discussed previously, the following two entries would be required.

(1)

(a) To record the purchase:

Equipment[3]	100	
Fund Balance With Treasury		100

and

(2)

(b) To record the related transfer of equity:

Appropriated Capital	100	
Capital Investments		100

* * * * *

[3]This is less than the minimum capitalizable amount provided in Title 2. Small amounts are used to simplify illustrations.

After the entry to purchase the equipment, Fund Balance With Treasury is reduced by $100 and Equipment is increased by $100, with the following result.

Assets			=	Equity of the U.S. Government		
Fund Balance With Treasury	+	Equipment	=	Appropriated Capital	+	Capital Invest- ments
$1,000		0		$1,000		-0-
-100		100				
$ 900		$100		$1,000		-0-

Note that, without the second entry, the equity of the government is shown as being all in appropriated capital, suggesting that the full amount is still available to fund operations. Nothing is shown to represent the government's equity in the equipment. After the second entry is made, however, the equation appears as follows:

Assets			=	Equity of the U.S. Government		
Fund Balance With Treasury	+	Equipment	=	Appropriated Capital	+	Capital Invest- ments
$1,000		0		$1,000		0
-100		+100 <--(Entry 1)				
			(Entry 2)-->	-100		+100
$ 900		$100		$ 900		$100

The equation now shows that $100 of the $1,000 in assets was converted from Fund Balance With Treasury to Equipment. Similarly, on the equity side, $100 was converted from Appropriated Capital to Capital Investments. The $900 remaining in Appropriated Capital is the amount of the appropriation still available to finance operations.

The transfer of capital is shown on a statement of Changes in Equity of the U.S. Government.[4] The capital account transactions in this section are reported there, as shown below.

Illustrative Federal Agency
Statement of Changes in Equity of the U.S. Government
For (Accounting Period) Ended (Date)

	Appropriated Capital	Invested Capital
Beginning Balances	$ 0	$ 0
Receipt of Appropriation	1,000	
Transfer of Capital (Related to Purchase of Equipment)	(100)	100
Ending Balance	$ 900	$100

[4]Though not required by GAO, OMB, or Treasury at this time, the statement provides a useful explanation of how capital (equity) changed from the beginning to the end of the accounting period. Hence, it is illustrated in this chapter and in chapters 4 and 8.

5. Use of Inventory and Consumption of Fixed Assets

As inventory is used in agency operations, it is charged to an expense account. Supplies Inventory, for example, is charged to Supplies Expense when used. Similarly, consumption of depreciable fixed assets results in a charge to depreciation.

In addition, as these assets are consumed, Capital Investments, representing the government's equity in purchased or constructed inventory and net fixed assets, correspondingly decreases. As discussed previously, in section 2, to recognize and properly report this, the equity related to such consumption must be transferred to "Appropriated Capital Used," a financing source which is a component of "net income."[5] The related entries follow:

(1)

3-14 To record use of inventory in agency operations:

Operating/Program Expenses
   Inventory

* * * * *

[5]Readers should be familiar with the term "net income." They should note, however, that, when accounting for appropriations and reimbursables, the line item equivalent to "net income" on the operating statement is called "Excess of Financing Sources Over Expenses." Correspondingly, a net loss would be characterized as "Excess of Expenses Over Financing Sources."

(2)

3-15 To record depreciation on fixed assets:

Operating/Program Expenses
Accumulated Depreciation on Fixed Assets

* * * * *

(3)

3-16 To record the transfer of capital from Invested Capital to Appropriated Capital by way of the Financing Sources Account:

Capital Investments
Appropriated Capital Used

* * * * *

(4)

To close the revenue and expense accounts:

3-17 Appropriated Capital Used
Net Results of Operations

and

3-9 Net Results of Operations
Operating/Program Expense

In addition, if Net Results of Operations has a balance other than zero, entry 3-7 or 3-8, whichever is appropriate, is made to close Net Results of Operations into Cumulative Results of Operations.

* * * * *

Combining the discussion of transactions under sections 4 and 5, we have two tracks, or cycles, accounted for from the purchase through consumption (use) of inventory and fixed assets. They are as follows.

	Appropriation	Purchase	Use
Track 1	Cash --->	Inventory & Fixed Assets --->	Expense for Inventory Consumed and Depreciation
		and, simultaneously,	
Track 2	Appro-priated Capital --->	Invested Capital --->	Appropriated Capital Used

Note that both the expenses for inventory consumed and depreciation and Appropriated Capital Used will be closed into Cumulative Results of Operations.

Illustration--Purchase and Consumption of Inventory and Equipment

Assume that an agency purchases $100 of equipment and $75 of inventory in year A, in which an appropriation of $1,000 is received. Assume further that depreciation on the equipment is $10 in each of Years A and B and that $45 of the inventory is used in Year A and the remaining $30 in Year B. Journal entries to record these transactions appear below.

<u>Year A</u>

(1)

To record the appropriation:

3-1	Fund Balance With Treasury	1,000	
	Appropriated Capital		1,000

* * * * *

(2)

To purchase equipment and inventory:

3-12	Equipment	100	
	Inventory for Agency Operations	75	
	Fund Balance with Treasury		175

* * * * *

(3)

To record the related transfer of capital:

3-13	Appropriated Capital	175	
	Capital Investments		175

* * * * *

(4)

To make adjusting entries for depreciation and inventory used:

3-14/ 3-15	Operating/Program Expenses	55	
	Accumulated Depreciation on Equipment		10
	Inventory for Agency Operations		45

* * * * *

(5)

To record transfer of capital:

3-16	Capital Investments	55	
	Appropriated Capital Used		55

* * * * *

(6)

To record the amount of Fund Balance With Treasury related to expired appropriations to be returned to Treasury:

3-2	Appropriated Capital	825	
	Fund Balance With Treasury		825

* * * * *

(7)

To make closing entries:

3-17	Appropriated Capital Used	55	
	Net Results of Operations		55

and

3-9	Net Results of Operations	55	
	Operating/Program Expenses		55

* * * * *

Based solely on these transactions, a trial balance at the end of Year A appears as shown on the next page.

Illustrative Federal Agency
Trial Balance of Proprietary Accounts
September 30, Year A

Account Name	Dr. Bal.	Cr. Bal.
Fund Balance With Treasury	$ 0	
Inventory for Agency Operations	30	
Equipment	100	
Accumulated Depreciation on Equipment		$ 10
Capital Investments		120
Appropriated Capital Used		55
Operating/Program Expenses	55	
Total	$185	$185

After closing, the trial balance looks like this:

Illustrative Federal Agency
Post-Closing Trial Balance
of Proprietary Accounts
September 30, Year A

Account Name	Dr. Bal.	Cr. Bal.
Fund Balance With Treasury	$ 0	
Inventory for Agency Operations	30	
Equipment	100	
Accumulated Depreciation on Equipment		$ 10
Capital Investments		120
Total	$130	$130

Year B

(8)

To make adjusting entries at the end of Year B:

3-15	Operating/Program Expenses	40	
	Accumulated Depreciation on Equipment		10
	Inventory for Agency Use		30

and

3-16	Capital Investments	40	
	Appropriated Capital Used		40

* * * * *

(9)

To make closing entries at the end of Year B:

Appropriated Capital Used	40	
Net Results of Operations		40

and

Net Results of Operations	40	
Operating/Program Expenses		40

* * * * *

After closing, the trial balance at September 30, Year B, would look like this:

Illustrative Federal Agency
Post-Closing Trial Balance
of Proprietary Accounts
September 30, Year B

Account Name	Dr. Bal.	Cr. Bal.
Equipment	$100	
Accumulated Depreciation on Equipment		$ 20
Capital Investments	___	80
Total	$100	$100

A comparative operating statement for the years ended September 30, Years B and A, based solely on the transactions presented in this section, is presented below.

Illustrative Federal Agency
Operating Statement
For Years Ended September 30, Years B and A

	Year B	Year A
FINANCING SOURCES		
Appropriated Capital Used	$40	$55
OPERATING/PROGRAM EXPENSES		
Depreciation Expense--Equipment	10	10
Inventory Consumed in Operations	30	45
Total Operating/Program Expenses	40	55
Excess of Financing Sources Over Expenses	$ 0	$ 0

UNDELIVERED ORDERS FILLED AFTER FISCAL YEAR-END

As discussed in chapter 2, undelivered orders often exist at fiscal year-end. The goods and services ordered are received during the next fiscal year, or the related orders may be canceled. Thus, one of four situations involving the undelivered orders may exist when the goods and services are received:

1. The orders are canceled.
2. The orders are received in the same amount as estimated.
3. The orders are received in an amount less than estimated.
4. The orders are received in an amount greater than estimated.

Chapter 2 discussed budgetary accounting for these situations. This section discusses the related proprietary accounting. Using the same example as in chapter 2, assume that at the end of a fiscal year, $10 of undelivered orders remain on the books--$3 for expenses and $7 for fixed assets. Thus, Fund Balance With Treasury will have a debit balance of $10 and Appropriations Used will have a credit balance in that amount. Additionally, the chapter 2 example provides that $11 in unobligated, unexpended appropriations had been returned to Treasury.

Situation 1--The Orders Are Canceled

If the orders are canceled, the monies held to fund them must be returned to Treasury, and this entry must be made:

3-2	Appropriated Capital	10	
	Fund Balance With Treasury		10

* * * * *

Situation 2--The Orders Are Received in the Amount Estimated

If the orders are received in the amount estimated, they are accounted for in the same manner as any other undelivered orders received. The entry to pay for the order is as shown below.

3-10/ 3-11	Assets, Expenses, Liabilities, Etc.	10	
	Fund Balance With Treasury		10

* * * * *

In addition, this entry would be made to show the use of Appropriated Capital for expenses:

3-5	Appropriated Capital	3	
	Appropriated Capital Used		3

* * * * *

This entry would be made to show the transfer of Appropriated Capital related to the Fixed Assets:

3-13	Appropriated Capital	7	
	Invested Capital		7

* * * * *

Situation 3--The Orders Are Received in an Amount Less Than Estimated

Assume that all orders are received, with $9 billed by vendors--$2 for expenses. The same entries as for situation 2, above, would be made, but for a total of $9, as follows.

To pay for the goods and services:

3-10/ 3-11	Assets, Expenses, Liabilities, Etc.	9	
	Fund Balance With Treasury		9

* * * * *

To record use of Appropriated Capital for expenses:

3-5	Appropriated Capital	2	
	Appropriated Capital Used		2

* * * * *

To record transfer of Appropriated Capital to acquire fixed assets:

3-13	Appropriated Capital	7	
	Invested Capital		7

* * * * *

In addition, the unneeded $1 would have to be returned to Treasury, with this entry made:

3-2	Appropriated Capital	1	
	Fund Balance With Treasury		1

The return could first be accrued, using entry 3-3, and then subsequently paid, using entry 3-4, as discussed earlier in this chapter.

* * * * *

Situation 4--The Orders Are Received in an Amount Greater Than Estimated

Assume that all orders were received, with vendors billing $12--$4 for expenses. Since the agency had previously returned more than $2 to Treasury, the additional $2 needed to pay for the goods and services can be restored. The restoral would be recorded with this entry:

3-1	Fund Balance With Treasury	2	
	Appropriated Capital		2

Then, the same entries as for situations 2 and 3, above, would be made, for $12. Those entries are shown on the next page.

To pay for the goods and services:

3-10/ 3-11	Assets, Expenses, Liabilities, Etc.	12	
	Fund Balance With Treasury		12

* * * * *

To record use of Appropriated Capital for expenses:

3-5	Appropriated Capital	4	
	Appropriated Capital Used		4

* * * * *

To record transfer of Appropriated Capital to acquire fixed assets:

3-13	Appropriated Capital	8	
	Invested Capital		8

* * * * *

COMPREHENSIVE EXAMPLE IN CHAPTER 4

A comprehensive example that illustrates both budgetary and proprietary accounting for basic operating appropriations is presented in chapter 4.

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CHAPTER 4: COMPREHENSIVE EXAMPLE INTEGRATING BUDGETARY AND PROPRIETARY ACCOUNTING FOR A BASIC OPERATING APPROPRIATION

INTRODUCTION

This chapter jointly applies the concepts of budgetary and proprietary accounting for appropriations, explained and illustrated separately in chapters 2 and 3, to a series of abbreviated routine transactions. The transactions involve basic operating appropriation activities for a new agency for appropriation (fiscal) Year A. Additional transactions in Year B related to Year A appropriations are also illustrated. Closing entries are made at the end of both Years A and B.

Both budgetary and proprietary entries are made at the general ledger level for each transaction. SGL account numbers are shown along with the account titles. Transactions and entries are illustrated for the first quarter of Year A separately, for the remainder of Year A, and--for transactions relating to Year A appropriations occurring subsequent to Year A--for Year B. Because the agency is new, it had no transactions prior to Year A. The entries and related subsidiary postings are made to four ledgers illustrated in the appendix to this chapter:

-- a general ledger of budgetary accounts;[1]

-- a general ledger of proprietary accounts;[1]

-- a subsidiary appropriations ledger to support the general ledger of budgetary accounts; and

-- a subsidiary expense ledger to support the account "Operating/Program Expenses" in the general ledger of proprietary accounts.

Selected annual agency financial statements required by title 2 of GAO's Policy and Procedures Manual for Guidance of Federal Agencies, by OMB, and by Treasury are presented following the transactions. Chapter 5 completes the reporting cycle by explaining and illustrating required reconciliations between budgetary and proprietary accounting and by applying the concepts involved to the comprehensive example in this chapter. Chapter 8 builds on the example by including transactions related to reimbursable work, accounting for which is discussed in chapters 6 and 7.

TRANSACTIONS--FIRST QUARTER, FY A

1. The agency received an appropriation warrant from Treasury in the amount of $100,000,000, notifying it that its appropriation had been approved in that

[1]Two separate ledgers are maintained here to simplify our illustrations. In practice, agencies may have both budgetary and proprietary accounts combined in a single general ledger.

amount. The enabling law specified that $30,000,000 was for salaries and benefits, $20,000,000 for travel, and $50,000,000 for fixed assets, supplies, and services. The agency uses commitment accounting only for its fixed assets, supplies, and services. Travel, fixed assets, supplies, and services have undelivered orders placed in advance of expending the appropriation for them. Salaries and benefits do not have undelivered orders placed in advance of expending the appropriation for them.

(1)

<u>Budgetary entry</u>

4119 Other Appropriations Realized	100,000,000	
4450 Authority Available for Apportionment		100,000,000

* * * * *

(2)

<u>Proprietary entry</u>

1010 Fund Balance With Treasury	100,000,000	
3100 Appropriated Capital		100,000,000

* * * * *

2. The Office of Management and Budget apportioned $31,000,000 for first quarter operations chargeable to the agency's appropriation.

(1)

Budgetary entry

4450 Authority Available for Apportionment	31,000,000	
4510 Apportionment Available for Distribution		31,000,000

* * * * *

(2)

Proprietary entry

None

* * * * *

3. The agency head delegated allotment authority to the Director of Accounting and Finance, who approved allotments of $30,000,000 for agency operations as follows.

Salaries and Benefits	$ 7,500,000
Travel	4,500,000
Fixed Assets, Supplies, and Services	18,000,000

(1)

Budgetary entry

4510 Apportionment Available for Distribution	30,000,000	
4610 Allotments Available for Commitment/ Obligation		30,000,000

* * * * *

(2)

Proprietary entry

None

* * * * *

4. Commitments of $16,000,000 were made for fixed assets, supplies, and services chargeable to the appropriation.

(1)

Budgetary entry

4610	Allotments Available for Commitment/ Obligation	16,000,000	
4700	Commitments Available for Obligation		16,000,000

* * * * *

(2)

Proprietary entry

None

* * * * *

5. Fixed Assets, Supplies, and Services of $17,000,000 for basic operations were ordered through the procurement process. Of that amount, $16,000,000 was for commitments which had been estimated at $15,750,000. The remaining amount was for items for which funds had not been previously committed.

(1)

Budgetary entry

4610	Allotments Available for Commitment/Obligation	1,250,000	
4700	Commitments Available for Obligation	15,750,000	
4800	Undelivered Orders		17,000,000

* * * * *

(2)

Proprietary entry

None

* * * * *

6. Travel orders for $4,000,000 of travel to be performed in the quarter were issued.

(1)

Budgetary entry

4610	Allotments Available for Commitment/Obligation	4,000,000	
4800	Undelivered Orders		4,000,000

* * * * *

(2)

Proprietary entry

None

* * * * *

7. (a) $1,500,000 in checks for travel advances were requested for employee travel to be performed in the quarter.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

1410	Advances to Others	1,500,000	
2120	Disbursements in Transit		1,500,000

* * * * *

(b) The agency received the checks from Treasury and issued them to the employees involved.

(1)

Budgetary entry

None

(2)

Proprietary entry

2120	Disbursements in Transit	1,500,000	
1010	Fund Balance With Treasury		1,500,000

* * * * *

8. Goods and services totalling $9,000,000 were received for $8,900,000 of the items mentioned in transaction 5. They consisted of

Equipment	$3,000,000
Inventory for Agency Operations	750,000
Various Personal Services	5,250,000

(1)

Budgetary entry

4610	Allotments Available for Commitment/Obligation	100,000	
4800	Undelivered Orders	8,900,000	
4900	Expended Appropriations		9,000,000

* * * * *

(2)

Proprietary entries

1750	Equipment	3,000,000	
1510	Inventory for Agency Operations	750,000	
6100	Operating/Program Expenses	5,250,000	
2110	Accounts Payable		9,000,000

and

3100	Appropriated Capital	9,000,000	
5700	Appropriated Capital Used		5,250,000
3210	Capital Investments		3,750,000

* * * * *

9. (a) Checks for salaries and benefits were ordered from the Treasury in the amount of $7,400,000.

(1)

Budgetary entry

4610	Allotments Available for Commitment/Obligation	7,400,000	
4900	Expended Appropriations		7,400,000

* * * * *

(2)

Proprietary entries[2]

6100	Operating/Program Expenses	7,400,000	
2120	Disbursements in Transit		7,400,000

and

3100	Appropriated Capital	7,400,000	
5700	Appropriated Capital Used		7,400,000

* * * * *

[2]Entries to record the establishment of withholding liabilities for taxes and other items are omitted to simplify the illustration. Payroll transactions in this and subsequent entries assume that all payroll liabilities are paid simultaneously with issuance of employee net pay.

(b) Checks for salaries and benefits were issued by the Treasury, which notified the agency.

(1)

Budgetary entry

None

(2)

Proprietary entry

2120	Disbursements in Transit	7,400,000	
1010	Fund Balance with Treasury		7,400,000

* * * * *

10. (a) Travel vouchers totalling $3,900,000 were submitted. Of that amount, $1,200,000 in advances was to be applied. The amount obligated for this travel had been $3,950,000.

(1)

Budgetary entry

4800	Undelivered Orders	3,950,000	
4900	Expended Appropriations		3,900,000
4610	Allotments Available for Commitment/Obligation		50,000

* * * * *

(2)

Proprietary entries

6100	Operating/Program Expenses	3,900,000	
1410	Advances to Others		1,200,000
2110	Accounts Payable		2,700,000

and

3100	Appropriated Capital	3,900,000	
5700	Appropriated Capital Used		3,900,000

* * * * *

(b) Checks were requested for the travel in transaction 10(a).

(1)

<u>Budgetary entry</u>

None

* * * * *

(2)

<u>Proprietary entry</u>

2110	Accounts Payable	2,700,000	
2120	Disbursements in Transit		2,700,000

* * * * *

(c) In addition, checks for $50,000 were received from employees to liquidate outstanding advances which were no longer needed.

(1)

<u>Budgetary entry</u>

None

* * * * *

(2)

Proprietary entry

1110	Undeposited Collections	50,000	
1410	Advances to Others		50,000

* * * * *

(d) The checks in transaction 10(c) were taken to a federal reserve depository and credited to the agency's appropriation.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

1010	Fund Balance with Treasury	50,000	
1110	Undeposited Collections		50,000

* * * * *

(e) The agency was notified that Treasury had issued the checks requested in transaction 10(b).

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

2120	Disbursements in Transit	2,700,000	
1010	Fund Balance with Treasury		2,700,000

* * * * *

11. $8,500,000 in payments to vendors from whom goods and services in transaction 8 had been received were requested from Treasury.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

2110	Accounts Payable	8,500,000	
2120	Disbursements in Transit		8,500,000

* * * * *

12. At the end of the quarter, the following information was obtained.

(a) $400,000 of inventory for agency use had been used during the quarter.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entries

6100	Operating/Program Expenses	400,000	
1510	Inventory for Agency Operations		400,000

and

3210	Capital Investments	400,000	
5700	Appropriated Capital Used		400,000

* * * * *

(b) Quarterly depreciation on the equipment amounted to $150,000.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entries

6100	Operating/Program Expenses	150,000	
1759	Accumulated Depreciation on Equipment		150,000

and

3210	Capital Investments	150,000	
5700	Appropriated Capital Used		150,000

* * * * *

(c) The value of annual leave accrued but not used was $75,000.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

6100	Operating/Program Expenses	75,000	
2220	Accrued Unfunded Annual Leave		75,000

(Note that, as this is not a funded expense, there is no corresponding entry to Appropriated Capital Used.)

* * * * *

(d) There were no accruals for payroll, travel, or other purposes to be made at the end of the quarter.

* * * * *

TRIAL BALANCES--FIRST QUARTER, FY A

Trial balances for the general ledgers maintained as of December 31, Fiscal Year A (the end of the first quarter), follow. The ledgers from which the figures were taken are illustrated in the appendix to this chapter.

Illustrative Federal Agency
Trial Balance of Budgetary Accounts
December 31 of FY A
(Dollars in Thousands)

Account	Dr. Bal.	Cr. Bal.
Other Appropriations Realized	$100,000	
Authority Available for Apportionment		$ 69,000
Apportionment Available for Distribution		1,000
Allotments Available for Commitment/Obligation		1,300
Commitments Available for Obligation		250
Undelivered Orders		8,150
Expended Appropriations		20,300
Total	$100,000	$100,000

Illustrative Federal Agency
Trial Balance of Proprietary Accounts
December 31 of FY A
(Dollars in Thousands)

Account	Dr. Bal.	Cr. Bal.
Fund Balance with Treasury	$ 88,450	
Advances to Others	250	
Inventory for Agency Operations	350	
Equipment	3,000	
Accumulated Depreciation on Equipment		$ 150
Disbursements in Transit		8,500
Accounts Payable		500
Accrued Unfunded Annual Leave		75
Appropriated Capital		79,700
Capital Investments		3,200
Appropriated Capital Used		17,100
Operating/Program Expenses	17,175	
	$109,225	$109,225

Supporting schedules based on the two subsidiary ledgers are set forth below. The ledgers are illustrated in the appendix to this chapter.

Illustrative Federal Agency
Schedule of Allotments, Commitments, Undelivered Orders, and Expended Appropriations
December 31 of FY A
(Dollars in Thousands)

Object for Which Funds Were Appropriated	Allotments	Commitments	Undelivered Orders	Expended Appropriations
Salaries & Benefits	$ 100	$ 0	$ 0	$ 7,400
Travel	550	0	50	3,900
Fixed Assets, Materials, and Services	650	250	8,100	9,000
Total	$1,300	$250	$8,150	$20,300
General Ledger Control Account Balances				
Allotments Available for Commitment/ Obligation	1,300			
Commitments Available for Obligation		250		
Undelivered Orders			8,150	
Expended Appropriations				20,300
Unreconciled Difference	$ 0	$ 0	$ 0	$ 0

Illustrative Federal Agency
Schedule of Operating/Program Expenses
December 31 of FY A
(Dollars in Thousands)

Expense	
Depreciation Expense--Equipment	$ 150
Payroll and Benefits	7,475
Personal Services	5,250
Supplies	400
Travel	3,900
Total	$17,175
Balance of General Ledger Control Account	
Operating/Program Expenses	$17,175
Unreconciled Difference	$ 0

TRANSACTIONS FOR REMAINDER OF FY A

The following transactions are for the remainder of fiscal year A.

13. OMB apportioned the remaining $69 million of the appropriation.

(1)

Budgetary entry

4450 Authority Available for Apportionment	69,000,000	
4510 Apportionment Available for Distribution		69,000,000

* * * * *

(2)

Proprietary entry

None

* * * * *

14. The agency Director of Accounting and Finance allotted the $70 million remaining to be distributed, including the $1 million not allotted during the first quarter. The allotments were for the following:

Salaries and Benefits	$22,500,000
Travel	15,500,000
Fixed Assets, Supplies, and Personal Services	32,000,000

(1)

Budgetary entry

4510 Apportionment Available for Distribution	70,000,000	
4610 Allotments Available for Commitment/Obligation		70,000,000

* * * * *

(2)

Proprietary entry

None

* * * * *

15. (a) Commitments were made for the following:

Equipment	$12,000,000
Inventory for Agency Operations	2,500,000
Personal Services	18,000,000

(1)

Budgetary entry

4610 Allotments Available for Commitment/Obligation	32,500,000	
4700 Commitments Available for Obligation		32,500,000

* * * * *

(2)

Proprietary entry

None

* * * * *

(b) Purchase orders for $32,700,000 were issued for commitments previously made totaling $32,600,000.

(1)

Budgetary entry

4610 Allotments Available for Commitment/Obligation	100,000	
4700 Commitments Available for Obligation	32,600,000	
4800 Undelivered Orders		32,700,000

* * * * *

(2)

Proprietary entry

None

* * * * *

16. (a) Travel orders of $16 million were issued.

(1)

Budgetary entry

4610	Allotments Available for Commitment/ Obligation	16,000,000	
4800	Undelivered Orders		16,000,000

* * * * *

(2)

Proprietary entry

None

* * * * *

(b) Requests to Treasury for travel advances to be made to employees totaled $5 million.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

1410 Advances to Others	5,000,000	
2120 Disbursements in Transit		5,000,000

* * * * *

(c) Treasury issued the requested travel advance checks.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

2120 Disbursements in Transit	5,000,000	
1010 Fund Balance With Treasury		5,000,000

* * * * *

(d) Travel vouchers of $16,025,000 were submitted and approved. Related travel orders amounted to $16,000,000, and $5,240,000 in advances were applied to the travel.

(1)

Budgetary entry

4610 Allotments Available for Commitment/Obligation	25,000	
4800 Undelivered Orders	16,000,000	
4900 Expended Appropriations		16,025,000

* * * * *

(2)

Proprietary entries

6100	Operating/Program Expenses	16,025,000	
1410	Advances to Others		5,240,000
2110	Accounts Payable		10,785,000

and

3100	Appropriated Capital	16,025,000	
5700	Appropriated Capital Used		16,025,000

* * * * *

(e) Checks for $5,000 in unused advances were submitted by employees.

Budgetary entry

None

* * * * *

(2)

Proprietary entry

1110	Undeposited Collections	5,000	
1410	Advances to Others		5,000

* * * * *

(f) The checks in transaction 16(e) were deposited with the Federal Reserve.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

1010 Fund Balance With Treasury	5,000	
1110 Undeposited Collections		5,000

* * * * *

(g) Checks for payment to employees for transactions in 16(d) were requested from Treasury.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

2110 Accounts Payable	10,785,000	
2120 Disbursements in Transit		10,785,000

* * * * *

(h) The agency received notice that Treasury had disbursed the checks in transaction 16(g).

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

2120 Disbursements in Transit	10,785,000	
1010 Fund Balance With Treasury		10,785,000

* * * * *

17. (a) Checks for $22,580,000 were requested for payroll and benefits payments.

(1)

Budgetary entry

4610 Allotments Available for Commitment/Obligation	22,580,000	
4900 Expended Appropriations		22,580,000

* * * * *

(2)

Proprietary entries[3]

6100 Operating/Program Expenses	22,580,000	
2120 Disbursements in Transit		22,580,000

and

3100 Appropriated Capital	22,580,000	
5700 Appropriated Capital Used		22,580,000

* * * * *

[3] See footnote 2 on p. 4-9.

(b) The agency received notice that Treasury had disbursed the checks in transaction 17(a).

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

2120 Disbursements in Transit	22,580,000	
1010 Fund Balance With Treasury		22,580,000

* * * * *

18. (a) Goods and services were received from vendors as follows.

Items	Amount Billed	Amount Previously Obligated
Equipment	$12,000,000	$12,000,000
Supplies	2,500,000	2,500,000
Personal Services	18,500,000	18,450,000

(1)

Budgetary entry

4800 Undelivered Orders	32,950,000	
4610 Allotments Available for Commitment/Obligation	50,000	
4900 Expended Appropriations		33,000,000

* * * * *

(2)

Proprietary entries

1750	Equipment	12,000,000	
1510	Inventory for Agency Operations	2,500,000	
6100	Operating/Program Expenses	18,500,000	
2110	Accounts Payable		33,000,000

and

3100	Appropriated Capital	33,000,000	
3210	Capital Investments		14,500,000
5700	Appropriated Capital Used		18,500,000

* * * * *

(b) Checks requested from the Treasury Department for payment of goods and services received from vendors totaled $33,475,000.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

2110	Accounts Payable	33,475,000	
2120	Disbursements in Transit		33,475,000

* * * * *

(c) Received notice that Treasury issued $40,000,000 of checks to vendors during the last three quarters of the fiscal year.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

2120 Disbursements in Transit	40,000,000	
1010 Fund Balance With Treasury		40,000,000

* * * * *

19. Information gathered at fiscal year-end included the following.

(a) An inventory of supplies on hand amounted to $550,000.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entries

6100	Operating/Program Expenses	2,300,000	
1510	Inventory for Agency Operations		2,300,000

and

3210	Capital Investments	2,300,000	
5700	Appropriated Capital Used		2,300,000

* * * * *

(b) Depreciation on equipment amounted to $800,000 for the last three quarters of the fiscal year.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entries

6100	Operating/Program Expense	800,000	
1759	Accumulated Depreciation on Equipment		800,000

and

3210	Capital Investments	800,000	
5700	Appropriated Capital Used		800,000

* * * * *

(c) Salaries and benefits amounting to $19,000 had been earned but not yet paid.

(1)

Budgetary entry

4610 Allotments Available for Commitment/Obligation	19,000	
4900 Expended Appropriations		19,000

* * * * *

(2)

Proprietary entries

6100 Operating/Program Expenses	19,000	
2210 Accrued Funded Payroll and Benefits		19,000

and

3100 Appropriated Capital	19,000	
5700 Appropriated Capital Used		19,000

* * * * *

(d) There were no additional personal services received but not yet recorded or paid at fiscal year-end. Thus, no accruals need to be made.

(e) Unpaid annual leave due employees at year end amounted to $175,000.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

6100	Operating/Program Expense	100,000	
2220	Accrued Unfunded Annual Leave		100,000

Note that $75,000 was recorded in transaction 12(c) (see p. 4-15). This transaction records the difference.

* * * * *

ADJUSTED TRIAL BALANCES AND SCHEDULES--END OF FY A

Trial balances for the general ledgers as of September 30 of FY A (fiscal year-end) follow. The ledgers are illustrated in the appendix to this chapter.

Illustrative Federal Agency
Trial Balance of Budgetary Accounts
September 30 of FY A
(Dollars in Thousands)

Account	Dr. Bal.	Cr. Bal.
Other Appropriations Realized	$100,000	
Allotments Available for Commitment/Obligation		$ 26
Commitments Available for Obligation		150
Undelivered Orders		7,900
Expended Appropriations		91,924
Totals	$100,000	$100,000

Illustrative Federal Agency
Trial Balance of Proprietary Accounts
September 30 of FY A
(Dollars in Thousands)

Account	Dr. Bal.	Cr. Bal.
Fund Balance With Treasury	$ 10,090	
Advances to Others	5	
Inventory for Agency Operations	550	
Equipment	15,000	
Accumulated Depreciation on Equipment		$ 950
Disbursements in Transit		1,975
Accounts Payable		25
Accrued Funded Payroll and Benefits		19
Accrued Unfunded Annual Leave		175
Appropriated Capital		8,076
Capital Investments		14,600
Appropriated Capital Used		77,324
Operating/Program Expenses	77,499	
	$103,144	$103,144

Supporting schedules based on the two subsidiary ledgers are shown below. The ledgers are illustrated in the appendix to this chapter.

Illustrative Federal Agency
Schedule of Allotments, Commitments, Undelivered Orders, and Expended Appropriations
September 30 of FY A
(Dollars in Thousands)

Object for Which Funds Were Appropriated	Allotments	Commitments	Undelivered Orders	Expended Appropriations
Salaries and Benefits	$ 1	$ 0	$ 0	$29,999
Travel	25	0	50	19,925
Fixed Assets, Materials, and Services	0	150	7,850	42,000
Totals	26	150	7,900	91,924
General Ledger Control Account Balances				
Allotments Available for Commitment/ Obligation	26			
Commitments Available for Obligation		150		
Undelivered Orders			7,900	
Expended Appropriations				91,924
Unreconciled difference	$ 0	$ 0	$ 0	$ 0

Illustrative Federal Agency
Schedule of Operating/Program Expenses
September 30 of FY A
(Dollars in Thousands)

Expense	
Depreciation Expense--Equipment	$ 950
Payroll and Benefits	30,174
Personal Services	23,750
Supplies	2,700
Travel	19,925
Total	77,499
Balance of General Ledger Control Account	
Operating/Program Expenses	77,499
Unreconciled Difference	$ 0

CLOSING ENTRIES, FY A

Closing entries for the budgetary and proprietary accounts are shown below. Note that most transactions involve the closing of only budgetary or only proprietary accounts.

CL-1 To remove unobligated commitments from the accounts: (budgetary entry only)

4700	Commitments Available for Obligation	150,000	
4610	Allotments Available for Commitment/Obligation		150,000

* * * * *

<u>CL-2</u> To remove unused allotment authority from the accounts: (budgetary entry only)

4610	Allotments Available for Commitment/Obligation	176,000	
4510	Apportionment Available for Distribution		176,000

* * * * *

<u>CL-3</u> To remove the apportionment authority from the books: (budgetary entry only)

4510	Apportionment Available for Distribution	176,000	
4450	Authority Available for Apportionment		176,000

* * * * *

<u>CL-4</u> To establish the account for budget authority that must be returned to Treasury:

(1)

<u>Budgetary entry</u>

4450	Authority Available for Apportionment	176,000	
4391	Restorations, Writeoffs, and Withdrawals		176,000

* * * * *

(2)

Proprietary entry

3100 Appropriated Capital	176,000	
2990 Other Liabilities (To return Unused Appropriation to Treasury.)		176,000

* * * * *

CL-5 To reduce the appropriation by the amount of budget authority returned to Treasury:

(1)

Budgetary entry

4391 Appropriations Realized but Withdrawn	176,000	
4119 Other Appropriations Realized		176,000

* * * * *

(2)

Proprietary entry

2990 Other Liabilities (To Return Unused Appropriation to Treasury.)	176,000	
1010 Fund Balance With Treasury		176,000

* * * * *

CL-6 To remove expended appropriations from the accounts: (budgetary entry only)

4900	Expended Appropriations	91,924,000	
4119	Other Appropriations Realized		91,924,000

* * * * *

CL-7 To close the revenue and expense accounts: (proprietary entry only)

5700	Appropriated Capital Used	77,324,000	
3320	Net Results of Operations	175,000	
6100	Operating/Program Expenses		77,499,000

* * * * *

CL-8 To close Net Results of Operations: (proprietary entry only)

3310	Cumulative Results of Operations	175,000	
3320	Net Results of Operations		175,000

* * * * *

PRE-CLOSING AND POST-CLOSING TRIAL BALANCES, END OF FY A

The Pre-Closing Trial Balance required by the SGL for budgetary accounts (see pp. 2-23 and 2-24), is shown on the next page. It is compiled after closing entry 5 is made.

Illustrative Federal Agency
Pre-Closing Trial Balance of Budgetary Accounts
September 30 of FY A
(Dollars in Thousands)

Account	Dr. Bal.	Cr. Bal.
Appropriations Realized but Withdrawn	$ 176	
Restorals, Writeoffs, and Withdrawals		$ 176
Other Appropriations Realized	99,824	
Undelivered Orders		7,900
Expended Appropriations		91,924
Total	$100,000	$100,000

The Post-Closing Trial Balance of budgetary accounts is shown below.

Illustrative Agency
Post-Closing Trial Balance of Budgetary Accounts
September 30 of FY A
(Dollars in Thousands)

Account	Dr. Bal.	Cr. Bal.
Appropriations Realized but Withdrawn	$ 176	
Restorals, Writeoffs, and Withdrawals		$ 176
Other Appropriations Realized	7,900	
Undelivered Orders		7,900
Total	$8,076	$8,076

The Post-Closing Trial Balance of proprietary accounts (made after closing entry 5) follows.

Illustrative Federal Agency
Post-Closing Trial Balance of Proprietary Accounts
September 30 of FY A
(Dollars in Thousands)

Account	Dr. Bal.	Cr. Bal.
Fund Balance With Treasury	$ 9,914	
Advances to Others	5	
Inventory for Agency Operations	550	
Equipment	15,000	
Accumulated Depreciation on Equipment		$ 950
Disbursements in Transit		1,975
Accounts Payable		25
Accrued Funded Payroll and Benefits		19
Accrued Unfunded Annual Leave		175
Appropriated Capital		7,900
Capital Investments		14,600
Cumulative Results of Operations	175	
	$25,644	$25,644

GENERAL PURPOSE FINANCIAL STATEMENTS MEETING GAO STANDARDS

The financial statements illustrated in this section meet GAO standards[4] and would be appropriate for inclusion in an agency's annual report.[5] The statement of changes in government equity, while not required under those standards, is useful to explain how Equity of the U.S. Government changed from the beginning to the end of the accounting period. The financial statements include

-- an operating statement,

-- a statement of changes in government equity,

-- a balance sheet,[6] and

-- a statement of changes in financial position prepared on a cash basis (essentially the same as a "cash flow statement").

---

[4]Title 2, appendix I, Standard F-20.

[5]The statements illustrated are prepared in the most basic manner consistent with Title 2 requirements. In practice, agencies may further classify items appearing on them if useful for management purposes. For example, instead of a single category of "Expenses" on the operating statement, agencies may wish to further classify expenses as funded and unfunded.

[6]The Balance Sheet is sometimes referred to as the "statement of financial position."

An additional statement required by title 2, "Reconciliation of Expended Appropriations with Net Results of Operations" is discussed and illustrated in chapter 5. The statements, which begin below, are based on transactions recorded in this chapter for our illustrative federal agency.

Illustrative Federal Agency
Operating Statement
for Year Ended September 30 of FY A
(Dollars in Thousands)

Financing Sources		
Appropriated Capital Used		$77,324
Expenses		
Depreciation on Equipment	$ 950	
Payroll and Benefits	30,174	
Personal Services	23,750	
Supplies	2,700	
Travel	19,925	
Total		$77,499
Excess of Expenses Over Financing Sources		$ (175)[a]

[a] Note that this is the amount of unfunded expense related to the annual leave liability.

Illustrative Federal Agency
Statement of Changes in Government Equity
for Year Ended September 30 of FY A
(Dollars in Thousands)

	Appropriated Capital	Capital Investments	Cumulative Results of Operations	Total
Balance, October 1 of Fiscal Year A	$ 0	$ 0	$ 0	$ 0
Appropriation	100,000			100,000
Purchase of Equipment and Inventory	(18,250)[a]	18,250		
Financing Sources for Depreciation and Inventory Used		(3,650)[b]		(3,650)
Financing Sources for Other Expenses	(73,674)[c]			(73,674)
Excess of Expenses Over Financing Sources			(175)	(175)
Return of Expired Appropriation	(176)			(176)
Balance, September of Fiscal Year A	$ 7,900	$14,600	$(175)	$ 22,325

[a] Equipment, $15,000, + Inventory, $3,250.

[b] Depreciation, $950, + Supplies Used, $2,700.

[c] Appropriated Capital Used, $77,324, - (Depreciation Expense, $950, + Supplies Used, $2,700).

Illustrative Federal Agency
Balance Sheet
September 30 of Fiscal Year A
(Dollars in Thousands)

ASSETS		
Fund Balance With Treasury		$ 9,914
Advances to Others		5
Inventory for Agency Operations		550
Equipment:		
Cost	$15,000	
Less Accumulated Depreciation	(950)	14,050
Total Assets		$24,519
LIABILITIES AND EQUITY		
Liabilities		
Disbursements in Transit	$ 1,975	
Accounts Payable	25	
Accrued Funded Payroll	19	
Accrued Unfunded Annual Leave	175	
Total Liabilities		$ 2,194
Equity of the U.S. Government		
Appropriated Capital	7,900	
Capital Investments	14,600	
Cumulative Results of Operations	(175)	
Total Equity of the U. S. Government		22,325
Total Liabilities and Equity		$24,519

Illustrative Federal Agency
Statement of Changes in Financial Position
For Year Ended September 30, FY A
(Dollars in Thousands)

Fund Balance Provided by Operations		
Excess of Expenses over Financing Sources	($ 175)	
Components not requiring Cash:		
Depreciation Expense	950	
Supplies Used	2,700	
Salaries and Benefits Expense related to Annual Leave	175	
Increase in Advances to Others	(5)	
Increase in Disbursements in Transit	1,975	
Increase in Accounts Payable	25	
Increase in Funded Payroll Liability	19	$5,664
Fund Balance Provided by Financing		
Appropriated Capital:		
Used for Investments	14,600	
Held for Undelivered Orders	7,900	
Related to Appropriation not Obligated	176	
Related to Appropriation Returned to Treasury	(176)	22,500
Fund Balance Used for Investments		
Purchase of Inventory	3,250	
Purchase of Equipment	15,000	(18,250)
Increase in Fund Balance With Treasury		9,914
Beginning Fund Balance With Treasury		0
Ending Fund Balance With Treasury		$ 9,914

FINANCIAL STATEMENTS REQUIRED BY OMB AND TREASURY

OMB and Treasury regulations require that agencies prepare and submit several financial statements. One of the principal statements required by OMB is the SF 133, "Report on Budget Execution." Selected key reports required by Treasury include those shown below.

SF 220	Report on Financial Position
SF 221	Report on Operations
SF 222	Report on Cash Flow
SF 223	Report on Reconciliation [of operating expenses to net disbursements]
TFS 2108	Year-end Closing Statement

These statements are illustrated on the following pages, based on transactions recorded for our illustrative federal agency. Information on the source of certain figures entered on the statements is set forth beginning on p. 4-56. The first three statements are essentially the same as those statements illustrated in the previous section, differing only in the composition of line items.

Standard Form 133
(Revised July 1976)
Office of Management and Budget
Circular No. A-34

REPORT ON BUDGET EXECUTION

Sheet 1 of 1
Period ended: Sept. 30 of FY A

Agency: Illustrative Federal Agency

Bureau:

Appropriation or Fund Title and Symbol: Salaries and Expenses 99A 9999

Description	Unexpired Accounts (Dollars in thousands)		
BUDGETARY RESOURCES			
1. Budget authority:			
A. Appropriations realized P.L. xx-xx	100,000		
B. Appropriations anticipated (indefinite)			
C. Other new authority ( )			
D. Net transfers (+ or −)			
2. Unobligated balance:			
A. Brought forward October 1			
B. Net transfers (+ or −)			
3. Reimbursements and other income:			
A. Earned ($)			
B. Change in unfilled customers' orders (+ or −)			
C. Anticipated for rest of year			
4. Recoveries of prior year obligations:			
A. Actual ($)			
B. Anticipated for rest of year			
5. Portion not available pursuant to P.L. (−)			
6. Restorations (+) and writeoffs (−) ($)			
7. Total Budgetary Resources	100,000		
STATUS OF BUDGETARY RESOURCES			
8. Obligations incurred ($)	99,824		
9. Unobligated balances available:			
A. Apportioned, category A	176		
B. Apportioned, category B			
C. Other balances available			
10. Unobligated balances not available:			
A. Apportioned for subsequent periods*			
B. Withheld pending rescission*			
C. Deferred*			
D. Unapportioned balance of revolving fund*			
E. Other balances not available			
11. Total Budgetary Resources	100,000		
RELATION OF OBLIGATIONS TO OUTLAYS AND ACCRUED EXPENDITURES			
12. Obligations incurred, net (8−3A−3B−4A)	99,824		
13. Net unpaid obligations:			
A. Obligated balance, as of October 1	0		
B. Obligated balance transferred, net (+ or −)	0		
C. Obligated balance, end of period	9,914		
14. Outlays (12+13A+13B−13C) ($)	89,910		
15. Change in accounts payable, net:			
A. Accounts payable, net, as of October 1	0		
B. Accounts payable transferred, net (+ or −)	0		
C. Accounts payable, net, end of period	2,014		
16. Accrued expenditures (14−15A−15B+15C) ($)	91,924		

*From S.F. 132

/s/
(Authorized officer) (Date)

Standard Form 220
November 1988
I TFM 2-4100

IAR No. 1178-TD-XX

REPORT ON FINANCIAL POSITION
as of Sept. 30 of FY A
(Dollars in thousands)

IDENTIFICATION:
DEPARTMENT/AGENCY: Illustrative Federal Agency
BUREAU/ORGANIZATIONAL UNIT:
OMB IDENTIFICATION CODE: FUND TYPE: 5

Assets	Amount	Total current period
1. Fund balance with Treasury and cash (SF 220-1)		
a. Fund balance(s)	9,914	
b. Cash		
c. Foreign currency, net		
d. Subtotal		9,914
2. Accounts receivable (SF 220-9)		
a. Federal agencies		
1. Current		
2. Noncurrent		
b. Public		
1. Current		
2. Noncurrent		
c. Less: Allowances		
d. Subtotal		
3. Advances and prepayments		
a. Federal agencies		
b. Public	5	
c. Subtotal		5
4. Inventories (SF 220-1)		
a. Operating consumables	550	
b. Product or service components		
c. Stockpiled materials		
d. Other 1.		
2.		
3.		
4.		
e. Subtotal		550
5. Investments, net (SF 220-1)		
a. Federal securities		
b. Non-Federal securities		
c. Other 1.		
2.		
3.		
4.		
d. Subtotal		
6. Loans receivable (SF 220-8, SF 220-9)		
a. Federal agencies		
1. Current		
2. Noncurrent		
b. Public		
1. Current		
2. Noncurrent		
c. Less: Allowances		
d. Subtotal		

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(2-4100-14)

REPORT ON FINANCIAL POSITION
as of Sept. 30 of FY A
(Dollars in thousands)

BUREAU/ORGANIZATIONAL UNIT: Illustrative Federal Agency

Assets-Continued	Amount	Total current period
7. Property, plant and equipment, net (SF 220-1)		
a. Structures, facilities and leasehold improvements		
b. Military equipment		
c. ADP software		
d. Equipment	15,000	
e. Assets under capital lease		
f. Other 1.		
2.		
3.		
4.		
g. Construction-in-progress		
h. Land		
i. Allowances for Depreciation	(950)	
j. Subtotal		14,050
8. Other assets		
a.		
b.		
c.		
d.		
e. Subtotal		
9. Total assets		24,519
Liabilities		
10. Accounts payable		
a. Federal agencies		
b. Public	2,000	
c. Subtotal		2,000
11. Interest payable		
a. Federal agencies		
b. Public		
c. Subtotal		
12. Accrued payroll and benefits		19
13. Accrued unfunded annual leave		175
14. Unearned revenue (advances)		
a. Federal agencies		
b. Public		
c. Subtotal		
15. Deposit funds		
16. Debt issued under borrowing authority (SF 220-1)		
a. Gross Federal debt		
b. Intragovernmental debt		
c. Other debt		
d. Subtotal		
17. Actuarial liabilities (SF 220-1)		
a. Pension plans		
b. Insurance and annuity programs		
c. Subtotal		

REPORT ON FINANCIAL POSITION
as of Sept. 30 of FY A
(Dollars in thousands)

BUREAU/ORGANIZATIONAL UNIT: Illustrative Federal Agency

Liabilities-Continued	Amount	Total current period
18. Other liabilities		
a.		
b.		
c.		
d.		
e. Subtotal		
19. Total liabilities		2,194
Equity		
Appropriated fund equity		
20. Unexpended financed budget authority		
a. Unexpended appropriations	7,900	
b. Less: Unfilled customer orders(Federal)		
c. Subtotal		7,900
21. Invested capital		14,600
Cumulative Results of Operation		(175)
Revolving fund equity		
22. Revolving fund balance(s)		
a. Appropriated capital		
b. Cumulative results		
c. Donations		
d. Subtotal		
Trust fund equity		
23. Trust fund balance(s)		
24. Total equity		22,325
25. Total liabilities and equity		24,519

AGENCY CONTACTS	
1. Preparer's Name	2. Telephone No.
3. Address	
4. Supervisor's Name	5. Telephone No.

REPORT ON OPERATIONS

for the period ended Sept. 30 of FY A
(Dollars in thousands)

IDENTIFICATION:
DEPARTMENT/AGENCY: Illustrative Federal Agency
BUREAU/ORGANIZATIONAL UNIT:
OMB IDENTIFICATION CODE: FUND TYPE: 5
BASIS USED: Accrual

FINANCING SOURCES	Amount	Total
1. ~~Accrued expenditures~~ Expended Approp		91,924
2. Revenue		
a. Federal sources		
b. Public sources		
c. Subtotal		
3. Governmental receipts		
4. Other a. Appropriations Used For:		
b. - Depreciation	950	
c. - Supplies Consumed	2,700	
d.		
e. Subtotal		3,650
5. Less: Receipts returned to Treasury		
6. Total financing sources		95,574
OPERATING EXPENSES		
7. Cost of goods sold		
8. Operating/program expenses, funded		73,674
9. Interest expense, funded		
a. Federal Financing Bank/ Treasury borrowings		
b. Federal securities		
c. Other 1.		
2.		
3.		
4.		
d. Subtotal		
10. Other, funded expenses		
a.		
b.		
c.		
d.		
e. Subtotal		73,674

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REPORT ON OPERATIONS
for the period ended Sept. 30 of FY A
(Dollars in thousands)

BUREAU/ORGANIZATIONAL UNIT: Illustrative Federal Agency

OPERATING EXPENSES-Continued	Amount	Total
11. Unfunded expenses		3,825
12. Total operating expenses		77,499
NET RESULTS		
13. Net results before adjustments		18,075
14. Less: Capital expenditures (all funds refer to the instructions)		18,250
15. Less: Extraordinary items		
16. Net results		(175)

AGENCY CONTACTS	
1. Preparer's Name	2. Telephone No.
3. Address	
4. Supervisor's Name	5. Telephone No.

(2-4100-50)

Standard Form 222
November 1988
I TFM 2-4100

IAR No. 0341-TD-AN

REPORT ON CASH FLOW

for the period ended Sept. 30 of FY A
(Dollars in thousands)

IDENTIFICATION:
DEPARTMENT/AGENCY: Illustrative Federal Agency
BUREAU/ORGANIZATIONAL UNIT:
OMB IDENTIFICATION CODE: FUND TYPE: 5

Description	Amount	Total
1. Fund balance with Treasury and cash, beginning of period (PY SF 220)		0
2. Sources of funds:		
a. Increase in debt		
b. Appropriations	100,000	
c. Revenue		
d. Sale of assets		
e. Increase in payables	2,019	
f. Decrease in receivables and advances	(5)	
g. Other 1.		
2.		
3.		
4.		
h. Total		102,014
3. Application of funds:		
a. Operating expenses (SF 221)	77,499	
b. Less: Expenses not requiring outlays (SF 221)	(3,825)	
c. Increase in investments		
d. Increase in inventory	3,250	
e. Purchase of property, plant, and equipment	15,000	
f. Other 1. Return of unobligated	176	
2. Approp. to Treasury		
3.		
4.		
g. Total		92,100
4. Fund balance with Treasury and cash, end of period (SF 220)		9,914

AGENCY CONTACTS	
1. Preparer's Name	2. Telephone No.
3. Address	
4. Supervisor's Name	5. Telephone No.

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(2-4100-54)

REPORT ON RECONCILIATION
for the period ended Sept. 30 of FY A
(Dollars in thousands)

IDENTIFICATION:
DEPARTMENT/AGENCY: Illustrative Federal Agency
BUREAU/ORGANIZATIONAL UNIT: ______
OMB IDENTIFICATION CODE: ______ FUND TYPE: 5

Description	Total
1. Total operating expenses (SF 221)	77,499
2. Adjustments:	
Add: a. Capital expenditures	18,250
Deduct: b. Increase (decrease) in accounts payable	2,014
c. Decrease (increase) in inventories	2,700
d. Accrued expenses not requiring outlays	1,125
3. Subtotal	
4. Less: Offsetting collections credited	
5. Net disbursements	89,910

AGENCY CONTACTS	
1. Preparer's Name	2. Telephone No.
3. Address	
4. Supervisor's Name	5. Telephone No.

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(2-4100-58)

AGENCY Illustrative Federal Agency

YEAR-END CLOSING STATEMENT

TFS FORM 2108 8-79 FORMERLY TFS FORM 2108, 11-74, WHICH IS OBSOLETE.

DEPARTMENT OF THE TREASURY—FISCAL SERVICE
BUREAU OF GOVERNMENT FINANCIAL OPERATIONS
DIVISION OF GOVERNMENT ACCOUNTS AND REPORTS
I TFRM 2-4200

Page ______

TREASURY TRIAL BALANCE						TRANSFERS AND WITHDRAWALS (31 U.S.C. 701)		FUND RESOURCES				STATUS OF RESOURCES		
APPROPRIATION OR FUND SYMBOL										RECEIVABLES		UNPAID OBLIGATIONS		
DEPT. REG.	TR FROM	FIS. YR.	NUMBER	SUB. NUMBER	Preclosing Unexpended Balance	Obligated Balance Transferred to "M" Accounts	Unobligated Balance Withdrawn (—) or Restored (+)	Postclosing Unexpended Balance	Other Authorizations	Reimbursements Earned and Refunds	Unfilled Customer Orders	Undelivered Orders and Contracts	Accounts Payable and Other Liabilities	Unobligated Balance Available for Obligation
(1)					(2) (Code 00)	(3)	(4)	(5)	(6)	(7) (Code 77)	(8) (Code 78)	(9) (Code 49)	(10) (Code 40)	(11) (Code 41)
99		A	9999		10,090,000	0	-176,000	9,914,000	0	5,000		7,900,000	2,019,000	0

Sources of Selected Figures on Statements

Although the SGL provides a crosswalk to use in preparing the OMB and Treasury statements illustrated above, this section indicates the sources of the figures and the nature of the computations and listings involved to further assist the reader's understanding of the preparation of the statements. All amounts are in thousands of dollars.

SF 133, Report on Budget Execution

Line 8 Expended Appropriations, $91,924 + Undelivered Orders, $7,900.

9 Restorations, Writeoffs, and Withdrawals, representing unobligated appropriations which must be returned to Treasury at year-end.

Note that the section Status of Budgetary Resources summarizes the accounts for the $100 million appropriation in the following manner:

Expended Appropriations	$91,924
Undelivered Orders	7,900
Total Obligations	99,824
Unobligated Appropriation to be returned to the Treasury	176
TOTAL APPROPRIATION	$100,000

13C This figure is composed of the following account balances:

Accounts Payable	$ 25
Disbursements in Transit	1,975
Accrued Funded Payroll	19
Undelivered Orders	7,900
Total amounts yet to be paid	9,919
Less Advances to Others	(5)
NET UNPAID OBLIGATIONS	$9,914

It represents the amount of money obligated for goods and services received or ordered but not yet received which will have to be paid from Fund Balance With Treasury, less moneys due back to the appropriation.

Line 14

Note that this is the amount disbursed from Fund Balance With Treasury during the year. Its derivation from lines 12 and 13 is based on the following equation, which expresses the relationship between items to be funded by the appropriation:

Total Goods and Services Received and Expected to Be Received	=	Goods and Services Paid For	+	Goods and Services Yet to Be Paid For
(Expended Appropriations plus Undelivered Orders)		(Cash Disburse-ments, or outlays)		(Current and Expected Liabilities minus Receivables)

15C

This figure is equal to the difference between the amount on line 13C and the amount in Undelivered Orders. Undelivered Orders are not valid accounts payable until the goods and services they represent are received.

16

Note that the term "accrued expenditures" means "Expended Appropriations accounted for on an accrual basis." The amount on this line should equal the amount in the account Expended Appropriations.

SF 220, Report on Financial Position

Amounts shown on the statement are taken from those on the balance sheet appearing on p. 4-44. Note that it is necessary to add a line after line 21 to show Cumulative Results of Operations. The $175,000 negative balance in that account represents expenses related to the unfunded annual leave liability at fiscal year-end.

SF 221, Report on Operations

Line 1

See discussion of "accrued expenditures" for line 16 of the SF 133. While "Expended Appropriations" is called for here, conceptually, "Appropriated Capital Used" is the proper financing source. In addition, while Appropriated Capital Used is not a single line item, note that line 1 + line 4 - line 14 is equal to the balance of Appropriated Capital Used. Lines 4 and 14 are used to adjust Expended Appropriations to reflect Appropriated Capital Used. Adjustments to reconcile the two are discussed in more detail in chapter 5.

4

Note that it is necessary to include appropriated capital used for depreciation and supplies consumed because line 1, expended appropriations, does not include them.

8

This line reports the amount of total expenses, $77,499, less the amount on line 11, $3,825.

11

This line shows the sum of Depreciation Expense, $950, Expense for Supplies Used, $2,700, and Annual Leave Expense, $175. The word "unfunded" in the line description means "unfunded by current-year expended appropriations." Note that the depreciation and supplies used are related to the financing source "Appropriated Capital Used" on line 4. The annual leave expense is not funded. It will be paid from future appropriations.

Line 14

The amount on this line is the sum of purchases of equipment, $15,000 and supplies, $3,250. Note that the amount on line 1, $91,924, plus the amount on line 4, $3,650, less the amount on line 14, $18,250, is equal to the balance of the financing source account Appropriated Capital Used, $77,324, which is the proper account to match against the expenses funded by the appropriation. We are working with the SGL Advisory Work Group and with Treasury to change the operating statement to reflect Appropriated Capital Used as a single item on line 1 instead of computing it on the present lines 1, 4, and 14.

16

Note that the $175 result is the amount of unfunded annual leave expense.

SF 222, Report on Cash Flow

Line 2e

This line shows the sum of the following liabilities:

Disbursements in Transit	$1,975
Accounts Payable	25
Accrued, Funded Payroll	19
TOTAL	$2,019

3b

This is from line 11 of the SF 221.

3d

The description "increase in inventory" means purchases of inventory less disposals of inventory (by sale, transfer to other agencies without reimbursement, or scrapping). The Illustrative Federal Agency had only purchases.

Line 3e

The same is true for equipment as for inventory, explained in the comment for line 3d, except that equipment can also be traded in. The Illustrative Federal Agency had only purchases of equipment.

SF 223, Report on Reconciliation

This statement is based on the concept that the sum of operating expenses plus purchases of fixed assets represents the amount of disbursements that would be required if all expenses involved had been paid in cash. However, some of the expenses do not require cash outlays. In the case of the Illustrative Federal Agency, these are the expenses for depreciation, supplies used, and annual leave. Their sum is listed on line 2d.

In addition, some of the expenses were accrued and thus were recognized as expenses but did not require cash outlays. These must be deducted. On the other hand, expenses may have been accrued in the prior year and paid in Year A. They are not included in expenses for the current year and must be added.

Finally, because it was formed in the current year, the Illustrative Federal Agency had no beginning payables. However, some payables shown on line 2b had been accrued as of fiscal year-end. Note that the computation includes only payables for which budget authority is provided by the appropriation. No disbursements can be made for unfunded payables.

Line 1	From SF 221, line 12.
2a	From SF 221, line 14.
2b	From SF 222, line 2(e) + line 2(f).
2c	The $2,700 is the amount of supplies used rather than the $550 increase in supplies, because the SF 223 is incorrectly designed. Both lines 1 and 2a include supplies used to the extent they were purchased during the accounting period, and hence, the $2,700 must be deducted on line 2c to make the report balance. An alternative method to correct the situation would be to place the $550 increase in inventory on line 2c and reduce the amount on line 2a by the amount of merchandise acquire during the period. For our example, line 2a would then become $15,000 ($18,250 shown less $3,250 for merchandise acquired). We are working with Treasury and the SGL Board to correct the error in the form's construction.
2d	This is the amount from SF 221, line 11, less $2,700 related to the decrease in inventory.
5	Note that this is the same amount as listed on line 14 of the SF 133.

TFS 2108, Year-End Closing Statement

The purpose of this form is to account for the Fund Balance With Treasury held by the agency. The basic formula used is as follows, with numbers of the columns where the information appears on the 2108 shown:

Balance at Fiscal Year-End, before merging of old appropriations and return of unneeded funds	Col. 2
Less: Transfer to merged appropriations	Col. 3
Return of unneeded funds	Col. 4
Equals Balance needed for pending transactions	Col. 5
Plus funds expected to be received:	
From certain special authorizations	Col. 6
From receivables relating to reimbursable work performed for others and certain refund items	Col. 7
From unfilled customer orders	Col. 8
Equals funds available for disbursement	No column provided
Less expected disbursements:	
From undelivered orders	Col. 9
From funded liabilities	Col. 10
Equals funds expected to be available after expected collections and disbursements	Col. 11

The source of figures relating to the columns for our illustrative federal agency is set forth below.

Column 2

This number, supplied by Treasury, is the balance remaining in the account Fund Balance With Treasury before any unused funds related to unobligated appropriations are turned back to Treasury. "Unexpended Balance" in the column title means "Unexpended Fund Balance With Treasury" as opposed to "unexpended appropriations."

Column 3 FY A appropriation accounts will not be "merged" until FY C. (See pp. 2-35 and 2-36 for an explanation of merging.)

4 The Unobligated Balance Withdrawn is the balance in the budgetary account Restorations, Writeoffs, and Withdrawals.

5 This is computed as col. 2 - col. 3 - col. 4.

6 There was no authorization other than that relating to the basic operating appropriation.

7 This is the balance of the account Advances to Others.

8 This is not applicable to the Illustrative Federal Agency, as it has not engaged in work for customers. Chapters 6 and 7 discuss accounting for reimbursable work and chapter 8 provides a comprehensive illustration which includes reimbursable work.

9 This is the balance of the account Undelivered Orders.

10 The $2,019,000 shown is the sum of:

Disbursements in Transit	$1,975
Accounts Payable	25
Accrued Funded Payroll Liability	19
Total	$2,019

Note that only funded liabilities are included in this sum. Unfunded liabilities, such as that for annual leave, are not claims on the FY A Fund Balance With Treasury, as they will be financed through authority from future appropriations.

Column 11

This is the result of the following computation: col. 5 + col. 6 + col. 7 + col. 8 - col. 9 - col. 10.

TRANSACTIONS SUBSEQUENT TO FY A

As with any entity, a federal agency's activities continue after the books have been closed at the end of the appropriation year. The payment of liabilities incurred through authority of the appropriation relating to the books just closed and collection of receivables related to that appropriation will occur in the next or possibly later years. The agency will have a new budget, but the budget will be related to its appropriation for that new year, and any payments or collections must be identified as to the appropriation to which they relate.

Thus, while the agency will track its transactions through such accounts as illustrated in this chapter, the accounts must be identified by appropriation year. This is so that financial statements, some of which require reporting or reconciling by appropriation, can be properly prepared.

Agency accounting systems can accomplish this through (1) separate ledgers, segregated by year, (2) separate accounts by year in the same ledger (e.g., Other Appropriations Realized--FY A and Other Appropriations Realized--FY B), or (3) through data elements which allow identification of transactions by appropriation year to which the transactions relate.

This section continues the example for our Illustrative Federal Agency's FY A transactions through completion in FY B. FY B transactions, which would essentially repeat with different dollar amounts those already illustrated for FY A, are not presented. However, readers should understand that at the same time transactions related to FY A appropriations would occur in FY B, transactions related to FY B would also occur, and the two sets of transactions would need to be segregated in the accounts to facilitate proper reporting.

Transactions and journal entries relating to our FY A appropriation and occurring in FY B are shown below. The entries are posted to the ledgers found in the appendix to this chapter.

20. (a) The $5,000 in outstanding travel advances at the end of FY A were collected.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

1110 Undeposited Collections	5,000	
1410 Advances to Others		5,000

* * * * *

(b) The funds collected were deposited with Treasury.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

1010	Fund Balance With Treasury	5,000	
1110	Undeposited Collections		5,000

* * * * *

21. The first payroll in FY B was made. The portion pertaining to FY A (which is the only portion with which these entries are concerned) was $19,000.

(a) The checks were requested from Treasury.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

2210	Accrued Funded Payroll and Benefits	19,000	
2120	Disbursements in Transit		19,000

* * * * *

(b) Treasury confirmed that the payroll funds have been disbursed.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

2120	Disbursements in Transit	19,000	
1010	Fund Balance With Treasury		19,000

* * * * *

22. Goods and services of $7,900,000, which equals the amount obligated, were received. All were for personal services.

(1)

Budgetary entry

4800	Undelivered Orders	7,900,000	
4900	Expended Appropriations		7,900,000

* * * * *

(2)

Proprietary entries

6100	Operating/Program Expenses	7,900,000	
2110	Accounts Payable		7,900,000

and

3100 Appropriated Capital	7,900,000	
5700 Appropriated Capital Used		7,900,000

Note that the Fiscal Year B Operating/Program Expenses and Appropriated Capital Used accounts are required. They would be posted to the FY B general ledger, which is not illustrated. The remaining accounts, which pertain to the FY A appropriation, are posted to the FY A ledgers in the chapter appendix.

* * * * *

23. (a) Checks for $7,925,000 to be paid vendors on account were requested from Treasury.

(1)

<u>Budgetary entry</u>

None

* * * * *

(2)

<u>Proprietary entry</u>

2110 Accounts Payable	7,925,000	
2120 Disbursements in Transit		7,925,000

* * * * *

(b) The agency received notice from Treasury that disbursements to vendors in the amount of $9,900,000, including $1,975,000 of disbursements in transit at the end of FY A, had been made.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

2120	Disbursements in Transit	9,900,000	
1010	Fund Balance With Treasury		9,900,000

* * * * *

24. Depreciation on equipment purchased in FY A amounted to $1.5 million in FY B. The amount of supplies purchased in FY A and used in FY B was $450,000.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entries

6100	Operating/Program Expenses	1,950,000	
1759	Accumulated Depreciation on Equipment		1,500,000
1510	Inventory for Agency Operations		450,000

and

3210 Capital Investments	1,950,000	
5700 Appropriated Capital Used		1,950,000

Note that the Fiscal Year B Operating/Program Expenses and Appropriated Capital Used accounts are required. They would be posted to the FY B general ledger which is not illustrated. The remaining accounts, which pertain to the FY A appropriation, are posted to the FY A ledgers in the chapter appendix.

* * * * *

After the above entries have been posted, trial balances of the general ledger accounts related to FY A accounts appear as follows.

Illustrative Federal Agency
Trial Balance of FY A Budgetary Accounts
September 30 of FY B
(Dollars in Thousands)

Appropriations Realized but Withdrawn	$ 176	
Restorals, Writeoffs, and Withdrawals		176
Other Appropriations Realized	7,900	
Expended Appropriations		$7,900
Total	$8,076	$8,076

Illustrative Federal Agency
Trial Balance of FY A Proprietary Accounts
Including Transactions Resulting in FY B Expenses
September 30 of FY B
(Dollars in Thousands)

Inventory for Agency Operations	$ 100	
Equipment	15,000	
Accumulated Depreciation--Equipment		$ 2,450
Capital Investments	______	12,650[a]
Totals	$15,100	$15,100

[a] Note that the $12,650,000 in capital investments provides the financing source for the use of inventory and depreciation on equipment until all inventory is used and the equipment has been fully depreciated. Related to the FY A inventory and FY A equipment used in FY B, the operating statement for FY B would show the following.

Appropriated Capital Used		$1,950,000
Operating/Program Expenses		
Supplies Used	$ 450,000	
Depreciation on Equipment	1,500,000	1,950,000
Excess of Financing Sources over Expenses	$ 0	

CLOSING ENTRY--FY B

Only one closing entry is needed in FY B for FY A accounts. That entry closes the budgetary accounts Other Appropriations Realized and Expended Appropriations, as follows.

CL-9	Expended Appropriations	7,900,000	
	Other Appropriations Realized		7,900,000

After posting that entry, all budgetary authority for FY A has been expended or withdrawn.

The proprietary accounts relating to FY A require no closing entries. Only Appropriated Capital Used and Operating/Program Expenses in the FY B ledger need to be closed for those FY A transactions occurring in FY B. Both accounts are closed at the end of FY B.

APPENDIX TO CHAPTER 4: LEDGER ACCOUNTS

APPENDIX CONTENTS AND SYMBOLS

This appendix contains the following ledger accounts, which show the postings related to the entries illustrated in chapter 4:

1. a general ledger of budgetary accounts,

2. a general ledger of proprietary accounts,

3. a subsidiary appropriations ledger supporting the budgetary accounts, and

4. a subsidiary expense ledger supporting the proprietary account "Operating/ Program Expenses."

General ledger account titles are followed by their SGL numbers. Throughout all ledgers, dollar amounts are reported in thousands. A dashed line (---) indicates the end of first quarter FY A transactions in each account, and a double-dashed line (===) indicates the end of transactions in FY A.

1. GENERAL LEDGER--BUDGETARY ACCOUNTS

Account Name: Other Appropriations Realized (4119)

Trans.	Dr.	Cr.	Balance
1	100,000		100,000
CL-5		176	99,824
CL-6		91,924	7,900
CL-9		7,900	0

Account Name: Authority Available for Apportionment (4450)

Trans.	Dr.	Cr.	Balance
1		100,000	100,000
2	31,000		69,000
13	69,000		0
CL-3		176	176
CL-4	176		0

Account Name: Apportionment Available for Distribution (4510)

Trans.	Dr.	Cr.	Balance
2		31,000	31,000
3	30,000		1,000
13		69,000	70,000
14	70,000		0
CL-2		176	176
CL-3	176		0

Account Name: Allotments Available for Commitment/Obligation (4610)

Trans.	Dr.	Cr.	Balance
3		30,000	30,000
4	16,000		14,000
5	1,250		12,750
6	4,000		8,750
8	100		8,650
9a	7,400		1,250
10a		50	1,300
14		70,000	71,300
15a	32,500		38,800
15b	100		38,700
16a	16,000		22,700
16d	25		22,675
17a	22,580		95
18a	50		45
19c	19		26
CL-1		150	176
CL-2	176		0

Account Name: Commitments Available for Obligation (4700)

Trans.	Dr.	Cr.	Balance
4		16,000	16,000
5	15,750		250
15a		32,500	32,750
15b	32,600		150
CL-1	150		0

Account Name: Undelivered Orders (4800)

Trans.	Dr.	Cr.	Balance
5		17,000	17,000
6		4,000	21,000
8	8,900		12,100
10a	3,950		8,150
15b		32,700	40,850
16a		16,000	56,850
16d	16,000		40,850
18a	32,950		7,900
22	7,900		0

Account Name: Expended Appropriations (4900)

Trans.	Dr.	Cr.	Balance
8		9,000	9,000
9a		7,400	16,400
10a		3,900	20,300
16d		16,025	36,325
17a		22,580	58,905
18a		33,000	91,905
19c		19	91,924
CL-6	91,924		0
22		7,900	7,900
CL-9	7,900		0

Account Name: Restorations, Writeoffs, and Withdrawals (4391)

Trans.	Dr.	Cr.	Balance
(Account not used during first quarter.)			
CL-4		176	176

Account Name: Appropriations Realized but Withdrawn (4114)

Trans.	Dr.	Cr.	Balance
(Account not used during first quarter.)			
CL-5	176		176

2. GENERAL LEDGER: PROPRIETARY ACCOUNTS

Account Name: Fund Balance With Treasury (1010)

Trans.	Dr.	Cr.	Balance
1	100,000		100,000
7b		1,500	98,500
9b		7,400	91,100
10d	50		91,150
10e		2,700	88,450
16c		5,000	83,450
16f	5		83,455
16h		10,785	72,670
17b		22,580	50,090
18c		40,000	10,090
CL-5		176	9,914
20b	5		9,919
21b		19	9,900
23b		9,900	0

Account Name: Undeposited Collections (1110)

Trans.	Dr.	Cr.	Balance
10c	50		50
10d		50	0
16e	5		5
16f		5	0
20a	5		5
20b		5	0

Account Name: Advances to Others (1410)

Trans.	Dr.	Cr.	Balance
7a	1,500		1,500
10a		1,200	300
10c		50	250
16b	5,000		5,250
16d		5,240	10
16e		5	5
20a		5	0

Account Name: Inventory for Agency Operations (1510)

Trans.	Dr.	Cr.	Balance
8	750		750
12a		400	350
18a	2,500		2,850
19a		2,300	550
24		450	100

Account Name: Equipment (1750)

Trans.	Dr.	Cr.	Balance
8	3,000		3,000
18a	12,000		15,000

Account Name: Accumulated Depreciation on Equipment (1759)

Trans.	Dr.	Cr.	Balance
12b		150	150
19b		800	950
24		1,500	2,450

Account Name: Disbursements in Transit (2120)

Trans.	Dr.	Cr.	Balance
7a		1,500	1,500
7b	1,500		0
9a		7,400	7,400
9b	7,400		0
10b		2,700	2,700
10e	2,700		0
11		8,500	8,500
16b		5,000	13,500
16c	5,000		8,500
16g		10,785	19,285
16h	10,785		8,500
17a		22,580	31,080
17b	22,580		8,500
18b		33,475	41,975
18c	40,000		1,975
21a		19	1,994
21b	19		1,975
23a		7,925	9,900
23b	9,900		0

Account Name: Accounts Payable (2110)

Trans.	Dr.	Cr.	Balance
8		9,000	9,000
10a		2,700	11,700
10b	2,700		9,000
11	8,500		500
16d		10,785	11,285
16g	10,785		500
18a		33,000	33,500
18b	33,475		25
22		7,900	7,925
23a	7,925		0

Account Name: Accrued Funded Payroll and Benefits (2210)

Trans.	Dr.	Cr.	Balance
(Account not used in first quarter.)		19	19
19c		19	19
================================			
21a	19		0

Account Name: Other Liabilities (To Return Unused Appropriation to Treasury.) (2990)

Trans.	Dr.	Cr.	Balance
(Account not used in first quarter.)			
CL-4		176	176
CL-5	176		0
================================			

Account Name: Accrued Unfunded Annual Leave (2220)

Trans.	Dr.	Cr.	Balance
12c		75	75

19e		100	175
================================			

Account Name: Appropriated Capital (3100)

Trans.	Dr.	Cr.	Balance
1		100,000	100,000
8	9,000		91,000
9a	7,400		83,600
10a	3,900		79,700

16d	16,025		63,675
17a	22,580		41,095
18a	33,000		8,095
19c	19		8,076
CL-4	176		7,900
================================			
22	7,900		0

Account Name: Capital Investments (3210)

Trans.	Dr.	Cr.	Balance
8		3,750	3,750
12a	400		3,350
12b	150		3,200

18a		14,500	17.700
19a	2,300		15,400
19b	800		14,600
================================			
24	1,950		12,650

Account Name: Cumulative Results of Operations (3310)

Trans.	Dr.	Cr.	Balance
(Account not used in first quarter)			
CL-8	175		(175)
================================			

Account Name: Net Results of Operations (3320)

Trans.	Dr.	Cr.	Balance
(Account not used in first quarter)			
CL-7	175		(175)
CL-8		175	0

Account Name: Appropriated Capital Used (5700)

Trans.	Dr.	Cr.	Balance
8		5,250	5,250
9a		7,400	12,650
10a		3,900	16,550
12a		400	16,950
12b		150	17,100
16d		16,025	33,125
17a		22,580	55,705
18a		18,500	74,205
19a		2,300	76,505
19b		800	77,305
19c		19	77,324
CL-7	77,324		0

Account Name: Operating/Program Expenses (6100)

Trans.	Dr.	Cr.	Balance
8	5,250		5,250
9a	7,400		12,650
10a	3,900		16,550
12a	400		16,950
12b	150		17,100
12c	75		17,175
16d	16,025		33,200
17a	22,580		55,780
18a	18,500		74,280
19a	2,300		76,580
19b	800		77,380
19c	19		77,399
19e	100		77,499
CL-7		77,499	0

3. SUBSIDIARY LEDGER--BUDGETARY ACCOUNTS

Account Name: Salaries and Benefits

Trans-action	Allot-ments Made	Commit-ments	Unde-livered Orders	Expended Appro-priations	Allotments Available
3	7,500				7,500
9				7,400	100
Subtotal	7,500	0	0	7,400	100
14	22,500				22,600
17a				22,580	20
19c				19	1
Subtotal	30,000	0	0	29,999	1
CL-2	-1				0
Total	29,999	0	0	29,999	0

Account Name: Travel

Trans-action	Allot-ments Made	Commit-ments	Unde-livered Orders	Expended Appro-priations	Allotments Available
3	4,500				4,500
6			4,000		500
10a			-3,950	3,900	550
Subtotal	4,500	0	50	3,900	550
14	15,500				16,050
16a			16,000		50
16d			-16,000	16,025	25
Subtotal	20,000	0	50	19,925	25
CL-2	-25				0
Total	19,975	0	50	19,925	0

Account Name: Fixed Assets, Materials, and Services

Transaction	Allotments Made	Commitments	Undelivered Orders	Expended Appropriations	Allotments Available
3	18,000				18,000
4		16,000			2,000
5		(15,750)	17,000		750
8			(8,900)	9,000	650
Subtotal	18,000	250	8,100	9,000	650
14	32,000				32,650
15a		32,500			150
15b		(32,600)	32,700		50
18a			(32,950)	33,000	
Subtotal	50,000	150	7,850	42,000	0
CL-1		(150)			150
CL-2	(150)				
Total	49,850	0	7,850	42,000	0

4. SUBSIDIARY LEDGER--OPERATING/PROGRAM EXPENSES

Account Name: Depreciation Expense on Equipment

Trans.	Dr.	Cr.	Balance
12b	150		150
19b	800		950
CL-7		950	0

Account Name: Payroll and Benefits Expense

Trans.	Dr.	Cr.	Balance
9a	7,400		7,400
12c	75		7,475
17a	22,580		30,055
19c	19		30,074
19e	100		30,174
CL-7		30,174	0

Account Name: Personal Services Expense

Trans.	Dr.	Cr.	Balance
8	5,250		5,250
18a	18,500		23,750
CL-7		23,750	0

Account Name: Expense for Supplies Used

Trans.	Dr.	Cr.	Balance
12a	400		400
19a	2,300		2,700
CL-7		2,700	0

Account Name: Travel Expense

Trans.	Dr.	Cr.	Balance
10a	3,900		3,900
16d	16,025		19,925
CL-7		19,925	0

CHAPTER 5: RECONCILIATION BETWEEN BUDGETARY AND PROPRIETARY ACCOUNTING

INTRODUCTION

In addition to the financial statements presented in the preceding chapter, title 2 of GAO's Policy and Procedures Manual for Guidance of Federal Agencies requires a reconciliation of "budgetary reports" to "financial reports."[1] This is accomplished by (1) preparing the cash flow statement illustrated in chapter 4 and (2) reconciling the proprietary account Operating/Program Expenses with the budgetary account Expended Appropriations,[2] which is the subject of this chapter. The reconciliation can be in the form of a footnote to the financial statements or can be prepared as a separate statement.

NATURE OF THE RECONCILIATION BETWEEN EXPENDED APPROPRIATIONS AND OPERATING/ PROGRAM EXPENSES

In order to understand the nature of the reconciliation between Expended Appropriations and Operating/Program Expenses, it is important to understand the differences between budgetary and proprietary accounting as they affect those two accounts. The table on p. 3-2 explains differences between budgetary and proprietary accounting generally. That portion of the

[1] Standard F-20, paragraph .10 of appendix I to title 2.

[2] Note that "Expended Appropriations" is called "Accrued Expenditures" on line 16 of the SF 133, "Report on Budget Execution."

table related to Expended Appropriations and Operating/Program Expenses is reproduced below to assist in understanding the nature of the reconciliation required.

Table 5.1: Summary of Key Differences Between Budgetary and Proprietary Accounting in Recognition of Events That Constitute Transactions Related to Expended Appropriations and Operating/Program Expenses

Expended Appropriations	Operating/Program Expenses
(1) Entries are made to expend appropriations when goods and services chargeable to the appropriation are received, regardless of when they are used and regardless of when they are paid for.	(1) Goods and services which will last more than a year are capitalized and expensed when consumed, regardless of what appropriation funded them and when they are paid for.
(2) Entries are not made against an appropriation for transactions not funded by the appropriation.	(2) Goods and services consumed in the present period for which payment is to be made from one or more subsequent appropriations is recognized as an expense in the current period.
(3) Entries are not made against an appropriation for transactions not funded by the appropriation.	(3) Goods and services consumed in the present period but paid for in prior periods are expensed in the current period.

The effect of each of the three table items on the reconciliation between Expended Appropriation and Operating/Program Expenses is discussed in the following sections.

Situation 1--Capitalized Asset Purchases

The first of the three table items deals with situations in which long-lived assets are charged as expended appropriations when received for budgetary purposes but are capitalized for proprietary purposes. Examples of such assets are inventory and equipment. Recall that the entries to purchase inventory and equipment are as follows:

(1)

Budgetary entry

Undelivered Orders
   Expended Appropriations

* * * * *

(2)

Proprietary entries

Inventory for Agency Operations
Equipment
   Fund Balance With Treasury

and

Appropriated Capital
   Capital Investments

* * * * *

Note that the budgetary entry results in an expended appropriation. However, the proprietary entries do not result in expenses at the time of purchase. Expenses will be recorded subsequently as the inventory and equipment are used.

From this, we can see that the following adjustment is required to reconcile Expended Appropriations to Operating/Program Expenses.

Illustrative Federal Agency
Reconciliation of Current Year Expended Appropriations and Program Expenses
for Period Ended (Date)

Expended Appropriations		$xxx
Operating/Program Expenses		$xxx
Add: Purchase of Inventory for Agency Operations Not Expensed on Purchase	$xx	
Purchase of Equipment Not Expensed on Purchase	xx	
Expended Appropriations		$xxx

Illustration--Reconciliation Involving Capitalized Asset Purchases

Assume that an agency purchased $500 of inventory and $1,000 of equipment. Journal entries are made as follows.

(1)

Budgetary entry

Undelivered Orders	1,500	
Expended Appropriations		1,500

* * * * *

(2)

Proprietary entries

Inventory for Agency Operations	500	
Equipment	1,000	
Fund Balance With Treasury		1,500

and

Appropriated Capital	1,500	
Capital Investments		1,500

* * * * *

Note that, after these entries have been posted, Expended Appropriations has a balance of $1,500, and Operating/Program Expenses has a zero balance. The two are reconciled as shown on the next page by applying the concepts in this section.

Illustrative Federal Agency
Reconciliation of Current Year Expended Appropriations and Operating/Program Expenses
for Period Ended (Date)

Expended Appropriations		$1,500
Operating/Program Expenses		0
Add: Purchase of Inventory for Agency Operations Not Expensed on Purchase	$ 500	
Purchase of Equipment Not Expensed on Purchase	1,000	1,500
Expended Appropriations		$1,500

Situation 2--Current Expenses to Be Paid From Subsequent Appropriations

The second situation in table 5.1 occurs when program expenses recognized in the current accounting period are to be funded from future appropriations. An example is the accrual of Annual Leave Expense, which results in a liability to pay the annual leave in subsequent periods. The funding for that liability will be received through appropriations in those subsequent periods. The current year's appropriation funds salaries--including salary payments for annual leave taken--only for the current year. The required journal entry is as follows.

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

Operating/Program Expenses
Accrued Unfunded Annual Leave

* * * * *

The reconciliation between Expended Appropriations and Operating/Program Expenses for such items is shown below:

Illustrative Federal Agency
Reconciliation of Current Year Expended Appropriations
and Operating/Program Expenses
for Period Ended (Date)

Expended Appropriations		$xxx
Operating/Program Expenses	$xxx	
Deduct: Current Expenses Funded From Subsequent Appropriations	(xx)	
Expended Appropriations		$xxx

Illustration--Reconciliation Involving Current Expenses to Be Paid From Subsequent Appropriations

Assume that accrued annual leave payable at the end of the fiscal year increased by $1,000 over that payable at the beginning of the year. No budgetary entry is required, and the proprietary entry is as follows.

Operating/Program Expenses	1,000	
Liability for Annual Leave		1,000

* * * * *

After the entry is posted, the amount of Expended Appropriations is zero and the amount of Operating/Program Expenses is $1,000. The reconciliation is as follows.

Illustrative Federal Agency
Reconciliation of Current Year Expended Appropriations and Operating/Program Expenses for Period Ended (Date)

Expended Appropriations		$0
Operating/Program Expenses	$1,000	
Deduct: Current Expenses Funded From Subsequent Appropriations--Accrued Annual Leave	(1,000)	
Expended Appropriations		$0

Situation 3--Current Expenses Funded by Prior-Year Appropriations

The final situation causing differences between Expended Appropriations and Operating/Program Expenses (see Table 5.1, p. 5-2) involves current expenses funded by prior-year appropriations. This occurs primarily in the cases of (1) assets purchased in prior periods and used in the current period, and (2) goods and services received and used in the current period but properly obligated against and funded by prior years' appropriations. The current year's appropriation is not charged for such expenses; rather, the prior years' appropriations were. Accordingly, the amount of program expenses related to prior years' expended appropriations must be deducted from the total of such expenses to achieve a reconciliation, as indicated on the following schedule.

Illustrative Federal Agency
Reconciliation of Current Year Expended Appropriations and Operating/Program Expenses for Period Ended (Date)

Expended Appropriations		$xxx
Operating/Program Expenses	$xxx	
Deduct: Current Expenses Funded from Prior Appropriations	(xx)	
Expended Appropriations		$xxx

Illustration--Reconciliation Involving Current Expenses Funded by Prior-Year Appropriation

Assume that, in the current year, the following transactions occurred.

(a) Goods ordered in the prior year and chargeable to that year's appropriation were received, as follows:

Inventory for Agency Operations	$1,000
Equipment	5,000

To record this, the following entries are made.

(1)

<u>Budgetary entry</u>--prior year's appropriation

Undelivered Orders	6,000	
Expended Appropriations		6,000

* * * * *

(2)

<u>Budgetary entry</u>--current year's appropriation

None

* * * * *

(3)

<u>Proprietary entries</u>

Inventory for Agency Operations	1,000	
Equipment	5,000	
Fund Balance With Treasury --Prior Year		6,000

and

Appropriated Capital--Prior Year	6,000	
Capital Investments		6,000

* * * * *

(b) The amount of inventory used during the current year is $900, and $500 of depreciation is to be recorded.

To record this, the following entries are made:

(1)

<u>Budgetary entry--prior year's appropriation</u>

None

* * * * *

(2)

<u>Budgetary entry--current year's appropriation</u>

None

* * * * *

(3)

<u>Proprietary entries</u>

Operating/Program Expenses	1,400	
Inventory for Agency Operations		900
Accumulated Depreciation on Equipment		500

and

Capital Investments	1,400	
Appropriated Capital Used		1,400

* * * * *

After all entries have been posted, the current year Expended Appropriations has a zero balance and the Operating/Program Expenses account would have a balance of $1,400. Reconciliation between the two accounts would be made as shown below.

Illustrative Federal Agency
Reconciliation of Current Year Expended Appropriations and Operating/Program Expenses for Period Ended (Date)

Expended Appropriations		$ 0
Operating/Program Expenses		$ 1,400
Deduct Expenses Financed by Prior Years' Appropriations:		
Inventory Used in Agency Operations	$(900)	
Depreciation	(500)	$(1,400)
Expended Appropriations		$ 0

NATURE OF THE RECONCILIATION BETWEEN OPERATING/PROGRAM EXPENSES AND OTHER APPROPRIATIONS REALIZED

Once the Operating/Program Expenses account has been reconciled to Expended Appropriations, the Expended Appropriations account may be further reconciled with the account Other Appropriations Realized. To do this, it is necessary to understand what causes differences between the two accounts. These differences are explained through the basic budgetary account equation discussed in chapter 2. That equation is shown below.

(A) =	(B) +	(C)
Appropriation authority	Appropriation not apportioned	Delegations, reservations, and expending of the appropriation

Part C of the equation is comprised of the sum of the following items:

-- apportionments of the appropriation,

-- allotments of the apportionment,

-- commitments against the allotments,

-- obligations against the commitments, and

-- expenditures against the obligations.

Based on this, the reconciliation takes the following form:

Illustrative Federal Agency
Reconciliation Between Expended Appropriations and Other Appropriations Realized for Period Ended (Date)

Other Appropriations Realized		$xxx
Expended Appropriations		xxx
Add: Undelivered Orders	$xx	
Commitments Available for Obligation	xx	
Allotments Available for Commitment/ Obligation	xx	
Apportionment Available for Distribution	xx	
Authority Available for Apportionment	xx	xxx
Other Appropriations Realized		$xxx

COMPREHENSIVE ILLUSTRATION

In the remainder of the chapter, concepts presented in the preceding sections are applied to the reconciliation required for the example presented in chapter 4 as of the end of FY-A. In addition, this illustration demonstrates how at the end of FY B, FY B transactions relating to FY A accounts affect the reconciliation required for the FY B appropriation.

FY A Reconciliation

The reconciliation between proprietary and budgetary reporting at the end of FY A for the Illustrative Federal Agency example presented in chapter 4 follows. Note that the balances of the accounts involved before closing are required for the reconciliation.

Illustrative Federal Agency
Reconciliation of Operating/Program Expenses
to Other Appropriations Realized
for Year Ended September 30 of FY A
(Dollars in Thousands)

Other Appropriations Realized			$100,000
Operating/Program Expenses			$ 77,499
Add:	Purchase of Inventory[a]	$ 3,250	
	Purchase of Equipment[a]	15,000	18,250
Deduct:	Expense of Inventory Used[b]	(2,700)	
	Depreciation Expense[b]	(950)	
	Annual Leave Expense[b]	(175)	(3,825)
Expended Appropriations[c]			$ 91,924
Add:[d]	Undelivered Orders	7,900	
	Commitments Available for Obligation[e]	150	
	Allotments Available for Commitment/Obligation	26	8,076
Other Appropriations Realized			$100,000

[a] Situation 1 adjustment
[b] Situation 2 adjustment
[c] Note that agencies may change the first line to read and reflect the amount of "expended appropriations" and end their reconciliation with the line referenced by this note. We are beginning with, and providing the further reconciliation to "Other Appropriations Realized" for illustrative purposes.
[d] Note that the accounts Apportionment Available for Distribution and Authority Available for Apportionment have zero balances and hence do not appear. If, in other circumstances, they had balances, they would be added here.
[e] If Commitments Available for Obligation had already been removed from the books, it would not appear here, but instead would be included in Allotments Available for Commitment/Obligation, which would have a balance of $176,000.

"Situation 3" adjustments, involving current expenses funded by prior-year appropriations, were not applicable at the end of FY A. However, such adjustments would be applicable to FY B, because some of the FY B expenses--depreciation and supplies used relating to equipment and supplies purchased in FY A--were funded through FY A appropriations.

FY B Reconciliation

The example in chapter 4 does not include FY B transactions other than those which involve FY A accounts. However, the concept of the reconciliation which would be required at the end of FY B can still be illustrated.

Assume, for purposes of illustration, that the FY B appropriation was zero. In that case, the FY B accounts for both Other Appropriations Realized and Expended Appropriations would be zero. Yet, some FY B transactions related to the FY A appropriations did occur. Item 24 in the chapter 4 example, in which, during FY B, $450 in inventory was used and $1,500 in depreciation was taken on inventory and equipment purchased in FY A, is a case in point. From those item 24 transactions, the following reconciliation would be prepared, utilizing "situation 3" concepts.

Illustrative Federal Agency
Reconciliation of Operating/Program
Expenses to Other Appropriations Realized
for Year Ended September 30 of FY B
(Dollars in Thousands)

Other Appropriations Realized		$ 0
Operating/Program Expenses		$ 1,950
Deduct Expenses Funded by FY A Appropriations:[a]		
Expense for Inventory Used	$ 450	
Depreciation on Equipment	1,500	(1,950)
Expended Appropriation/ Other Appropriations Realized		$ 0

[a] Situation 3 adjustment.

In actual practice, the situation 1 and 2 items illustrated for FY A on p. 5-15 also occur in FY B, and, hence, the items in that portion of the reconciliation in FY B are the same as for FY A, though with differing amounts. In addition, any other FY B expenses funded by FY A appropriations (situation 3) are deducted from the balance in Operating/Program Expenses to provide the reconciliation with Expended Appropriations. The remainder of the reconciliation, from Expended Appropriations to Other Appropriations Realized, would contain the same items, with differing amounts, as illustrated for FY A on p. 5-15.

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CHAPTER 6: BUDGETARY ACCOUNTING FOR REIMBURSABLE WORK

INTRODUCTION

Chapter 2 discusses budgetary accounting for a basic operating appropriation. In addition to activities undertaken and funded through the budget authority received from the appropriation, one federal agency often performs work for another agency on a reimbursable basis. In such cases, agencies usually enter into "interagency work agreements." These agreements set forth the work to be performed and the prices to be paid by the agencies entering into the agreement. An agency for which the work is to be performed sets a limit on the amount of money that can be obligated and expended for activities authorized by the agreement.

The interagency agreement provides budget authority to the performing agency in addition to that provided by its own appropriation (OMB calls this "budgetary resources" to distinguish it from budgetary "authority" provided by appropriations--a difference in terminology unnecessary for purposes of this guide). As with basic operating appropriations, overobligating or overexpending reimbursable work budget authority can carry penalties under the law.

This chapter discusses budgetary accounting for reimbursable work. Brief illustrations that apply the concepts discussed in this chapter are presented. Chapter 7 discusses proprietary accounting for reimbursable work, and chapter 8 provides a comprehensive example integrating the two concepts.

CONCEPTUAL FRAMEWORK FOR REIMBURSABLES

In an interagency work agreement, the reimbursement authority provides budget authority in addition to appropriated funds. Just as for budget authority provided by an appropriation, budget authority provided under interagency agreements is subject to fund control and can be apportioned, allotted, committed, obligated, and expended. Thus, the basic accounting equation for reimbursable work under interagency agreements, where "R" designates budget authority from reimbursable activities, is as follows.

(R)	= (B)	+ (C)
Budget Authority Relating to Reim-bursable Work Under Interagency Service Agreements	Budget Authority Not Apportioned	Apportionments, Allotments, Commitments, Obligations, and Expending of the Budget Authority.

The basic entry to record establishment of budget authority from an interagency agreement involves the introduction of only one new SGL account: 4210, Anticipated Reimbursements and Other Income. The entry is as follows.

6-1 To record estimated reimbursements under interagency service agreements:

Anticipated Reimbursements and Other Income
Authority Available for Apportionment

* * * * *

When the budget authority is apportioned, allotted, committed, obligated, and expended, chapter 2 entries 2-2 through 2-6, respectively, are made, just as they are for budget authority from an operating appropriation (see p. 2-7). The SGL provides a single set of accounts for budget authority available for apportionment, allotment, commitment, and obligation, and for expended budget authority relating to both basic operating appropriations and reimbursable work.[1] As a result, the basic budgetary

---

[1]Note that a mechanism is needed to provide a means for separating common accounts into elements related to the appropriation and related to reimbursable work. Without such a mechanism, an agency might inadvertently overobligate or overexpend its appropriation or interagency agreement by thinking that less was obligated or expended against one or the other than was actually the case.

Alternatives for dealing with the matter include establishing a separate set of accounts for each spending authority or a data element that could be used to segregate transactions between the two. Under the former alternative, for instance, accounts titled "Authority Available for Apportionment --Appropriation" and "Authority Available for Apportionment--Reimbursables," or "Commitments Available for Obligation--Appropriation" and "Commitments Available for Obligation--Reimbursables" could be used. Under the latter alternative, a data element such as "A" or "D" for appropriation-related transactions (the SGL characterizes

(continued on next page)

accounting equation, combining both basic operating appropriations and reimbursable work, becomes:

(A,R) =	(B) +	(C)
Budget Authority From Basic Operating Appropriations and Reimbursable Work	Budget Authority Not Apportioned	Apportionments, Allotments, Commitments, Obligations, and Expenditures of the Budget Authority

The SGL presently does not provide a set of accounts which divides the status of budget authority (columns B and C, above) by that related to reimbursable work and that related to the appropriation. However, accounts are provided to further detail information about the budget authority in column A by capturing the dollar amount of

-- orders actually accepted, which may differ from the amount of orders anticipated;

-- the amount of undelivered orders placed for reimbursable work; and

---

[1](continued from preceding page)

appropriation-related spending authority as "direct" authority; hence the possibility of using "D" as a designator) and "R" for reimbursable-related transactions could be used.

-- the amount of expended budget authority relating to reimbursable work.

In order to capture this information, the SGL provides for a separate tracking system from that which provides the status of appropriation. Tracking is performed when the agency

-- accepts a reimbursable work order,

-- obligates budget authority for the order, and

-- utilizes goods and services to fill the order.

The SGL provides separate accounts for each of these events. They are listed below, with item numbers corresponding to the events.

Item Number	SGL Account Number	SGL Account Title	Normal Balance
1a	4220	Reimbursable Orders Accepted	Cr.
1b	4230	Unfilled Customer Orders--Unobligated	Dr.
2	4240	Unfilled Customer Orders--Obligated	Dr.
3	4250	Reimbursements and Other Income Earned	Dr.

Thus, the two tracks involved with budgetary accounting for reimbursables can be set forth as shown in the following tables.

Track 1: Basic Budgetary Accounting Equation

(R)	= (B)	+ (C)
Budget Authority Related to <u>Reimbursables</u> Anticipated Reimbursements and Other Income	Budget Authority <u>Not Apportioned</u> Authority Available for Apportionment	Budget Authority Delegated, Reserved, and <u>Expended</u> 1. Apportionment Available for Distribution 2. Allotments Available for Commitment/ Obligation 3. Commitments Available for Obligation 4. Undelivered Orders 5. Expended Appropria- tions

Track 2: "Completion Status" of Work Orders

(1a) Reimbursable Orders Accepted	=	<u>Status of Accepted Orders</u> (1b) Unfilled Customer Orders--Unobligated (reimbursable work orders with no obligations placed against them) + (2) Unfilled Customer Orders--Obligated (the amount of undelivered orders placed to fill the reimbursable work orders) + (3) Reimbursements and Other Income Earned (the amount of goods and services received to fill the reimbursable work orders)

RELATIONSHIPS BETWEEN THE TRACKS

The two tracks provide for separate accounting. Together they form an integral part of accounting for reimbursables, though certain items in each track are duplicative. The accounting related to each track is performed concurrently. Some comments on the accounts and their relationship to each other, as well as caveats on the method of presentation used in this guide, are set forth below.

1. It has become common practice for budget authority from anticipated reimbursable orders to be both apportioned and allotted. This allows for orders to be serviced when received without requiring more frequent apportionment and allotment actions based on the actual receipt of orders which could delay filling them. However, the account Reimbursable Orders Accepted must be used as a controlling account to assure that budget authority is not exceeded. Ultimately, expended appropriations and undelivered orders cannot exceed the authority from orders actually received, regardless of the amount anticipated. Care must be taken that this control is exercised.

2. It should be noted that the account Unfilled Customer Orders--Obligated is used only for the amount of obligations placed against orders. It does not represent the amount of orders against which obligations have been placed. Thus, if $100 of orders are in the process of being filled, but obligations of only $60 have been placed against them, the account Unfilled Customer Orders--Obligated would have a balance of $60 rather than the $100 of orders that

have some obligations against them. Note that the account duplicates the function of the Undelivered Orders account in track 1.

3. The word "income" in the account title "Reimbursements and Other Income Earned" suggests that the account is proprietary, but the SGL intends for it to serve a budgetary function. The SGL definition for the account suggests that it be used to record earned income, but that is not the intention, based on information provided by the SGL Board. Earned income is accounted for on an accrual basis through proprietary transactions discussed in chapter 7. Reimbursements and Other Income Earned is intended to be used to record the amount of goods of goods and services received for reimbursable work. It duplicates the the function of the Expended Appropriations account in track 1.

Because of the caveats described above, there are alternate approaches to the theory and the related journal entries for some transactions. We have chosen an approach which revolves around the arithmetical relationship between the two tracks of information provided by the SGL, which we believe to be the simplest method of presentation. This method also has the advantage of being parallel to the presentation of budgetary accounting for appropriations in chapter 2. Note that the equation on which track 1 in this chapter is based is essentially the same as the basic budgetary accounting equation in chapter 2. The principal disadvantage of the 2-track method of presentation is the relating of Anticipated Reimbursements and Other Income to the status of appropriation items, as shown in the track 1 equation on p. 6-6.

Notwithstanding that equation, for fund control purposes it is critical that undelivered orders and expended appropriations related to reimbursables do not exceed the amount of reimbursable orders actually accepted. Because the SGL assigns "Reimbursable Orders Accepted" a credit balance and provides for that balance to equate to the sum of the items set forth in our track 2 equation on p. 6-7, that control is not apparent. However, for fund control purposes relating to reimbursable work accounting, readers should view the account "Reimbursable Orders Accepted" as equivalent to the debit balance account "Other Appropriations Realized" discussed and illustrated in chapter 2.

We are working with the Standard General Ledger Board to simplify accounting for reimbursables and eliminate entries which create accounts with duplicate functions. The appendix to this chapter sets forth an alternate model for consideration by the group. At this writing, the model has not yet been sanctioned by the task force. Until such time as a decision on implementation is reached, agencies should use the entries presented in the body of this chapter, or equivalent entries which utilize existing SGL accounts and provide the same end result. The entries in this chapter are used as the basis for our comprehensive illustrations in chapter 8.

BASIC TRANSACTIONS FOR TRACKING THE STATUS OF WORK ORDERS

Journal entries for four transactions are required to perform the "completion status" tracking (track 2), discussed in the preceding section. Required entries for each of the tracking systems are set forth in this section.

(1)

6-1 To record estimated budget authority from reimbursable work orders:

Anticipated Reimbursements and Other Income
   Authority Available for Apportionment

* * * * *

(2)

6-2 To record acceptance of a reimbursable work order:

Unfilled Customer Orders--Unobligated
   Reimbursable Orders Accepted

* * * * *

(3)

6-3 To record obligation of budget authority for a reimbursable work order:

Unfilled Customer Orders--Obligated
   Unfilled Customer Orders--Unobligated

* * * * *

(4)

6-4 To record receipt of goods and services for filling a reimbursable work order:

Unfilled Customer Orders--Obligated
Reimbursements and Other Income Earned

* * * * *

ILLUSTRATION--ACCOUNTING FOR BASIC TRANSACTIONS

The following illustrates the track 1 and track 2 entries necessary to account for reimbursable work performed for one agency by another as recorded on the books of the agency performing the work.

(1)

Two agencies enter into an agreement for one to perform $100 of work for the other.

Track 1 entry

6-1 Anticipated Reimbursements and Other Income	100	
Authority Available for Apportionment		100

* * * * *

Track 2 entry

None

* * * * *

(2)

The $100 is apportioned by OMB.

Track 1 entry

2-2	Authority Available for Apportionment	100	
	Apportionment Available for Distribution		100

* * * * *

Track 2 entry

None

(3)

$90 is allotted by the agency head.[2]

[2] It is the practice of some agencies to allot the entire amount of anticipated orders to avoid having to seek additional allotment authority when orders are received. However, as cautioned earlier, the amount of undelivered orders and expended authority relating to reimbursables must not exceed the amount of orders actually received. The amount of orders received is maintained in the account Reimbursable Orders Accepted, and agency accounting systems should implement controls which help to avoid overobligating or overexpending the reimbursable authority related to orders received.

Track 1 entry

2-3	Apportionment Available for Distribution	90	
	Allotments Available for Commitment/Obligation		90

* * * * *

Track 2 entry

None

* * * * *

(4)

$90 of work orders are received and accepted.

Track 1 entry

None

* * * * *

Track 2 entry

6-2	Unfilled Customer Orders--Unobligated	90	
	Reimbursable Orders Accepted		90

* * * * *

(5)

Commitments for $70 of goods and services are made to fill reimbursable work orders.

Track 1 entry

2-4	Allotments Available for Commitment/Obligation	70	
	Commitments Available for Obligation		70

* * * * *

Track 2 entry:

None (Note that track 2 does not provide for commitment accounting.)

* * * * *

(6)

Purchase orders totaling $68 were prepared to fulfill commitments which had been estimated at $60. Assume that the estimates made when the commitments were made proved to be too low.

Track 1 entry

2-5	Commitments Available for Obligation	60	
	Allotments Available for Commitment/Obligation	8	
	Undelivered Orders		68

* * * * *

Track 2 entry

6-3	Unfilled Customer Orders--Obligated	68	
	Unfilled Customer Orders--Unobligated		68

* * * * *

(7)

Goods and services of $55 are received for $57 of the undelivered orders previously obligated.

Track 1 entry

2-6	Undelivered Orders	57	
	Allotments Available for Commitment/Obligation		2
	Expended Appropriations		55

(Note that accounts receivable related to the billings for completed orders is handled through proprietary accounting, which is discussed in chapter 7.)

* * * * *

Track 2 entry

6-4	Reimbursements and Other Income Earned	55	
	Unfilled Customer Orders--Unobligated	2	
	Unfilled Customer Orders--Obligated		57

* * * * *

At this point, a trial balance of accounts appears as shown on the next page. Letter references are given to each account to facilitate subsequent interpretation of the accounts.

Illustrative Federal Agency
Trial Balance
Date Preceding Transactions Are Completed

Key	Account Name	Acct. Balance Dr.	Acct. Balance Cr.
(a)	Anticipated Reimbursements and Other Income	$100	
(b)	Authority Available for Apportionment		$ 0
(c)	Apportionment Available for Distribution		10
(d)	Allotments Available for Commitment/ Obligation		14
(e)	Commitments Available for Obligation		10
(f)	Undelivered Orders		11
(g)	Expended Appropriations		55
(h)	Reimbursable Orders Accepted		90
(i)	Unfilled Customer Orders--Unobligated	24	
(j)	Unfilled Customer Orders--Obligated	11	
(k)	Reimbursements and Other Income Earned	55	
	Total	$190	$190

Note that accounts (a) through (g) are track 1 accounts and accounts (h) through (k) are track 2 accounts.

From this trial balance, the following information can be derived regarding the two self-balancing tracks involved. Explanations are keyed to the letter references for each account in the trial balance.

Track 1

Of the budgetary authority provided by the $100 in reimbursable work (a),

-- all has been apportioned (b);

-- $10 of the apportionment has not yet been allotted (c);

-- $14 has been allotted but has no commitments or obligations yet made against it (d);

-- $10 in commitments have been made, but no related orders for goods or services have yet been placed (e);

-- $11 of orders for goods and services have been placed but have not yet been received (f); and

-- $55 in orders for goods and services have been received (g).

Track 2

Of the $90 in reimbursable work orders which have been accepted (h),

-- $24 of the orders have no obligations yet placed against them (i),

-- $11 of the orders have undelivered orders for goods and services placed against them (j), and

-- $55 in goods and services related to filling the orders have been received (k).

CLOSING ENTRIES WHEN REIMBURSABLE BUDGET AUTHORITY IS NOT FULLY EXPENDED: UNOBLIGATED AUTHORITY EXPIRES

Often, reimbursable budget authority is not fully expended at fiscal year-end. Some orders may be in the process of being filled, while others may not yet have been started. In such an instance, closing entries depend on the extent to which the unexpended authority expires, which in turn depends on the statutory authority underlying the reimbursable agreement(s) involved.

In this chapter, we will present the more usual situation in which unexpended authority that has not been obligated by the performing agency expires at fiscal year-end.

If the legislation relevant to an interagency agreement provides that reimbursable budget authority that has not been expended or obligated at fiscal year-end expires, the steps taken to close the budgetary accounts are similar to those taken for an annual appropriation. (See chapter 2.) Five entries are required to close the track 1 accounts.

<u>Step 1: Remove expired authority from the books</u>

(1)

6-5 To remove unobligated commitments from the accounts:

Commitments Available for Obligation
  Allotments Available for Commitment/Obligation

The effect of this entry is to transfer commitments of authority back to the allotment account against which the commitments had been placed.

* * * * *

(2)

6-6 To remove unused allotment authority from the accounts:

Allotments Available for Commitment/Obligation
   Apportionment Available for Distribution

The effect of this entry is to close the allotment account and restore its balance to the apportionment.

* * * * *

(3)

6-7 To remove the apportionment authority from the books:

Apportionment Available for Distribution
   Authority Available for Apportionment

The effect of this entry is to close the apportionment account and restore expired apportionment authority to the original budget authority account.

At this point, the balance in the account Authority Available for Apportionment is the sum of expired commitments, allotments, and apportionments. These are the components of the amount of budget authority which has expired.

* * * * *

(4)

6-8 To close the authority available for apportionment against the anticipated reimbursement authority:

Authority Available for Apportionment
  Anticipated Reimbursements and Other Income

The effect of this entry is to close the authority available for apportionment and reduce the anticipated reimbursements and other income account by the amount of expired budget authority.

* * * * *

At this point, the remaining track 1 account balances have the following relationship:[3]

Anticipated Reimbursements and Other Income	=	Expended Appropriations	+	Undelivered Orders

Step 2: Remove expended appropriation authority

(5)

6-9 To remove expended appropriations from the accounts:

Expended Appropriations
  Anticipated Reimbursements and Other Income

[3]Recall from p. 6-10 that notwithstanding the arithmetical relationship of this track of information, the controlling account which must be used to help assure available authority is not overspent is Reimbursable Orders Accepted.

The effect of this entry is to close the Expended Appropriations account and reduce the Anticipated Reimbursements and Other Income account by the amount of expended appropriations.

* * * * *

After entry 6-9 is made, the remaining accounts have this relationship:[4]

Anticipated Reimbursements and Other Income	=	Undelivered Orders

Note that no accounts are used to establish an amount to be returned to Treasury, as was the case with closing entries for an operating appropriation (see p. 2-18). Through proprietary accounting, discussed in chapter 7, any unused advance received by the performing agency is returned to the requesting agency. However, as the ultimate budget authority source is the requesting agency's appropriation, the requesting agency reports on and returns to Treasury any unobligated, unexpended budget authority related to the interagency agreement.

[4]Note that while this maintains the arithmetical relationship of track 1, for fund control purposes the account "Reimbursable Orders Accepted," from track 2, is the controlling account for Undelivered Orders. After entries 6-10 and 6-11 are made, the balance of Reimbursable Orders Accepted equals the balance of the account "Unfilled Customer Orders--Obligated."

In addition to the track 1 closing entries illustrated above, the two following entries are necessary to close the track 2 accounts.

(6)

6-10 To remove orders which have no goods and services related to them ordered or received:

Reimbursable Orders Accepted
   Unfilled Customer Orders--Unobligated

The effect of this entry is to close the Unfilled Customer Orders--Unobligated account and reduce the Reimbursable Orders Accepted account by the amount of the balance that was in Unfilled Customer Orders--Unobligated.

* * * * *

(7)

6-11 To remove completed orders from the books:

Reimbursable Orders Accepted
   Reimbursements and Other Income Earned

The effect of this entry is to close the Reimbursements and Other Income Earned account and reduce the Reimbursable Orders Accepted account by the amount of the balance that was in Reimbursements and Other Income Earned.

* * * * *

After entries 6-10 and 6-11 have been posted, the following relationship exists.

Reimbursable Orders Accepted	=	Unfilled Customer Orders--Obligated

Illustration--Closing Entries When Reimbursable Budget Authority Is Not Fully Expended: Unobligated Authority Expires

An example, relating to the trial balance on p. 6-17, of closing entries under the requirement that unobligated budget authority expires are set forth in this section. First, the track 1 accounts are closed, with the following five entries:

(1)

6-5 To remove unobligated commitments from the accounts:

Commitments Available for Obligation	10	
Allotments Available for Commitment/Obligation		10

* * * * *

(2)

6-6 To remove unused allotment authority from the accounts:

Allotments Available for Commitment/Obligation	14	
Apportionment Available for Distribution		14

* * * * *

(3)

6-7 To remove the apportionment authority from the books:

Apportionment Available for Distribution	34	
Authority Available for Apportionment		34

* * * * *

(4)

6-8 To close the authority available for apportionment against the appropriation:

Authority Available for Apportionment	34	
Anticipated Reimbursements and Other Income		34

The effect of this entry is to close Authority Available for Apportionment and reduce Anticipated Reimbursements and Other Income by the amount of expired budget authority.

* * * * *

Note that at this point the remaining track 1 account balances have the following relationship.

Anticipated Reimbursements and Other Income		Expended Appropriations		Undelivered Orders
	=		+	
$66		$55		$11

(5)

6-9 To remove expended appropriations from the accounts:

Expended Appropriations	55	
Anticipated Reimbursements and Other Income		55

* * * * *

Next, the two Track 2 closing entries are made, as shown below.

(6)

6-10 To remove unobligated orders from the books:

Reimbursable Orders Accepted	24	
Unfilled Customer Orders--Unobligated		24

* * * * *

(7)

6-11 To remove completed orders from the books:

Reimbursable Orders Accepted	55	
Reimbursements and Other Income Earned		55

* * * * *

A trial balance taken after closing would appear as follows.

Illustrative Federal Agency
After-Closing Trial Balance
of Budgetary Accounts
September 30, (Year)

Account Name	Account Balance Dr.	Account Balance Cr.
Anticipated Reimbursements and Other Income	$11	
Reimbursable Orders Accepted		$11
Unfilled Customer Orders--Obligated	11	
Undelivered Orders		11
	$22	$22

The after-closing trial balance indicates that, at the start of the next fiscal year, $11 of goods and services are expected to be received, and there is $11 of budget authority through which to fund them.

Closing Entries for Fully Expended Reimbursable Authority

At the end of the fiscal year, if all reimbursable budget authority has been used and all orders filled, then only the following budgetary accounts have balances:

--Anticipated Reimbursements and Other Income (track 1),

--Expended Appropriations (track 1),

--Reimbursable Orders Accepted (track 2), and

--Reimbursements and Other Income Earned (track 2).

Closing entries are as shown below. They are numbered to correspond with comparable entries in the next section.

Track 1 entry

6-9 Expended Appropriations
    Anticipated Reimbursements and Other Income

* * * * *

Track 2 entry

6-11 Reimbursable Orders Accepted
    Reimbursements and Other Income Earned

* * * * *

After these entries are made, all budgetary accounts (for both tracks) are closed.

ENTRIES FOR UNDELIVERED ORDERS RELATING TO REIMBURSABLE WORK THAT ARE FILLED IN THE SUCCEEDING YEAR

Just as with basic operating appropriations, undelivered orders relating to reimbursable work in one year may be filled in the next year. As was the case for undelivered orders relating to the basic operating appropriation (see pp. 2-25 through 2-35), one of four situations might exist, as set forth below. Assume, for each situation, that $11 of undelivered orders related to reimbursable work exists at fiscal year end, as in the preceding example. Note that, after each set of entries is made, all budgetary accounts will be closed.

Situation 1--The Orders Are Cancelled

If orders are cancelled, they must be removed from the books. This is accomplished with the following entry.

Track 1 entry

6-12	Undelivered Orders	11	
	Anticipated Reimbursements and Other Income		11

* * * * *

Track 2 entry

6-13	Reimbursable Orders Accepted	11	
	Unfilled Customer Orders--Obligated		11

* * * * *

Situation 2--The Orders Are Received in the Amount Estimated

If orders are received in the amount estimated, they are accounted for in the same manner as any other undelivered orders received, and the following entries are made:

Track 1 entry

2-5	Undelivered Orders	11	
	Expended Appropriations		11

* * * * *

Track 2 entry

6-4	Reimbursements and Other Income Earned	11	
	Unfilled Customer Orders--Obligated		11

* * * * *

Then, Expended Appropriations is closed into Anticipated Reimbursements and Other Income, with the entry below.

Track 1 entry

6-9	Expended Appropriations	11	
	Anticipated Reimbursements and Other Income		11

* * * * *

Then, the Reimbursements and Other Income Earned account is closed into Reimbursable Orders Accepted, with the entry below.

Track 2 entry

6-11	Reimbursable Orders Accepted	11	
	Reimbursements and Other Income Earned		11

* * * * *

Situation 3--The Orders Are Received in an Amount Less Than Estimated

Assume that all orders are received, with $8 billed by vendors. The following entries are made to record this transaction.

Track 1 entry

6-14	Undelivered Orders	11	
	Expended Appropriations		8
	Anticipated Reimbursements and Other Income		3

* * * * *

Track 2 entry

6-15	Reimbursements and Other Income Earned	8	
	Reimbursable Orders Accepted	3	
	Unfilled Customer Orders--Obligated		11

* * * * *

The Expended Appropriations and Anticipated Reimbursements and Other Income accounts are then closed with the following entry.

Track 1 entry

6-9	Expended Appropriations	8	
	Anticipated Reimbursements and Other Income		8

* * * * *

Then, the Reimbursable Orders Accepted and Reimbursements and Other Income accounts are closed as follows.

Track 2 entry

6-11	Reimbursable Orders Accepted	8	
	Reimbursements and Other Income Earned		8

* * * * *

Note that related billings to the agency for which work was being performed would have to be reduced by $3 through proprietary entries discussed in chapter 7.

Situation 4--The Orders Are Received in an Amount Greater Than Estimated

Assume that all orders were received, with vendors billing $12, and that the additional $1 in budget authority needed is available from the agency for which work is being performed. (If it were not, prices would have to be renegotiated with the vendor or the agency for which work is being performed would have to seek additional authority from the Congress.)

First, the receipt of goods and services would be recorded, with the following entries.

<u>Track 1 entry</u>

6-16	Undelivered Orders	11	
	Anticipated Reimbursements and Other Income	1	
	Expended Appropriations		12

* * * * *

<u>Track 2 entry</u>

6-17	Reimbursements and Other Income Earned	12	
	Reimbursable Orders Accepted		1
	Unfilled Customer Orders--Obligated		11

* * * * *

Then, the Expended Appropriations account would be closed, as follows.

<u>Track 1 entry</u>

6-9	Expended Appropriations	12	
	Anticipated Reimbursements and Other Income		12

* * * * *

Then, the Reimbursable Orders Accepted and Reimbursements and Other Income accounts are closed with this entry:

Track 2 entry

6-11	Reimbursable Orders Accepted	12	
	Reimbursements and Other Income Earned		12

* * * * *

Note that, related billings to the agency for which the work is being performed would have to be increased by $1 through proprietary entries in chapter 7.

REPORTS REQUIRED FOR REPORTING ON REIMBURSABLE WORK PERFORMED UNDER INTERAGENCY AGREEMENT

A number of external reporting requirements are imposed on federal agencies by law and regulation. Principal reports are illustrated in chapter 8. The SGL provides "crosswalks" which define the relationship between the transactions described in this guide and standard external reports.

The crosswalk information is not repeated in this publication. However, readers should be aware of the existence and content of the crosswalks in the SGL. By using them, it is possible to determine, for each line of standard external reporting forms, which accounts are used. One can also look up an account number and determine all of its appearances in standard reports.

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APPENDIX TO CHAPTER 6: ALTERNATE MODEL FOR BUDGETARY ENTRIES RELATING TO REIMBURSABLES

INTRODUCTION

The model for recording budgetary entries relating to reimbursables presently in use in the federal government is illustrated in the body of this chapter. As set forth on pp. 6-6 and 6-7, that model has two separate but concurrent tracks of information, some of which is duplicative between the two. A simpler accounting model is under discussion with the SGL Board. As of the date of this document, no decisions on its implementation have been reached and the model illustrated in the body of this chapter and in the comprehensive example in chapter 8 is in use.

The alternate model is described in this appendix. All accounts required are already in the SGL. One--Reimbursable Orders Accepted--must have its normal balance redesignated from credit to debit to accommodate the required entries.

The following section of this appendix sets forth the conceptual framework for recording basic transactions under the alternate model. The next one illustrates the transactions in the body of chapter 6 according to the alternate model. The final section provides a crosswalk between the accounts used in the present and alternate models.

CONCEPTUAL FRAMEWORK FOR BUDGETARY ACCOUNTING RELATED TO REIMBURSABLES

The basic budgetary accounting equation for reimbursable work set forth on p. 6-6 indicates the amount of budget authority provided through interagency work agreements is equal to the status of that authority as it is delegated, obligated, and reserved. For budgetary purposes, it is customary to initially record the authority as the amount of reimbursable work estimated to be received. However, the actual amount which can be obligated and expended cannot exceed the amount of the reimbursable work orders actually received. It is necessary, then, to divide the budget authority related to reimbursables between that expected to be received and that actually received.

This division of accounting authority can be accomplished by utilizing the accounts (1) Anticipated Reimbursements and Other Income and (2) Reimbursable Orders Accepted. The first account represents the amount of budget authority expected from reimbursable work orders not yet received, while the second represents the amount of budget authority from reimbursable work orders already received and accepted. The sum of those two accounts represents the total authority received and expected.[1] The resulting equation is:

---

[1]Note that under the present model, discussed in the body of chapter 6, the balance of Anticipated Reimbursements and Other Income represents total authority from reimbursable work orders expected and received, even though the account Reimbursable Orders Accepted, representing the amount of work orders actually received, is also used.

Budget Authority From Reimbursables	=	Anticipated Reimbursements and Other Income	+	Reimbursable Orders Accepted

Thus, we can rewrite the basic accounting equation for reimbursable work under interagency agreements, using "R" to designate budget authority from reimbursable activities, as follows:

(R) =	(B) +	(C)
Budget authority relating to reimbursable work under interagency service agreements -- still anticipated -- already received	Budget authority not apportioned	Apportionments, allotments, commitments, obligations, and expenditures of the budget authority

BASIC TRANSACTIONS RELATED TO REIMBURSABLES

Under this alternate model, the recording of basic transactions is as shown below. Note that there are no separate tracks and that many of the entries are the same as for track 1 in the more elaborate model presented in the body of this chapter.

6A-1 To record anticipated orders:

Anticipated Reimbursements and Other Income
   Authority Available for Apportionment

* * * * *

6A-2 To record apportionment of budget authority:

Authority Available for Apportionment
Apportionment Available for Distribution

* * * * *

6A-3 To record allotment of budget authority:

Apportionment Available for Distribution
Allotments Available for Commitment/Obligation

* * * * *

6A-4 To record receipt of reimbursable orders:

Reimbursable Orders Accepted
Anticipated Reimbursements and Other Income

* * * * *

6A-5 To record commitments for reimbursable orders:

Allotments Available for Commitment/Obligation
Commitments Available for Obligation

* * * * *

6A-6 To record purchase orders for goods and services committed:

Commitments Available for Obligation
Undelivered Orders

* * * * *

6A-7 To record receipt of goods and services ordered:

Undelivered Orders
Expended Appropriations

* * * * *

Note that accounting for the status of reimbursable authority is the same as accounting for the status of appropriation authority, which is discussed in chapter 2. Entries 6A-2, 6A-3, 6A-5, 6A-6, and 6A-7 are the same as chapter 2 entries 2-2, 2-3, 2-4, 2-5 and 2-6, respectively (see p. 2-7).

ILLUSTRATION--BASIC TRANSACTIONS RELATED TO REIMBURSABLES

The following transactions are the same as those presented in the body of chapter 6. The journal entries, however, are based on the model presented above. The entries are made on the books of the agency performing the work.

(1)

Two agencies enter into an agreement for one to perform $100 of work for the other.

6A-1	Anticipated Reimbursements and Other Income	100	
	Authority Available for Apportionment		100

* * * * *

(2)

The $100 is apportioned by OMB.

6A-2	Authority Available for Apportionment	100	
	Apportionment Available for Distribution		100

* * * * *

(3)

$90 is allotted by the agency head.

6A-3	Apportionment Available for Distribution	90	
	Allotments Available for Commitment/Obligation		90

* * * * *

(4)

$90 of reimbursable work orders are received and accepted.

6A-4	Reimbursable Orders Accepted	90	
	Anticipated Reimbursements and Other Income Earned		90

Note that at this point the balance of Reimbursable Orders Accepted, $90, plus the balance of Anticipated Reimbursements and Other Income Earned, $10, account for the total $100 of authority originally anticipated.

* * * * *

(5)

Commitments for $70 of goods and services are made to fill reimbursable work orders.

6A-5	Allotments Available for Commitment/Obligation	70	
	Commitments Available for Obligation		70

* * * * *

(6)

Purchase orders totaling $68 were prepared to fulfill commitments which had been estimated at $60. Assume that the estimates made when making the commitments proved to be too low.

6A-6	Commitments Available for Obligation	60	
	Allotments Available for Commitment/Obligation	8	
	Undelivered Orders		68

* * * * *

(7)

Goods and services of $55 are received for $57 of the undelivered orders previously obligated.

6A-7	Undelivered Orders	57	
	Allotments Available for Commitment/Obligation		2
	Expended Appropriations		55

Note that accounts receivable related to the billings for completed orders is handled through proprietary accounting, discussed in chapter 7.

* * * * *

At this point, a trial balance of accounts would appear as shown below. Letters are given by each account to facilitate subsequent interpretation of the accounts.

Illustrative Federal Agency
Trial Balance of Budgetary Accounts
(Date Preceding Transactions Are Completed)

Key	Account Name	Account Bal. Dr.	Account Bal. Cr.
(a)	Anticipated Reimbursements and Other Income	$ 10	
(b)	Reimbursable Orders Accepted	90	
(c)	Authority Available for Apportionment		$ 0
(d)	Apportionment Available for Distribution		10
(e)	Allotments Available for Commitment/ Obligation		14
(f)	Commitments Available for Obligation		10
(g)	Undelivered Orders		11
(h)	Expended Appropriations		55
	Total	$100	$100

From this trial balance, the following information can be derived. (Explanations are keyed to the letter references for each account in the trial balance.)

Of the $100 in reimbursable work,

-- $10 is still anticipated (a), and

-- $90 of the work has already been received (b).

In addition, the accounts tell us that, of that $100,

-- all has been apportioned (c),

-- $10 of the apportionment has not yet been allotted (d),

-- $14 has been allotted but has no commitments or obligations yet placed against it (e),

-- $10 in commitments have been made, but no related orders for goods or services have yet been placed (f),

-- $11 of orders for goods and services have been placed but have not yet been received (g), and

-- $55 in orders for goods and services have been received (h).

CLOSING ENTRIES FOR FULLY EXPENDED REIMBURSABLE AUTHORITY

At the end of the fiscal year, if all reimbursable budget authority has been used and all orders filled, then only the following budgetary accounts have balances:

-- Reimbursable Orders Accepted and

-- Expended Appropriations.

The single closing entry required is shown below, numbered to correspond with its counterpart in the next section.

6A-9 Expended Appropriations
    Reimbursable Orders Accepted

* * * * *

After the entry is made, all budgetary accounts will be closed.

CLOSING ENTRIES WHEN REIMBURSABLE BUDGET AUTHORITY IS NOT FULLY EXPENDED: UNOBLIGATED AUTHORITY EXPIRES

Often, reimbursable budget authority is not fully expended at fiscal year-end. Some orders will be in the process of being filled, and work on others may not yet have been started. In that instance, closing entries depend on the extent to which the unexpended authority expires, which is in turn dependent upon the statutory authority underlying the reimbursable agreement(s) involved. In this publication, we present the more usual situation in which unexpended authority that has not been obligated by the performing agency expires at fiscal year-end.

If an agency enters into an interagency agreement based upon legislation that provides that budget authority that is unexpended or unobligated at fiscal year-end expires, the steps taken to close the budgetary accounts are similar to those for an annual appropriation, discussed in chapter 2. Five entries are required to close the accounts:

<u>Step 1: Remove expired authority from the books</u>

(1)

6A-5 To remove unobligated commitments from the accounts:

Commitments Available for Obligation
   Allotments Available for Commitment/Obligation

The effect of this entry is to transfer commitments of authority back to the allotment account, against which the commitments had been placed.

* * * * *

(2)

6A-6 To remove unused allotment authority from the accounts:

Allotments Available for Commitment/Obligation
Apportionment Available for Distribution

The effect of this entry is to close the allotment account and restore it to the apportionment.

* * * * *

(3)

6A-7 To remove the apportionment authority from the books:

Apportionment Available for Distribution
Authority Available for Apportionment

The effect of this entry is to close the apportionment account and restore expired apportionment authority to the original budget authority account.

At this point, the balance in the account Authority Available for Apportionment is the sum of expired commitments, allotments, and apportionments. These are the components of the amount of budget authority which has expired.

* * * * *

(4)

6A-8 To close the authority available for apportionment against the anticipated and actual reimbursement authority:

Authority Available for Apportionment
   Anticipated Reimbursements and Other Income
   Reimbursable Orders Accepted

The effect of this entry is to close the Authority Available for Apportionment and reduce Anticipated Reimbursements and Other Income. It also reduces Reimbursable Orders Accepted by the amount that was not obligated or expended.

* * * * *

At this point, the remaining account balances have this relationship:

Reimbursable Orders Accepted	=	Expended Appropriations	+	Undelivered Orders

Step 2: Remove expended appropriation authority

(5)

6A-9 To remove expended appropriations from the accounts:

Expended Appropriations
   Reimbursable Orders Accepted

The effect of this entry is to close the Expended Appropriations account and reduce the Reimbursable Orders Accepted account by the amount of expended appropriations.

* * * * *

After entry 6A-9 is made:

Reimbursable Orders Accepted	=	Undelivered Orders

Note that no accounts are used to establish an amount to be returned to Treasury, as is the case with closing entries for an operating appropriation. Through proprietary accounting, discussed in chapter 7, any unused advance received by the performing agency will be returned to the requesting agency. However, as the ultimate budget authority source is the requesting agency's appropriation, the requesting agency will report on and return any unobligated, unexpended budget authority under the interagency agreement to Treasury.

ILLUSTRATION--CLOSING ENTRIES WHEN REIMBURSABLE BUDGET AUTHORITY IS NOT FULLY EXPENDED: UNOBLIGATED AUTHORITY EXPIRES

Closing entries for amounts in the trial balance on p. 6-42 are shown in this section.

(1)

6A-5 To remove unobligated commitments from the accounts:

Commitments Available for Obligation	10	
Allotments Available for Commitment/Obligation		10

* * * * *

(2)

6A-6 To remove unused allotment authority from the accounts:

Allotments Available for Commitment/Obligation	14	
Apportionment Available for Distribution		14

* * * * *

(3)

6A-7 To remove the apportionment authority from the books:

Apportionment Available for Distribution	34	
Authority Available for Apportionment		34

* * * * *

(4)

6A-8 To close the authority available for apportionment against the appropriation:

Authority Available for Apportionment	34	
Anticipated Reimbursements and Other Income		10
Reimbursable Orders Accepted		24

The effect of this entry is to (a) close the Authority Available for Apportionment and the Anticipated Reimbursements and Other Income accounts and (b) reduce the balance of Reimbursable Orders Accepted by the amount of the orders which were not obligated and, therefore, expire.

* * * * *

Note that at this point, the remaining account balances have the following relationship:

Reimbursable Orders Accepted		Expended Appropriations		Undelivered Orders
	=		+	
$66		$55		$11

(5)

6A-9 To remove expended appropriations from the accounts:

Expended Appropriations	55	
Reimbursable Orders Accepted		55

* * * * *

A trial balance taken after closing would consist of Reimbursable Orders Accepted, with a debit balance of $11, and Undelivered Orders, with a credit balance of that amount. This indicates that, at the start of the next fiscal year, the agency expects to receive $11 of goods and services and there is $11 of budget authority through which to fund them.

ENTRIES FOR UNDELIVERED ORDERS RELATING TO REIMBURSABLE WORK FILLED IN THE SUCCEEDING YEAR

Just as with basic operating appropriations, undelivered orders relating to reimbursable work in one year may be filled in the next year. As was the case for undelivered orders relating to the basic operating appropriation (see pp. 2-25 through 2-35), one of four situations might exist, as set forth below. For each situation assume that $11 of undelivered orders related to reimbursable work exists at fiscal year end, as in the preceding example. Note that after each set of entries is made, all budgetary accounts will be closed.

Situation 1--The Orders Are Cancelled

If orders are cancelled, they must be removed from the books. This is accomplished with the following entry:

6A-8 Undelivered Orders	11	
Reimbursable Orders Accepted		11

* * * * *

Situation 2--The Orders Are Received in the Amount Estimated

If orders are received in the amount estimated, they are accounted for in the same manner as any other undelivered orders received, and this entry is made:

6A-7	Undelivered Orders	11	
	Expended Appropriations		11

* * * * *

Then, the Expended Appropriations is closed into Reimbursable Orders Accepted, with this entry.

6A-9	Expended Appropriations	11	
	Reimbursable Orders Accepted		11

* * * * *

Situation 3--The Orders Are Received in an Amount Less Than Estimated

Assume that the agency receives all orders and is billed $8 by vendors. The following entry is made to record the transaction:

6A-10	Undelivered Orders	11	
	Expended Appropriations		8
	Reimbursable Orders Accepted		3

* * * * *

The Expended Appropriations and Reimbursable Orders Accepted accounts are then closed with this entry:

6A-9	Expended Appropriations	8	
	Reimbursable Orders Accepted		8

* * * * *

Note that related billings to the agency for which work was being performed would have to be reduced by $3 through proprietary entries discussed in chapter 7.

Situation 4--The Orders Are Received in an Amount Greater Than Estimated

Assume that the agency receives all orders and is billed $12. Assume further that the agency for which work is being performed has the additional $1 of budget authority necessary. (If it did not, prices would have to be renegotiated with the vendor or the agency for which work is being performed would have to seek additional authority from Congress.)

First, the receipt of goods and services would be recorded, with these entries:

6A-11	Undelivered Orders	11	
	Reimbursable Orders Accepted	1	
	Expended Appropriations		12

* * * * *

Then, the Expended Appropriations and Reimbursable Orders Accepted accounts are closed, as follows:

6A-9	Expended Appropriations	12	
	Reimbursable Orders Accepted		12

* * * * *

Note that related billings to the agency for which the work is being performed would have to be increased by $1 through proprietary entries in chapter 7.

CROSSWALK OF ACCOUNTS BETWEEN THE TWO METHODS

The relationship between accounts in the present recording method described in the body of this chapter and the proposed method described in this appendix are set forth in the following tables. All accounts necessary for reporting to Treasury and OMB are contained in the proposed method.

Crosswalk from Track 1 Accounts in Present Model to Accounts in Alternate Model

Account in Present Model	Comparable Account(s) in Alternate Model
Anticipated Reimbursements and Other Income	Anticipated Reimbursements and Other Income plus Reimbursable Orders Accepted
Authority Available for Apportionment	Same
Apportionment Available for Distribution	Same
Allotments Available for Commitment/Obligation	Same
Commitments Available for Obligation	Same
Undelivered Orders	Same
Expended Appropriations	Same

Crosswalk from Track 2 Accounts in Present Model to Accounts in Alternate Model

Account in Present Model	Comparable Account(s) in Alternate Model
Reimbursable Orders Accepted	Same (but note that normal balance is debit rather than credit)
Unfilled Customer Orders --Unobligated	Reimbursable Orders Accepted less Undelivered Orders
Unfilled Customer Orders --Obligated	Undelivered Orders
Reimbursements and Other Income Earned	Expended Appropriations

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CHAPTER 7: PROPRIETARY ACCOUNTING FOR REIMBURSABLE WORK

INTRODUCTION

As discussed in chapter 6, some agencies perform reimbursable work for others in addition to performing their own operations. Most reimbursable agreements are for the performance of services, as opposed to the production of goods. Often, for example, small agencies or temporary commissions are established under laws providing that a larger agency will provide administrative services relating to procurement, personnel, and payments to employees, vendors, and others. Sometimes, one agency operates a payroll system that processes payroll for several agencies.

In addition, agencies occasionally make products for other agencies under a reimbursable work agreement. Usually, such production activities are performed through revolving funds rather than as adjuncts to basic operating appropriations. Accounting for revolving funds is beyond the scope of this publication. Accounting for products made for other agencies as adjuncts to basic appropriated activities is discussed here.

The remainder of this chapter is divided into three sections treating (1) the conceptual framework for reimbursable accounting, (2) accounting for services under reimbursable agreements, and (3) accounting for products under reimbursable agreements. Chapter 8 provides an illustration of accounting for reimbursable service work and integrates it with the comprehensive illustration for appropriation accounting presented in chapter 4.

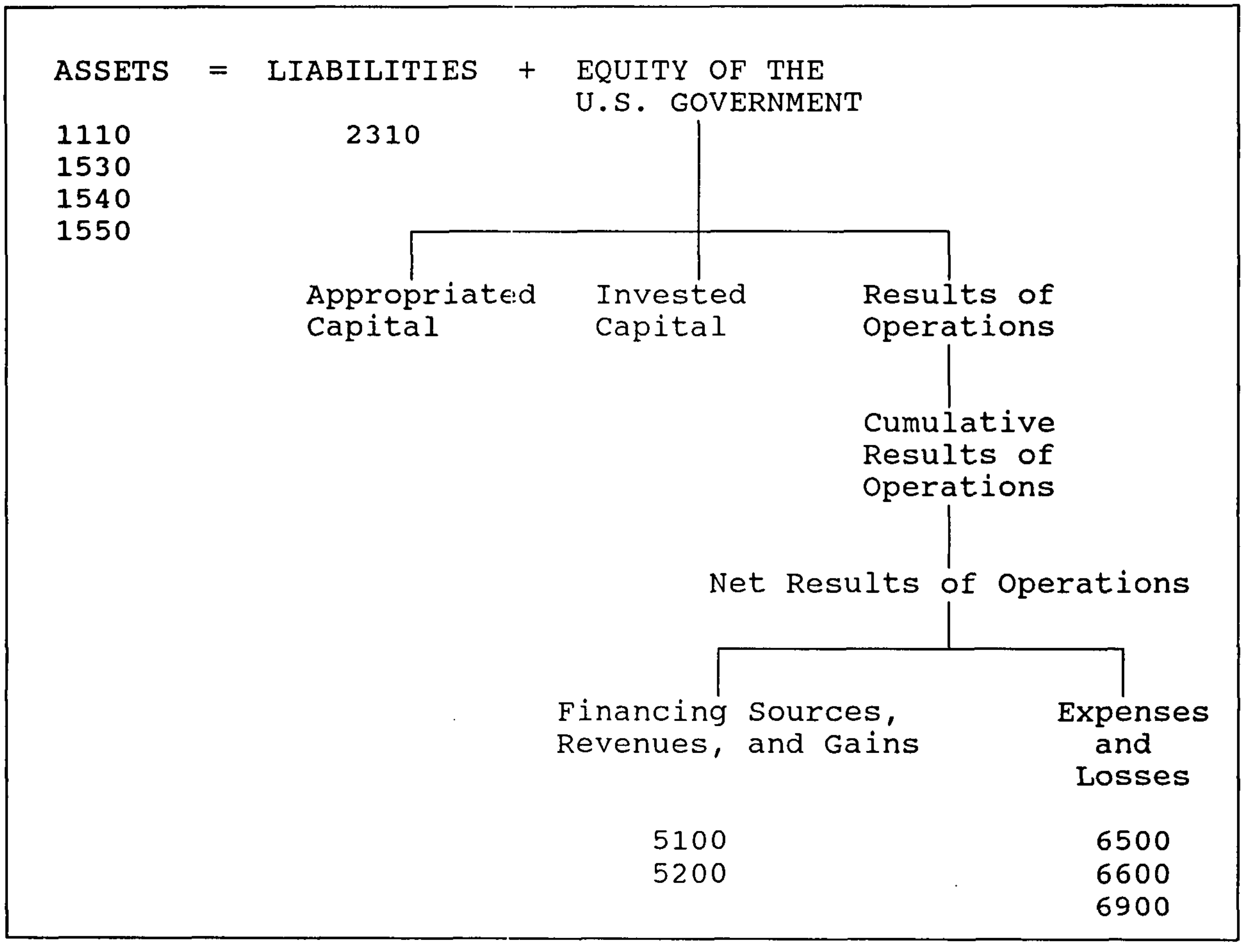
CONCEPTUAL FRAMEWORK FOR REIMBURSABLE ACCOUNTING

Basic SGL accounts provided for recording reimbursable work transactions that have not been introduced previously in this publication include the following.

SGL Account Number	SGL Account Title	Normal Balance
1110	Undeposited Collections	Dr.
1530	Inventory--Raw Materials and Supplies	Dr.
1540	Inventory--Work in Process	Dr.
1550	Inventory--Finished Goods	Dr.
2310	Advances From Others	Cr.
5100	Revenue From Goods Sold	Cr.
5200	Revenue From Services Provided	Cr.
6500	Cost of Goods Sold	Dr.
6600	Applied Overhead	Cr.
6900	Other Expenses[a]	Dr.

[a] The Standard General Ledger does not provide an account to accumulate expenses related to reimbursable work except for that related to a product, as opposed to a service. We are using account 6900, "Other Expenses," to accumulate such expenses related to reimbursable service work. As with the Operating/Program Expense account, "Other Expenses" is a control account and must be supported with a subsidiary ledger detailing the individual expenses involved.

The recording framework is the same as described in chapter 3. The accounts in the list above fit into the basic accounting equation discussed in chapter 3 in the following manner.



ACCOUNTING FOR SERVICES UNDER REIMBURSABLE AGREEMENTS

Basic entries to account for reimbursable services are much like those for a private sector firm providing the services. Key entries follow.

(1)

7-1 To record receipt of an advance for reimbursable work to be performed along with a procurement order to perform the work:

Undeposited Collections
   Advances From Others

If a check is received but the funds are not yet deposited with the Treasury, the money is not considered to be part of Fund Balance With Treasury until the check is deposited. The "Undeposited Collections" account is used to record funds on hand or funds in the process of being deposited.

* * * * *

(2)

7-2 To accept the order and deposit the monies (or receive confirmation of a transfer of funds) with Treasury:

Fund Balance With Treasury
   Undeposited Collections

Note that, if the work order had not been accepted, entry 1 would be reversed, and no further transactions would be recorded.

* * * * *

(3)

7-3 To pay for agency operating expenses, some of which will later be used for reimbursable work:

Operating/Program Expenses
   Fund Balance With Treasury

(Allocations to reimbursable work are made in entry 6, below.)

* * * * *

(4)

To record depreciation expense and consumption of supplies, a portion of which will later be allocated to reimbursable work:

7-4 Operating/Program Expenses
  Accumulated Depreciation on Equipment
  Inventory for Agency Operations

and

7-5 Capital Investments
  Appropriated Capital Used

* * * * *

(5)

7-6 To allocate agency expenses other than depreciation and supplies used to the Other Expenses account when the goods and services involved are used in support of reimbursable work:

Other Expenses
  Operating/Program Expenses

* * * * *

(6)

To allocate agency expenses for depreciation and supplies used that were initially funded by an appropriation but are chargeable against reimbursable activities to the Other Expenses account:

7-6 Other Expenses
    Operating/Program Expenses

and

7-7 Appropriated Capital Used
    Appropriated Capital

Entry 7-7 must be made because the financing source used is not an appropriation but, rather, the revenue from the reimbursable transactions. Hence, the amount allocated to reimbursable transactions must be placed back in the Appropriated Capital account.

* * * * *

To illustrate this, assume that an agency purchases $100 of supplies, some of which will be used for reimbursable work. The agency uses all of the supplies and later, based on cost accounting information, allocates 1/4 of the expense to its reimbursable work activities. Assume that Appropriated Capital had a balance of $1,000 just before these transactions. Required journal entries follow.

(1)

To record the purchase of supplies:

7-8	Inventory for Agency Operations	100	
	Fund Balance With Treasury		100

and

7-9	Appropriated Capital	100	
	Capital Investments		100

* * * * *

(2)

To record the use of supplies:

7-10	Operating/Program Expenses	100	
	Inventory for Agency Operations		100

and

7-5	Capital Investments	100	
	Appropriated Capital Used		100

* * * * *

(3)

7-6 To allocate one-fourth of the supplies expense to reimbursable work:

Other Expenses	25	
Operating Program Expenses		25

* * * * *

At this point, the capital account balances are as follows.

Appropriated Capital	$900
Capital Investments	0
Appropriated Capital Used (to be closed to Cumulative Results of Operations)	100

This indicates that only $900 of appropriations can still be used to fund agency operations and that $100 has already been used to finance those operations. However, because $25 of the supplies used will be funded by revenue from reimbursable work, only $75 of the appropriation will be used to fund the supplies expense, and $925 ($1,000 - $75) is still available to fund agency operations. Hence, the capital accounts must be adjusted with the following entry, which restores the $25 to Appropriated Capital.

7-7 Appropriated Capital Used	25	
Appropriated Capital		25

* * * * *

After the entry is made, the capital accounts have the following balances, which correctly report the status of appropriated capital used and available.

Appropriated Capital	$ 925
Capital Investments	0
Appropriated Capital Used	75
Total Capital	$1,000

(4)

7-11 To recognize revenue from provision of services:

Advances From Others
Revenue From Services Provided

* * * * *

OPERATING STATEMENT--REIMBURSABLE SERVICE WORK

Often, agencies charge only enough for reimbursable service work to cover costs. Sometimes, when allowable and agreed-upon between a requesting and a performing agency, a profit margin is added to provide funds adequate for the purchase of future inventory and equipment at higher prices due to inflation, to build new facilities, or for other reasons. Assuming the amounts from the illustration above and that $35 was charged for the service, the operating statement for the agency performing the service is as shown on the next page.

Illustrative Federal Agency
Operating Statement
for Accounting Period Ended (Date)

Appropriation Activities	
Appropriated Capital Used	$75
Less Operating/Program Expenses	(75)
Excess of Appropriated Capital Used Over Operating/Program Expenses	0
Reimbursable Activities	
Revenue From Services Provided	35
Less: Related Expenses	(25)
Excess of Revenue Over Related Expenses for Reimbursable Work	10
Excess of Revenue Over Expenses	$10

ACCOUNTING FOR PRODUCTS UNDER REIMBURSABLE AGREEMENTS

Basic proprietary entries for reimbursable work transactions involving the production of a product are essentially the same as those used in the private sector. Job order or process cost accounting may be used, and standard cost systems may be implemented. Readers are expected to be familiar with such systems and accounting methods. Entries for basic reimbursable product work transactions in addition to those for reimbursable services follow.

(5)

7-12 To purchase raw materials and supplies on account:

Inventory--Raw Materials and Supplies
Accounts Payable

Note that, because appropriations are not used to fund this inventory, no corresponding entry transferring the purchase amount from Appropriated Capital to Capital Investments is necessary, while such an entry is necessary when accounting for appropriations.

* * * * *

(6)

7-13 To draw raw materials for use in filling orders:

Inventory--Work in Process
Inventory--Raw Materials and Supplies

* * * * *

(7)

7-14 To charge payroll expenses paid in the agency payroll process to orders:

Inventory--Work in Process
Operating/Program Expenses

This entry assumes that the payroll was initially paid from agency appropriations and that this transaction requires that the amount due to reimbursable orders be credited back to the appropriation, a common practice. If a separate payroll for reimbursables were run or accounted for directly upon payment, the credits would be to various taxes and other withholdings payable and (ultimately) to Fund Balance With Treasury.

* * * * *

(8)

7-15 To apply overhead to work in process:

Inventory--Work in Process
   Applied Overhead

Depending on the nature of the work and the sophistication of the accounting systems involved, some agencies charge actual overhead expenses as they are incurred and do not apply overhead.

* * * * *

(9)

7-16 To record completion of goods in process:

Inventory--Finished Goods
   Inventory--Work in Process

* * * * *

(10)

After acceptance of completed products by the agencies for which they were made, the following two entries are made.

7-17 To record revenue:

Accounts Receivable (if advances are insufficient)
Advances From Others
   Revenue From Goods Sold

* * * * *

7-18 To record Cost of Goods Sold for the completed work:

Cost of Goods Sold
   Inventory--Finished Goods

* * * * *

(11)

To charge actual overhead expenses to reimbursable accounts:

7-19 Applied Overhead
   Operating/Program Expenses

* * * * *

If actual overhead includes a portion of depreciation and supplies used already charged against Appropriated Capital, the following entry must also be made:

7-7 Appropriated Capital Used
   Appropriated Capital

* * * * *

(12)

To close overapplied or underapplied overhead into Cost of Goods Sold.[1]

---

[1]If the amount is material, it may be prorated among Work in Process, Finished Goods, and Cost of Goods Sold.

7-20 If the overhead has been overapplied, the entry is:

Applied Overhead
   Cost of Goods Sold

* * * * *

7-21 If the overhead has been underapplied, the entry is:

Cost of Goods Sold
   Applied Overhead

* * * * *

OPERATING STATEMENT--REIMBURSABLE PRODUCT WORK

The operating statement for reimbursable product work is essentially the same as that for reimbursable service work, illustrated in the previous section. The only difference is that Cost of Goods Sold would appear in place of Other Expenses. The composition of Cost of Goods Sold and supporting computations are the same as for a private sector firm engaged in the manufacture of a product.

COMPREHENSIVE EXAMPLE IN CHAPTER 8

The next chapter provides a comprehensive example integrating both budgetary and proprietary accounting for reimbursable services. The chapter further integrates accounting for reimbursable services with the appropriation accounting example contained in chapter 4.

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CHAPTER 8: COMPREHENSIVE EXAMPLE INTEGRATING BUDGETARY AND PROPRIETARY ACCOUNTING FOR REIMBURSABLE WORK

INTRODUCTION

This chapter jointly applies the concepts of budgetary and proprietary accounting for reimbursable work, explained and illustrated separately in chapters 6 and 7, to a series of abbreviated routine transactions. The transactions involve reimbursable service work undertaken as an adjunct to basic operating appropriation activities, with a proration to be made of expenses applicable to the appropriation and the reimbursable work. These activities are undertaken by the Illustrative Federal Agency in chapter 4 for FY A. Closing entries are made at the end of FY A.

Both budgetary and proprietary entries are made at the general ledger level for each transaction. SGL account numbers are shown along with the account titles. General ledgers for the accounts in which these transactions are recorded are contained in the appendix to this chapter. Accounts related to reimbursable work have the designation "R" in the title, while those related to the appropriation have the designation "A."

For purposes of illustration, we have established four self-balancing sets of general ledger accounts, a budgetary and a proprietary set for reimbursables and a budgetary and proprietary set for the performing agency's appropriation. Separate Fund Balance With Treasury accounts have been created for both reimbursable work transactions and for appropriation-related transactions. In practice, agencies may combine both sets of budgetary accounts and both sets of proprietary accounts into two single sets, and may use only a single Fund Balance With Treasury account for both reimbursables and the appropriation.

The appendix also contains subsidiary ledgers in support of general ledger budgetary and proprietary accounts where needed to facilitate financial statement preparation.

Illustrative financial reports and explanations of them follow the transactions and entries for FY A. Readers may wish to compare the reports with the ones for the basic operating appropriation contained in chapter 4.

FY A TRANSACTIONS

Transactions illustrated in this section are in addition to those in chapter 4. As the last transaction in chapter 4 is numbered 24, transaction numbering in this chapter begins with 25.

25. Through interagency agreements, the agency expects to perform an estimated $10 million of reimbursable service work for other agencies. All work is properly chargeable against the FY A appropriations of the funding agencies. To perform the services, the Illustrative Federal Agency must undertake travel, pay employees, and utilize some equipment and supplies acquired primarily for use by the agency and funded against its operating appropriation. Assume the normal case in which the statutory authority for the agreements and activities provides that the agency is to collect reimbursements equal to its expenses incurred.

(1)

Budgetary entry

4210	Anticipated Reimbursements and Other Income/R	10,000,000	
4450	Authority Available for Apportionment/R		10,000,000

* * * * *

(2)

Proprietary entry

None

* * * * *

26. The $10 million is fully apportioned by OMB.

(1)

Budgetary entry

4450	Authority Available for Apportionment/R	10,000,000	
4510	Apportionment Available for Distribution/R		10,000,000

* * * * *

(2)

Proprietary entry

None

* * * * *

27. $9,595,000 of work orders under the interagency agreements were received and accepted. Agencies paid $5 million in advance through an interagency transfer of funds, which was confirmed by Treasury.

(1)

Budgetary entry

4230 Unfilled Customer Orders --Unobligated/R	9,595,000	
4220 Reimbursable Orders Accepted/R		9,595,000

* * * * *

(2)

Proprietary entry

1010 Fund Balance With Treasury/R[1]	5,000,000	
2310 Advances From Others/R		5,000,000

* * * * *

[1]For illustrative purposes, a separate account for Fund Balance With Treasury related to the reimbursable work will be used. In practice, agencies may use only a single Fund Balance With Treasury account for both reimbursable- and appropriation-related transactions.

28. The full amount of accepted work orders is allotted by the Director of Finance and Accounting.

(1)

Budgetary entry

4510	Apportionment Available for Distribution/R	9,595,000	
4610	Allotments Available for Commitment/ Obligation/R		9,595,000

* * * * *

(2)

Proprietary entry

None

* * * * *

29. (a) Travel orders of $3,000,000 were issued for reimbursable work.

(1)

Budgetary entries

4610	Allotments Available for Commitment/Obligation/R	3,000,000	
4800	Undelivered Orders/R		3,000,000

and

4240	Unfilled Customer Orders --Obligated/R	3,000,000	
4230	Unfilled Customer Orders--Unobligated/R		3,000,000

* * * * *

(2)

Proprietary entry

None

* * * * *

(b) Travel vouchers of $3,125,000 were submitted and approved against the obligations in (a).

(1)

Budgetary entries

4240	Unfilled Customer Orders --Obligated/R	125,000	
4230	Unfilled Customer Orders--Unobligated/R		125,000

and

4610	Allotments Available for Commitment/Obligation/R	125,000	
4800	Undelivered Orders/R	3,000,000	
4900	Expended Appropriations/R		3,125,000

* * * * *

(2)

Proprietary entry

6900	Other Expenses/R	3,125,000	
2110	Accounts Payable/R		3,125,000

* * * * *

(c) Payments for the travel claimed in (b) were requested from and paid by Treasury. (The net entry is illustrated. Separate entries for these transactions are illustrated in chapter 4.)

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

2110 Accounts Payable/R		3,125,000	
1010	Fund Balance With Treasury/R		3,125,000

* * * * *

30. Agency payroll in the amount of $6,100,000 related to the reimbursable work is requested from and paid by Treasury.

(1)

Budgetary entries

4610 Allotments Available for Commitment/Obligation/R		6,100,000	
4900	Expended Appropriations/R		6,100,000

and

4240 Unfilled Customer Orders --Obligated/R		6,100,000	
4230	Unfilled Customer Orders --Unobligated/R		6,100,000

* * * * *

(2)

Proprietary entry

6900	Other Expenses/R	6,100,000	
1010	Fund Balance With Treasury/R		6,100,000

* * * * *

31. Through the agency's cost accounting system, it is determined that $275,000 of the $2,700,000 in supplies used and 1/10 of the $950,000 depreciation on the equipment, as recorded in chapter 4, are properly chargeable against the reimbursable work.

(1)

Budgetary entries

4900	Expended Appropriations/A	370,000	
4610	Allotments Available for Commitment/Obligation/A		370,000

and

4240	Unfilled Customer Orders --Obligated/R	370,000	
4230	Unfilled Customer Orders--Unobligated/R		370,000

and

4610	Allotments Available for Commitment Obligation/R	370,000	
4900	Expended Appropriations/R		370,000

* * * * *

(2)

Proprietary entries

6900	Other Expenses/R	370,000	
1010	Fund Balance with Treasury/R		370,000

and

1010	Fund Balance With Treasury/A	370,000	
6100	Operating/Program Expenses/A		370,000

and

5700	Appropriated Capital Used/A	370,000	
3100	Appropriated Capital/A		370,000

* * * * *

32. (a) All reimbursable work accepted is completed, and agencies are billed for the remaining $4,595,000 due under the interagency agreements.

(1)

Budgetary entry

4250	Reimbursements and Other Income Earned/R	9,595,000	
4240	Unfilled Customer Orders--Obligated/R		9,595,000

* * * * *

(2)

Proprietary entry

2310	Advances From Others/R	5,000,000	
1310	Accounts Receivable/R	4,595,000	
5200	Revenue From Services Provided/R		9,595,000

* * * * *

(b) Payment is received from the agencies in full settlement of the billings in (a).

(1)

Budgetary entry

None

* * * * *

(2)

Proprietary entry

1010	Fund Balance With Treasury/R	4,595,000	
1310	Accounts Receivable/R		4,595,000

* * * * *

ADJUSTED TRIAL BALANCES AND SCHEDULES--END OF FISCAL YEAR

Trial balances for the accounts prior to closing follow.

Illustrative Federal Agency
Trial Balance of Budgetary Accounts
September 30 of FY A
(Dollars in Thousands)

Account	Appropriations Dr. (Cr.)	Reimbursables Dr. (Cr.)
Other Appropriations Realized	$100,000	
Anticipated Reimbursements and Other Income		$10,000
Apportionments Available for Distribution		(405)
Allotments Available for Commitment/Obligation	(396)	
Commitments Available for Obligation	(150)	
Undelivered Orders	(7,900)	
Expended Appropriations	(91,554)	(9,595)
Reimbursable Orders Accepted		(9,595)
Reimbursements Earned		9,595
Total	$ 0	$ 0

Illustrative Federal Agency
Trial Balance of Proprietary Accounts
September 30 of FY A
(Dollars in Thousands)

	Appropriations Dr. (Cr.)	Reimbursables Dr. (Cr.)
Fund Balance With Treasury	$10,460	
Advances to Others	5	
Inventory for Agency Operations	550	
Equipment	15,000	
Accumulated Depreciation on Equipment	(950)	
Disbursements in Transit	(1,975)	
Accounts Payable	(25)	
Accrued Funded Payroll and Benefits	(19)	
Liability for Annual Leave	(175)	
Appropriated Capital	(8,446)	
Capital Investments	(14,600)	
Appropriated Capital Used	(76,954)	
Revenue from Services Provided		$(9,595)
Operating/Program Expenses	77,129	
Other Expenses		9,595
Total	$ 0	$ 0

A supporting schedule for Other Expenses, based on the related subsidiary ledger, follows.

Illustrative Federal Agency
Schedule of Other Expenses
September 30 of FY A
(Dollars in Thousands)

Depreciation on Equipment	$ 95	
Payroll and Benefits	6,100	
Supplies Used	275	
Travel	3,125	
Total		$9,595
Balance in Other Expenses Control Account		9,595
Unreconciled Difference		$ 0

Schedules of (1) allotments, commitments, undelivered orders, and expended appropriations related to the appropriation, and (2) operating/program expenses follow.

Illustrative Federal Agency
Schedule of Allotments, Commitments, Undelivered Orders, and Expended Appropriations Related to the Appropriation
September 30 of FY A
(Dollars in Thousands)

Object for Which Funds Were Appropriated	Allotments	Commitments	Undelivered Orders	Expended Appropriations
Salaries and Benefits	$ 1	$ 0	$ 0	$29,999
Travel	25	0	50	19,925
Fixed Assets, Materials, and Services	370	150	7,850	41,630
Total	$396	$150	$7,900	$91,554
General Ledger Control Account Balances:				
Allotments Available for Commitment/ Obligation	$396			
Commitments Available for Obligation		$150		
Undelivered Orders			$7,900	
Expended Appropriation				$91,554
Unreconciled Difference	$ 0	$ 0	$ 0	$ 0

Illustrative Federal Agency
Schedule of Operating/Program Expenses
September 30 of FY A
(Dollars in Thousands)

Expense	
Depreciation expense--equipment	$ 855
Payroll and Benefits	30,174
Personal Services	23,750
Supplies	2,425
Travel	19,925
Total	$77,129
Balance of General Ledger Control Account: Operating/Program Expenses	$77,129
Unreconciled Difference	$ 0

CLOSING ENTRIES

Closing entries are set forth on the following pages. The closing entries for the operating appropriation illustrated in chapter 4 must all be rejournalized to accommodate the transactions in this chapter. However, as only the amounts, and not the accounts, are different, the numbering scheme CL-1 through CL-8, used in chapter 4, is used again here. Additional closing entries based on transactions in this chapter begin with the designation CL-9. Note that some transactions involve the closing of only a budgetary or a proprietary account.

CL-1 To remove unobligated commitments related to the appropriation from the accounts:

Budgetary entry only

4700	Commitments Available for Obligation/A	150,000	
4610	Allotments Available for Commitment/Obligation/A		150,000

* * * * *

CL-2 To remove unused allotment authority relating to the appropriation from the accounts:

Budgetary entry only

4610	Allotments Available for Commitment/Obligation/A	546,000	
4510	Apportionment Available for Distribution/A		546,000

* * * * *

CL-3 To remove the apportionment authority relating to the appropriation from the books:

Budgetary entry only

4510	Apportionment Available for Distribution/A	546,000	
4450	Authority Available for Apportionment/A		546,000

* * * * *

CL-4 To establish the account for budget authority related to the appropriation that must be returned to Treasury:

(1)

Budgetary entry

4450	Authority Available for Apportionment/A	546,000	
4391	Restorations, Writeoffs, and Withdrawals/A		546,000

* * * * *

(2)

Proprietary entry

3100	Appropriated Capital/A	546,000	
2990	Other Liabilities (To Return Unused Appropriation to Treasury.)/A[2]		546,000

* * * * *

CL-5 To reduce the appropriation by the amount of budget authority returned to Treasury:

---

[2]As discussed in chapter 2, agencies may choose not to record and liquidate a liability for the transactions in CL-4 and CL-5. If that were not done, there would be no proprietary entry made for the liability in CL-4, and the entry in CL-5 would be:

Appropriated Capital	546,000	
Fund Balance With Treasury		546,000

* * * * *

(1)

Budgetary entry

4114 Appropriations Realized but Withdrawn/A	546,000	
4119 Other Appropriations Realized/A		546,000

* * * * *

(2)

Proprietary entry

2990 Other Liabilities (To return Unused Appropriation/A to Treasury.)	546,000	
1010 Fund Balance With Treasury/A		546,000

* * * * *

CL-6 To remove expended appropriations from the accounts:

Budgetary entry only

4900 Expended Appropriations/A	91,554,000	
4119 Other Appropriations Realized/A		91,554,000

* * * * *

CL-7 To close the revenue and expense accounts related to the appropriation:

Proprietary entry only

5700	Appropriated Capital Used/A	76,954,000	
3320	Net Results of Operations/A	175,000	
6100	Operating/Program Expenses/A		77,129,000

* * * * *

CL-8 To close Net Results of Operations for the appropriation:

Proprietary entry only

3310	Cumulative Results of Operations/A	175,000	
3320	Net Results of Operations/A		175,000

* * * * *

CL-9 To reduce the apportionment available for distribution by the amount of reimbursements which were anticipated but were not received:

Budgetary entry only

4510	Apportionment Available for Distribution/R	405,000	
4210	Anticipated Reimbursements and Other Income/R		405,000

* * * * *

CL-10 To close the Expended Appropriations account for reimbursable work:

Budgetary entry only

4900	Expended Appropriations/R	9,595,000	
4210	Anticipated Reimbursements and Other Income/R		9,595,000

* * * * *

CL-11 To close the income and expense accounts for reimbursable work:

Proprietary entry only

5200	Revenue from Services Provided	9,595,000	
6900	Other Expenses/R		9,595,000
3320	Net Results of Operations/R		0

* * * * *

CL-12 To close Net Results of Operations to Cumulative Results of Operations for reimbursables:

Proprietary entry only[3]

3320	Net Results of Operations/R	0	
3310	Cumulative Results of Operations/R		0

* * * * *

[3]Since the amount of reimbursements revenue exactly equaled the amount of expenses, there is neither a "net income" nor a "net loss" related to reimbursable transactions. Technically, therefore, there would be no need to make the credit to Net Results of Operations in CL-11 or to make entry CL-12 at all. These are shown only for illustrative purposes.

CL-13 To close the Reimbursements Earned account:

Budgetary entry only

4220 Reimbursable Orders Accepted/R	9,595,000	
4250 Reimbursements and Other Income Earned/R		9,595,000

* * * * *

PRE-CLOSING AND POST-CLOSING TRIAL BALANCES

The pre-closing trial balance required by the SGL for budgetary accounts, compiled after closing entries 1 through 5, 9 and 13, is shown below.

Illustrative Federal Agency
Pre-Closing Trial Balance of Budgetary Accounts
September 30 of FY A
(Dollars in Thousands)

Account	Appropriations Dr. (Cr.)	Reimbursables Dr. (Cr.)
Appropriations Realized but Withdrawn	$ 546	
Restorations, Writeoffs, and Withdrawals	(546)	
Other Appropriations Realized	99,454	
Anticipated Reimbursements and Other Income		$9,595
Undelivered Orders	(7,900)	
Expended Appropriations	(91,554)	(9,595)
Total	$ 0	$ 0

The Post-Closing Trial Balance of budgetary accounts follows.

Illustrative Federal Agency
Post-Closing Trial Balance of Budgetary Accounts
September 30 of FY A
(Dollars in Thousands)

Account	Dr. Bal.	Cr. Bal.
Appropriations Realized but Withdrawn	$ 546	
Restorations, Writeoffs, and Withdrawals		$ 546
Other Appropriations Realized	7,900	
Undelivered Orders		7,900
Total	$8,446	$8,446

Note that all budgetary accounts related to reimbursables are closed. Hence, all accounts shown relate to the appropriation.

The Post Closing Trial Balance of proprietary accounts follows. As with the budgetary accounts for reimbursables, all proprietary reimbursable accounts are closed. Hence, the figures relate only to the appropriation.

Illustrative Federal Agency
Post-Closing Trial Balance of Proprietary Accounts
September 30 of FY A
(Dollars in Thousands)

Account	Dr. Bal.	Cr. Bal.
Fund Balance With Treasury	$ 9,914	
Advances to Others	5	
Inventory for Agency Operations	550	
Equipment	15,000	
Accumulated Depreciation on Equipment		$ 950
Disbursements in Transit		1,975
Accounts Payable		25
Accrued Funded Payroll and Benefits		19
Accrued Unfunded Annual Leave		175
Appropriated Capital		7,900
Capital Investments		14,600
Cumulative Results of Operations	175	
	$25,644	$25,644

GENERAL PURPOSE FINANCIAL STATEMENTS MEETING GAO STANDARDS

The financial statements illustrated in this section meet GAO standards[4] and are appropriate for inclusion in an agency's annual report. The statements include

--an operating statement,

--a statement of changes in government equity,

--a balance sheet, and

--a statement of changes in financial position.

[4]2 GAO Appendix I, Standard F-20.

The statement of changes in government equity, while not required under those standards, is useful to explain how Equity of the U.S. Government changed from the beginning to the end of the accounting period.

Examples of these statements, based on a combination of the FY A transactions in chapter 4 and those in this chapter, follow.

Illustrative Federal Agency
Operating Statement
For Year Ended September 30 of FY A
(Dollars in Thousands)

	Appropriation	Reimbursable Work	Total
Revenues and Financing Sources			
Appropriated Capital Used	$76,954	$ 0	$76,954
Services Provided		9,595	9,595
Total	$76,954	$9,595	$86,549
Expenses			
Depreciation on Equipment	$ 855	$ 95	$ 950
Payroll and Benefits	30,174	6,100	36,274
Personal Services	23,750	0	23,750
Supplies	2,425	275	2,700
Travel	19,925	3,125	23,050
Total	$77,129	$9,595	$86,724
Excess of Expenses Over Revenues and Financing Sources	$ (175)	$ 0	$ (175)

Illustrative Federal Agency
Statement of Changes in Government Equity
For Year Ended September 30 of FY A
(Dollars in Thousands)

	Appropriated Capital	Capital Investments	Cumulative Results of Operations: Appropriation	Cumulative Results of Operations: Reimbursables
Balance, October 1 of FY A	$ 0	$ 0	$ 0	$0
Appropriation	100,000			
Financing Sources:				
Purchase of Equipment and Inventory	(18,250)[a]	18,250		
Depreciation and Inventory Used		(3,650)[b]		
Other Expenses	(73,304)[c]			
Excess of Expenses over Revenues and Financing Sources)			(175)	0
Return of Expired Appropriation	(546)			
Balances, September 30 of FY A	$ 7,900	$14,600	$(175)	$0

[a] Equipment, $15,000 + Inventory, $3,250.
[b] Depreciation, $950 + Supplies Used, $2,700. Note that though some of the expense was funded by the reimbursable work, the amount of the reduction in Invested Capital is the total expense for depreciation and supplies used, regardless of funding source.
[c] Total Operating/Program Expenses

Total Operating/Program Expenses		$77,499
Less: Depreciation Expense	$ 855	
Supplies Used	2,425	
Annual Leave Expense	175	(3,455)
Remaining Expenses funded by Appropriated Capital Used		$73,304

Illustrative Federal Agency
Balance Sheet
September 30 of FY A
(Dollars in Thousands)

ASSETS		
Fund Balance With Treasury	$ 9,914	
Advances to Others	5	
Inventory for Agency Operations	550	
Equipment	15,000	
Less Accumulated Depreciation on Equipment	(950)	
Total Assets		$24,519
LIABILITIES AND EQUITY		
Liabilities		
Disbursements in Transit	$1,975	
Accounts Payable	25	
Accrued Funded Payroll	19	
Accrued Unfunded Annual Leave	175	
Total Liabilities		$ 2,194
Equity of the U.S. Government		
Appropriated Capital	$ 7,900	
Invested Capital	14,600	
Results of Operations	(175)	
Total Equity		$22,325
TOTAL LIABILITIES AND EQUITY		$24,519

Illustrative Federal Agency
Statement of Changes in Financial Position
For Year Ended September 30 of FY A
(Dollars in Thousands)

Fund Balance Provided by Operations		
Excess of Expenses over Financing Sources	$ (175)	
Components Not Requiring Cash:		
Depreciation Expense	950	
Supplies Used	2,700	
Payroll and Benefits Expense related to Annual Leave	175	
Increase in Advances to Others	(5)	
Increase in Disbursements in Transit	1,975	
Increase in Accounts Payable	25	
Increase in Payroll Liability	19	
Total Fund Balance Provided by Operations		$ 5,664
Fund Balance Provided by Financing		
Net Appropriation Used for Investments	14,600	
Appropriation Held for Payment of Undelivered Orders	7,900	
Appropriation Not Obligated	176	
Unobligated Appropriation Returned to Treasury	(176)	
Total Fund Balance Provided by Financing		22,500
Fund Balance Used for Investments		
Purchase of Equipment	15,000	
Purchase of Inventory	3,250	
Total Fund Balance Used for Investments		(18,250)
Increase in Fund Balance With Treasury		9,914
Beginning Fund Balance With Treasury		0
Ending Fund Balance With Treasury		$ 9,914

FINANCIAL STATEMENTS REQUIRED BY OMB AND TREASURY

OMB and Treasury regulations require that agencies prepare and submit several financial statements. One of the principal statements required by OMB is the SF 133, "Report on Budget Execution." Selected key reports required by Treasury include those listed below.

SF 220	Report on Financial Position
SF 221	Report on Operations
SF 222	Report on Cash Flow
SF 223	Report on Reconciliation [of operating expenses to net disbursements]
TFS 2108	Year-end Closing Statement

Examples of these statements, based on transactions recorded previously for the Illustrative Federal Agency, are given on the following pages. Additional information on the source of certain figures entered on the statements begins on p. 8-38. The first three statements differ from those presented in the previous section only in the composition of line items.

STANDARD FORM 133
(Revised July 1976)
Office of Management and Budget
Circular No. A-34

REPORT ON BUDGET EXECUTION

Sheet 1 of 1
Period ended: Sept. 30 of FY

AGENCY: Illustrative Federal Agency

BUREAU

APPROPRIATION OR FUND TITLE AND SYMBOL: Salaries and Expenses
99A 9999

DESCRIPTION	Unexpired Accounts		
	(Dollars in thousands)		
BUDGETARY RESOURCES			
1. Budget authority:			
A. Appropriations realized	100,000		
B. Appropriations anticipated (indefinite)			
C. Other new authority ( )			
D. Net transfers (+ or −)			
2. Unobligated balance:			
A. Brought forward October 1			
B. Net transfers (+ or −)			
3. Reimbursements and other income:			
A. Earned ($)	9,595		
B. Change in unfilled customers' orders (+ or −)			
C. Anticipated for rest of year			
4. Recoveries of prior year obligations:			
A. Actual ($)			
B. Anticipated for rest of year			
5. Portion not available pursuant to P.L. (−)			
6. Restorations (+) and writeoffs (−) ($)			
7. TOTAL BUDGETARY RESOURCES	109,595		
STATUS OF BUDGETARY RESOURCES			
8. Obligations incurred ($)	109,595		
9. Unobligated balances available:			
A. Apportioned, category A	951		
B. Apportioned, category B			
C. Other balances available			
10. Unobligated balances not available:			
A. Apportioned for subsequent periods*			
B. Withheld pending rescission*			
C. Deferred*			
D. Unapportioned balance of revolving fund*			
E. Other balances not available	(405)		
11. TOTAL BUDGETARY RESOURCES	109,595		
RELATION OF OBLIGATIONS TO OUTLAYS AND ACCRUED EXPENDITURES			
12. Obligations incurred, net (8−3A−3B−4A)	99,454		
13. Net unpaid obligations:			
A. Obligated balance, as of October 1			
B. Obligated balance transferred, net (+ or −)			
C. Obligated balance, end of period	9,914		
14. Outlays (12+13A+13B−13C) ($)	89,540		
15. Change in accounts payable, net:			
A. Accounts payable, net, as of October 1	0		
B. Accounts payable transferred, net (+ or −)	0		
C. Accounts payable, net, end of period	2,014		
16. Accrued expenditures (14−15A−15B+15C) ($)	91,554		

*From S.F. 132

/s/
(Authorized officer)

(Date)

REPORT ON FINANCIAL POSITION
as of Sept. 30 of FY A
(Dollars in thousands)

IDENTIFICATION:
DEPARTMENT/AGENCY: Illustrative Federal Agency
BUREAU/ORGANIZATIONAL UNIT:
OMB IDENTIFICATION CODE: FUND TYPE: 5

Assets	Amount	Total current period
1. Fund balance with Treasury and cash (SF 220-1)		
a. Fund balance(s)	9,914	
b. Cash		
c. Foreign currency, net		
d. Subtotal		9,914
2. Accounts receivable (SF 220-9)		
a. Federal agencies		
1. Current		
2. Noncurrent		
b. Public		
1. Current		
2. Noncurrent		
c. Less: Allowances		
d. Subtotal		
3. Advances and prepayments		
a. Federal agencies	5	
b. Public		
c. Subtotal		5
4. Inventories (SF 220-1)		
a. Operating consumables	550	
b. Product or service components		
c. Stockpiled materials		
d. Other 1.		
2.		
3.		
4.		
e. Subtotal		550
5. Investments, net (SF 220-1)		
a. Federal securities		
b. Non-Federal securities		
c. Other 1.		
2.		
3.		
4.		
d. Subtotal		
6. Loans receivable (SF 220-8, SF 220-9)		
a. Federal agencies		
1. Current		
2. Noncurrent		
b. Public		
1. Current		
2. Noncurrent		
c. Less: Allowances		
d. Subtotal		

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REPORT ON FINANCIAL POSITION

as of Sept. 30 of FY A
(Dollars in thousands)

BUREAU/ORGANIZATIONAL UNIT:

Assets-Continued	Amount	Total current period
7. Property, plant and equipment, net (SF 220-1)		
a. Structures, facilities and leasehold improvements		
b. Military equipment		
c. ADP software		
d. Equipment	15,000	
e. Assets under capital lease		
f. Other 1.		
2.		
3.		
4.		
g. Construction-in-progress		
h. Land		
i. Allowances	(950)	
j. Subtotal		14,050
8. Other assets		
a.		
b.		
c.		
d.		
e. Subtotal		
9. Total assets		24,519
Liabilities		
10. Accounts payable		
a. Federal agencies		
b. Public	2,000	
c. Subtotal		2,000
11. Interest payable		
a. Federal agencies		
b. Public		
c. Subtotal		
12. Accrued payroll and benefits		19
13. Accrued unfunded annual leave		175
14. Unearned revenue (advances)		
a. Federal agencies		
b. Public		
c. Subtotal		
15. Deposit funds		
16. Debt issued under borrowing authority (SF 220-1)		
a. Gross Federal debt		
b. Intragovernmental debt		
c. Other debt		
d. Subtotal		
17. Actuarial liabilities (SF 220-1)		
a. Pension plans		
b. Insurance and annuity programs		
c. Subtotal		

(2-4100-15)

REPORT ON FINANCIAL POSITION

as of Sept. 30 of FY A
(Dollars in thousands)

BUREAU/ORGANIZATIONAL UNIT: Illustrative Federal Agency

Liabilities-Continued	Amount	Total current period
18. Other liabilities		
a.		
b.		
c.		
d.		
e. Subtotal		
19. Total liabilities		2,194
Equity		
Appropriated fund equity		
20. Unexpended financed budget authority		
a. Unexpended appropriations	7,900	
b. Less: Unfilled customer orders(Federal)		
c. Subtotal		7,900
21. Invested capital		14,600
Cumulative Results of Operation		(175)
Revolving fund equity		
22. Revolving fund balance(s)		
a. Appropriated capital		
b. Cumulative results		
c. Donations		
d. Subtotal		
Trust fund equity		
23. Trust fund balance(s)		
24. Total equity		22,325
25. Total liabilities and equity		24,519

AGENCY CONTACTS	
1. Preparer's Name	2. Telephone No.
3. Address	
4. Supervisor's Name	5. Telephone No.

(2-4100-16)

Standard Form 221
November 1988
I TFM 2-4100

IAR No. 1180-TD-AN

REPORT ON OPERATIONS

for the period ended Sept. 30 of FY A
(Dollars in thousands)

IDENTIFICATION:
DEPARTMENT/AGENCY:
BUREAU/ORGANIZATIONAL UNIT:
OMB IDENTIFICATION CODE: FUND TYPE: 5
BASIS USED:

FINANCING SOURCES	Amount	Total
1. ~~Accrued expenditures~~ Expend. Approp.		91,554
2. Revenue Reimbursable Work Collection in excess of Expended approp.		
a. Federal sources	9,595	
b. Public sources		
c. Subtotal		9,595
3. Governmental receipts		
4. Other a. Appropriations used for:		
b. – Depreciation	950	
c. – Supplies Consumed	2,700	
d.		
e. Subtotal		3,650
5. Less: Receipts returned to Treasury		
6. Total financing sources		104,799
OPERATING EXPENSES		
7. Cost of services provided		9,225
8. Operating/program expenses, funded		73,674
9. Interest expense, funded		
a. Federal Financing Bank/ Treasury borrowings		
b. Federal securities		
c. Other 1.		
2.		
3.		
4.		
d. Subtotal		
10. Other, funded expenses		
a.		
b.		
c.		
d.		
e. Subtotal		

Previous edition not usable

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(2-4100-49)

Standard Form 221
November 1988

REPORT ON OPERATIONS

for the period ended Sept. 30 of FY A
(Dollars in thousands)

BUREAU/ORGANIZATIONAL UNIT: Illustrative Federal Agency

OPERATING EXPENSES-Continued	Amount	Total
11. Unfunded expenses		3,825
12. Total operating expenses		86,724
NET RESULTS		
13. Net results before adjustments		18,075
14. Less: Capital expenditures (all funds refer to the instructions)		18,250
15. Less: Extraordinary items		
16. Net results		(175)

AGENCY CONTACTS	
1. Preparer's Name	2. Telephone No.
3. Address	
4. Supervisor's Name	5. Telephone No.

(2-4100-50)

Standard Form 222
November 1988
I TFM 2-4100

IAR No. 0341-TD-AN

REPORT ON CASH FLOW

for the period ended Sept. 30 of FY A
(Dollars in thousands)

IDENTIFICATION:
DEPARTMENT/AGENCY: Illustrative Federal Agency
BUREAU/ORGANIZATIONAL UNIT:
OMB IDENTIFICATION CODE: FUND TYPE: 5

Description	Amount	Total
1. Fund balance with Treasury and cash, beginning of period (PY SF 220)		0
2. Sources of funds:		
a. Increase in debt		
b. Appropriations	100,000	
c. Revenue	9,595	
d. Sale of assets		
e. Increase in payables	2,019	
f. Decrease in receivables and advances	(5)	
g. Other 1.		
2.		
3.		
4.		
h. Total		111,609
3. Application of funds:		
a. Operating expenses (SF 221)	86,724	
b. Less: Expenses not requiring outlays (SF 221)	(3,825)	
c. Increase in investments		
d. Increase in inventory	3,250	
e. Purchase of property, plant, and equipment	15,000	
f. Other 1. Return of unobligated		
2. Approp. to Treasury	546	
3.		
4.		
g. Total		101,695
4. Fund balance with Treasury and cash, end of period (SF 220)		9,914

AGENCY CONTACTS	
1. Preparer's Name	2. Telephone No.
3. Address	
4. Supervisor's Name	5. Telephone No.

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(2-4100-54)

Standard Form 223
November 1988
I TFM 2-4100

IAR No. 0342-TD-AN

REPORT ON RECONCILIATION
for the period ended Sept. 30 of FY A
(Dollars in thousands)

IDENTIFICATION:
DEPARTMENT/AGENCY: Illustrative Federal Agency
BUREAU/ORGANIZATIONAL UNIT:
OMB IDENTIFICATION CODE: FUND TYPE: 5

Description	Total
1. Total operating expenses (SF 221)	86,724
2. Adjustments:	
Add: a. Capital expenditures	18,250
Deduct: b. Increase (decrease) in accounts payable	2,014
c. Decrease (increase) in inventories	2,700
d. Accrued expenses not requiring outlays	1,125
3. Subtotal	
4. Less: Offsetting collections credited	9,595
5. Net disbursements	89,540

AGENCY CONTACTS	
1. Preparer's Name	2. Telephone No.
3. Address	
4. Supervisor's Name	5. Telephone No.

Previous edition not usable

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(2-4100-58)

AGENCY Illustrative Federal Agency

YEAR-END CLOSING STATEMENT

TFS FORM 6 79 2108 FORMERLY TFS FORM 2108, 11-74, WHICH IS OBSOLETE.

DEPARTMENT OF THE TREASURY—FISCAL SERVICE
BUREAU OF GOVERNMENT FINANCIAL OPERATIONS
DIVISION OF GOVERNMENT ACCOUNTS AND REPORTS
I TFRM 2-4200

Page

TREASURY TRIAL BALANCE						TRANSFERS AND WITHDRAWALS (31 U.S.C. 701)		FUND RESOURCES				STATUS OF RESOURCES		
APPROPRIATION OR FUND SYMBOL					Preclosing Unexpended Balance	Obligated Balance Transferred to "M" Accounts	Unobligated Balance Withdrawn (—) or Restored (+)	Postclosing Unexpended Balance	Other Authorizations	RECEIVABLES		UNPAID OBLIGATIONS		Unobligated Balance Available for Obligation
DEPT REG	DEPT TR FROM	FIS YR.	NUMBER	SUB NUMBER						Reimbursements Earned and Refunds	Unfilled Customer Orders	Undelivered Orders and Contracts	Accounts Payable and Other Liabilities	
(1)					(2) (Code 00)	(3)	(4)	(5)	(6)	(7) (Code 77)	(8) (Code 78)	(9) (Code 49)	(10) (Code 40)	(11) (Code 41)
99		A	9999		10,460,000		-546,000	9,914,000	0	5,000	0	7,900,000	2,019,000	0

Sources of Selected Figures on Statements

Although the SGL provides a crosswalk to use in preparing OMB and Treasury statements illustrated on the preceding pages, we have provided the comments in this section on the source of our figures and the nature of the computations and listings involved. All amounts are in thousands of dollars.

SF 133, Report on Budget Execution

Line 8

Expended Appropriations of $91,554 for the appropriation and $9,595 for reimbursables + Undelivered Orders of $7,900 relating to the appropriation. (Note that there is are undelivered orders relating to the reimbursables.)

9A

Restorations, Writeoffs, and Withdrawals, representing unobligated appropriations which must be returned to Treasury at year-end, $546, plus reimbursements which were anticipated but not received, $405.

10E

Reimbursements which were anticipated but not received.

Note that the section Status of Budgetary Resources summarizes the accounts for the $100,000 appropriation plus the $9,595 in reimbursable orders in the following manner:

11

Expended Appropriations	$101,149
Undelivered Orders	7,900
Total Obligations	109,049
Unobligated Appropriation to Be Returned to Treasury	546
Total Appropriation And Reimbursable Earnings	$109,595

Line 13c

This figure is derived from the following summation:

Accounts Payable	$ 25
Disbursements in Transit	1,975
Accrued Funded Payroll	19
Undelivered Orders	7,900
Total Amounts Yet to Be Paid	9,919
Advances to Others	(5)
Net Unpaid Obligations, September 30 of FY A	$9,914

It represents the amount for goods and services received that has not yet been paid and the amount of undelivered orders, both of which will have to be paid from Fund Balance With Treasury, less moneys due back to the appropriation. In other words, after collecting the $5 in advances to employees, the appropriation will have to pay $9,914 for current and expected liabilities.

14

Note that this is the amount disbursed from Fund Balance With Treasury during the year. Its derivation from lines 12 and 13 is based on the following equation, which expresses the relationship between items to be funded by the appropriation:

Total Goods and Services Received and Expected to Be Received	=	Goods and Services Paid	+	Goods and Services Yet to Be Paid For
(Expended Appropriations plus Undelivered Orders)		(Cash Disburse-ments)		(Current and Expected Liabilities Minus Receiv-ables)

15c

This figure is equal to the difference between the amount in line 13C and

Undelivered Orders. Undelivered orders are not valid accounts payable until the goods and services they represent are received.

Line 16

Note that the term "accrued expenditures" means "Expended Appropriations accounted for on an accrual basis." The amount on this line should equal the amount in the account Expended Appropriations for the appropriation.

SF 220, Report on Financial Condition

Amounts shown on the statement are taken from those on the balance sheet appearing on p. 8-26. Note that it is necessary to add a line after line 21 to show Cumulative Results of Operations. The $175 negative balance in that account represents the unfunded annual leave liability at fiscal year-end.

SF 221, Report on Operations

Line 1

See discussion of "accrued expenditures" for line 16 of the SF 133.

4

Note that it is necessary to include appropriated capital used for depreciation and supplies consumed, which are not part of expended appropriations. Inventory and fixed assets purchased by the appropriation are included in expended appropriations, and it seems at first glance that, to the extent supplies used and fixed assets depreciated related to items purchased by the appropriation, listing both the expended appropriation <u>and</u> the appropriation used duplicates the appropriation used. However, as capital expenditures--expenditures for inventory and fixed assets--are subtracted on line 14, the potential duplication is avoided.

Line 7

The figure on this line is computed as follows:

Total expenses related to reimbursables (the amount of "Other Expenses")		$9,595
Less expenses not directly funded by the appropriation:		
Depreciation on Equipment	$95	
Supplies Used	275	370
Funded cost of services provided		$9,225

8

The figure on this line is computed as follows:

Total expenses related to the appropriation (Operating/Program Expenses		$77,129
Less expenses not funded by the appropriation:		
Expense Related to Annual Leave	$ 175	
Depreciation on Equipment	855	
Supplies Used	2,425	3,455
Funded Operating/ Program Expense		$73,674

11

This line shows the sum of Depreciation Expense, $950, Expense for Supplies Used, $2,700, and Annual Leave Expense, $175. The word "unfunded" in the line description means "unfunded by expended appropriations." Note that the depreciation and supplies used are related to the financing source "Appropriated Capital Used" on line 4. The annual leave expense is not funded. It will be paid with future appropriations.

Line 14 This line shows the sum of the $15,000 for equipment purchased and the $3,250 for supplies purchased.

SF 222, Report on Cash Flow

Line 2e This line shows the sum of the following liabilities:

Disbursements in Transit	$1,975
Accounts Payable	25
Accrued, Funded Payroll	19
	$2,019

3b This is from line 11 of the SF 221.

3d The description "increase in inventory" means purchases of inventory less disposals of inventory (by sale, transfer to other agencies without reimbursement, or scrapping). The Illustrative Federal Agency had only purchases.

3e The description "increase in property, plant and equipment" means purchases of property, plant and equipment less disposals by sale, trade-in, transfer to other agencies without reimbursement, or scrapping. The Illustrative Federal Agency had only purchases.

SF 223, Report on Reconciliation

This statement is based on the concept that the sum of operating expenses plus purchases of fixed assets represents the amount of disbursements that would be required if all expenses involved had been paid in cash. However, some of the expenses do not require cash outlays. In the case of the Illustrative Federal Agency, these are the expenses for depreciation, supplies used, and annual leave. Their sum is listed on lines 2c and 2d.

In addition, some of the expenses were accrued such that they were recognized as expenses but did not require cash outlays. These must be deducted. On the other hand, expenses may have been accrued in the prior year and paid in Year A. They are not included in expenses for the current year and must be added. Because it was formed in the current year, the Illustrative Federal Agency had no beginning payables. However, payables (including disbursements in transit), shown on line 2b, had been accrued as of fiscal year-end. Note that the computation includes only funded payables, as no disbursements are related to unfunded payables.

Line 1 From SF 221, line 12.

2a From SF 221, line 14.

2b From SF 222, lines 2e and 2f

2c The $2,700 is the amount of supplies used rather than the $550 increase in supplies, because the SF 223 is incorrectly designed. Both lines 1 and 2a include supplies used to the extent they were purchased during the accounting period, and hence, it must be deducted on line 2c to make the report balance. An alternative method to correct the situation would be to place the $550 increase in inventory on line 2c and reduce the amount on line 2a by the amount of merchandise acquire during the period. For our example, line 2a would then become $15,000 ($18,250 shown less $3,250 for merchandise acquired). We are working with Treasury and the SGL Advisory Work Group to correct the error in the form's construction.

Line 2d From SF 221, line 11.

5 Note that this is the same amount as listed on line 14 of the SF 133.

TFS 2108, Year-End Closing Statement

The purpose of this form is to account for the Fund Balance With Treasury held by the agency. The basic formula used is shown on the next page.

Balance at Fiscal Year-End, before merging of old appropriations and return of unneeded funds	Col. 2
Less: Transfer to merged appropriations	Col. 3
Return of unneeded funds	Col. 4
Equals Balance needed for pending transactions	Col. 5
Plus funds expected to be received:	
From certain special authorizations	Col. 6
From receivables relating to reimbursable work performed for others and certain refund items	Col. 7
From unfilled customer orders	Col. 8
Equals funds available for disbursement	No column provided
Less expected disbursements:	
From undelivered orders	Col. 9
From funded liabilities	Col. 10
Equals funds expected to be available after expected collections and disbursements	Col. 11

Sources of the figures entered in the columns of the TFS 2108 for our Illustrative Federal Agency are set forth below.

Column 2

This number, supplied by Treasury, is the balance remaining in the account Fund Balance With Treasury before any unused funds related to unobligated appropriations are turned back to Treasury. "Unexpended Balance" in the column title means "Unexpended Fund Balance With Treasury" as opposed to "Unexpended Appropriations." For the Illustrative Federal Agency, the figure is the sum of Fund Balance With Treasury/A, $10,460, and Fund Balance With Treasury/R, $-0-.

Column 3	Fiscal year A appropriation accounts will not be "merged" until FY C. (See pp. 2-35 and 2-36 for an explanation of merging.)
4	The Unobligated Balance Withdrawn is the balance in the budgetary account Restorations, Writeoffs, and Withdrawals before unused funds associated with unobligated appropriations are returned.
5	This is computed as col. 2 - col. 3 - col. 4.
6	There was no authorization other than that relating to the basic operating appropriation.
7	This is the balance of the account Advances to Others.
8	The Illustrative Federal Agency has no orders left to fill at fiscal year-end. If it did, the figure would be the amount of Undelivered Orders--Obligated less the amount of Advances From Others related to the orders.
9	This is the balance of the account Undelivered Orders.
10	This amount, $2,019, is the sum of the following account balances.

Disbursements in Transit	$1,975
Accounts Payable	25
Accrued Funded Payroll Liability	19
	$2,019

Note that only funded liabilities are included in this sum. Unfunded liabilities, such as that for annual leave, are not claims on the FY A Fund Balance With Treasury, as they will be financed through authority from future appropriations.

Column 11

This is the result of the following computation:

col. 5 + col. 6 + col. 7 + col. 8 - col. 9 - col. 10.

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APPENDIX TO CHAPTER 8: LEDGER ACCOUNTS

This appendix contains the following ledger accounts, which show the postings related to the entries illustrated in chapters 4 and 8:

1. a general ledger of budgetary accounts related to reimbursable work,[1]

2. a general ledger of proprietary accounts related to reimbursable work,[1]

3. a subsidiary expense ledger supporting the proprietary account Other Expenses,

4. a general ledger of budgetary accounts related to the operating appropriation,[1]

5. a general ledger of proprietary accounts related to the operating appropriation,[1]

6. a subsidiary ledger in support of budgetary accounts related to the appropriation, and

7. a subsidiary ledger in support of Operating/Program Expenses.

---

[1]To simplify the illustrations, separate general ledgers for budgetary and proprietary accounts are maintained for both appropriation-related and reimbursable-related accounts. In practice, agencies may combine all four sets of accounts in a single general ledger or two general ledgers.

General ledger account titles are followed by their SGL numbers. Throughout all ledgers, dollar amounts are reported in thousands, and a double-dashed line (===) indicates the end of transaction in FY A in each account. In ledgers 4 through 7, a dashed line (---) indicates the end of first quarter FY A transactions. In addition, all account titles have the data element "/R" or "/A" in the title, indicating they are related to reimbursable work or the operating appropriation, respectively.

1. GENERAL LEDGER--BUDGETARY ACCOUNTS RELATED TO REIMBURSABLES

Account Name: Anticipated Reimbursements and Other Income/R (4210)

Trans.	Dr.	Cr.	Balance
25	10,000		10,000
CL-9		405	9,595
CL-10		9,595	0
========			

Account Name: Authority Available for Apportionment/R (4450)

Trans.	Dr.	Cr.	Balance
25		10,000	10,000
26	10,000		0
========			

Account Name: Apportionment Available for Distribution/R (4510)

Trans.	Dr.	Cr.	Balance
26		10,000	10,000
28	9,595		405
CL-9	405		0
========			

Account Name: Allotments Available for Commitment/Obligation/R (4610)

Trans.	Dr.	Cr.	Balance
28		9,595	9,595
29a	3,000		6,595
29b	125		6,470
30	6,100		370
31	370		0
========			

Account Name: Commitments Available for Obligation/R (4700)

Trans.	Dr.	Cr.	Balance
(Not used.)			

Account Name: Undelivered Orders/R (4800)

Trans.	Dr.	Cr.	Balance
29a		3,000	3,000
29b	3,000		0

Account Name: Expended Appropriations/R (4900)

Trans.	Dr.	Cr.	Balance
29b		3,125	3,125
30		6,100	9,225
31		370	9,595
CL-10	9,595		0

Account Name: Reimbursable Orders Accepted/R (4220)

Trans.	Dr.	Cr.	Balance
27		9,595	9,595
CL-13	9,595		0

Account Name: Unfilled Customer Orders--Unobligated/R (4230)

Trans.	Dr.	Cr.	Balance
27	9,595		9,595
29a		3,000	6,595
29b		125	6,470
30		6,100	370
31		370	0

Account Name: Unfilled Customer Orders--Obligated/R (4240)

Trans.	Dr.	Cr.	Balance
29a	3,000		3,000
29b	125		3,125
30	6,100		9,225
31	370		9,595
32a		9,595	0

Account Name: Reimbursements and Other Income Earned/R (4250)

Trans.	Dr.	Cr.	Balance
32a	9,595		9,595
CL-13		9,595	0

2. GENERAL LEDGER--PROPRIETARY ACCOUNTS RELATED TO REIMBURSABLES

Account Name: Fund Balance With Treasury/R (1010)

Trans.	Dr.	Cr.	Balance
27	5,000		5,000
29c		3,125	1,875
30		6,100	(4,225)
31		370	(4,595)
32b	4,595		0

Account Name: Accounts Receivable/R (1310)

Trans.	Dr.	Cr.	Balance
32a	4,595		4,595
32b		4,595	0

Account Name: Accounts Payable/R (2110)

Trans.	Dr.	Cr.	Balance
29b		3,125	3,125
29c	3,125		0

Account Name: Advances from Others/R (2310)

Trans.	Dr.	Cr.	Balance
27		5,000	5,000
32a	5,000		0

Account Name: Cumulative Results of Operations/R (3310)

Trans.	Dr.	Cr.	Balance
CL-12		0	0

Account Name: Net Results of Operations/R (3320)

Trans.	Dr.	Cr.	Balance
CL-11		0	0
CL-12	0		0

Account Name: Revenue from Services Provided/R (5200)

Trans.	Dr.	Cr.	Balance
32a		9,595	9,595
CL-11	9,595		0

Account Name: Other Expenses/R (6900)

Trans.	Dr.	Cr.	Balance
29b	3,125		3,125
30	6,100		9,225
31	370		9,595
CL-11		9,595	0

3. SUBSIDIARY LEDGER--OTHER EXPENSES

Account Name: Depreciation Expense on Equipment/R

Trans.	Dr.	Cr.	Balance
31	95		95
CL-11		95	0

Account Name: Payroll and Benefits Expense/R

Trans.	Dr.	Cr.	Balance
30	6,100		6,100
CL-11		6,100	0

Account Name: Expense for Supplies Used/R

Trans.	Dr.	Cr.	Balance
31	275		275
CL-11		275	0

Account Name: Travel Expense/R

Trans.	Dr.	Cr.	Balance
29	3,125		3,125
CL-11		3,125	0

4. GENERAL LEDGER--BUDGETARY ACCOUNTS RELATED TO THE APPROPRIATION

Account Name: Other Appropriations Realized/A (4119)

Trans.	Dr.	Cr.	Balance
1	100,000		100,000
CL-5		546	99,454
CL-6		91,554	7,900

Account Name: Authority Available for Apportionment/A (4450)

Trans.	Dr.	Cr.	Balance
1		100,000	100,000
2	31,000		69,000
13	69,000		0
CL-3		546	546
CL-4	546		0

Account Name: Apportionment Available for Distribution/A (4510)

Trans.	Dr.	Cr.	Balance
2		31,000	31,000
3	30,000		1,000
13		69,000	70,000
14	70,000		0
CL-2		546	546
CL-3	546		0

Account Name: Allotments Avail- for Commitment/Obligation/A (4610)

Trans.	Dr.	Cr.	Balance
3		30,000	30,000
4	16,000		14,000
5	1,250		12,750
6	4,000		8,750
8	100		8,650
9a	7,400		1,250
10a		50	1,300
14		70,000	71,300
15a	32,500		38,800
15b	100		38,700
16a	16,000		22,700
16d	25		22,675
17a	22,580		95
18a	50		45
19c	19		26
31		370	396
CL-1		150	546
CL-2	546		0

Account Name: Commitments Available for Obligation/A (4700)

Trans.	Dr.	Cr.	Balance
4		16,000	16,000
5	15,750		250
15a		32,500	32,750
15b	32,600		150
CL-1	150		0

Account Name: Undelivered Orders/A (4800)

Trans.	Dr.	Cr.	Balance
5		17,000	17,000
6		4,000	21,000
8	8,900		12,100
10a	3,950		8,150
15b		32,700	40,850
16a		16,000	56,850
16d	16,000		40,850
18a	32,950		7,900
22	7,900		0

Account Name: Expended Appropriations/A (4900)

Trans.	Dr.	Cr.	Balance
8		9,000	9,000
9a		7,400	16,400
10a		3,900	20,300

16d		16,025	36,325
17a		22,580	58,905
18a		33,000	91,905
19c		19	91,924
31	370		91,554
CL-6	91,554		0
=======			
22		7,900	7,900

Account Name: Restorations, Writeoffs, and Withdrawals/A (4391)

Trans.	Dr.	Cr.	Balance
(Account not used in first quarter.)			
CL-4		546	546
=======			

Account Name: Appropriations Realized but Withdrawn/A (4114)

Trans.	Dr.	Cr.	Balance
(Account not used during first quarter.)			
CL-5	546		546
=======			

5. GENERAL LEDGER--PROPRIETARY ACCOUNTS RELATED TO THE APPROPRIATION

Account Name: Fund Balance With Treasury/A (1010)

Trans.	Dr.	Cr.	Balance
1	100,000		100,000
7b		1,500	98,500
9b		7,400	91,100
10d	50		91,150
10e		2,700	88,450

16c		5,000	83,450
16f	5		83,455
16h		10,785	72,670
17b		22,580	50,090
18c		40,000	10,090
31	370		10,460
CL-5		546	9,914
=======			
20b	5		9,919
21b		19	9,900
23b		9,900	0

Account Name: Undeposited Collections/A (1110)

Trans.	Dr.	Cr.	Balance
10c	50		50
10d		50	0

16e	5		5
16f		5	0
=======			
20a	5		5
20b		5	0

Account Name: **Advances to Others/A (1410)**

Trans.	Dr.	Cr.	Balance
7a	1,500		1,500
10a		1,200	300
10c		50	250

16b	5,000		5,250
16d		5,240	10
16e		5	5
============			
20a		5	0

Account Name: **Inventory for Agency Operations/A (1510)**

Trans.	Dr.	Cr.	Balance
8	750		750
12a		400	350

18a	2,500		2,850
19a		2,300	550
============			
24		450	100

Account Name: **Equipment/A (1750)**

Trans.	Dr.	Cr.	Balance
8	3,000		3,000

18a	12,000		15,000
============			

Account Name: **Accumulated Depreciation on Equipment/A (1759)**

Trans.	Dr.	Cr.	Balance
12b		150	150

19b		800	950
============			
24		1,500	2,450

Account Name: Disbursements in Transit/A (2120)

Trans.	Dr.	Cr.	Balance
7a		1,500	1,500
7b	1,500		0
9a		7,400	7,400
9b	7,400		0
10b		2,700	2,700
10e	2,700		0
11		8,500	8,500

16b		5,000	13,500
16c	5,000		8,500
16g		10,785	19,285
16h	10,785		8,500
17a		22,580	31,080
17b	22,580		8,500
18b		33,475	41,975
18c	40,000		1,975
=====			
21a		19	1,994
21b	19		1,975
23a		7,925	9,900
23b	9,900		0

Account Name: Accounts Payable/A (2110)

Trans.	Dr.	Cr.	Balance
8		9,000	9,000
10a		2,700	11,700
10b	2,700		9,000
11	8,500		500

16d		10,785	11,285
16g	10,785		500
18a		33,000	33,500
18b	33,475		25
=====			
22		7,900	7,925
23a	7,925		0

Account Name: Accrued Funded Payroll and Benefits/A (2210)

Trans.	Dr.	Cr.	Balance
(Account not used in first quarter.)		19	19
19c		19	19
=====			
21a	19		0

Account Name: Other Liabilities (To Return Unused Appropriation/A to Treasury.) (2990)

Trans.	Dr.	Cr.	Balance
(Account not used in first) quarter.)			
CL-4		546	546
CL-5	546		0
=====			

Account Name: Accrued Unfunded Annual Leave/A (2220)

Trans.	Dr.	Cr.	Balance
12c		75	75
19e		100	175

Account Name: Appropriated Capital/A (3100)

Trans.	Dr.	Cr.	Balance
1		100,000	100,000
8	9,000		91,000
9a	7,400		83,600
10a	3,900		79,700
16d	16,025		63,675
17a	22,580		41,095
18a	33,000		8,095
19c	19		8,076
31		370	8,446
CL-4	546		7,900
22	7,900		0

Account Name: Capital Investments/A (3210)

Trans.	Dr.	Cr.	Balance
8		3,750	3,750
12a	400		3,350
12b	150		3,200
18a		14,500	17.700
19a	2,300		15,400
19b	800		14,600
24	1,950		12,650

Account Name: Cumulative Results of Operations/A (3310)

Trans.	Dr.	Cr.	Balance
(Account not used in first quarter.)			
CL-8	175		(175)

Account Name: Net Results of Operations/A (3320)

Trans.	Dr.	Cr.	Balance
(Account not used in first quarter.)			
CL-7	175		(175)
CL-8		175	0

Account Name: Appropriated Capital Used/A (5700)

Trans.	Dr.	Cr.	Balance
8		5,250	5,250
9a		7,400	12,650
10a		3,900	16,550
12a		400	16,950
12b		150	17,100
16d		16,025	33,125
17a		22,580	55,705
18a		18,500	74,205
19a		2,300	76,505
19b		800	77,305
19c		19	77,324
31	370		76,954
CL-7	76,954		0

Account Name: Operating/Program Expenses/A (6100)

Trans.	Dr.	Cr.	Balance
8	5,250		5,250
9a	7,400		12,650
10a	3,900		16,550
12a	400		16,950
12b	150		17,100
12c	75		17,175
16d	16,025		33,200
17a	22,580		55,780
18a	18,500		74,280
19a	2,300		76,580
19b	800		77,380
19c	19		77,399
19e	100		77,499
31		370	77,129
CL-7		77,129	0

6. SUBSIDIARY LEDGER--BUDGETARY ACCOUNTS

Account Name: Salaries and Benefits/A

Transaction	Allotments Made	Commitments	Undelivered Orders	Expended Appropriations	Allotments Available
3	7,500				7,500
9				7,400	100
Subtotal	7,500	0	0	7,400	100
14	22,500				22,600
17a				22,580	20
19c				19	1
Subtotal	30,000	0	0	29,999	1
CL-2	(1)			0	
Total	29,999	0	0	29,999	0

Account Name: Travel/A

Transaction	Allotments Made	Commitments	Undelivered Orders	Expended Appropriations	Allotments Available
3	4,500				4,500
6			4,000		500
10a			(3,950)	3,900	550
Subtotal	4,500	0	50	3,900	550
14	15,500				16,050
16a			16,000		50
16d			(16,000)	16,025	25
Subtotal	20,000	0	50	19,925	25
CL-2	(25)				0
Total	19,975	0	50	19,925	0

Account Name: Fixed Assets, Materials, and Services/A

Transaction	Allotments Made	Commitments	Undelivered Orders	Expended Appropriations	Allotments Available
3	18,000				18,000
4		16,000			2,000
5		(15,750)	17,000		750
8			(8,900)	9,000	650
Subtotal	18,000	250	8,100	9,000	650
14	32,000				32,650
15a		32,500			150
15b		(32,600)	32,700		50
18a			(32,950)	33,000	0
31				(370)	370
Subtotal	50,000	150	7,850	41,630	370
CL-1		(150)			520
CL-2	(520)				0
Total	49,480	0	7,850	41,630	0

7. SUBSIDIARY LEDGER--OPERATING/PROGRAM EXPENSES

Account Name: Depreciation Expense on Equipment/A

Trans.	Dr.	Cr.	Balance
12b	150		150
19b	800		950
31		95	855
CL-7		855	0

Account Name: Payroll and Benefits Expense/A

Trans.	Dr.	Cr.	Balance
9a	7,400		7,400
12c	75		7,475
17a	22,580		30,055
19c	19		30,074
19e	100		30,174
CL-7		30,174	0

Account Name: Personal Services Expense/A

Trans.	Dr.	Cr.	Balance
8	5,250		5,250
18a	18,500		23,750
CL-7		23,750	0

Account Name: Expense for Supplies Used/A

Trans.	Dr.	Cr.	Balance
12a	400		400
19a	2,300		2,700
31	275		2,425
CL-7		2,425	0

Account Name: Travel Expense/A

Trans.	Dr.	Cr.	Balance
10a	3,900		3,900
16d	16,025		19,925
CL-7		19,925	0

APPENDIX I: STANDARD GENERAL LEDGER ACCOUNTS USED

Following is a listing of the Standard General Ledger accounts used in the preceding chapters. Account numbers, account titles, and normal balances are shown.

	SGL Account Number	SGL Account Title	Normal Balance
ASSETS	1010	Fund Balance With Treasury	Dr.
	1110	Undeposited Collections	Dr.
	1310	Accounts Receivable	Dr.
	1410	Advances to Others	Dr.
	1510	Inventory for Agency Operations	Dr.
	1530	Inventory--Raw Materials and Supplies	Dr.
	1540	Inventory--Work in Process	Dr.
	1550	Inventory--Finished Goods	Dr.
	1750	Equipment	Dr.
	1759	Accumulated Depreciation on Equipment	Cr.
LIABILITIES	2110	Accounts Payable	Cr.
	2120	Disbursements in Transit	Cr.
	2210	Accrued Funded Payroll and Benefits	Cr.
	2220	Accrued Unfunded Annual Leave	Cr.
	2990	Other Liabilities (To return Unused Appropriation to Treasury.)	Cr.
	2310	Advances From Others	Cr.
CAPITAL	3100	Appropriated Capital	Cr.
	3210	Capital Investments	Cr.
	3310	Cumulative Results of Operations	Cr.
	3320	Net Results of Operations	Cr.

APPENDIX I: STANDARD GENERAL LEDGER ACCOUNTS USED

BUDGET ACCOUNTS	4114	Appropriations Realized but Withdrawn	Dr.
	4119	Other Appropriations Realized	Dr.
	4210	Anticipated Reimbursements and Other Income	Dr.
	4220	Reimbursable Orders Accepted	Cr.
	4230	Unfilled Customer Orders--Unobligated	Dr.
	4240	Unfilled Customer Orders--Obligated	Dr.
	4250	Reimbursements and Other Income Earned	Dr.
	4391	Restorations, Writeoffs, and Withdrawals	Cr.
	4450	Authority Available for Apportionment	Cr.
	4510	Apportionment Available for Distribution	Cr.
	4610	Allotments Available for Commitment/Obligation	Cr.
	4630	Other Funds Unavailable for Commitment/Obligation	Cr.
	4700	Commitments Available for Obligation	Cr.
	4800	Undelivered Orders	Cr.
	4900	Expended Appropriations	Cr.
REVENUES AND FINANCING SOURCES	5100	Revenue From Goods Sold	Cr.
	5200	Revenue From Services Provided	Cr.
	5700	Appropriated Capital Used	Cr.
EXPENSES	6100	Operating/Program Expenses	Dr.
	6500	Cost of Goods Sold	Dr.
	6600	Applied Overhead	Cr.
	6900	Other Expenses	Dr.

APPENDIX II: GENERIC TRANSACTIONS USED

For ease of reference, this appendix provides a listing by chapter of the basic journal entries presented in the guide. Also included are brief transaction descriptions and transaction numbers.

CHAPTER 2 ENTRIES

2-1 To record the receipt of appropriation authority:

Other Appropriations Realized
   Authority Available for Apportionment

* * * * *

2-2 To record an apportionment:

Authority Available for Apportionment
   Apportionment Available for Distribution

* * * * *

2-3 To record an allotment:

Apportionment Available for Distribution
   Allotments Available for Commitment/Obligation

* * * * *

2-4 To record a commitment:

Allotments Available for Commitment/Obligation
   Commitments Available for Obligation

* * * * *

2-5 To record an obligation:

Commitments Available for Obligation
Undelivered Orders

* * * * *

2-6 To record receipt of goods and services:

Undelivered Orders
Expended Appropriations

* * * * *

2-7 To remove unobligated commitments from the accounts:

Commitments Available for Obligation
Allotments Available for Commitment/Obligation

* * * * *

2-8 To remove unused allotment authority from the accounts:

Allotments Available for Commitment/Obligation
Apportionment Available for Distribution

* * * * *

2-9 To remove the apportionment authority from the books:

Apportionment Available for Distribution
Authority Available for Apportionment

* * * * *

2-10 To establish the account for budget authority which must be returned to Treasury:

Authority Available for Apportionment
   Restorations, Writeoffs, and Withdrawals

* * * * *

2-11 To reduce the appropriation by the amount of budget authority returned to Treasury when the return is made:

Appropriations Realized but Withdrawn
   Other Appropriations Realized

* * * * *

2-12 To remove expended appropriations from the accounts:

Expended Appropriations
   Other Appropriations Realized

* * * * *

2-13 To record lapsed budgetary authority withdrawn after year-end before reporting to Treasury:

Appropriations Realized but Withdrawn
   Other Funds Unavailable for Commitment/Obligation

* * * * *

2-14 To remove cancelled orders after year-end:

Other Funds Unavailable for Commitment/Obligation
   Restorations, Writeoffs, and Withdrawals

* * * * *

2-15 To record reporting of previously withdrawn budgetary authority to Treasury after year-end:

Other Funds Unavailable for Commitment/Obligation
   Appropriations Realized but Withdrawn

* * * * *

2-16 To record receipt of goods and services after year-end in an amount less than obligated:

Undelivered Orders
   Expended Appropriations
   Other Appropriations Realized

* * * * *

2-17 To record the restoral of previously withdrawn budgetary authority before reporting the restoral to Treasury:

Undelivered Orders
Other Appropriations Realized
   Expended Appropriations

* * * * *

2-18 To record the receipt of goods and services after year-end when cost exceeds the amount obligated:

Restorations, Writeoffs, and Withdrawals
   Other Funds Unavailable for Commitment/Obligation

* * * * *

2-19 To record reporting to Treasury of previously recorded restoral of budgetary authority used:

Restorations, Writeoffs, and Withdrawals
Other Funds Unavailable for
Commitment/Obligation

* * * * *

CHAPTER 3 ENTRIES

3-1 To record an agency's appropriation upon receipt of an appropriation warrant from Treasury:

Fund Balance With Treasury
Appropriated Capital

* * * * *

3-2 To return unused Fund Balance With Treasury related to expired appropriations to be returned to Treasury:

Appropriated Capital
Fund Balance With Treasury

* * * * *

3-3 To establish a liability to return funds relating to expired appropriations:

Appropriated Capital
Other Liabilities

* * * * *

3-4 To return to Treasury lapsed funds previously recorded as a liability:

Other Liabilities
Fund Balance With Treasury

* * * * *

3-5 To record use of appropriations to finance expenses other than depreciation and supplies used:

Appropriated Capital
   Appropriated Capital Used

* * * * *

3-6 To close the Appropriated Capital Used account:

Appropriated Capital Used
   Net Results of Operations

* * * * *

3-7 To close Net Results of Operations when expenses exceed revenues:

Cumulative Results of Operations
   Net Results of Operations

* * * * *

3-8 To close Net Results of Operations when revenues exceed expenses:

Net Results of Operations
   Cumulative Results of Operations

* * * * *

3-9 To close the Operating/Program Expenses account:

Net Results of Operations
   Operating/Program Expenses

* * * * *

3-10 To request disbursements from Treasury:

Assets, Expenses, Liabilities, etc.
   Disbursements in Transit

* * * * *

3-11 To receive notice from Treasury that disbursements have been made:

Disbursements in Transit
   Fund Balance With Treasury

* * * * *

3-12 To record the purchase of inventory and fixed assets (property, plant, and equipment):

Inventory
Fixed Assets (by type)
   Accounts Payable (or other appropriate account)

* * * * *

3-13 To record the transfer of capital related to the purchase of inventory and fixed assets:

Appropriated Capital
   Capital Investments

* * * * *

3-14 To record the use of inventory in agency operations:

Operating/Program Expenses
   Inventory

* * * * *

3-15 To record depreciation on fixed assets:

Operating/Program Expenses
Accumulated Depreciation on Fixed Assets

* * * * *

3-16 To record the transfer of capital related to depreciation or fixed assets and use of inventory:

Capital Investments
Appropriated Capital Used

* * * * *

3-17 To close Appropriated Capital Used:

Appropriated Capital Used
Net Results of Operations

* * * * *

3-18 To record the adjusting entry for the amount of disbursements in transit at the balance sheet date:

Fund Balance With Treasury
Disbursements in Transit

* * * * *

CHAPTER 6 ENTRIES

6-1 To record estimated budget authority from reimbursable work orders:

Anticipated Reimbursements and Other Income
Authority Available for Apportionment

* * * * *

6-2 To record acceptance of a reimbursable work order:

Unfilled Customer Orders--Unobligated
Reimbursable Orders Accepted

* * * * *

6-3 To record obligation of budget authority for a reimbursable work order:

Unfilled Customer Orders--Obligated
Unfilled Customer Orders--Unobligated

* * * * *

6-4 To record receipt of goods and services for filling a reimbursable work order:

Unfilled Customer Orders--Obligated
Reimbursements and Other Income Earned

* * * * *

6-5 To remove unobligated commitments from the accounts:

Commitments Available for Obligation
Allotments Available for Commitment/Obligation

* * * * *

6-6 To remove unused allotment authority from the accounts:

Allotments Available for Commitment/Obligation
Apportionment Available for Distribution

* * * * *

6-7 To remove the apportionment authority from the books:

Apportionment Available for Distribution
Authority Available for Apportionment

* * * * *

6-8 To close the authority available for apportionment against the anticipated reimbursement authority:

Authority Available for Apportionment
Anticipated Reimbursements and Other Income

* * * * *

6-9 To remove expended appropriations from the accounts:

Expended Appropriations
Other Appropriations Realized

* * * * *

6-10 To remove orders for which no related goods and services have been ordered or received:

Reimbursable Orders Accepted
Unfilled Customer Orders--Unobligated

* * * * *

6-11 To remove completed orders from the books:

Reimbursable Orders Accepted
Reimbursements and Other Income Earned

* * * * *

To remove cancelled orders from the books:

6-12 <u>Track 1 entry</u>

Undelivered Orders
   Anticipated Reimbursements and Other Income

* * * * *

6-13 <u>Track 2 entry</u>

Reimbursable Orders Accepted
   Unfilled Customer Orders--Obligated

* * * * *

To record the receipt of reimbursable goods and services in an amount less than obligated:

6-14 <u>Track 1 entry</u>

Undelivered Orders
   Expended Appropriations
   Anticipated Reimbursements and Other Income

* * * * *

6-15 <u>Track 2 entry</u>

Reimbursements and Other Income Earned
Reimbursable Orders Accepted
   Unfilled Customer Orders--Obligated

* * * * *

To record receipt of reimbursable goods and services in an amount greater than obligated:

6-16 Track 1 entry

Undelivered Orders
Anticipated Reimbursements and Other Income
Expended Appropriations

* * * * *

6-17 Track 2 entry

Reimbursements and Other Income Earned
Reimbursable Orders Accepted
Unfilled Customer Orders--Obligated

* * * * *

APPENDIX TO CHAPTER 6 ENTRIES

6A-1 To record anticipated orders:

Anticipated Reimbursements and Other Income
Authority Available for Apportionment

* * * * *

6A-2 To record apportionment of budget authority:

Authority Available for Apportionment
Apportionment Available for Distribution

* * * * *

6A-3 To record allotment of budget authority:

Apportionment Available for Distribution
Allotments Available for Commitment/Obligation

* * * * *

7-2 To accept a reimbursable work order and deposit the monies (or receive confirmation of a transfer of funds) with Treasury:

Fund Balance With Treasury
   Undeposited Collections

* * * * *

7-3 To pay for agency operating expenses, some of which will later be used for reimbursable work:

Operating/Program Expenses
   Fund Balance With Treasury

* * * * *

To record depreciation expense and consumption of supplies, a portion of which will later be allocated to reimbursable work:

7-4 Operating/Program Expenses
   Accumulated Depreciation on Equipment
   Inventory for Agency Operations

and

7-5 Capital Investments
   Appropriated Capital Used

* * * * *

7-6 To allocate agency expenses other than depreciation and supplies used to the Other Expenses account when the goods and services involved are used in performing reimbursable work:

Other Expenses
   Operating/Program Expenses

* * * * *

To allocate agency expenses for depreciation and supplies used that were initially funded by an appropriation but are chargeable against reimbursable activities to the Other Expenses account:

7-6 Other Expenses
   Operating/Program Expenses

and

7-7 Appropriated Capital Used
   Appropriated Capital

* * * * *

To record the purchase of supplies:

7-8 Inventory of Agency Operations
   Fund Balance With Treasury

and

7-9 Appropriated Capital
   Capital Investments

* * * * *

To record the use of supplies:

7-10 Operating/Program Expenses
   Inventory for Agency Operations

and

7-5 Capital Investments
   Appropriated Capital Used

* * * * *

6A-4 To record receipt of reimbursable orders:

Reimbursable Orders Accepted
Anticipated Reimbursements and Other Income

* * * * *

6A-5 To record commitments for reimbursable orders:

Allotments Available for Commitment/Obligation
Commitments Available for Obligation

* * * * *

6A-6 To record purchase orders for goods and services committed:

Commitments Available for Obligation
Undelivered Orders

* * * * *

6A-7 To record receipt of goods and services ordered:

Undelivered Orders
Expended Appropriations

* * * * *

6A-8 To cancel order for reimbursable goods and services after year-end:

Undelivered Orders
Reimbursable Orders Accepted

* * * * *

6A-9 To remove expended appropriations from the accounts:

Expended Appropriations
   Reimbursable Orders Accepted

* * * * *

6A-10 To record orders for reimbursable goods and services received after year-end when invoice is less than obligation:

Undelivered Orders
   Reimbursable Orders Accepted
   Expended Appropriations

* * * * *

6A-11 To record orders for reimbursable goods and services received after year-end when invoice is more than obligation:

Undelivered Orders
Reimbursable Orders Accepted
   Expended Appropriations

* * * * *

CHAPTER 7 ENTRIES

7-1 To record receipt of an advance for reimbursable work to be performed along with a procurement order to perform the work:

Undeposited Collections
   Advances From Others

* * * * *

7-11 To recognize revenue from provision of services:

Advances From Others
Revenue From Services Provided

* * * * *

7-12 To purchase raw materials and supplies on account:

Inventory--Raw Materials and Supplies
Accounts Payable

* * * * *

7-13 To draw raw materials for use in filling orders:

Inventory--Work in Process
Inventory--Raw Materials and Supplies

* * * * *

7-14 To charge payroll expenses paid in the agency payroll process to orders:

Inventory--Work in Process
Operating/Program Expenses

* * * * *

7-15 To apply overhead to work in process:

Inventory--Work in Process
Applied Overhead

* * * * *

7-16 To record completion of goods in process:

Inventory--Finished Goods
Inventory--Work in Process

* * * * *

7-17 To record revenue earned from the sale of goods:

Accounts Receivable (if advances are insufficient)
Advances From Others
Revenue From Goods Sold

* * * * *

7-18 To record cost of goods sold for the completed work:

Cost of Goods Sold
Inventory--Finished Goods

* * * * *

To charge actual overhead expenses to reimbursable accounts:

7-19 Applied Overhead
Operating/Program Expenses

If actual overhead includes a portion of depreciation and supplies used already charged against Appropriated Capital, the following entry must also be made:

7-7 Appropriated Capital Used
Appropriated Capital

* * * * *

7-20 To close overapplied overhead into Cost of Goods Sold:

Applied Overhead
Cost of Goods Sold

* * * * *

7-21 To close underapplied overhead into Cost of Goods Sold:

Cost of Goods Sold
Applied Overhead

* * * * *

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The page numbers used in this index indicate the chapter followed by the page within the chapter.