

From: Katherine.Winchester@fms.treas.gov
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Sent: Thursday, April 07, 2011 8:39 PM
To: Payne, Wendolyn M
Cc: David.Rebich@fms.treas.gov; Jeffrey.Hoge@fms.treas.gov; Parlow, Eileen W;
Christine.Chang@fms.treas.gov; Valentine, Monica R
Subject: Implementation Guidance on the Accounting for the Disposal of
GeneralProperty, Plant, and Equipment

April 7, 2011

Ms. Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW
Washington, D.C. 20548

Dear Ms. Payne:

I am writing on behalf of the United States Standard General Ledger (USSGL) Board's Issues Resolution Committee (IRC). I appreciate the opportunity to respond to the Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment, dated December 11, 2010. I apologize for any inconvenience that these late comments may cause but our first opportunity to discuss the guidance as a Committee was on April 7, 2011.

These comments do not specifically address the questions as outlined in your Questions for Respondents document since we typically review for the purpose of assessing an impact on the USSGL.

Recognition of Gain or Loss

We are aware that the Implementation Guidance is silent on whether the gain or loss recognized to value the GPP&E at the estimated net realizable value should be reported as unrealized or realized. We are referencing Paragraph 11 as shown below.

When the entity's management decided to permanently remove, retire and/or dispose of an asset and the asset's use is terminated, the asset's acquisition cost and associated accumulated depreciation are removed from the GPPE account and the asset is recorded at its net realizable value with an offsetting entry to gain or loss. Upon completion of the disposal of the asset, the entity should write off the asset from its financial records. Any difference between the expected net realizable value of the

GPPE previously recorded and the actual realized disposition amount should be recognized as a gain or loss.

It was the general consensus of agency representatives participating in the April 7, 2011 USSGL Board's IRC that when an asset is valued at the net realizable value, the offsetting gains or losses should be recognized as unrealized. The actual realized gains or losses should be recognized when an asset is actually disposed and not when it is classified as permanently removed but not yet disposed.

If you concur, we would recommend modifying paragraph 11 (including the last sentence), Appendix B, and Scenario I and II - steps 2 & 3.

Capitalized GPP&E

We recommend adding a statement to the Implementation Guidance that would clearly state that the guidance applies only to GPP&E that has been previously capitalized.

Balance Sheet Presentation

The Implementation Guidance does not address Balance Sheet presentation. We request that the Implementation Guidance recommend a specific classification (ie PP&E or Other Assets) of the assets permanently removed but not yet disposed.

For your general information, I have attached the draft USSGL scenario as updated after today's IRC meeting. Again, thank you for your consideration of our comments. If you or your staff requires additional information, please call me on (202) 874-9963.

Sincerely,

Kathy Winchester

Chairman, USSGL Board
Director, USSGL Division
Financial Management Service
Department of Treasury

Attachment:

Draft USSGL Scenario for Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment

USSGL Scenario for Implementation Guidance on the Accounting for the Disposal of General Property, Plant and Equipment – Federal Financial Accounting Technical Release, Exposure Draft Effective Immediately once it becomes a standard

Background:

The technical release clarifies the difference between permanent and temporary removal of General Property, Plant, and & Equipment (GPP&E) from service.

In order for removal to be considered permanent two business events are necessary:

- 1) Asset's use is terminated.
- 2) There is evidence of management's decision to permanently remove, retire and/or dispose of the asset.

If only one of two business events has occurred, the removal from service is considered temporary and there is no change in the GPP&E value and depreciation continues

(FFATR, No##, paragraph 13).

Recognition of the cleanup expense and accumulation of the liability begins on the date that the GPP&E is placed into service, continues in each period that GPP&E is in operation, and is completed when the GPP&E ceases to be in operation (FFATR, No##, paragraph 5). For assets permanently removed from service, any unallocated/unamortized portion of the total cleanup cost estimate associated with the disposal, closure, and/or shutdown of the GPP&E should be recognized in full. If removal is temporarily, the liability and associated cleanup cost expense shall continue to accumulate (FFATR, No##, paragraph 14).

New USSGL Account

Account Title: General Property, Plant, and Equipment - Permanently Removed but not yet Disposed

Account Number: 1790

Normal Balance: Debit

Definitions: General property, plant, and equipment that is permanently removed from service, but not yet disposed, and reclassified in accordance with Federal Financial Accounting Technical Release No ##, paragraph 9.

Justification: The new account is needed to segregate permanently removed GPP&E from the GPP&E used for agency operations. Note that the FFATR guidance should be limited to previously capitalized GPP&E.

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Changes to Existing USSGL Account

Account Title: Unrealized Gains

Account Number: 7180

Normal Balance: Credit

Definitions: To record unrealized gains that include, but are not limited to: unrealized holding gains on available for sale securities in accordance with Financial Accounting Standard (FAS) 115, deferred gains on qualified hedges under FAS 133, ~~and~~ qualified foreign currency translation adjustments under FAS 52, **and unrealized gains recognized on general property, plant, and equipment permanently removed from operation but not yet disposed (see Federal Financial Accounting Technical Release no#, paragraph 11).** **Although the normal balance for this account is credit, it is acceptable for this account to have a debit balance.**

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Justification: According to FASAB, FFATR, paragraph 11, when the asset is permanently removed and the asset use is terminated, the asset is recorded at its net realizable value with an offsetting entry to gain or loss. **If the disposition of the asset happens in a subsequent year, you may have an abnormal balance in this account due to the reclassification of unrealized gains to realized gains.**

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Account Title: Unrealized Losses

Account Number: 7280

Normal Balance: Debit

Definitions: To record unrealized losses that include, but are not limited to: unrealized holding losses on available for sale securities in accordance with Financial Accounting Standard (FAS) 115, deferred losses on qualified hedges under FAS 133, ~~and~~ qualified foreign currency translation adjustments under FAS 52, **and unrealized losses recognized on general property, plant and equipment permanently removed from operation but not yet disposed (see Federal Financial Accounting Technical Release no#, paragraph 11).** **Although the normal balance for this account is debit, it is acceptable for this account to have a credit balance.**

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Justification: According to FASAB, FFATR, paragraph 11, when the asset is permanently removed and the asset use is terminated, the asset is recorded at its net realizable value with an offsetting entry to gain or loss. **If the disposition of the asset happens in a subsequent year, you may have an abnormal balance in this account due to the reclassification of unrealized losses to realized losses.**

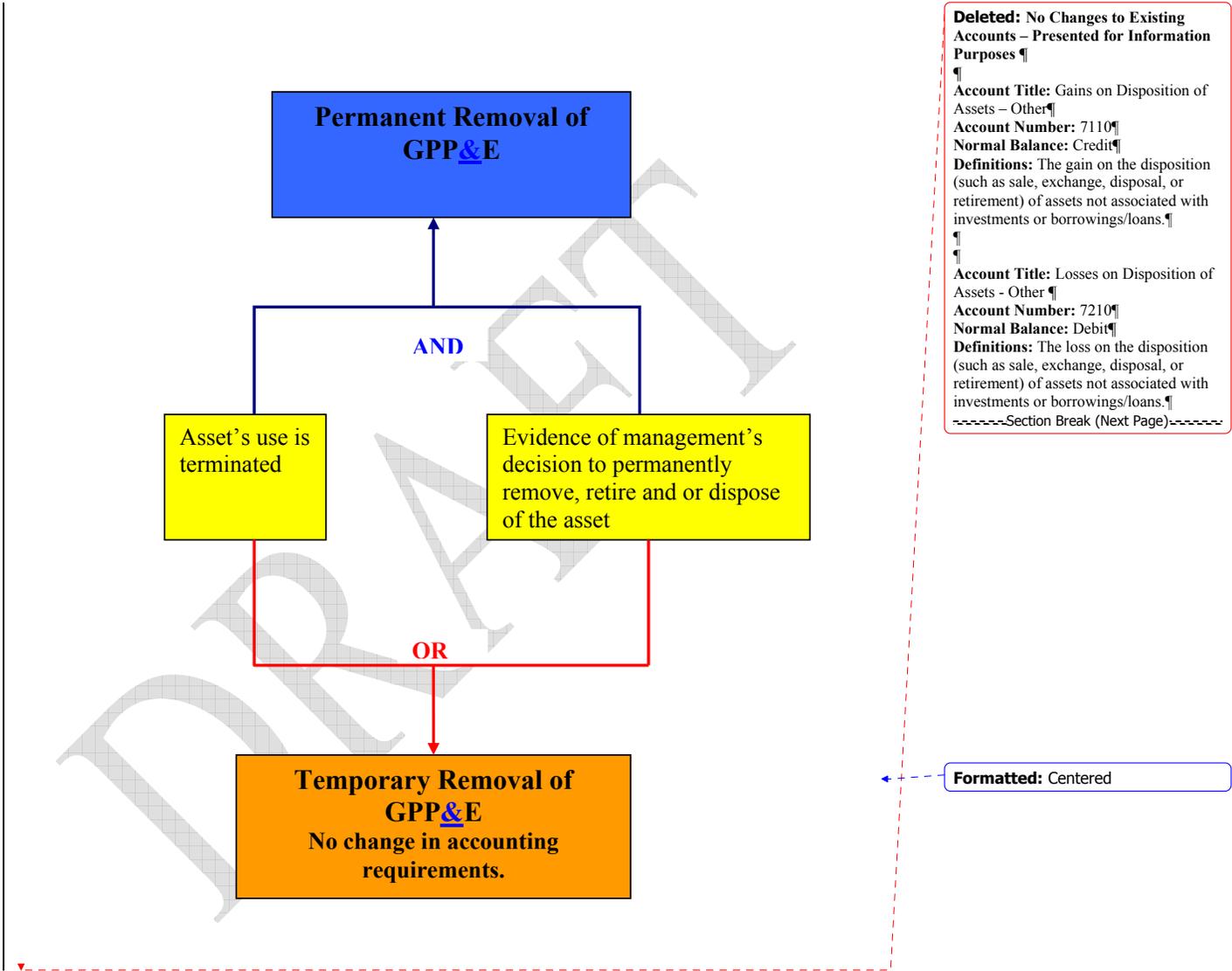
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Account Title: Gains on Disposition of Assets – Other¶
Account Number: 7110¶
Normal Balance: Credit¶
Definitions: The gain on the disposition (such as sale, exchange, disposal, or retirement) of assets not associated with investments or borrowings/loans.¶
¶
Account Title: Losses on Disposition of Assets - Other¶
Account Number: 7210¶
Normal Balance: Debit¶
Definitions: The loss on the disposition (such as sale, exchange, disposal, or retirement) of assets not associated with investments or borrowings/loans.¶
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Listing of USSGL Accounts Used In This Scenario

Account Number	Account Name
<u>Budgetary</u>	
4119	Other Appropriations Realized
4201	Total Actual Resources <u>-</u> Collected
4450	Unapportioned Authority
4510	Apportionments <u>s</u>
4610	Allotments – Realized Resources
4902	Delivered Orders – Obligations, Paid
<u>Proprietary</u>	
1010	Fund Balance With Treasury
1511	Operating Materials and Supplies <u>Held for Use</u>
1750	Equipment
1759	Accumulated Depreciation on Equipment
1790	General Property, Plant, and Equipment <u>-</u> Permanently Removed but not yet Disposed
1990	Other Assets
2995	Estimated Cleanup Cost Liability
3100	Unexpended Appropriations – Cumulative
3101	Unexpended Appropriations – Appropriations Received
3107	Unexpended Appropriations – Used
3310	Cumulative Results of Operations
5700	Expended Appropriations
6710	Depreciation, <u>Amortization, and Depletion</u>
6800	Future Funded Expenses
7110	Gains on Disposition of Assets <u>- Other</u>
7180	Unrealized Gains
7210	Losses on Disposition of Assets <u>- Other</u>
7280	Unrealized Losses

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for the Disposal of General Property, Plant and Equipment –
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Proprietary Account Attribute

<u>USSGL Account Number</u>	<u>Normal Balance</u>	<u>Fed/ NonFed</u>	<u>Trading Partner</u>	<u>Exch/ Nonex</u>	<u>Budget Subfunc</u>	<u>Cust/ Noncust</u>	<u>Entity/ Nonent</u>	<u>Covered/ Not cov</u>	<u>Program Indicator</u>	<u>Budgetary Impact Indicator</u>
1790	D	N					E			

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Impact on Crosswalks

<u>USSGL Account Number</u>	<u>Balance Sheet</u>	<u>Net Cost</u>	<u>Net Position</u>	<u>Custodial Activity</u>	<u>Reclassified Balance Sheet</u>	<u>Reclassified Net Cost</u>	<u>Reclassified Net Position</u>
1790	Ln 13, GPP&E				Ln 2.7, PPE		

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A beginning trial balance is not applicable in this scenario.

Assumptions

- The Treasury Account Symbol (TAS) is a no year fund.
- The purchased equipment has a five year useful life with no salvage value.
- The straight line depreciation method is used.
- The total estimated cleanup cost associated with purchased equipment is estimated to be \$5,000.

Year 1

1) To record the receipt of an appropriation, apportionment, and allotment.

Transaction			Transaction Code
<u>Budgetary</u>			
4119 Other Appropriation Realized	20,000		A104
4450 Unapportioned Authority		20,000	
4450 Unapportioned Authority	20,000		A116
4510 Apportionments		20,000	
4510 Apportionments	20,000		A120
4610 Allotments – Realized Resources			
		20,000	
<u>Proprietary</u>			
1010 Fund Balance with Treasury	20,000		
3101 Unexpended Appropriation Received		20,000	

2) To record the purchase of two pieces of equipment on October 2, Year 1 for a total of \$15,000. Equipment A was purchased for \$10,000 and Equipment B was purchased for \$5,000.

Transaction			Transaction Code
<u>Budgetary</u>			
4610 Allotments – Realized Resources		15,000	B406
4902 Delivered Orders – Obligations, paid	15,000		
<u>Proprietary</u>			
1750N Equipment	15,000		B110
1010 Fund Balance with Treasury	15,000		
3107 Unexpended Appropriation - Used	15,000		B134
5700 Appropriation Used		15,000	

3) To record depreciation of the equipment at fiscal year end.

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Assume this is a no year fund.

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Annual Depreciation Calculations:

Equipment A: \$10,000/5=\$2,000 per annum

Equipment B: \$ 5,000/5=\$1,000 per annum

<u>Transaction</u>	<u>Transaction Code</u>
<u>Budgetary</u> None <u>Proprietary</u> 6710N Depreciation, Amortization, and Depletion 3,000 1759N Accumulated Depreciation on Equipment 3,000	<u>E120</u>

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4) The total estimated cleanup cost associated with the purchased equipment was determined to be \$5,000. Assume useful life of the both equipment (5 years) was used for systematic and rational recognition of expense and accumulation of the cleanup cost liability.

Transaction	Transaction Code
<u>Budgetary</u> None	
<u>Proprietary</u> 6800N Future Funded Expenses 1,000 2995N Estimated Cleanup Cost Liability 1,000	B420

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**PRE-CLOSING TRIAL BALANCE
YEAR 1**

BUDGETARY	DR	CR
4119 Other Appropriation Realized	20,000	
4110 Allotments – Realized Resources		5,000
4902 Delivered Orders – Obligations, paid		15,000
TOTALS	20,000	20,000
PROPRIETARY		
1010 Fund Balance With Treasury	5,000	
1750 (N) Equipment	15,000	
1759 (N) Accumulated Depreciation on Equipment		3,000
2995 (N) Estimated Cleanup Cost Liability		1,000
3101 Unexpended Appropriations - Received		20,000
3107 Unexpended Appropriations - Used	15,000	
5700 Appropriation Used		15,000
6710 (N) Depreciation, Amortization, and Depletion	3,000	
6800 (N) Future Funded Expenses	1,000	
TOTALS	39,000	39,000

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SF133: REPORTING ON BUDGET EXECUTIONS AND BUDGETARY RESOURCES AND BUDGET PROGRAM & FINANCING (P&F) SCHEDULE YEAR 1

BUDGETARY RESOURCES	SF 133	P&F
Budget authority:		
Appropriations:		
Discretionary:		
1100 Appropriation (4119E)	20,000	20,000
1910 Total budgetary resources (calc. line 1910)	20,000	N/A
1930 Total budgetary resources available (calc. line 1101)	N/A	20,000
MEMORANDUM (NON-ADD) ENTRIES		
1941 Unexpired unobligated balance carried forward, end of year (4610E)	N/A	5,000
STATUS OF BUDGETARY RESOURCES		
Obligation Incurred Direct:		
2001 Obligation Incurred, Direct (4901, 4902)	15,000	N/A
2004 Direct obligations (total)	15,000	N/A
Unobligated balance:		
Apportioned:		
2201 Unobligated Balance, Available in current period (4610)	5,000	N/A
2500 Total budgetary resources	20,000	N/A
CHANGE IN OBLIGATED BALANCE		
Changes in obligated balance during the year:		
3030 Obligations incurred, unexpired accounts (4902E)	15,000	15,000
3040 Outlays (gross) (-) (4902E)	(15,000)	(15,000)
3100 Obligated balance, end of year (calc. lines 3030 and 3040)	0	0
BUDGET AUTHORITY AND OUTLAYS, NET		
Discretionary:		
Gross budget authority and outlays:		
4000 Budget authority gross (calc. lines 1100 through 1152)	20,000	20,000
4010 Outlays from new discretionary authority	15,000	15,000
4020 Total outlays, gross (calc. line 4010)	15,000	15,000
4070 Budget authority, net (discretionary) (calc. line 4000)	20,000	20,000
4080 Outlays, net (discretionary) (calc. line 4010)	15,000	15,000
Budget authority and outlays, net (total):		
4180 Budget authority, net (discretionary and mandatory) (calc. line 4070)	20,000	20,000
4190 Outlays, net (discretionary and mandatory) (calc. line 4080)	15,000	15,000

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**FMS 2108 Year-End Closing Statement
YEAR 1**

Column 5 (1010E)	5,000
Column 10 (4901E)	<u>0</u>
Column 11 (calc)=(4610E)	5,000

**BALANCE SHEET
YEAR 1**

Assets

Intragovernmental	
1. Fund Balance with Treasury (1010E)	5,000

Assets with Public

13. General Property, Plant and Equipment, net (1750E+1759E)	<u>12,000</u>
15. Total Assets	<u>17,000</u>

Liabilities

25 Environmental and disposal Liabilities (2995E)	1,000
Total Liabilities	<u>1,000</u>

Net Position

31. Unexpended Appropriation – Other Funds (3100E)	5,000
33. Cumulative Results of Operations-Other Funds (3310E)	<u>11,000</u>
34. Total Net Position	<u>16,000</u>
35. Total Liabilities and Net Position	<u>17,000</u>

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**STATEMENT OF NET COST
YEAR 1**

Program Costs		
Program A:		
1. Gross Cost :		
	(6710E)	3,000
	(6800E)	<u>1,000</u>
2. Less: Earned Income	(5200E)	0
3. Net Program Costs		<u>4,000</u>
6. Costs Not Assigned to Programs		
7. Less: Earned Revenues Not Attributable to Programs		
8. Net Cost of Operations		<u>4,000</u>

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**STATEMENT OF CHANGES IN NET POSITION
YEAR 1**

Cumulative Results of Operations

1. Beginning Balance	0
2. Adjustments	
3. Beginning Balances, as Adjusted	0

Budgetary Financing Sources

4. Other Adjustments	
5. Appropriations Used (5700)	15,000
6. Nonexchange Revenue	
7. Donations and Forfeitures	
8. Transfers in/out without reimbursements	
9. Other	

Other Financing Sources:

10. Donations and Forfeitures	
11. Transfers in/out without reimbursements	
12. Imputed Financing	
13. Other (5994)	
14. Total Financing Sources	
15. Net Cost of Operations	(4,000)
16. Net Change	
17. Cumulative Results of Operations	11,000

Unexpended Appropriations

18. Beginning Balance	0
19. Adjustments	
20. Beginning Balance, as adjusted	0

Budgetary Financing Sources

21. Appropriations Received (3101)	20,000
22. Appropriations Transferred in/out	
23. Other Adjustments	
24. Appropriations Used (3107)	15,000
25. Total Budgetary Financing Sources	
26. Total Unexpended Appropriations	5,000

27. Net Position	16,000
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CLOSING ENTRIES FOR END OF YEAR 1

C1. To record the consolidation of net-funded resources, Section III – Transaction F302.			
<u>Budgetary</u>			
4201 Total Actual Resources – Collected	20,000		
4119 Other Appropriations Realized		20,000	
<u>Proprietary</u>			
No entry			

C2. To record the closing of unobligated balances to unapportioned authority. Section III – Transaction F308.			
<u>Budgetary</u>			
4610 Allotments – Realized Resources	5,000		
4450 Unapportioned Authority		5,000	
<u>Proprietary</u>			
No entry			

C3. To record the closing of expended authority – paid. Section III – Transaction F314			
<u>Budgetary</u>			
4902 Delivered Orders – Obligations, Paid	15,000		
4201 Total Actual Resources – Collected		15,000	
<u>Proprietary</u>			
No entry			

C4. To record the closing of fiscal year activities to unexpended appropriation. Section III – Transaction F342.			
<u>Budgetary</u>			
No entry			
<u>Proprietary</u>			
3101 Unexpended Appropriations – Appropriations Received	20,000		
3107 Unexpended Appropriations – Used		15,000	
3100 Unexpended Appropriations – Cumulative		5,000	

C5. To record the closing of revenue, expense and other financing sources to cumulative results of operations. Section III – Transaction F336.			
<u>Budgetary</u>			
No entry			
<u>Proprietary</u>			
5700 Expended Appropriations	15,000		
3310 Cumulative Results of Operations		11,000	
6710 Depreciation, Amortization, and Depletion		3,000	
6800 Future Funded Expenses		1,000	

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for the Disposal of General Property, Plant and Equipment –
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**POST-CLOSING TRIAL BALANCE
YEAR 1**

Revolving Fund		
BUDGETARY	DR	CR
4201 Total Actual Resources – Collected	5,000	
4450 Unapportioned Authority		5,000
TOTALS	5,000	5,000
PROPRIETARY		
1010 Fund Balance With Treasury	5,000	
1750 (N) Equipment	15,000	
1759 (N) Accumulated Depreciation on Equipment		3,000
2995 (N) Estimated Cleanup Cost Liability		1,000
3100 Unexpended Appropriations		5,000
3310 Cumulative Results of Operations		11,000
TOTALS	20,000	20,000

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for the Disposal of General Property, Plant and Equipment –
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Year 2

1) To record a depreciation expense for the equipment at the end of a fiscal year. Assume the equipment has a useful life of 5 years, and it is depreciated using straight line method.

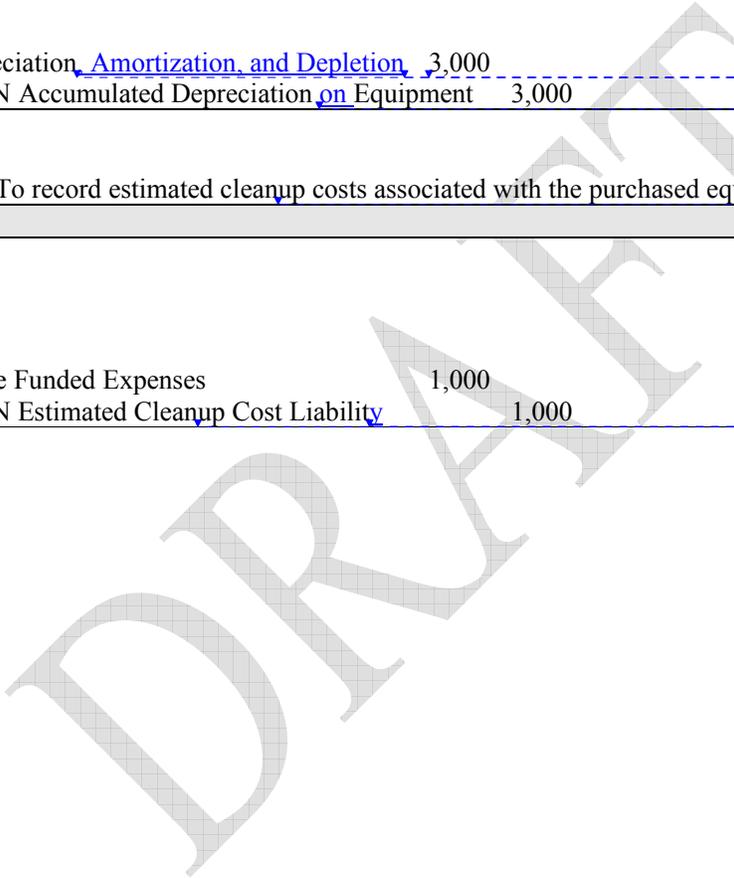
Transaction	Transaction Code
<u>Budgetary</u> None	
<u>Proprietary</u> 6710N Depreciation, Amortization, and Depletion 3,000 1759N Accumulated Depreciation on Equipment 3,000	E120

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2) To record estimated cleanup costs associated with the purchased equipment.

Transaction	Transaction Code
<u>Budgetary</u> None	
<u>Proprietary</u> 6800N Future Funded Expenses 1,000 1995N Estimated Cleanup Cost Liability 1,000	B420

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**PRE-CLOSING TRIAL BALANCE
YEAR 2**

BUDGETARY	DR	CR
4201 Total Actual Resources – Collected	5,000	
4450 Unapportioned Authority		5,000
TOTALS	5,000	5,000
PROPRIETARY		
1010 Fund Balance With Treasury	5,000	
1750 (N) Equipment	15,000	
1759 (N) Accumulated Depreciation on Equipment		6,000
2995 (N) Estimated Cleanup Cost Liability		2,000
3100 Unexpended Appropriations		5,000
3310 Cumulative Results of Operations		11,000
6710 (N) Depreciation, <u>Amortization, and Depletion</u>	3,000	
6800 (N) Future Funded Expenses	1,000	
TOTALS	24,000	24,000

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USSGL Scenario for Implementation Guidance on the Accounting for the Disposal of General Property, Plant and Equipment – Federal Financial Accounting Technical Release, Exposure Draft Effective Immediately once it becomes a standard

SF133: REPORTING ON BUDGET EXECUTIONS AND BUDGETARY RESOURCES AND BUDGET PROGRAM & FINANCING (P&F) SCHEDULE YEAR 2

BUDGETARY RESOURCES	SF 133	P&F
Unobligated Balance		
1000 Unobligated Balances Brought Forward 10/1 (4201E)	5,000	5,000
1910 Total budgetary resources (calc. line 1910)	5,000	N/A
1930 Total budgetary resources available (calc. line 1101)	N/A	5,000
STATUS OF BUDGETARY RESOURCES		
Obligation Incurred Direct:		
2001 Obligation Incurred, Direct (4901, 4902)	0	N/A
2004 Direct obligations (total)	0	N/A
Unobligated balance:		
2403 Other (4450)	5,000	N/A
2500 Total budgetary resources	5,000	N/A
CHANGE IN OBLIGATED BALANCE		
Changes in obligated balance during the year:		
3030 Obligations incurred, unexpired accounts (4902E)	0	0
3040 Outlays (gross) (-) (4902E)	0	0
3100 Obligated balance, end of year (calc. lines 3030 and 3040)	0	0
BUDGET AUTHORITY AND OUTLAYS, NET		
Discretionary:		
Gross budget authority and outlays:		
4000 Budget authority gross (calc. lines 1100 through 1152)	0	0
4010 Outlays from new discretionary authority	0	0
4020 Total outlays, gross (calc. line 4010)	0	0
4070 Budget authority, net (discretionary) (calc. line 4000)	0	0
4080 Outlays, net (discretionary) (calc. line 4010)	0	0
Budget authority and outlays, net (total):		
4180 Budget authority, net (discretionary and mandatory) (calc. line 4070)	0	0
4190 Outlays, net (discretionary and mandatory) (calc. line 4080)	0	0

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**USSGL Scenario for Implementation Guidance on the Accounting
for the Disposal of General Property, Plant and Equipment –
Federal Financial Accounting Technical Release, Exposure Draft
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**FMS 2108 Year-End Closing Statement
YEAR 2**

Column 5 (1010E)	5,000
Column 10 (4901E)	<u>0</u>
Column 11 (calc)=(4450E)	5,000

**BALANCE SHEET
YEAR 2**

Assets

Intragovernmental	
1. Fund Balance with Treasury (1010E)	5,000

Assets with Public

13. General Property, Plant and Equipment, net (1750E+1759E)	<u>9,000</u>
15. Total Assets	<u>14,000</u>

Liabilities

25 Environmental and disposal Liabilities (2995E)	2,000
Total Liabilities	<u>2,000</u>

Net Position

31. Unexpended Appropriation – Other Funds (3100E)	5,000
33. Cumulative Results of Operations-Other Funds (3310E)	<u>7,000</u>
34. Total Net Position	<u>12,000</u>
35. Total Liabilities and Net Position	<u>14,000</u>

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**USSGL Scenario for Implementation Guidance on the Accounting
for the Disposal of General Property, Plant and Equipment –
Federal Financial Accounting Technical Release, Exposure Draft
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**STATEMENT OF NET COST
YEAR 2**

Program Costs		
Program A:		
1. Gross Cost :		
	(6710E)	3,000
	(6800E)	<u>1,000</u>
2. Less: Earned Income (5200E)		0
3. Net Program Costs		<u>4,000</u>
6. Costs Not Assigned to Programs		
7. Less: Earned Revenues Not Attributable to Programs		
8. Net Cost of Operations		<u>4,000</u>

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**USSGL Scenario for Implementation Guidance on the Accounting
for the Disposal of General Property, Plant and Equipment –
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**STATEMENT OF CHANGES IN NET POSITION
YEAR 2**

Cumulative Results of Operations

1. Beginning Balance	11,000
2. Adjustments	
3. Beginning Balances, as Adjusted	11,000

Budgetary Financing Sources

4. Other Adjustments
5. Appropriations Used (5700)
6. Nonexchange Revenue
7. Donations and Forfeitures
8. Transfers in/out without reimbursements
9. Other

Other Financing Sources:

10. Donations and Forfeitures	
11. Transfers in/out without reimbursements	
12. Imputed Financing	
13. Other (5994)	
14. Total Financing Sources	
15. Net Cost of Operations	(4,000)
16. Net Change	
17. Cumulative Results of Operations	7,000

Unexpended Appropriations

18. Beginning Balance	5,000
19. Adjustments	
20. Beginning Balance, as adjusted	5,000

Budgetary Financing Sources

21. Appropriations Received (3101)	0
22. Appropriations Transferred in/out	
23. Other Adjustments	
24. Appropriations Used (3107)	0
25. Total Budgetary Financing Sources	
26. Total Unexpended Appropriations	5,000

27. Net Position	12,000
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**USSGL Scenario for Implementation Guidance on the Accounting
for the Disposal of General Property, Plant and Equipment –
Federal Financial Accounting Technical Release, Exposure Draft
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CLOSING ENTRIES FOR END OF YEAR 2

C1. To record the closing of expense to cumulative results of operations. Section III – Transaction F336.		
Budgetary		
No entry		
Proprietary		
3310 Cumulative Results of Operations	4,000	
6710 Depreciation, Amortization, and Depletion		3,000
6800 Future Funded Expenses		1,000

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**USSGL Scenario for Implementation Guidance on the Accounting
for the Disposal of General Property, Plant and Equipment –
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**POST-CLOSING TRIAL BALANCE
YEAR 2**

Revolving Fund		
BUDGETARY	DR	CR
4201 Total Actual Resources – Collected	5,000	
4450 Unapportioned Authority		5,000
TOTALS	5,000	5,000
PROPRIETARY		
1010 Fund Balance With Treasury	5,000	
1750 (N) Equipment	15,000	
1759 (N) Accumulated Depreciation on Equipment		6,000
2995 (N) Estimated Cleanup Cost Liability		2,000
3100 Unexpended Appropriations		5,000
3310 Cumulative Results of Operations		7,000
TOTALS	20,000	20,000

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USSGL Scenario for Implementation Guidance on the Accounting for the Disposal of General Property, Plant and Equipment – Federal Financial Accounting Technical Release, Exposure Draft Effective Immediately once it becomes a standard

Year 3

1) At the beginning of a year 3, Equipment A and Equipment B, (originally purchased in year 1) broke down and the asset use is terminated. Management decided to permanently remove both pieces of equipment (FFATR, No##, paragraph 11). The net realizable value of Equipment A was determined to be \$5,000 and Equipment B to be \$3,500. (Exposure Draft uses title Other Assets - possibly because the USSGL does not currently have an account equivalent to the proposed 1790)

Transaction		Transaction C
Budgetary		
None		
Proprietary		
1790 General Property, Plant, and Equipment - Permanently Removed but not Yet		New
Disposed	5,000	
1759 Accumulated Depreciation on Equipment	4,000	
7280 Unrealized Losses	1,000	
1750 Equipment A		10,000
1790 General Property, Plant, and Equipment - Permanently Removed but not Yet		
Disposed	3,500	
1759 Accumulated Depreciation on Equipment	2,000	
7180 Unrealized Gains		500
1750 Equipment B		5,000

2) The remaining estimate cleanup cost is recognized in full for both equipment (FFATR, No##, paragraph 14). Assume the funding for cleanup will be provided in the next fiscal year and the cleanup will commence at that time.

Transaction		Transaction C
Budgetary		
None		
Proprietary		
6800 Future Funded Expenses	3,000	B420
2995 Estimated Cleanup Cost Liability		3,000

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USSGL Scenario for Implementation Guidance on the Accounting for the Disposal of General Property, Plant and Equipment – Federal Financial Accounting Technical Release, Exposure Draft Effective Immediately once it becomes a standard

3) At the end of the 3rd year, disposal of Equipment A was completed. The agency sold Equipment A for \$4,000 to a nonfederal entity (FFATR, No##, paragraph 11). The actual realized disposition amount of equipment A was less than the previously recorded estimated net realizable value. In year 3, transaction 1, the previous unrealized loss on Equipment A was \$1,000 when the NRV was determined to be \$5,000. Since the sale was actually for \$4,000, the total realized loss for Equipment A becomes \$2,000.

Transaction	Transaction C
Budgetary	
4266 Other Actual Business Type Collections from Nonfederal Sources ¹ 4,000	
4450 Unapportioned Authority 4,000	
Proprietary	
1010 FBWT 4,000	
7210 Losses on Disposition of Assets - Other 2,000	
1790 General Property, Plant, and Equipment - Permanently Removed but not Yet Disposed 5,000	New
7280 Unrealized Losses 1,000	
(If disposal happens in a subsequent year, account 7280 may have abnormal balance)	

4) At the end of the 3rd year, disposal of the equipment B was completed. The agency dissembled the equipment for spare parts/sub components which are salvaged to be used for their operations (FFATR, No##, paragraph 12) and are currently valued at \$4,000. In year 3, transaction 1, the previous unrealized gain on Equipment B was \$500 when the NRV was determined to be \$3,500. Since the current value is \$4,000, the total realized gain for Equipment B becomes \$1,000.

Transaction	Transaction C
Budgetary	
None	
Proprietary	
1511 Operating Materials and Supplies Held for Use 4,000	
7180 Unrealized Gains 500	
(If disposal happens in a subsequent year, account 7180 may have abnormal balance)	
1790 General Property, Plant, and Equipment that are Permanently Removed but not Yet Disposed 3,500	New
7110 Gains on Disposition of Assets - Other 1,000	

¹ Typically USSGL account 4060, Anticipated Collections from Nonfederal Sources is recorded when account 4266 is recorded as budgetary resource. To keep the illustration simple, anticipated collections were not previously recorded.

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for the Disposal of General Property, Plant and Equipment –
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**PRE-CLOSING TRIAL BALANCE
YEAR 3**

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BUDGETARY	DR	CR
4201 Total Actual Resources – Collected	5,000	
4266 Other Actual Business Type Collections from Nonfederal Sources	4,000	
4450 Unapportioned Authority		9,000
TOTALS	9,000	9,000
PROPRIETARY		
1010 Fund Balance With Treasury	9,000	
111 Operating Materials and Supplies Held for Use	4,000	
1750 (N) Equipment	0	
1759 (N) Accumulated Depreciation on Equipment		0
1790 (N) General Property, Plant, and Equipment - Permanently Removed but not yet Disposed	0	
2995 (N) Estimated Cleanup Cost Liability		5,000
3100 Unexpended Appropriations		5,000
3310 Cumulative Results of Operations		7,000
6800 (N) Future Funded Expenses	3,000	
7110 (N) Gains on Disposition of Assets - Other		1,000
7210 (N) Losses on Disposition of Assets - Other	2,000	
TOTALS	18,000	18,000

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SF133: REPORTING ON BUDGET EXECUTIONS AND BUDGETARY RESOURCES AND BUDGET PROGRAM & FINANCING(P&F) SCHEDULE YEAR 3

BUDGETARY RESOURCES	SF 133	P&F
Unobligated Balance		
1000 Unobligated Balances Brought Forward 10/1 (4201E)	5,000	5,000
1700 Spending Authority from Offsetting Collections (Discretionary) (4266)	4,000	4,000
1910 Total budgetary resources (calc. line 1910)	9,000	N/A
1930 Total budgetary resources available (calc. line 1101)	N/A	5,000
STATUS OF BUDGETARY RESOURCES		
Obligation Incurred Direct:		
2001 Obligation Incurred, Direct (4901, 4902)	0	N/A
2004 Direct obligations (total)	0	N/A
Unobligated balance:		
2403 Other (4450)	9,000	N/A
2500 Total budgetary resources	9,000	N/A
CHANGE IN OBLIGATED BALANCE		
Changes in obligated balance during the year:		
3030 Obligations incurred, unexpired accounts (4902E)	0	0
3040 Outlays (gross) (-) (4902E)	0	0
3100 Obligated balance, end of year (calc. lines 3030 and 3040)	0	0
BUDGET AUTHORITY AND OUTLAYS, NET		
Discretionary:		
Gross budget authority and outlays:		
4000 Budget authority gross (calc. lines 1100 through 1152)	4,000	4,000
4010 Outlays from new discretionary authority	0	0
4020 Total outlays, gross (calc. line 4010)	0	0
4070 Budget authority, net (discretionary) (calc. line 4000)	4,000	4,000
4080 Outlays, net (discretionary) (calc. line 4010)	0	0
Budget authority and outlays, net (total):		
4180 Budget authority, net (discretionary and mandatory) (calc. line 4070)	4,000	4,000
4190 Outlays, net (discretionary and mandatory) (calc. line 4080)	0	0

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for the Disposal of General Property, Plant and Equipment –
Federal Financial Accounting Technical Release, Exposure Draft
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**FMS 2108 Year-End Closing Statement
YEAR 3**

Column 5 (1010E)	9,000
Column 10 (4901E)	<u>0</u>
Column 11 (calc)=(4450E)	9,000

**BALANCE SHEET
YEAR 3**

Assets

Intragovernmental	
1. Fund Balance with Treasury (1010E)	9,000

Assets with Public

12. Inventory and Related Properties (1511)	4,000
13. General Property, Plant and Equipment, net (1750E+1759E)	0

15. Total Assets	<u>13,000</u>
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Liabilities

25 Environmental and disposal Liabilities (2995E)	5,000
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Total Liabilities	<u>5,000</u>
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Net Position

31. Unexpended Appropriation – Other Funds (3100E)	5,000
33. Cumulative Results of Operations-Other Funds (3310E)	<u>3,000</u>
34. Total Net Position	<u>8,000</u>

35. Total Liabilities and Net Position	<u>13,000</u>
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**USSGL Scenario for Implementation Guidance on the Accounting
for the Disposal of General Property, Plant and Equipment –
Federal Financial Accounting Technical Release, Exposure Draft
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**STATEMENT OF NET COST
YEAR 3**

Program Costs		
Program A:		
1. Gross Cost :		
	(6800E)	3,000
	(7210E)	<u>2,000</u>
2. Less: Earned Income(7110E)		1,000
3. Net Program Costs		<u>4,000</u>
6. Costs Not Assigned to Programs		
7. Less: Earned Revenues Not Attributable to Programs		
8. Net Cost of Operations		<u>4,000</u>

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**USSGL Scenario for Implementation Guidance on the Accounting
for the Disposal of General Property, Plant and Equipment –
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**STATEMENT OF CHANGES IN NET POSITION
YEAR 3**

Cumulative Results of Operations

1. Beginning Balance	7,000
2. Adjustments	
3. Beginning Balances, as Adjusted	7,000

Budgetary Financing Sources

- 4. Other Adjustments
- 5. Appropriations Used (5700)
- 6. Nonexchange Revenue
- 7. Donations and Forfeitures
- 8. Transfers in/out without reimbursements
- 9. Other

Other Financing Sources:

10. Donations and Forfeitures	
11. Transfers in/out without reimbursements	
12. Imputed Financing	
13. Other (5994)	
14. Total Financing Sources	
15. Net Cost of Operations	(4,000)
16. Net Change	
17. Cumulative Results of Operations	3,000

Unexpended Appropriations

18. Beginning Balance	5,000
19. Adjustments	
20. Beginning Balance, as adjusted	5,000

Budgetary Financing Sources

21. Appropriations Received (3101)	0
22. Appropriations Transferred in/out	
23. Other Adjustments	
24. Appropriations Used (3107)	0
25. Total Budgetary Financing Sources	
26. Total Unexpended Appropriations	5,000

27. Net Position	8,000
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**USSGL Scenario for Implementation Guidance on the Accounting
for the Disposal of General Property, Plant and Equipment –
Federal Financial Accounting Technical Release, Exposure Draft
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CLOSING ENTRIES FOR END OF YEAR 3

C1. To record the consolidation of net-funded resources, Section III – Transaction F302.		
Budgetary		
4201 Total Actual Resources – Collected	4,000	
4266 Other Actual Business Type Collections from Nonfederal Sources		4,000
Proprietary		
No entry		

C2. To record the closing of expense to cumulative results of operations. Section III – Transaction F336.		
Budgetary		
No entry		
Proprietary		
7110 Gains on Disposition of Assets - Other	1,000	
3310 Cumulative Results of Operations	4,000	
6800 Future Funded Expenses		3,000
7210 Losses on Disposition of Assets - Other	2,000	

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**USSGL Scenario for Implementation Guidance on the Accounting
for the Disposal of General Property, Plant and Equipment –
Federal Financial Accounting Technical Release, Exposure Draft
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**POST-CLOSING TRIAL BALANCE
YEAR 2**

Revolving Fund		
BUDGETARY	DR	CR
4201 Total Actual Resources – Collected	9,000	
4450 Unapportioned Authority		9,000
TOTALS	9,000	9,000
PROPRIETARY		
1010 Fund Balance With Treasury	9,000	
1511 Operating Materials and Supplies Held for Use	4,000	
1750 (N) Equipment	0	
1759 (N) Accumulated Depreciation on Equipment		0
2995 (N) Estimated Cleanup Cost Liability		5,000
3100 Unexpended Appropriations		5,000
3310 Cumulative Results of Operations		3,000
TOTALS	13,000	13,000

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) To record purchase of equipment on October 2, Year 1 for \$15,000. Equipment A was purchased for \$10,000 and Equipment B was purchased for \$5,000.

Transaction Transaction Code

Budgetary

4610 Allotment	15,000	B406
4902 Delivered Orders – Obligations, paid	15,000	

Proprietary

1750N Equipment	15,000	B110
1010 Fund Balance with Treasury	15,000	
3107 Unexpended Appropriation - Used	15,000	B134
5700 Appropriation Used	15,000	

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4) To record depreciation expenses for the equipments at fiscal year end. Assume both of the equipments have a useful life of 5 years, and they are depreciated using straight line method. The annual depreciation expense for equipment A and B were \$2,000 and \$1,000 respectively.

Transaction Transaction Code

Budgetary

None

Proprietary

6710N Depreciation Expense	3,000	
1759N Accumulated Depreciation - Equipment	3,000	

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equipment A was determined to be \$5,000 and

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the amount collected from the disposal of equipment A was not previously anticipated.

