

CASE STUDY - Disposition of personal property¹

NOTE:

- 40 USC, 481(c), “In acquiring personal property, *any executive agency*, under regulations to be prescribed by the Administrator, subject to regulations prescribed by the Administrator for Federal Procurement Policy pursuant to the Office of Federal Procurement Policy Act *may exchange or sell similar items and may apply the exchange allowance or proceeds of sale in such cases in whole or in part payment for the property acquired*”
- According to OMB, the Federal Property and Administrative Services Act (FPASA) of 1949 *gives all agencies, unless directed otherwise in their specific legislation, authority to collect* proceeds from sale of personal property which can be applied to replace similar property during the fiscal year in which the property is sold and one fiscal year thereafter. The collection will be brought in as an offsetting collection on line 3 of SF133.

Assumption:

- For illustrative purpose the calendar year is used for the accounting period.
- The case study illustrated is a very simple and basic scenario for annual appropriation. This model **may** be used for multi year or no year accounts when applicable.
- In reality the acquisition and the sale of property probably will occur within several years. However, for this illustration the purchase of the original equipment was made in year 1 (expired) and the sale of original equipment and the purchase of replacement property were made in year 2 (unexpired).

¹ CFR 41, Chapter 101-43.001-23, Personal Property is defined as any property, except real property, records of the Federal Government, and naval vessels of the following categories: Battleship

YEAR 19X1

EVENT DESCRIPTION	ANNUAL APPROPRIATION (EXPIRED)	F3845 - PROCEEDS OF SALE, PERSONAL PROPERTY (CLEARING ACCOUNT)
1) An agency receives appropriations and it is apportioned and allotted	<p>Proprietary</p> <p>1010 FBWT 2,000</p> <p>3100 Unexp App 2,000</p> <p>Budgetary</p> <p>4119 Other Appro Realiz 2,000</p> <p>4450 Unapportioned auth ava 2,000</p> <p>4450 Unapportioned auth ava 2,000</p> <p>4510 Apportionment 2,000</p> <p>4510 Apportionment 2,000</p> <p>4610 Allotments 2,000</p>	
2) \$1,700 is obligated to purchase equipments A, B and C (original)	<p>Proprietary</p> <p>None</p> <p>Budgetary</p> <p>4610 Allotments 1,700</p> <p>4801 Undel Ord - unpd 1,700</p>	

<p>3) The agency makes following purchases on 3/30/X1: Equipment A for \$600 Equipment B for \$400 Equipment C for \$700</p>	<p>Proprietary 1750 Equipment 1,700 1010 Fund Bal w Trea 1,700 3100 Unexpended approp 1,700 5700 Appro Used 1,700 Budgetary 4801 Undel Ord - unpd 1,700 4902 Exp Authority - pd 1,700</p>	
<p>4)To record depreciation expense for the year (12/31/X1) Equipment A \$10/month Equipment B \$ 5/month Equipment C \$12/month \$27 x 9 = \$243</p>	<p>Proprietary 6710 Depreciation exp 243 1759 Acc Dep 243 Budgetary None</p>	

YEAR 19X1 PRECLOSING TRIAL BALANCE and CLOSING ENTRIES

Proprietary				Budgetary			
PRECLOSING TRIAL BALANCE				PRECLOSING TRIAL BALANCE			
1010	Fund Balance with Treasury	300		4119	Other Appropriations Realized	2,000	
1750	Equipment	1,700		4610	Allotments - Realized Resources		300
1759	Accumulated Depreciation		243	4902	Expended Authority - Paid	<u>1,700</u>	
3100	Unexpended Appropriation		300			<u>\$2,000</u>	<u>\$2,000</u>
5700	Appropriation Used		1,700				
6710	Depreciation expense	<u>243</u>					
		<u>\$2,243</u>	<u>\$2,243</u>				
CLOSING ENTRIES				CLOSING ENTRIES			
5700	Appropriations Used	1,700		4902	Expended Authority	1,700	
	3310 Cumulative results		1,700	4201	Total Actual Resources collected	300	
					4119 Other Appropriations Realized		2,000
3310	Cumulative results	243		4610	Allotments - realized resources	300	
	6710 Depreciation Expense		243		4650 Allotments - expired authority		300

YEAR 19X1 - STATEMENTS

<p><u>STATEMENT OF NET COST</u></p> <p>6710 Depreciation Exp <u>243</u></p> <p>Net Cost <u>\$243</u></p>	
<p><u>STATEMENT OF CHANGE IN NET POSITION</u></p> <p>Net Cost 243</p> <p>Financing Sources</p> <p> 5700 Appropriation used <u>1,700</u></p> <p>Net Result of operation <u>1,457</u></p> <p>Unexpended Appropriation</p> <p> 3100 300</p> <p>Net Position Beginning of the Peirod <u>0</u></p> <p>Net Position End of the Peirod <u>\$1,757</u></p>	<p><u>STATEMENT OF FINANCING</u></p> <p>Obligation Incurred</p> <p> 4902 Expended Auth - Pd <u>1,700</u></p> <p>Total Obligations as Adjusted Nonbudget Res 1,700</p> <p>Costs Capitalized on the Balance Sheet</p> <p> 1750 Equipment 1,700</p> <p> 1759 Accumulated Dep <u>(243)</u></p> <p>Total Resources that Do Not Fund Net Cost <u>1,457</u></p> <p>Net Cost <u>\$ 243</u></p>

YEAR 19X2

EVENT DESCRIPTION	ANNUAL APPROPRIATION (UNEXPIRED)	F3845 - PROCEEDS OF SALE, PERSONAL PROPERTY (CLEARING ACCOUNT)																																								
	A. SALE OF PROPERTY BEFORE² AN OBLIGATION OF REPLACEMENT PROPERTY HAS BEEN INCURRED																																									
5) An agency receives appropriations and it is apportioned and allotted	<p>Proprietary</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 10%;">1010</td> <td style="width: 40%;">FBWT</td> <td style="width: 10%; text-align: right;">1,500</td> <td style="width: 10%;"></td> <td style="width: 20%;"></td> </tr> <tr> <td></td> <td>3100 Unexp App</td> <td></td> <td style="text-align: right;">1,500</td> <td></td> </tr> </table> <p>Budgetary</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 10%;">4119</td> <td style="width: 40%;">Other Appro Realiz</td> <td style="width: 10%; text-align: right;">1,500</td> <td style="width: 10%;"></td> <td style="width: 20%;"></td> </tr> <tr> <td></td> <td>4450 Unapportioned auth ava</td> <td></td> <td style="text-align: right;">1,500</td> <td></td> </tr> <tr> <td>4450</td> <td>Unapportioned auth ava</td> <td style="text-align: right;">1,500</td> <td></td> <td></td> </tr> <tr> <td></td> <td>4510 Apportionment</td> <td></td> <td style="text-align: right;">1,500</td> <td></td> </tr> <tr> <td>4510</td> <td>Apportionment</td> <td style="text-align: right;">1,500</td> <td></td> <td></td> </tr> <tr> <td></td> <td>4610 Allotments</td> <td></td> <td style="text-align: right;">1,500</td> <td></td> </tr> </table>	1010	FBWT	1,500				3100 Unexp App		1,500		4119	Other Appro Realiz	1,500				4450 Unapportioned auth ava		1,500		4450	Unapportioned auth ava	1,500				4510 Apportionment		1,500		4510	Apportionment	1,500				4610 Allotments		1,500		
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² GAO Policy and Procedures Manual (Title VII) dated May 1993, pgs7.5-8,9, “If the sales proceeds are received before an obligation for replacement property has been incurred, . . . document such *proceeds will be used as an appropriation reimbursement to apply against an obligation* which will be incurred within the prescribed time limit, *the proceeds should be credited to the appropriate budget clearing account The appropriate budget clearing account will be charged and the appropriation account will be credited when the obligation is subsequently incurred for the replacement property.* ”

CFR 41, Chapter 101, section 101-46.304(a), “When the property to be replaced is sold before the acquisition of the replacement property, the proceeds of such sales will be credited to the agency’s account.”

<p>6) The agency anticipates collection of \$1,100 from a sale of property which is apportioned and allotted accordingly.</p> <p>From Federal source \$400 From NonFed source \$700</p>	<p>Proprietary None</p> <p>Budgetary</p> <p>4070 Anticipated coll for Fed 400 4060 Anticipated coll for Nonfed 700 4450 Unapp authority - ava 1,100</p> <p>4450 Unapp authority - ava 1,100 4510 Apportionment 400 4590 Apportionment - unavailable 700</p> <p>4510 Apportionment 400 4610 Allotments 400</p>	
<p>7) on 1/1/x2 the agency sold Equipment A for \$380 and administrative determination has been made to acquire a replacement equipment.</p> <p>The sales proceed is deposited to the F3845- "Sales proceeds, personal property", a clearing account, until money is needed to acquire a replacement property.</p>	<p>Proprietary</p> <p>1010 Fund bal w Treas 380 1759 Acc dep - equip 90 7210 Loss on dis of asset 130 1750 Equipment 600</p> <p>5730 Fin source trans out w/o reimb 380 1010 FBWT 380</p> <p>Budgetary None - There is no budgetary impact because the <u>cash is immediately transferred to the clearing account</u></p>	<p>Proprietary</p> <p>1010 FBWT 380 5720 Fin source trans in w/o reimb380</p> <p>Budgetary None</p>

<p>8) To record obligation incurred for the Equipment X, a replacement property for \$600 on 5/30/X2.</p> <p><i>The appropriate budget clearing account will be charged and the appropriation account will be credited when the obligation is subsequently incurred for the replacement property.</i></p>	<p>Proprietary 1010 FBWT 380 5720 Fin source trans-in w/o reimb 380</p> <p>Budgetary 4277 Other actual coll - Fed 380 4070 Ant coll from Fed 380</p> <p>4610 Allotment 600 4801 Undelivered orders - unpd 600 (\$380 from collections and \$220 from appropriations)</p>	<p>Proprietary 5730 Fin source trans out w/o reimb 380 1010 FBWT 380</p> <p>Budgetary None</p>
<p>9) On 7/1/X2 agency used \$380 from the sales proceeds of equipment and used an additional appropriation to buy equipment X, a replacement property for \$600.</p>	<p>Proprietary 1750 Equip 600 1010 FBWT 600</p> <p>3100 Unexp 220 5700 App Used 220</p> <p>Budgetary 4801 Undelivered ord - unpd 600 4902 Exp Auth - pd 600</p>	<p>Proprietary None</p> <p>Budgetary None</p>
<p>10) To record depreciation expense for equipment X for the year on 12/31/X2</p> <p>Equipment X \$11/month \$11 x 6 = \$66</p>	<p>Proprietary 6710 Depreciation exp 66 1759 Acc depreciation - equip 66</p> <p>Budgetary None</p>	

	B. SALE OF PROPERTY AFTER³ THE PURCHASE OF REPLACEMENT PROPERTY																									
11) On 7/1/X2 Equipment Y, a replacement property was purchased for \$700.	<p>Proprietary</p> <table> <tr> <td>1750</td> <td>Equip</td> <td>700</td> <td></td> </tr> <tr> <td>1010</td> <td>FBWT</td> <td></td> <td>700</td> </tr> <tr> <td>3100</td> <td>Unexp</td> <td>700</td> <td></td> </tr> <tr> <td>5700</td> <td>App Used</td> <td></td> <td>700</td> </tr> </table> <p>Budgetary</p> <table> <tr> <td>4610</td> <td>Allotments</td> <td>700</td> <td></td> </tr> <tr> <td>4902</td> <td>Expended authority - pd</td> <td></td> <td>700</td> </tr> </table>	1750	Equip	700		1010	FBWT		700	3100	Unexp	700		5700	App Used		700	4610	Allotments	700		4902	Expended authority - pd		700	
1750	Equip	700																								
1010	FBWT		700																							
3100	Unexp	700																								
5700	App Used		700																							
4610	Allotments	700																								
4902	Expended authority - pd		700																							
12) To record depreciation expense for Equipment B for the year on 9/30/X2. \$5 x 9 = \$45	<p>Proprietary</p> <table> <tr> <td>6710</td> <td>Depreciation exp</td> <td>45</td> <td></td> </tr> <tr> <td>1759</td> <td>Acc depreciation - equip</td> <td></td> <td>45</td> </tr> </table> <p>Budgetary</p> <p>None</p>	6710	Depreciation exp	45		1759	Acc depreciation - equip		45																	
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1759	Acc depreciation - equip		45																							

³ GAO Policy and Procedures manual dated May 1993, page 7.5-8, “If the sales proceeds are received after and obligation for replacement property has been incurred and within the prescribed time limit, *the proceeds may be credited as a direct reimbursement to the appropriation account charged or chargeable for the replacement property.*”

CFR 41, Chapter 101, section 101-46.304 states “ When the replacement property is sold after the acquisition of the replacement property, the proceeds of such sale may be deposited as a direct reimbursement credit to the appropriation previously charged for the replacement of similar items of personal property.”

<p>13) On 9/30/X2 the agency sold Equipment B for \$350.</p>	<p>Proprietary 1010 Fund bal w Treas 350 1759 Acc dep - equip 90 1750 Equipment 400 7110 Gain on disp of asset 40</p> <p>Budgetary 4266 Other actual coll - Nonfed 350 4060 Anticip Nonfed coll 300 4590 Apportionment - unavaliable 350 4610 Allotments 350</p>	
<p>14) At the end of the year, depreciation expense for Equipment Y was recorded. Equipment Y \$15/month \$15 x 6 = \$90</p>	<p>Proprietary 6710 Depreciation exp 90 1759 Acc depreciation - equip 90</p> <p>Budgetary None</p>	

EVENT DESCRIPTION	ANNUAL APPROPRIATION (UNEXPIRED)	F3845 - PROCEEDS OF SALE, PERSONAL PROPERTY (CLEARING ACCOUNT)	TREASURY MISCELLANEOUS RECEIPTS (GENERAL FUND)
	C. THE REPLACEMENT PROPERTY WAS NOT ACQUIRED⁴		
15) To record depreciation expense for Equipment C for the year on 6/30/X2. \$12 x 6 = \$72	Proprietary 6710 Depreciation exp 72 1759 Acc depreciation - equip 72 Budgetary None		

⁴ GAO Policy and Procedures Manual, dated May 1993, pg7.5-9, If the sales proceeds are not available for obligation or are not to be applied to replacement purchases, the proceeds will be *deposited in the Treasury as miscellaneous receipts* in the general funds.

CFR 41, Chapter 101, section 101-46.304, Proceed of sales related to personal property for which an obligation for replacement has not been incurred during the period of availability following the date of sale, or sales proceeds which for other reasons an agency elects not to apply to replacement costs, shall be deposited to miscellaneous receipts account.

<p>16) The agency sold the Equipment C on (7/01/X2).</p>	<p>Proprietary 1010 FBWT 400 1759 Acc dep 180 7210 Loss 120 1750 Equipment 700 5730 Trans out w/o reim 400 1010 FBWT 400</p> <p>Budgetary None - There is no budgetary impact because the <u>cash is immediately transferred to the clearing account</u></p>	<p>Proprietary 5720 Trans in 400 1010 FBWT 400</p> <p>Budgetary None</p>	
<p>17) The agency determined that the replacement property will not be acquired and the receipt will be returned to Treasury miscellaneous receipt account. (this would also apply to the agency that does not replace the property <u>within the prescribed time limit</u>).</p>	<p>Proprietary None</p> <p>Budgetary None</p>	<p>Proprietary 5730 Trans out 400 1010 FBWT 400</p> <p>Budgetary None</p>	<p>Proprietary 1010 FBWT 400 5720 Trans in 400</p> <p>Budgetary N/A</p>

YEAR 19X2

PRECLOSING TRIAL BALANCE and CLOSING ENTRIES

Proprietary			Budgetary		
PRECLOSING TRIAL BALANCE			PRECLOSING TRIAL BALANCE		
1010	Fund Balance with Treasury	1,230	4060	Anticipated Collections from Nonfed	350
1750	Equipment	1,300	4070	Anticipated Collections from Fed	20
1759	Accumulated Depreciation	156	4119	Other Appropriations Realized	1,500
3100	Unexpended Appropriation	880	4266	Other Actual Collections - Nonfed	350
3310	Cumulative Results	1,457	4277	Other Actual Coll - Fed	380
5700	Appropriation Used	920	4590	Apportionments - Unavailable	350
5720	Fin Source Transfer in	1,160	4610	Allotments - Realized Resources	950
5730	Fin Source Transfer out	1,560	4902	Expended Authority - Paid	<u>1,300</u>
6710	Depreciation expense	273			<u>\$2,600</u>
7110	Gain on Disosition of Assets	40			<u>\$2,600</u>
7210	Losses on Disposition of Assets	<u>250</u>			
		<u>\$4,613</u>			<u>\$4,613</u>
CLOSING ENTRIES			CLOSING ENTRIES		
7110	Gains on Disposition of Assets	40	4902	Expended Authority	1,300
5720	Fin Sources Trans in w/o Reimb	1,160	4201	Total Actual Resources collected	930
5700	Appropriations Used	920	4119	Other Appropriations Realized	1,500
3310	Cumulative results	2,120	4266	Other Actual Coll - Nonfed	350
			4277	Other Actual Coll - Fed	380
3310	Cumulative results	2,083	4590	Apportionments - Unavailable	950
5730	Fin Sources Trans out w/o Reimb	1,560	4610	Allotments - realized resources	350
6710	Depreciation Expense	273	4650	Allotments - expired authority	930
7210	Losses on Disposition of Assets	250	4060	Anticipated Collections from Nonfed	350
			4070	Anticipated Collections from Fed	20

YEAR 19X2 - STATEMENTS

<u>STATEMENT OF NET COST</u>			
6710	Depreciation Exp	273	
7110	Gains on disposition of asset	(40)	
7210	Losses on disposition of asset	<u>250</u>	
Net Cost		<u>\$483</u>	
<u>STATEMENT OF CHANGE IN NET POSITION</u>		<u>STATEMENT OF FINANCING</u>	
Net Cost		Obligation Incurred	
	483	4902	Expended Auth - Pd 1,300
Financing Sources		Less: Offsetting Collections	
5700	Appropriation used	4266	Other Actual coll - Nonfed (350)
5720	Fin Sources Trans in	4277	Other Actual coll - fed (380)
5730	Fin Sources Trans out	Transfer in	5720 1,160
Net Result of operation		Transfer out	5730 <u>(1,560)</u>
	<u>37</u>	Total Obligations as Adjusted Nonbudget Res 170	
Increase in Unexpended appropriation		Costs Capitalized on the Balance Sheet	
3100	Unexpended app	1750	Equipment (400)
	580	1759	Accumulated Dep <u>(87)</u>
Change in Net Position		Total Resources that Do Not Fund Net Cost 313	
	617	Net Cost <u>\$483</u>	
Net Position - Beginning of the Period			
3100	Unexpended Appropriation	300	
3310	Cumulative Results of Operation	<u>1,457</u>	
Net Position - End of the Period		<u>\$2,374</u>	