

Annual Agency Credit Training Credit Program Accounting Basics

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Agenda

- Accounting for Direct and Guaranteed Loans (Post 1991)
- Direct Loan Basics
- Guaranteed Loan Basics
- Resources

Accounting for Direct and Guaranteed Loans (Post 1991)

- Actual and expected costs are fully recognized in budget and financial reporting
- Accounting information provides the basis for evaluating program performance
 - Default losses
 - Cohorts and risk category
- Reliability of information is enhanced through the audit process
 - Multiple account symbols involved and relationships between the different accounts
 - Multiple cohorts
 - Acceleration of financial statements
 - Use of estimates
 - Timing of providing estimates to auditors

Accounting for Direct and Guaranteed Loans (Post 1991)

■ Direct Loan Basics

- Direct loans disbursed and outstanding are recognized as assets at the present value of their estimated net cash flows

■ Guaranteed Loan Basics

- For guaranteed loans outstanding, the present value of estimated net cash outflows of the loan guarantee is recognized as a liability

■ Subsidy Costs

- For direct or guaranteed loans disbursed during a FY, a subsidy expense is recognized

Direct Loan Basics

- Accounting standards for post-1991 direct loans
 - For direct loans disbursed during a fiscal year (FY), a subsidy expense is recognized.
 - For the FY during which new direct loans are disbursed, the components of the subsidy expense of those new loans are recognized
 - Interest subsidy costs
 - Default costs
 - Fees and other collections
 - Other subsidy costs
 - The subsidy cost allowance for direct loans is re-estimated each year as of the date of the financial statements

Guaranteed Loan Basics

- Accounting standards for post-1991 guaranteed loans
 - Disclosure is made in a footnote to the financial statements during a FY of the outstanding principal loan guarantee
 - For guaranteed loans disbursed during a FY, a subsidy expense is recognized
 - For the FY during which new guaranteed loans are disbursed, the components of the subsidy expense of those new loans are recognized
 - Interest subsidy costs
 - Default costs
 - Fees and other collections
 - Other subsidy costs
 - The subsidy cost allowance for guaranteed loans is re-estimated each year as of the date of the financial statements

Accounting References

- Federal Accounting Standards Advisory Board (FASAB) Standards and Concepts (www.fasab.gov)
 - FASAB Standard No. 2, *Accounting for Direct Loans and Loan Guarantees*
 - FASAB Standard No. 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees in Statement of Federal Financial Accounting Standards No. 2*
 - FASAB Standard No. 19, *Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees in Statement of Federal Financial Accounting Standards No. 2*
- Accounting and Auditing Policy Committee (www.fasab.gov/aapc)
 - Technical Releases
 - TR 3, *Auditing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act*
 - TR 6, *Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act*

Accounting References

- OMB Circulars and Bulletins (www.whitehouse.gov/omb)
 - OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*
 - OMB Circular No. A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*
 - OMB Circular A-136, Financial Reporting Requirements
- Financial Management Service Case Studies (www.fms.treas.gov/ussgl/creditreform)
 - Direct Loan Case Studies
 - Loan Guarantee Case Studies
 - Pre-1992 Liquidating Accounts
 - Defaulted Guaranteed Loans with Collateral

Questions

