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**PRESENTATION TO THE  
STANDARD GENERAL LEDGER BOARD**

**SGL IMPACT**

**FASAB STANDARD #4**

**MANAGERIAL COST ACCOUNTING CONCEPTS AND STANDARDS  
FOR THE FEDERAL GOVERNMENT**

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# **SECTION I**

**Proposal for**

**Restructuring of the Expense Account Series**

## Proposed *NEW* SGL Accounts

**Account Title:** Expenses Not Requiring Budgetary Resources  
**Account Number:** 6700  
**Normal Balance:** Debit  
**Type of Account:** Summary

**Definition:** Expenses that do not require budgetary resources, which are most commonly the result of allocating asset costs to expenses over more than one reporting period (e.g. depreciation).

**Justification:** This is a summary account for the following posting accounts (6710, 6720, 6730, 6790) which are needed in order to prepare the Statement of Financing.

**Account Title:** Depreciation, Amortization and Depletion  
**Account Number:** 6710  
**Normal Balance:** Debit  
**Type of Account:** Posting

**Definition:** Expenses recognized by the process of allocating costs of assets (tangible or intangible) over their useful lives/periods benefitted.

**Justification:** Statement of Financing, Line 3A

**Account Title:** Bad Debt Expense  
**Account Number:** 6720  
**Normal Balance:** Debit  
**Type of Account:** Posting

**Definition:** The amount of bad debt expense related to uncollectible non-credit reform receivables from the public.

**Justification:** Statement of Financing, Line 3B

**Account Title:** Imputed Costs  
**Account Number:** 6730  
**Normal Balance:** Debit  
**Type of Account:** Posting

**Definition:** Costs incurred which are paid in total or in part by other entities.

**Justification:** To offset Imputed Financing Sources

**Account Title:** Other Expenses Not Requiring Budgetary Resources  
**Account Number:** 6790  
**Normal Balance:** Debit  
**Type of Account:** Posting

**Definition:** Other costs which do not require budgetary resources.

**Justification:** Statement of Financing, Line 3E

**Account Title:** Future Funded Expenses  
**Account Number:** 6800  
**Normal Balance:** Debit  
**Type of Account:** Posting

**Definition:** The amount of accrued expenses which are required to be funded from future year appropriations. Examples include, but are not limited to, accrued annual leave expense, accrued worker's compensation, and upward subsidy re-estimates for Credit Reform loan programs.

**Justification:** Statement of Financing, Line 4

## Proposed *CHANGES* to Existing SGL Accounts

**Account Title:** Operating Expenses/Program Expenses Costs  
**Account Number:** 6100  
**Normal Balance:** Debit  
**Type of Account:** Posting

**Definition:** Operating expenses and program costs not otherwise classified below. Operating/Program Expense is (1) the total outlay in cash or its equivalent applied in carrying out a specific program or function, (2) the total cost of goods sold plus all selling, administrative, and general expenses applicable thereto, and (3) the total cost assignable against operating income or profit.

**Justification:** The definition has been revised to reflect the changes made to the following accounts (6400, 6500, 6700 series, 6800, and 6900).

**Account Title:** Cost of Goods or Services Sold  
**Account Number:** 6500  
**Normal Balance:** Debit  
**Type of Account:** Posting

**Definition:** The total cost of goods or services sold at point of sale including the inventory value of commodities sold from stock and all labor, material, and other expenses applied to manufactured items sold.

**Justification:** To maintain the traditional concept for Cost of Goods Sold as it relates to manufactured items sold.

**Account Title:** Other Expenses Non Production Costs  
**Account Number:** 6900  
**Normal Balance:** Debit  
**Type of Account:** Posting

**Definition:** Expenses not otherwise classified above. Costs incurred and recognized that are linked to events other than the production of goods and services. Examples include, but are not limited to, OPEB (refer to SFFAS #5, ¶94-96), acquisition of Federal Mission Property, Plant and Equipment, Heritage PP&E, Stewardship Land, reorganization costs, and nonrecurring cleanup costs resulting from facility abandonments that are not accrued. This is in accordance with FASAB #4 - Managerial Cost Accounting Concepts and Standards for the Federal Government ¶103-104.

**Justification:** “Other Expenses” is no longer needed as these amounts can now be captured in the other expense accounts. “Non Production Costs” is needed in accordance with FASAB #4 - Managerial Cost Accounting Concepts and Standards for the Federal Government ¶103-104 and for better facilitation of the Statement of Net Cost.

**Proposed *DELETIONS* of Current SGL Accounts**

**Account Title:** Benefit Program Expenses  
**Account Number:** 6400  
**Normal Balance:** Debit  
**Type of Account:** Posting

**Definition:** Amounts paid to benefit programs by agencies on behalf of their employees.

**Justification:** This account is no longer necessary. Depending upon the nature of the fund, the amount will be captured in account 6100, 6800, 6900, or 7600.



## **SECTION II**

### **Case Study**

## Case Study Guidelines

The following case study is presented to demonstrate the use of new or revised U.S. Standard General Ledger accounts being proposed to the U.S. Standard General Ledger Board for implementation for fiscal years beginning October 1, 1998. **The case study focuses on expense accounts only, and does not cover all situations.** It, in no way, purports to represent the transactions of a specific agency of the U.S. Government. The transactions contained within are illustrative in nature and are not to be taken as formal guidance for any specific account type.

Furthermore, the sample reports presented after the case study are included to demonstrate, only as examples, how the new or revised accounts would be reported on Form and Content reports mandated by OMB Bulletin No. 97-01 (Form and Content), dated October 16, 1996. The use of sample formats from Form and Content does not preclude an agency from using its own judgement consistent with OMB guidance.

**EXPENSE ACCOUNT SCENARIO  
ILLUSTRATIVE TRANSACTIONS**

\*\* **BOLD** indicates new/modified accounts proposed for Fiscal Year 1999 implementation

1. Agency receives appropriation (20,000) and estimated reimbursements (10,000) which are fully apportioned and allotted. Warrant is issued from Treasury.

**Proprietary**

1010	Fund Balance with Treasury	20,000
3100	Unexpended Appropriations	20,000

**Budgetary**

4119	Other Appropriations Realized	20,000
4210	Anticipated Reimbursements and Other Income	10,000
4610	Allotments - Realized Resources	20,000
4590	Apportionments - Unavailable	10,000

2. Received order from another government entity

**Proprietary**

1010	Fund Balance with Treasury	8,000
2310	Advances from Others	8,000

**Budgetary**

4590	Apportionments - Unavailable	8,000
4610	Allotments - Realized Resources	8,000
4222	Unfilled Customer Orders With Advance	8,000
4210	Anticipated Reimbursements and Other Income	8,000

3. To record estimated uncollectible receivables from the public not associated with exchange revenue

**Proprietary**

<b>6720</b>	<b>Bad Debt Expense</b>	400	
1319	Allowance for Loss on Accounts Receivable	400	

**Budgetary** (none)

4. Agency orders equipment

**Proprietary** (none)

**Budgetary**

4610	Allotments - Realized Resources	5,000	
4801	Undelivered Orders - Unpaid		5,000

5. Agency receives equipment above and pays invoice

**Proprietary**

1750	Equipment	5,000	
1010	Fund Balance with Treasury		5,000
3100	Unexpended Appropriations	5,000	
5700	Appropriations Used		5,000

**Budgetary**

4801	Undelivered Orders - Unpaid	5,000	
4902	Expended Authority - Paid		5,000

6. To record depreciation for use of this equipment

**Proprietary**

<b>6710</b>	<b>Depreciation, Amortization and Depletion</b>	500	
1759	Accumulated Depreciation on Equipment		500

**Budgetary** (none)

7. To record obligation for acquisition of federal mission PPE

**Proprietary** (none)

**Budgetary**

4610	Allotments - Realized Resources	10,000	
4801	Undelivered Orders - Unpaid		10,000

8. To record acquisition and payment of federal mission PPE

**Proprietary**

<b>6900</b>	<b>Non Production Costs</b>	10,000	
1010	Fund Balance with Treasury		10,000
3100	Unexpended Appropriations	10,000	
5700	Appropriations Used		10,000

**Budgetary**

4801	Undelivered Orders - Unpaid	10,000	
4902	Expended Authority - Paid		10,000

9. To obligate for expenses related to reimbursable order

**Proprietary** (none)

**Budgetary**

4610	Allotments - Realized Resources	1,000	
4801	Undelivered Orders - Unpaid		1,000

10. To record expenses and earnings from previous entry related to services performed for another government entity

**Proprietary**

<b>6100</b>	<b>Operating Expenses/Program Costs</b>	1,000	
1010	Fund Balance with Treasury		1,000
2310	Advances from Others	1,000	
5200	Revenue from Services Provided		1,000

**Budgetary**

4801	Undelivered Orders - Unpaid	1,000	
4902	Expended Authority - Paid		1,000
4252	Reimbursements and Other Income Earned - Coll	1,000	
4222	Unfilled Customer Orders With Advance		1,000

11. To record accrued annual unfunded leave liability

**Proprietary**

<b>6800</b>	<b>Future Funded Expenses</b>	1,500	
2220	Accrued Unfunded Liabilities		1,500

**Budgetary** (none)

12. To record pension expense (portion not paid by agency). (Assume cost of pensions are 10,000 in excess of agency and employee contributions based upon receipt of OPM memo.)

**Proprietary**

<b>6730</b>	<b>Imputed Costs</b>	10,000	
5780	Imputed Financing Sources		10,000

**Budgetary** (none)

**PRE-CLOSING TRIAL BALANCES**

**Proprietary**

1010	Fund Balance with Treasury	12,000	
1319	Allowance for Loss on Accounts Receivable		400
1750	Equipment	5,000	
1759	Accumulated Depreciation on Equipment		500
2220	Accrued Unfunded Liabilities		1,500
2310	Advances from Others		7,000
3100	Unexpended Appropriations		5,000
5200	Revenue from Services Provided		1,000
5700	Appropriations Used		15,000
5780	Imputed Financing Sources		10,000
<b>6100</b>	<b>Operating Expenses/Program Costs</b>	1,000	
<b>6710</b>	<b>Depreciation, Amortization, and Depletion</b>	500	
<b>6720</b>	<b>Bad Debt Expense</b>	400	
<b>6730</b>	<b>Imputed Costs</b>	10,000	
<b>6800</b>	<b>Future Funded Expenses</b>	1,500	
<b>6900</b>	<b>Non Production Costs</b>	10,000	
	<b>TOTALS</b>	<b><u>40,400</u></b>	<b><u>40,400</u></b>

**Budgetary**

4119	Other Appropriations Realized	20,000	
4210	Anticipated Reimbursements and Other Income	2,000	
4222	Unfilled Customer Orders With Advance	7,000	
4252	Reimbursements and Other Income Earned-Coll	1,000	
4590	Apportionments - Unavailable		2,000
4610	Allotments - Realized Resources		12,000
4902	Expended Authority - Paid		16,000
	<b>TOTALS</b>	<b><u>30,000</u></b>	<b><u>30,000</u></b>

## CLOSING ENTRIES

### Proprietary

C1)	5200	Revenue from Services Provided	1,000
	5700	Appropriations Used	15,000
	5780	Imputed Financing Sources	10,000
	3310	Cumulative Results of Operations	26,000
C2)	3310	Cumulative Results of Operations	23,400
	<b>6100</b>	<b>Operating Expenses/Program Costs</b>	1,000
	<b>6710</b>	<b>Depreciation, Amortization, and Depletion</b>	500
	<b>6720</b>	<b>Bad Debt Expense</b>	400
	<b>6730</b>	<b>Imputed Costs</b>	10,000
	<b>6800</b>	<b>Future Funded Expenses</b>	1,500
	<b>6900</b>	<b>Non Production Costs</b>	10,000

### Budgetary

C1)	4590	Apportionments - Unavailable	2,000
	4210	Anticipated Reimbursements and Other Income	2,000
C2)	4201	Total Actual Resources - Collected	21,000
	4119	Other Appropriations Realized	20,000
	4252	Reimbursements and Other Income Earned - Collected	1,000
C3)	4610	Allotments - Realized Resources	12,000
	4450	Unapportioned Authority - Available	12,000
C4)	4902	Expended Authority - Paid	16,000
	4201	Total Actual Resources - Collected	16,000



**POST-CLOSING TRIAL BALANCES**

**Proprietary**

1010	Fund Balance with Treasury	12,000	
1319	Allowance for Loss on Accounts Receivable		400
1750	Equipment	5,000	
1759	Accumulated Depreciation on Equipment		500
2220	Accrued Unfunded Liabilities		1,500
2310	Advances from Others		7,000
3100	Unexpended Appropriations		5,000
3310	Cumulative Results of Operations		2,600
	<b>TOTALS</b>	<b><u>17,000</u></b>	<b><u>17,000</u></b>

**Budgetary**

4201	Expended Authority - Unpaid	5,000	
4222	Unfilled Customer Orders With Advance	7,000	
4450	Unapportioned Authority - Available		12,000
	<b>TOTALS</b>	<b><u>12,000</u></b>	<b><u>12,000</u></b>

**STATEMENT OF NET COST**

## Program Costs

Intragovernmental	
Production (6100+6730+6800)	12,500
Nonproduction	0
Public	
Production (6720+6710+6800)	900
Nonproduction (6900)	<u>10,000</u>
<b>Total Program Cost</b>	<b>23,400</b>
Less Earned Revenues (5200)	<u>(1,000)</u>
<b>Net Program Costs</b>	<b>22,400</b>
<b>Costs Not Assigned to Programs</b>	<b>0</b>
<b>Less Earned Revenues Not Attributable to Programs</b>	<b>0</b>
<b>Deferred Maintenance (Note reference)</b>	<u>          </u>
<b>Net Cost of Operations</b>	<b><u>22,400</u></b>

The elements contained in this case study are illustrative in nature. Statement formats are generally taken from OMB Circular 97-01 (Form and Content of Agency Financial Statements, dated October 16, 1996). OMB has the authority to specify the form and content of agency financial statements, so these samples are not authoritative. Furthermore, the references to account numbers and/or calculations that crosswalk to these statements shown above illustrate the result of the preceding transactions only. They do not demonstrate all of the USSGL accounts used on each statement. Refer to crosswalks published in the Treasury Financial Manual Supplement #2 for official guidance on crosswalks to each statement.

## STATEMENT OF FINANCING

### Obligations and Nonbudgetary Resources

Obligations Incurred (4902)	16,000
Less: Spending Authority from Offsetting Collections and Adjustments	
Earned Reimbursements - Collected (4252)	(1,000)
Increase in Unfilled Customer Orders (4222)	(7,000)
Financing Imputed for Cost Subsidies (5780)	<u>10,000</u>
<b>Total Obligations as Adjusted and Nonbudgetary Resources</b>	<b>18,000</b>
<b>Resources That Do Not Fund Net Cost of Operations</b>	
Costs Capitalized on the Balance Sheet:	
General Property, Plant and Equipment(1750-1759+6710)	(5,000)
Other: Increase in Unfilled Customer Orders (4222)	<u>7,000</u>
<b>Total Resources That Do Not Fund Net Costs of Operations</b>	<b>2,000</b>
<b>Costs That Do Not Require Resources</b>	
Depreciation and Amortization (6710)	500
Bad Debts Rel to Uncoll Non-Credit Reform Receivables (6720)	<u>400</u>
<b>Total Costs That Do Not Require Resources</b>	<b>900</b>
<b>Financing Sources Yet to be Provided (6800)</b>	<b><u>1,500</u></b>
<b>Net Cost of Operations</b>	<b><u>22,400</u></b>

The elements contained in this case study are illustrative in nature. Statement formats are generally taken from OMB Circular 97-01 (Form and Content of Agency Financial Statements, dated October 16, 1996). OMB has the authority to specify the form and content of agency financial statements, so these samples are not authoritative. Furthermore, the references to account numbers and/or calculations that crosswalk to these statements shown above illustrate the result of the preceding transactions only. They do not demonstrate all of the USSGL accounts used on each statement. Refer to crosswalks published in the Treasury Financial Manual Supplement #2 for official guidance on crosswalks to each statement.

## ILLUSTRATIVE ENTRIES FOR A MANUFACTURING ENTITY

*These entries are for illustrative purposes only, and **do not correspond** in any way to the previous entries. Likewise, the amounts are **not** included in the Trial Balances, Closing Entries or Form and Content Statements that are present in this proposal. These entries are provided to illustrate the use of the proposed expense accounts for a manufacturing entity. A comprehensive inventory scenario, including this portion, will be available in the near future.*

1. To record factory overhead (2,000) such as rent and utilities, depreciation on equipment (500), and indirect labor (3,000)

### Proprietary

<b>6100</b>	Operating Expenses/Program Costs (overhead)	5,000
<b>6710</b>	Depreciation, Amortization and Depletion (overhead)	500
1759	Accumulated Depreciation on Equipment	500
2110	Accounts Payable	2,000
2210	Accrued Funded Payroll and Benefits	3,000

### Budgetary

4801	Undelivered Orders - Unpaid	5,000
4901	Expended Authority - Unpaid	5,000

2. To record applied overhead (the budget rate is determined to be \$5.00/per direct labor hour. The direct labor hour was determined to be 900 hours. 900 hours \* \$5.00 = \$4,500)

### Proprietary

1526	Inventory - Work in Process	4,500
6600	Applied Overhead	4,500

### Budgetary (none)

3. To record sale of goods

**Proprietary**

<b>6500</b>	<b>Cost of Goods Sold</b>	8,000	
1527	Inventory - Finished Goods		8,000
1310	Accounts Receivable	10,000	
5100	Revenue from Goods Sold		10,000

**Budgetary**

4251	Reimbursements and Other Income Earned - Receivable	10,000	
4221	Unfilled Customer Orders Without Advance		10,000

4. To close underapplied overhead<sup>1</sup> (overhead is budgeted less than the actual), which is deemed immaterial

**Proprietary**

6600	Applied Overhead	4,500	
<b>6500</b>	<b>Cost of Goods Sold</b>	1,000	
<b>6100</b>	<b>Operating Expenses/Program Costs (overhead)</b>		5,000
<b>6710</b>	<b>Depreciation, Amortization, and Depletion (overhead)</b>		500

(If overapplied, the adjustment would be credited to Cost of Goods Sold.)

**Budgetary** (none)

*If the difference between the actual and applied amount is material, then the difference is prorated to Work in Process, Finished Goods and Cost of Goods Sold.*

*To close overhead accounts and prorate underapplied overhead among the three accounts:*

1526	Inventory - Work in Process	xxx	
1527	Inventory - Finished Goods	xxx	
6500	Cost of Goods Sold	xxx	
6600	Applied Overhead	xxx	
6100	Operating Expenses/Program Costs (overhead)		xxx
	(and other actual overhead accounts)		xxx

*To close overhead accounts and prorate overapplied overhead among the three accounts:*

6600	Applied Overhead	xxx	
1526	Inventory - Work in Process	xxx	
1527	Inventory - Finished Goods	xxx	
6500	Cost of Goods Sold	xxx	
6100	Operating Exp/Program Costs (overhead)	xxx	
	(and other actual overhead accounts)		xxx

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<sup>1</sup> If the underapplied or overapplied amount is immaterial, the difference in the applied and the actual amount is adjusted to Cost of Goods Sold. But if the underapplied or overapplied amount is material then the difference is prorated to Work in Process, Finished Goods, and Cost of Goods Sold. (Charles T. Horngren, George Foster, Cost Accounting A Managerial Emphasis, 6th edition, pp. 103-104).