

Accounting for Downward Reestimates

June 21, 2001

The following issue was surfaced during our FY 2000 annual audit. We found a gap in guidance surrounding mandatory loan programs with downward reestimates. The FCC has a mandatory direct loan program and the results of our downward reestimates are recorded in our program account. The Treasury case study on Direct Loans provides the appropriate entries for a downward reestimate for a discretionary loan program. In trying to apply the same transactions to our program we encountered the following issues and concerns.

1. These transactions create an abnormal balance in Cumulative Results of Operations.
2. The agency needs to create non-standard transactions for subsequent events in the program account. The agency must keep up with balances in both equity accounts.
 - A. Track Appropriated Capital Used
 - B. Track Results of Operations

The method described and illustrated in the Treasury Case Study uses the following USSGL entries:

Program Account

5730 Financing Sources Transfer out without Reimb	XXX	
6199 Adjustments to Subsidy Expense		XXX

When the accounts close, the results of operations is 0. There is also no effect on Unexpended Appropriations. The other side of the above entry is to a General Fund Receipt account for discretionary or a Special Fund Receipt account if so designated by OMB.

Based upon changes enacted in 1997, mandatory loan programs use Special Fund Receipt accounts only as directed by OMB. All other mandatory loan programs record the results of a downward reestimate in the program account. FCC used the following entries for FY 2000 and would like to see the methodology documented in official guidance.

Program Account

1310 Subsidy Receivable	XXX	
6199 Adjustments to Subsidy Expense		XXX
5799 Adjustment of Appropriated Capital Used	XXX	
3100 Unexpended Appropriations		XXX

This treatment closes 5799 and 6199 with Cumulative Results of Operations =0. It also allows agencies to use standard transactions to record new loans and other financial

events in the next fiscal year and avoids abnormal balances in the Cumulative Results of Operations or the need to use journal vouchers to readjust funds to facilitate proper accounting and reporting.

One other agency with mandatory loan programs uses the following entries:

Program Account

1310 Subsidy Receivable	XXX	
6199 Adjustments to Subsidy Expense		XXX

They wait until they receive the appropriation in the next year to record the following:

Program Account

5799 Adjustment of Appropriated Capital Used	XXX	
1310 Subsidy Receivable		XXX

The first year, they have an abnormal balance in the Cumulative Results of Operations that is reversed in the second year. This leads to much confusion and hampers the auditor's understanding of the program.

It appears that the intent of FASAB SFFAS # 2 in proscribing the use of 6199 Adjustment of Subsidy Expense and 5799 Adjustment to Appropriated Capital Used was to properly record the recovery of subsidy expense and appropriated capital for use in future years. If the results were to end up in Cumulative Results of Operations, they could just have easily used a revenue account such as 5900 to record the downward reestimate. By using 6199 as a negative expense, they are showing recovery of previously recorded expenses in the program account and 5799 records the corresponding recovery of appropriations.

It might be advantageous to have the USSGL Board create a subdivision in the capital account series to segregate the recovery of appropriations from the initial receipt of Unexpended Appropriations.

Attached is an illustration of three possible alternatives for recording the downward reestimate in a mandatory program. The illustrations provide initial transactions, closings, and transactions for the following year to highlight the issues described above.

Unexpended Appropriations Issue

Current Method

Auditors initially brought up this issue with the treatment of downward reestimates for Mandatory programs.
I will begin by providing the current method for recording new loans under mandatory programs.

Program Account

Financing Account

1. Receive Appropriation for new Loan Subsidy (Mandatory).

4119 Other Appropriations	100	
4510 Apportionments Available		100
1010 Fund Bal with Treasury	100	
3100 Unexpended Appropriations		100

2. Record subsidy expense and transfer to Financing account.

4510 Apportionments Available	100		
4902 Expended Authority-pd		100	
6100 Subsidy Expense	100		
1010 Fund Bal with Treasury		100	
3100 Unexpended Appropriations	100		
5700 Appropriated Capital Used		100	

4271 Subsidy Collected	100	
4510 Apportionments Available		100
1010 Fund Bal with Treasury	100	
1399 Allowance for Subsidy		100

3. At end of year, perform a subsidy reestimate - results in a downward reestimate of \$25

1310 Subsidy Receivable	25		
6199 Adjustment to Subsidy Exp		25	
1399 Allowance for Subsidy	25		
2110 Subsidy Pay to Prog Acct		25	

4. Recognize Recovery of Appropriated Capital Used.

5799 Adjustment of Approp Cap User	25	
3100 Unexpended Appropriations		25

end of year 1 Pre-close Combined Trial Balance		
1010 Fund Bal with Treasury (F)	100	
1310 Subsidy Receivable (P)	25	
1399 Allowance for Subsidy (F)		75
2110 Subsidy Payable (F)		25
3100 Unexpended Appropriations (P)		25
5700 Appropriated Capital Used(P)		100
5799 Adjustment of Appropr Cap Used(P)	25	
6100 Subsidy Expense (P)	100	
6199 Adjustment to Subsidy Exp (P)		25
	<hr/>	<hr/>
	250	250
4119 Other Appropriations (P)	100	
4271 Subsidy Collected (F)	100	
4510 Apportionments Available (F)		100
4902 Expended Authority-pd (P)		100
	<hr/>	<hr/>
	200	200

Closing entries

5700 Appropriated Capital Used	100			
6100 Subsidy Expense		100		
6199 Adjustment to Subsidy Exp	25			
5799 Adjustment of Appropr Cap Use		25		
4201 Total Actual Resources	100		4201 Total Actual Resources	100
4119 Other Appropriations		100	4271 Subsidy Collected	100
4902 Expended Authority-pd	100			
4201 Total Actual Resources		100		

end of year 1 Post close		
Combined Trial Balance		
1010 Fund Bal with Treasury (F)	100	
1310 Subsidy Receivable (P)	25	
1399 Allowance for Subsidy (F)		75
2110 Subsidy Payable (F)		25
3100 Unexpended Appropriations (P)		25
	<hr/>	<hr/>
	125	125
4201 Total Actual Resources (F)	100	
4510 Apportionments Available (F)		100
	<hr/>	<hr/>
	100	100

Program Account

Financing Account

1. Receive Appropriation for new Loan Subsidy (Mandatory) and apportionment of downward reestimate. Current subsidy expense 95

4119 Other Appropriations	85	
4510 Apportionments Available		85
1010 Fund Bal with Treasury	85	
3100 Unexpended Appropriations		85

2. Record budgetary effects of previous years downward reestimate.

4276 Act Coll from Financing Acct	25		4510 Apportionments Available	25	
4510 Apportionments Available		25	4902 Expended Authority-pd		25
1010 Fund Bal with Treasury	25		2110 Subsidy Pay to Prog Acct	25	
1310 Subsidy Receivable		25	1010 Fund Bal with Treasury		25

3. Record subsidy expense and transfer to Financing account.

4510 Apportionments Available	95	4271 Subsidy Collected	95	
4902 Expended Authority-pd	95	4510 Apportionments Available		95
6100 Subsidy Expense	95	1010 Fund Bal with Treasury	95	
1010 Fund Bal with Treasury	95	1399 Allowance for Subsidy		95
3100 Unexpended Appropriations	95			
5700 Appropriated Capital Used	95			

4. At end of year, perform a subsidy reestimate - results in an upward reestimate of \$10

6100 Subsidy Expense -reest	10	1310 Subsidy Receivable from Pro Acct	10	
2110 Subsidy Payable to fin acct	10	1399 Allowance for Subsidy		10
3100 Unexpended Appropriations	10			
5700 Appropriated Capital Used	10			

end of year 2

end of year 2 Pre-close		
Combined Trial Balance		
1010 Fund Bal with Treasury (F)(P)	185	
1310 Subsidy Receivable (F)	10	
1399 Allowance for Subsidy (F)		180
2110 Subsidy Payable (P)		10
3100 Unexpended Appropriations (P)		5
5700 Appropriated Capital Used(P)		105
6100 Subsidy Expense (P)	105	
	<u>300</u>	<u>300</u>
4119 Other Appropriations (P)	85	
4201 Ttoal Act Resources (brought forward) (F)	100	
4271 Subsidy Collected (F)	95	
4276 Other Collections from Fin Acct (P)	25	
4510 Apportionments Available (F)(P)		185
4902 Expended Authority-pd (P)(F)		120
	<u>305</u>	<u>305</u>

Closing entries

5700 Appropriated Capital Used	105				
6100 Subsidy Expense		105			
4201 Total Actual Resources	110		4201 Total Actual Resources	95	
4119 Other Appropriations		85	4271 Subsidy Collected		95
4276 Other Collections from Fin Acct		25			
4902 Expended Authority-pd	95		4902 Expended Authority-pd	25	
4201 Total Actual Resources		95	4201 Total Actual Resources		25

end of year 2 Post close			
Combined Trial Balance			
1010 Fund Bal with Treasury (F)	185		
1310 Subsidy Receivable (F)	10		
1399 Allowance for Subsidy (F)		180	
2110 Subsidy Payable (P)		10	
3100 Unexpended Appropriations (P)		5	
	195	195	
4201 Total Actual Resources (F)(P)	185		
4510 Apportionments Available (F)(P)		185	
	185	185	

Unexpended Appropriations Issue

Alternative Method

I am using the same transactions to provide the alternative methodology used by some Credit agencies.

Program Account

Financing Account

1. Receive Appropriation for new Loan Subsidy (Mandatory).

4119 Other Appropriations	100	
4510 Apportionments Available		100
1010 Fund Bal with Treasury	100	
3100 Unexpended Appropriations		100

2. Record subsidy expense and transfer to Financing account.

4510 Apportionments Available	100		
4902 Expended Authority-pd		100	
6100 Subsidy Expense	100		
1010 Fund Bal with Treasury		100	
3100 Unexpended Appropriations	100		
5700 Appropriated Capital Used		100	

4271 Subsidy Collected	100	
4510 Apportionments Available		100
1010 Fund Bal with Treasury	100	
1399 Allowance for Subsidy		100

3. At end of year, perform a subsidy reestimate - results in a downward reestimate of \$25

1310 Subsidy Receivable	25		
6199 Adjustment to Subsidy Exp		25	
1399 Allowance for Subsidy	25		
2110 Subsidy Pay to Prog Acct		25	

end of year 1 Pre-close Combined Trial Balance		
1010 Fund Bal with Treasury (F)	100	
1310 Subsidy Receivable(P)	25	
1399 Allowance for Subsidy (F)		75
2110 Subsidy Payable (F)		25
5700 Appropriated Capital Used(P)		100
6100 Subsidy Expense (P)	100	
6199 Adjustment to Subsidy Exp (P)		25
	<u>225</u>	<u>225</u>
4119 Other Appropriations (P)	100	
4271 Subsidy Collected (F)	100	
4510 Apportionments Available (F)		100
4902 Expended Authority-pd (P)		100
	<u>200</u>	<u>200</u>

Closing entries

5700 Appropriated Capital Used	100			
6100 Subsidy Expense		100		
6199 Adjustment to Subsidy Exp	25			
3310 Cum Result of opns		25		
4201 Total Actual Resources	100		4201 Total Actual Resources	100
4119 Other Appropriations		100	4271 Subsidy Collected	
4902 Expended Authority-pd	100			
4201 Total Actual Resources		100		

end of year 1 Post close		
Combined Trial Balance		
1010 Fund Bal with Treasury (F)	100	
1310 Subsidy Receivable (P)	25	
1399 Allowance for Subsidy (F)		75
2110 Subsidy Payable (F)		25
3310 Cum Results of Opns		25
	<hr/>	<hr/>
	125	125
4201 Total Actual Resources (F)	100	
4510 Apportionments Available (F)		100
	<hr/>	<hr/>
	100	100

Program Account

Financing Account

1. Receive Appropriation for new Loan Subsidy (Mandatory) and apportionment of downward reestimate. Current subsidy expense 95

4119 Other Appropriations	85	
4510 Apportionments Available		85
1010 Fund Bal with Treasury	85	
3100 Unexpended Appropriations		85

2. Record budgetary effects of previous years downward reestimate.

4276 Act Coll from Financing Acct	25		4510 Apportionments Available	25	
4510 Apportionments Available		25	4902 Expended Authority-pd		25
1010 Fund Bal with Treasury	25		2110 Subsidy Pay to Prog Acct	25	
1310 Subsidy Receivable		25	1010 Fund Bal with Treasury		25

3. Recognize Recovery of Appropriated Capital Used.

5799 Adjustment of Approp Cap Used	25		
3100 Unexpended Appropriations		25	

4. Record subsidy expense and transfer to Financing account

4510 Apportionments Available	95		4271 Subsidy Collected	95	
4902 Expended Authority-pd		95	4510 Apportionments Available		95
6100 Subsidy Expense	95		1010 Fund Bal with Treasury	95	
1010 Fund Bal with Treasury		95	1399 Allowance for Subsidy		95
3100 Unexpended Appropriations	95				
5700 Appropriated Capital Used		95			

5. At end of year, perform a subsidy reestimate - results in an upward reestimate of \$10

6100 Subsidy Expense -reest	10		1310 Subsidy Receivable from Pro Acct	10	
2110 Subsidy Payable to fin acct		10	1399 Allowance for Subsidy		10
3100 Unexpended Appropriations	10				
5700 Appropriated Capital Used		10			

end of year 2

end of year 2 Pre-close			
Combined Trial Balance			
1010 Fund Bal with Treasury (F)(P)	185		
1310 Subsidy Receivable(F)	10		
1399 Allowance for Subsidy (F)		180	
2110 Subsidy Payable (P)		10	
3100 Unexpended Appropriations (P)		5	
3310 Cum Results of Opns		25	
5700 Appropriated Capital Used(P)		105	
5799 Adjustment of Appopr Cap Used(P)	25		
6100 Subsidy Expense (P)	105		
	<u>325</u>		<u>325</u>
4119 Other Appropriations (P)	85		
4201 Total Act Resources (brought forward) (F)	100		
4271 Subsidy Collected (F)	95		
4276 Other Collections from Fin Acct (P)	25		
4510 Apportionments Available (F)(P)		185	
4902 Expended Authority-pd (P)(F)		120	
	<u>305</u>		<u>305</u>

Closing entries

5700 Appropriated Capital Used	105	
6100 Subsidy Expense		105
3310 Cum Results of Opns	25	
5799 Adjustment of Appopr Cap Use		25

4201 Total Actual Resources	110	4201 Total Actual Resources	95	
4119 Other Appropriations	85	4271 Subsidy Collected		95
4276 Other Collections from Fin Acct	25			
4902 Expended Authority-pd	95	4902 Expended Authority-pd	25	
4201 Total Actual Resources	95	4201 Total Actual Resources		25

end of year 2 Post close		
Combined Trial Balance		
1010 Fund Bal with Treasury (F)	185	
1310 Subsidy Receivable (F)	10	
1399 Allowance for Subsidy (F)		180
2110 Subsidy Payable (P)		10
3100 Unexpended Appropriations (P)		5
	<hr/>	<hr/>
	195	195
4201 Total Actual Resources (F)(P)	185	
4510 Apportionments Available (F)(P)		185
	<hr/>	<hr/>
	185	185

Unexpended Appropriations Issue

Proposed Method

This example provides the results you would have if using a new proposal. This proposal suggests not ever moving the Reestimate to SGL account 3100 Unexpended Appropriations.

Program Account

Financing Account

1. Receive Appropriation for new Loan Subsidy (Mandatory).

4119 Other Appropriations	100	
4510 Apportionments Available		100
1010 Fund Bal with Treasury	100	
3100 Unexpended Appropriations		100

2. Record subsidy expense and transfer to Financing account.

4510 Apportionments Available	100		
4902 Expended Authority-pd		100	
6100 Subsidy Expense	100		
1010 Fund Bal with Treasury		100	
3100 Unexpended Appropriations	100		
5700 Appropriated Capital Used		100	

4271 Subsidy Collected	100	
4510 Apportionments Available		100
1010 Fund Bal with Treasury	100	
1399 Allowance for Subsidy		100

3. At end of year, perform a subsidy reestimate - results in a downward reestimate of \$25

1310 Subsidy Receivable	25		
6199 Adjustment to Subsidy Exp		25	
1399 Allowance for Subsidy	25		
2110 Subsidy Pay to Prog Acct		25	

end of year 1 Pre-close Combined Trial Balance		
1010 Fund Bal with Treasury (F)	100	
1310 Subsidy Receivable (P)	25	
1399 Allowance for Subsidy (F)		75
2110 Subsidy Payable (F)		25
5700 Appropriated Capital Used(P)		100
6100 Subsidy Expense (P)	100	
6199 Adjustment to Subsidy Exp (P)		25
	<u>225</u>	<u>225</u>
4119 Other Appropriations (P)	100	
4271 Subsidy Collected (F)	100	
4510 Apportionments Available (F)		100
4902 Expended Authority-pd (P)		100
	<u>200</u>	<u>200</u>

Closing entries

5700 Appropriated Capital Used	100			
6100 Subsidy Expense		100		
6199 Adjustment to Subsidy Exp	25			
3310 Cum Result of opns		25		
4201 Total Actual Resources	100		4201 Total Actual Resources	100
4119 Other Appropriations		100	4271 Subsidy Collected	
				100
4902 Expended Authority-pd	100			
4201 Total Actual Resources		100		

end of year 1 Post close		
Combined Trial Balance		
1010 Fund Bal with Treasury (F)	100	
1310 Subsidy Receivable (P)	25	
1399 Allowance for Subsidy (F)		75
2110 Subsidy Payable (F)		25
3310 Cum Results of Opns		25
	<hr/>	<hr/>
	125	125
4201 Total Actual Resources (F)	100	
4510 Apportionments Available (F)		100
	<hr/>	<hr/>
	100	100

Program Account

Financing Account

1. Receive Appropriation for new Loan Subsidy (Mandatory) and apportionment of downward reestimate. Current subsidy expense 95

4119 Other Appropriations	85	
4510 Apportionments Available		85
1010 Fund Bal with Treasury	85	
3100 Unexpended Appropriations		85

2. Record budgetary effects of previous years downward reestimate.

4276 Act Coll from Financing Acct	25	4510 Apportionments Available	25	
4510 Apportionments Available		4902 Expended Authority-pd		25
1010 Fund Bal with Treasury	25	2110 Subsidy Pay to Prog Acct	25	
1310 Subsidy Receivable		1010 Fund Bal with Treasury		25

3. Record subsidy expense and transfer to Financing account

4510 Apportionments Available	95	4271 Subsidy Collected	95	
4902 Expended Authority-pd		4510 Apportionments Available		95

6100 Subsidy Expense	95	1010 Fund Bal with Treasury	95	
1010 Fund Bal with Treasury		1399 Allowance for Subsidy		95
3100 Unexpended Appropriations	95			
5700 Appropriated Capital Used			95	

5. At end of year, perform a subsidy reestimate - results in an upward reestimate of \$10

6100 Subsidy Expense -reest	10	1310 Subsidy Receivable from Pro Acct	10	
2110 Subsidy Payable to fin acct		1399 Allowance for Subsidy		10
3100 Unexpended Appropriations	10			
5700 Appropriated Capital Used			10	

end of year 2

end of year 2		
Combined Trial Balance		
1010 Fund Bal with Treasury (F)(P)	185	
1310 Subsidy Receivable (F)	10	
1399 Allowance for Subsidy (F)		180
2110 Subsidy Payable (P)		10
3100 Unexpended Appropriations (P)	20	
3310 Cum Resu Cum Results of Opns		25
5700 Appropriated Capital Used(P)		105
6100 Subsidy Expense (P)	105	
	<hr/> 320	<hr/> 320
4119 Other Appropriations (P)	85	
4201 Ttoal Act Resources (brought forward) (F)	100	
4271 Subsidy Collected (F)	95	
4276 Other Collections from Fin Acct (P)	25	
4510 Apportionments Available (F)(P)		185
4902 Expended Authority-pd (P)(F)		120
	<hr/> 305	<hr/> 305

Closing entries

5700 Appropriated Capital Used 105
 6100 Subsidy Expense 105

4201 Total Actual Resources 110
 4119 Other Appropriations 85
 4276 Other Collections from Fin Acct 25

4902 Expended Authority-pd 95
 4201 Total Actual Resources 95

4201 Total Actual Resources 95
 4271 Subsidy Collected 95

4902 Expended Authority-pd 25
 4201 Total Actual Resources 25

end of year 2 Post close		
Combined Trial Balance		
1010 Fund Bal with Treasury (F)	185	
1310 Subsidy Receivable (F)	10	
1399 Allowance for Subsidy (F)		180
2110 Subsidy Payable (P)		10
3100 Unexpended Appropriations (P)	20	
3310 Cum Results of Opns(P)		25
	<u>215</u>	<u>215</u>
4201 Total Actual Resources (F)(P)	185	
4510 Apportionments Available (F)(P)		185
	<u>185</u>	<u>185</u>