

**SUMMARY OF MAJOR CHANGES TO
DoD 7000.14-R, VOLUME 13, CHAPTER 5
“REVENUE AND EXPENSES”**

All changes are denoted by blue font.

**Substantive revisions are denoted by a * preceding the section,
paragraph, table, or figure that includes the revision.**

Hyperlinks are denoted by *underlined, bold, italic, blue font*

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
0504	Deleted Other Revenue Requirements section because duplicative of paragraph 6.3.2 of DoDI 1015.15.	Delete
0503	Added definitions for general ledger revenue accounts.	Add
0504 0505	Moved Chapter 6, sections 0602 (Expense Standards) and 0603 (NAF Expenses) to Chapter 5. Deleted section 0604 (Other Expense Requirements) because it duplicates paragraph 6.3.2.1 of DoDI 1015.15.	Add
0506	Added definitions for general ledger expense accounts.	Add
0507	Changed paragraph title to “Accounting For Indirect Appropriated Fund Support to NAFIs.” Updated sub-paragraph 050701 to reflect the fiscal distinction between Morale, Welfare, and Recreation (MWR) Utilization Support and Accountability (USA) and Uniform Funding and Management (UFM). Combined and reformatted previous section 0505 and paragraphs 060304, 060305, 060306 and 060307, into section 0507 for clarity.	Update

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CHAPTER 5

REVENUE AND EXPENSES0501 OVERVIEW

050101. Purpose. This chapter prescribes the standard policies surrounding Department of Defense (DoD) Nonappropriated Fund (NAF) revenue and expenses.

050102. Scope. Policies in this chapter apply to all NAF Instrumentalities (NAFIs) and their supporting Accounting Offices (AOs) except the Armed Service Exchanges.

0502 REVENUE STANDARDS

050201. Recognition. NAFIs recognize revenue when it is realizable with reasonable and practical certainty. Earned revenue is recognized at the time of delivery of the goods or performance of the service. If cash or credit payments are received prior to time of delivery or performance, then revenue is unearned. If cash or credit payment has not been received at time of delivery or performance, then an Accounts Receivable is posted for the amount due.

050202. Recording. The AO records revenue in the appropriate NAF's financial records. Using the accrual method of accounting, NAFIs record revenue on a consistent basis in the appropriate cost center and in the operating cycle that the revenue is earned. Revenue is recorded in accordance with *Department of Defense Instruction (DoDI) 1015.15, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources."*

*0503 REVENUE DEFINITIONS. Revenue consists of income earned from the sale of goods or services, contributions, interest, and dividends. Revenue is classified as operating and non-operating.

050301. Operating Revenue. Income generated from NAFI sales and services.

A. Sales. This general ledger account is used to record revenue from the sale of goods and services.

B. Sales Returns and Allowances. This general ledger account is a contra account to Sales and is used for returns and allowances on goods previously sold.

C. Sales Discounts. This general ledger account is a contra account to Sales and is used for discounts and coupons given to customers.

D. Participation Fees and Charges. This general ledger account is used to record revenue from fees charged to customers for participating in programs, such as athletic and special events.

E. Other Service/Recreation Activity Income (Specify). This general ledger account is used to record revenue from recreation fees and services, such as Family Team Building and Children, Youth, and Teen Programs.

F. Other Fees Income (Specify). This general ledger account is used to record revenue from fees that cannot otherwise be classified.

G. Dues and Assessment Income. This general ledger account is used to record revenue from membership dues at activities, such as the Officer's Club and Golf Course.

H. Amusement Machine Income. This general ledger account is used to record revenue from the operation of amusement machines.

I. Commission Income. This general ledger account is used to record revenue from commissions received from unofficial travel tickets.

J. Concessionaire Income. This general ledger account is used to record revenue from fees received from contracted operations.

K. Gaming Machine Income. This general ledger account is used to record revenue from gaming machines.

L. Commercial Sponsorship Income. This general ledger account is used to record revenue from commercial sponsors of Morale, Welfare, and Recreation events, functions, or promotions.

M. Recyclable Material Income. This general ledger account is used to record revenue from recycling operations.

050302. Non-operating Revenue. Non-operating revenue is income that is not derived from NAFI operations.

A. Exchange Dividend Income. This general ledger account is used to record dividend revenue received from the military exchange service.

B. U.S. Department of Agriculture Income. This general ledger account is used to record revenue received from the Department of Agriculture for food items provided to children for the Children's Food Program.

C. Morale, Welfare, and Recreation (MWR) Utilization, Support, and Accountability (USA) Income. This general ledger account is used to record funds received from appropriated sources for expenses covered by the USA income.

D. Cash Overage. This general ledger account is used to record revenue from cash overages resulting from daily cash handling errors.

E. Contributions and Donations. This general ledger account is used to record the value of contributions and donations received.

F. Intrafund Income. This general ledger account is used to record revenue from the sale of goods or services to another activity or NAFL.

G. Interest Income. This general ledger account is used to record interest earned on bank deposits, securities, or other interest-bearing instruments.

H. Other Income (Specify). This general ledger account is used to record non-operating revenue that cannot be classified elsewhere.

I. Gain on Disposition of Fixed Assets. This general ledger account is used to record the gain on the sale of fixed assets.

J. Gain on Foreign Currency. This general ledger account is used to record the gain on foreign currency. Foreign currency fluctuation gains resulting from the settlement of foreign currency receivables or payables must be recorded when the settlement occurs. This account is to be used by all DoD Components when foreign currencies are involved. Refer to Volume 4, Chapter 2 for additional information.

***0504 EXPENSE STANDARDS**

050401. Recognition. Costs are recognized as an expense in the period that the revenue with which they are associated is recognized (the matching principle). Cost elements are included in inventory and are expensed as cost of sales when items are sold and revenue from the sale is recognized. If no connection with revenue can be established, then the asset's cost is allocated to the accounting period benefited in a systematic and rational manner. This form of expense recognition involves the expected length of benefit and the relationship and cost of each period (e.g., depreciation of fixed assets, amortization of intangibles, and allocation of rent and insurance). All other costs are recognized in the accounting period in which they are incurred.

050402. Recording. Using the accrual method of accounting, AOs record expenses on a consistent basis in the appropriate cost center and in the operating cycle in which the expense was incurred.

***0505 NONAPPROPRIATED FUND (NAF) EXPENSES**. Expenses are decreases in economic benefits during an accounting period, in the form of outflows (or other asset depletion) or the incurrence of liabilities that result in a decrease in equity. In NAF accounting, expenses are the costs related to the sale of goods and services consequent to the operation of the NAFL. NAF expense general ledger accounts are described in paragraph 0506.

***0506 EXPENSE DEFINITIONS**. Expenses consist of operating and non-operating expenses and program costs including the cost of goods sold, depreciation, and interest.

050601. Operating Expenses. These expenses are the primary recurring costs that are associated with NAFI operations, other than cost of goods sold, and are incurred in order to generate sales or services.

A. Salaries and Wages Expense. This general ledger account is used to record gross salaries and wages paid to employees.

B. Capitalized Labor Cost. This general ledger account is a contra account used to record employee expenses included in the capitalized cost of facilities or property.

C. Annual Leave Expense. This general ledger account is used to record expenses of annual leave when used.

D. Sick Leave Expense. This general ledger account is used to record expenses of sick leave when used.

E. Foreign National Benefits Expense. This general ledger account is used to record expenses of foreign nationals' benefits, such as bonuses, annual leave, and sick leave.

F. Other Employee Benefit Expense (Specify). This general ledger account is used to record employee benefit expenses not identified by other expense accounts.

G. Spoilage, Breakage, and Obsolescence. This general ledger account is used to record the expense of the cost of food and other resale merchandise that are broken, spoiled, or out of date.

H. Promotion Expense. This general ledger account is used to record the cost of resale items given to the customers during promotions within NAFI.

I. Advertising Expense. This general ledger account is used to record expense for advertisements.

J. Child Care Food Expense. This general ledger account is used to record expenses for food at child care.

K. Manager's Expense. This general ledger account is used for expenses to be reimbursed to the manager in the administration of the NAFI, such as for customer relations and comparative shopping.

L. Sports Activities Expense. This general ledger account is used to record expenses incurred for operating sports programs.

M. Amenities Expense. This general ledger account is used to record expenses of items for guests such as beverages, clock radios, soap, toiletries, and other comfort enhancing articles.

N. Supplies Expense. This general ledger account is used to record expenses for office supplies, guest checks, expendable equipment and other items used by a fund in its normal operations.

O. Laundry and Dry Cleaning Expense. This general ledger account is used to record expenses for cleaning linens and uniforms.

P. Tableware, Kitchenware, Linen and Uniform Expense. This general ledger account is used to record purchases of china, glassware, silverware, utilities, and uniforms for immediate use.

Q. Professional Membership Expense. This general ledger account is used to record payment for NAF employees in authorized professional organizations to obtain professional credentials that include expenses for professional accreditations, state imposed and professional licenses, professional certifications, and examinations. Refer to paragraph 6.2.5 of DoDI 1015.15 for further information.

R. Training Expense. This general ledger account is for the amount spent for the training of employees, not including travel and per diem costs.

S. Travel Expense. This general ledger account is for the amount spent for travel and per diem costs for NAF civilian employees attending training, conferences, seminars, and permanent change of station costs.

T. Building and Structures Maintenance and Repair Expense. This general ledger account is to record the amount of maintenance and repair of facilities.

U. Vehicle, Boat, Aircraft Maintenance and Gas Expense. This general ledger account is to record the amount for normal operations, such as, fuel, petroleum, and lubricants.

V. Vehicle Registration Program Expense. This general ledger account is to record the amount paid for license plates and decals for the registration program.

W. Awards and Prizes. This general ledger account is to record the amount of cash and non-cash items awarded to patrons, but not employee awards.

X. Official Hosting and Representation Expense. This general ledger account is to record the amount paid for authorized hosting and representation activities and membership night for members.

Y. Entertainment Expense. This general ledger account is to record the amount paid for entertainment, such as for orchestras, musicians, other entertainers; other costs as specified on the contract; and special entertainment where admission fees are charged.

Z. Printing Expense. This general ledger account is to record the amount for printing and reproduction costs, such as paper and printing supplies.

AA. Program and Brochure Expense. This general ledger account is to record the amount paid for purchasing programs and brochures for resale at athletic and special events.

AB. Volunteer Service Expense. This general ledger account is to record the amount paid for authorized volunteer services in approved programs, for example, the cost to care for the children of authorized volunteers who give their services to command approved MWR programs.

AC. Bank and Service Charge Expense. This general ledger account is to record the amount of administrative fees charged by financial institutions for maintaining bank accounts.

AD. Credit Card Expense. This general ledger account is to record the amount paid to credit card companies or financial institutions for credit card handling fees.

AE. Contractual Expense. This general ledger account is to record the amount paid for services performed on contracts and agreements, such as computer services, commercial billing service, studies, and analysis.

AF. Administrative Common Support Service. This general ledger account is to record the amount paid for support services, such as, accounting, payroll, civilian personnel, procurement, data processing, and administrative.

AG. 401K Administrative Surcharge Expense. This general ledger account is to record the amount paid for the fees associated with the administration of the 401K retirement plan.

AH. Claims Expense. This general ledger account is to record the amount paid and/or reserved for claims.

AI. Dividend Expense. This general ledger account is to record the amount of dividends distributed from funds received from the Armed Service Exchanges.

AJ. Grants Expense. This general ledger account is to record the funds provided to NAFIs for special events or programs by the Military Service Headquarters.

AK. Vending Machine Income Sharing Expense. This general ledger account is to record the amount paid to vendors for their share of vending machine profits.

AL. Utilities Expense. This general ledger account is to record the amount paid for electric, gas, water, and other utilities in normal operations.

AM. Cable/Satellite Service Expense. This general ledger account is to record the amount paid for cable and television service.

AN. Communications Expense. This general ledger account is to record the amount paid for telephone service, postage, tolls, and telegraph.

AO. Freight Expense. This general ledger account is to record the amount paid for transportation of items that are not for resale.

AP. Rent Expense. This general ledger account is to record the amount paid for rental items, such as equipment, buildings, vehicles, docks, land, and other items.

AQ. Insurance Expense. This general ledger account is to record the cost of premiums paid to cover losses, such as money, securities, vehicles, aircraft, building, and contents of buildings.

AR. Subscriptions and Dues. This general ledger account is to record the amount paid for subscriptions and dues in authorized national associations and leagues.

AS. Tax and License Expense. This general ledger account is to record the amount of taxes and licenses paid as required by Federal and State governments.

AT. Late Payment Interest Expense. This general ledger account is to record the amount of interest or penalty charges resulting from late payments.

AU. Minor Property and Equipment Expense. This general ledger account is to record items purchased, such as, furniture, fixtures, and equipment that do not meet capitalization criteria.

AV. Franchise/Royalties Expense. This general ledger account is to record the amount paid for the use of a company name and right to sell their products.

AW. Audit Expense. This general ledger account is to record the amount paid to authorized commercial firms for auditing services.

AX. Other Expense (Specify). This general ledger account is to record amount paid for other operating expenses for which an account has not been established.

AY. Unit Allocation. This general ledger account is to record the amount of dividends/funds provided to reserve components or remote or isolated duty stations.

AZ. Internet Expense. This general ledger account is to record the cost of internet service.

BA. Flexible Spending Account Admin Fee. This general ledger account is to record the fee for administering the Flexible Spending Accounts for employees.

050602. Non-operating Expenses. Non-operating expenses are not related to NAFI's primary operations. Non-operating expenses consist of depreciation, interest, prior period expenses, and losses.

A. Depreciation Expense. This general ledger account is to record the amount recognized by the process of allocating costs of an asset over the period of time benefited or the asset's useful life, whichever is shortest.

B. Interest Expense. This general ledger account is to record the amount of interest paid in the current accounting period.

C. Prior Period Expense. This general ledger account is to record the amount of prior period expense. This expense is from an adjustment of material errors in a prior period financial statement made directly to the retained earnings account, and shown in the current financial statement.

D. Loss on Disposition of Fixed Assets. This general ledger account is to record the loss on the sale, exchange, disposal or retirement of assets.

E. Loss on Foreign Currency. This general ledger account is for the amount resulting from the difference between the foreign currency and U.S. dollars. Foreign currency fluctuation losses resulting from the settlement of foreign currency receivables or payables must be recorded when the settlement occurs. This account is to be used by all DoD Components when foreign currencies are involved. Refer to Volume 4, Chapter 2 for additional information.

F. Bad Debt Expense. This general ledger account is to record the amount of accounts receivable uncollectible for the current accounting period.

G. Intrafund Expense. This general ledger account is used to record an expense for goods and services bought from another activity or NAFI.

H. Cash Shortage. This general ledger account is to record the amount of cash shortage revealed when the physical cash count, at the end of the day, does not equal the cash register tapes or receipts.

050603. Cost of Goods Sold (COGS). This account holds the cost of inventory items sold in the reporting period. The COGS is equal to the sum of the beginning inventory for the period and net purchases (purchases less discounts, returns and allowances, transfers in from other funds or locations, transfers out to other funds or locations, and other inventory increases or decreases as applicable) less the ending inventory.

A. Purchases – Resale. This general ledger account is for the amount of merchandise purchased for sale less discounts taken.

B. Purchases Returns and Allowances – Resale. This general ledger account is to record the amount of merchandise returned or allowance taken.

C. Freight – Resale. This general ledger account is for recording the cost of shipping and handling charges.

D. Vendor Rebates – Resale. This general ledger account is for recording the amount of rebates received from vendors on resale merchandise.

050604. Extraordinary Items. Extraordinary income and expenses are both unusual and infrequent. Extraordinary income and expenses are segregated from the results of ordinary operations and are shown in a separate section in the financial reports, with details of the income or expenses explained in the footnotes. Extraordinary item accounts are: Extraordinary Income (Specify); Extraordinary Expense (Specify); and, Base Realignment and Closure (BRAC) and Installation Closure Expense.

0507 ACCOUNTING FOR INDIRECT APPROPRIATED FUND SUPPORT TO NAFIs

* 050701. Morale, Welfare, and Recreation (MWR) Utilization Support and Accountability (USA) and Uniform Funding and Management (UFM) are two mechanisms for provision of indirect appropriated fund (APF) support to NAFIs. Title 10, United States Code (U.S.C.), section 2241, which is the basic statutory authority to provide APF to support MWR functions, is the legal basis for MWR (USA) practices. The MWR (USA) practice involves use of NAFs for MWR expenses that, per funding policies in DoDI 1015.15, should be borne by APFs. MWR USA enables NAFIs to use NAFs to execute such expenses, subject to subsequent APF reimbursement under Memorandums of Agreement (MOA). Unlike MWR (USA) practices which involve reimbursement from APFs, under UFM practices APFs may be transferred into NAF accounts prior to expenditure. Funds appropriated to DoD and available for MWR programs are treated as NAFs for all purposes under UFM MOAs and remain available until expended. Title 10, U.S.C., section 2491, provides statutory authority for UFM practices. Requirements applicable to both UFM and MWR (USA) practices are prescribed at DoDI 1015.15, at paragraph 4.4 and Enclosure 6.

050702. Morale, Welfare, and Recreation (MWR) Utilization Support and Accountability (USA) Recording

A. Revenue. The AO will record funds received from appropriated sources for expenses covered by the USA income.

B. Expense. The AO will record authorized expenses as they occur in the applicable expense accounts, which is the amount subject to appropriated fund (APF) reimbursement.

050703. Uniform Funding and Management (UFM) Recording

A. Revenue. The AO will record UFM funds received in advance in the cash account with a contra entry to an Unearned Revenue (liability) account identified as UFM. As

UFM expenses are recorded, the Unearned Revenue account will be reduced by the same amount in the same reporting cycle.

B. Expense. The AO will record expenses authorized for UFM, as they occur, in the applicable expense accounts to allow identification of UFM support in accordance with DoDI 1015.15, paragraph E.6.3.4 and to reduce the Unearned Revenue account by the same amount in the same reporting cycle.

050704. Other Appropriated Fund Support. Direct support is another APF category that occurs when APF obligates and expends (e.g., furnishing of utilities) and the NAFI does not incur the expense subject to reimbursement. In this case, the NAFI does not administer APFs as if they were NAFs.