

Navigating the Transaction Jungle—Paid Expenditures

To supplement the SGL guidance on standard transaction categories, I present a sample entry for paid expenditures which cross-references all the related entries in square brackets (in this case there are 28 of them) and the accounts they use.

Transaction: Paid Exchange Expenditure

Archetypal Entry:

debit	credit
4610 or 4801 (authority liquidated)	4902 (expenditure)
6100 (goods/services bought)	1010 or 1410 (cash or equivalent)
3107 (only for appropriated funds)	5700 (only for appropriated funds)

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

Purpose: To record the purchase of goods or services when disbursement has already been made. This includes recording an expenditure at the time of disbursement, as well as applying an advance that had been disbursed in the past. 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) [A146, B104, B105, B107, B130, C206, C224]. If an advance is being applied, then the obligation is liquidated by debiting account 4802 [B404]. If the fund is expired, and the obligation liquidated is greater (less) than the expenditure, the excess is debited (credited) to account 4871 (4881) [no examples].

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. The authority liquidated is usually 4610 [A266, A267, B102, B104, B106, B107, B108, B109, B114, B116, B122, B138, C132, C134, C137, C138, C204]. If the fund does not require apportionment, use 4620 instead [A266, A267, B102, B103, B107, B138, C132, C134, C136, C138]. If the fund is expired, use 4650 [C132, C136, D104, D126]. 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 or 4310 if anticipated recoveries were already apportioned [C132, C136, D108]. If the refunds were anticipated as a financing source, then credit 4060 or 4070 [C132, C136, D108]. In addition, when reducing anticipated amounts, realize the authority already apportioned with the entry debit 4590 credit 4510 [A122].

Expenditure: The paid expenditure account is generally 4902 [A146, A266, A267, B102, B103, B104, B105, B106, B107, B108, B109, B114, B116, B122, B130, B138, B404, C134, C137, C138, C204, C206, C224]. However, if the expenditure takes place in an expired fund, and no obligation is liquidated, then account 4982 is posted if expenditures are increasing (credited) [D126] and account 4972 is posted if expenditures are decreasing (debited) [C132, C136, D104, D108].

Services Bought: Most goods and services bought are expensed using account 6100 [A146, A267, B102, B104, B105, B106, B107, B138, B404, C132, C134, D104, D108, D126]. If this transaction is paying interest, then if the interest is on Treasury borrowings post 6310, if on other securities post 6320, otherwise post 6330 [B109]. Expenditures for such items as acquisition of federal mission or stewardship property, reorganizations, or clean-up costs post to Nonproduction Costs (6900) [B102, B404, C132, C134, D104, D108]. Accrued benefits post 6400 [B404]. If the items were purchased for resale, account 6500 may be posted [C132, C134, D104]. Loss of cash is posted to 7290 [B108, C137]. If the expense resulted from a change in the accounting model and is material, post 7400 or 7401 Prior Period Adjustments [D104, D108]. If cash is transferred out of a trust fund in a nonexchange expenditure transfer, then debit 5760 (exchange transactions use 6100) [A266, A267].

Goods Bought: If inventory or a fixed asset is purchased, the agency may capitalize it [B404, C132, C134, D104, D108]. The inventory accounts are 1511, 1512, 1521, 1522, 1525, 1526, 1527, 1561, 1571, 1572, and 1591. The fixed asset accounts are 1711, 1712, 1720, 1730, 1740, 1750, 1810, 1820, 1830, 1832, 1840, and 1890. Assets not otherwise classified would be capitalized in account 1990. If liens are paid, then post accounts 1549, 1551, 1559, or 2910 as appropriate [B114, B116, B130]. Accruals of work in progress post 1526 or 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] in order to capture trading partner for asset purchases.

Receivables/Liabilities: If a refund was accrued previously, then credit 1310 receivables, and (if the receivable is unfunded) also debit 6790 and credit 6100 (or 7290 if associated with a loss) [C136, C137, C138, C204]. If a loan has been disbursed, then debit 1350 [C206, C224]. When pension benefits are disbursed, post account 2610 [B103]. When other debt is repaid, post account 2590 [B122]. When the Financing Fund reimburses the Program Fund for defaulted loan, then account 2180 is debited [B104]. If a subsidy is disbursed from the program fund to the financing fund when the loan is disbursed, then also debit 2170 and credit 2179 [B105].

Cash or equivalent: If the payment to the vendor is being made concurrently with the expenditure, post 1010 [A146, A266, A267, B102, B103, B104, B105, B106, B107, B108, B109, B114, B116, B122, B130, B138, C132, C134, C136, C137, C138, C204, C206, C224, D104, D108, D126]. If an advance is being applied, then credit account 1410, or if a prepayment is being used, credit account 1450 [B404].

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.