

Navigating the Transaction Jungle—Unpaid Expenditures

The SGL has issued guidance listing standard transaction categories. The listing can be very confusing, however, as many transactions are very similar and it may not be immediately obvious why certain accounts are used in one transaction and not in another. To supplement the listing, I present a sample entry for unpaid exchange expenditures, which cross-references all the related entries in square brackets (in this case there are 22 of them) and the accounts they use.

Transaction: Unpaid Exchange Expenditure

Archetypal Entry:

debit	credit
4610 or 4801 (authority liquidated)	4901 (expenditure)
6100 (goods/services bought)	2110 (liability for payment)
3107 (only for appropriated funds)	5700 (only for appropriated funds)

This entry increases expenditures. To decrease expenditures, the debits and credits are reversed.

Purpose: To record the purchase of goods and services when disbursement has not yet been made. This includes prior period adjustments, payroll, and accruals. The purchase may or may not have been previously obligated.

Account Selection:

Authority Liquidated--obligations: Good accounting practices require that the expenditure be preceded by, and liquidate, an obligation (account 4801) [B302, B304, B306, B314, B344, B346, D114, D116, D132, D134, D402, D404, D406, D408]. If the fund is expired, and the obligation liquidated is greater than the expenditure, the excess posts to account 4871 [D132, D134], while if the obligation liquidated is less than the expenditure, the excess posts to account 4881 [D114, D116].

Authority Liquidated--available: Any difference between the amount expended and the amount of obligation liquidated is posted to the available amount (if there was no obligation, then all of the expended posts to available). This amount can be a debit or a credit, though it is a debit in the archetype above. The authority liquidated is usually 4610 [B304, B306, B314, B322, B332, B334, D116, D402, D404, D406, D408, D410, D616]. If the fund does not require apportionment, use 4620 instead [B304, B306, B314, B322, B334, D116, D402, D404, D406, D408, D410, D616]. If the fund is expired, use 4650 [D102, D106, D114, D132]. If the fund is a no-year fund, and the obligation was entered in a prior year, post to 4450 if the funds recovered have yet to be apportioned by OMB. If anticipated recoveries were already apportioned, then post 4310 [D110, D134]; in addition, realize the authority already apportioned with the entry debit 4590 credit 4510 [A122].

Expenditure: The unpaid expenditure account is generally 4901 [B302, B304, B306, B314, B322, B332, B334, B344, B346, D114, D116, D132, D134, D402, D404, D406, D408, D410, D616]. However, if the expenditure takes place in an expired fund, and no obligation is liquidated, then account 4981 is posted if expenditures are increasing (credited) [D106] and account 4971 is posted if expenditures are decreasing (debited) [D102, D110].

Services Bought: Most goods and services bought are expensed using account 6100 [B302, B304, B306, B314, B344, D102, D106, D110, D114, D116, D132, D134, D402, D404, D408, D616]. If this transaction is accruing interest, then if the interest is on Treasury borrowings post 6310, if on other securities post 6320, otherwise post 6330 [B322]. Accrued benefits post 6400 by the employer agency [D404, D406] and either 6400 or 2610 by the benefits administrating agency [D406]. In a manufacturing operation, the expenses could be recorded as Cost of Goods Sold (6500) [D102, D106, D114, D116, D402]. Expenditures for such items as acquisition of federal mission or stewardship property, reorganizations, or clean-up costs post to Nonproduction Costs (6900) [B302, B304, B306, B344, D102, D106, D110, D114, D116, D132, D134, D402]. If the expense resulted from a change in the accounting model and is material, post 7400 or 7401 Prior Period Adjustments [D102, D106, D110, D114, D116].

Goods Bought: If inventory or a fixed asset is purchased, the agency may capitalize it [B302, B304, B306, D102, D106, D110, D114, D116, D132, D134]. The inventory accounts are 1511, 1512, 1521, 1522, 1525, 1526, 1527, 1561, 1571, 1572, and 1591. The fixed asset accounts are 1711, 1712, 1730, 1740, 1750, 1820, 1830, 1832, 1840, and 1890. For capital lease signed with a non-federal entity, use 1810 [B346]. Assets not otherwise classified would be capitalized in account 1990. If foreclosed property was bought with recourse, post 1551 [B332]. If actual repair costs to inventory are accrued, then post 1529 if the allowance method was used [D410], otherwise post 1523 [D616]. Accruals of work in progress post 1526 and construction in progress post 1720 [D309], with an additional entry of debit 6100 credit 6600 Applied Overhead or 6610 Capitalized Cost. Whenever an asset is debited instead of an expense, also post debit 8802 Purchases of Capitalized Assets credit 8801 Offset [E202]. The account 6600, 6610, 8801, and 8802 postings are added in order to capture trading partner for asset purchases.

Liability for Payment: If the payment to the vendor is being scheduled, post 2110 [B302, B304, B306, B314, B332, B334, B344, D102, D106, D110, D114, D116, D132, D134, D410, D616]. If an accrual is posted that will be reversed next period, post 2190 [D102, D106, D110, D114, D116, D132, D134, D402, D408]. If the disbursement is held back per the contract, then post 2130 [B304, B306, D102, D106, D110, D114, D116, D132, D134]. If labor is accrued, then post 2210 for the amount to be paid to the employee, 2211 for the amounts withheld, and 2213 for the agency's portion of payroll taxes [D132, D134, D402, D404]. If a capital lease payment is accrued, then post 2940 [B346]. If interest expenses are accrued, then post 2140 [B322]. If this accrual results in debt, then post 2590, or any other kind of liability, post 2990 [D114, D116]. A benefits

administering agency would post benefit accruals to 2160, 2215, 2216, 2217, or 2218 [D406].

Appropriations Used: If the funding for this expenditure comes from appropriations, then also debit 3107 and credit 5700 (reverse for reductions to expenditures) [B134]. The only exceptions to this rule are, when account 7400 Prior Period Adjustments – Not Restated is debited, the entry is debit 3109 credit 5709 [D702], or if 7401 Prior Period Adjustments – Restated is debited, the entry is debit 3108 credit 5708 [D704].

Comments, suggestions, and critiques are welcome. Send them to Simcha.Kuritzky@ams.com, and not to the AGA.