

CHAPTER 13

OTHER LIABILITIES1301 GENERAL

130101 Purpose. This chapter prescribes the accounting principles and policy and related requirements necessary to establish financial control over DoD liabilities not discussed in chapters 9 through 12 of this Volume.

130102 Overview. Other liabilities consist of amounts paid in advance to DoD Components for goods and services to be delivered at a future date, liens outstanding or assets acquired through default, liability for property owned by others which is being used by DoD Components, liabilities for funds awaiting final disposition, and contingent liabilities that are based on the probable occurrence of a future event.

1302 ACCOUNTING POLICY FOR OTHER LIABILITIES

130201 DoD Components shall record liabilities for advances received from the public and other Government Agencies for goods and services to be provided. When the goods or services are provided, the liability shall be reduced and a revenue account posted.

A. Advances are transfers of assets to cover future expenses or acquisition of other assets. DoD Components receiving an advance (unearned revenue) or prepayment (deferred credit) shall record the amount received as a liability until payment is earned (goods or services have been delivered or contract terms met). After the payment is earned (performance has occurred), DoD Components shall record the appropriate amount as revenue and reduce the liability accordingly. All advances shall be recorded as unearned revenue.

B. Advances received by DoD Components from purchasers under any long-term contract in excess of revenue earned as of the end of an accounting period shall be recorded as a liability. The liability amount shall

be decreased as the revenue is earned and recognized.

130202 Receipts by a DoD Component from purchases under any long-term contract in excess of revenues earned as of the end of an accounting period shall be reported as unearned revenues (advances). The liability account shall be decreased as the revenues are earned and recognized.

130203 Deposit funds and suspense accounts are used to account for receipts held in suspense temporarily and later refunded or paid into some other Treasury fund or other entity or held by the DoD as banker or agent for others and paid out at the direction of the owner. Such funds are not available for paying salaries, grants, or other expenses of the Government.

130204 Loan guarantees and other guarantees are forms of contingent liabilities. Records should be maintained of the amounts and other significant information pertaining to the guarantees outstanding even though the contingency may not require financial recording.

130205 Contingencies are existing conditions, situations, or circumstances involving uncertainty about possible future liabilities. These uncertainties will be resolved in the future when one or more event occurs or fails to occur, e.g., a contractor claim for additional costs is received.

A. When a loss contingency exists, the likelihood that the future event or events will confirm the loss or impairment of an asset or the incurrence of a liability can range from probable to remote. The terms probable, reasonably possible, and remote, identify three areas within that range as follows:

1. Probable. The future event or events are likely to occur.

2. Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

3. Remote. The chance of the future event or events occurring is slight.

B. Accrual and disclosure of contingencies varies depending on their probability of occurrence. Estimated losses shall be recorded in DoD financial systems and reported in financial statements as follows:

1. Information available before financial statements are issued indicates that a liability probably has been incurred as of the date of the financial statements.

2. The amount can be reasonably estimated and documented.

C. Events that could cause an asset to be impaired or a liability incurred may occur after the date of the financial statements but before the statements are issued. Such events may require disclosure. Disclosure of the nature of an accrual is necessary if the financial statements would be misleading if the disclosure is not made. The decision to disclose shall be based on materiality of the loss contingency and its possible impact on the financial statements and DoD operations.

D. The estimated loss associated with probable contingencies may be a specific amount or a range of amounts. If a reasonable estimate can be determined or if the reasonable estimate or the loss is a range, an amount shall be recorded for the loss. If some amount within the range appears, at the time, to be a better estimate than any other amount within the range, that amount shall be recorded. If no amount within the range appears to be a better estimate than any other amount, the minimum amount in the range shall be recorded. Even though the minimum amount in the range is not necessarily the exact amount of the loss that will ultimately exist, it is not likely that the ultimate loss will be less than the minimum amount.

E. DoD Components shall consult with their respective legal counsels in

determining whether a contingency exists and the amount to be recorded as a contingent liability.

F. When claims against a DoD Component are settled by another Government Agency based on governing statutes or regulations, the Component against whom the claim is filed shall maintain accountability until settlement occurs.

G. Contingencies shall be recorded in accordance with guidance contained in Volume 3 of this regulation. When recording a current period liability will result in a violation of fund availability, the appropriate reports to the President and the Congress shall be prepared.

130206 Funds related to contingencies shall be committed. When a commitment has been established to meet contractual contingencies as discussed in Volume 3 and not moved to an obligation status by the close of the fiscal year when the appropriation is cancelled, the commitment shall be cancelled. Amounts recorded as contingent liabilities on a cancelled appropriation shall be maintained as a memorandum account until liquidated from the current, open appropriation under procedures found in Chapter 5 of this Volume.

130207 A liability shall be established as an offset to the asset account for property seized by DoD Components. The liability shall remain in the financial accounts until final disposition of the property is made. Such property shall be recorded in the asset account 1765, "Property Awaiting Disposal," until final disposition is made.

1303 ACCOUNTING FOR OTHER LIABILITIES. The following subsections provide guidance to be followed by DoD Components for using the accounts contained within the "Other Liabilities" classification.

130301 Unearned Revenues (Advances) (Account 2300)

A. "Unearned Revenues (Advances)" is used to record the outstanding balance of

amounts advanced to DoD Components by Federal Agencies and nonfederal entities for future delivery of goods, services, or other assets.

B. This account is a summary control account for financial reporting purposes. No entries are posted to this account.

130302 Advances from Others (Account 2310)

A. "Advances from Others" is used to record funds received in contemplation of the future delivery of services, goods, incurrence of expenditures, or other assets.

B. This account is a summary control account for financial reporting purposes. No entries are posted to this account.

130303 Unearned Revenue-Advances from Government (Account 2311)

A. "Unearned Revenue-Advances from Government" represents the outstanding balance of advances received from federal entities for the future delivery of goods, services, or other assets.

B. Subsidiary accounts shall be estab

lished for each advancing organization. Documentation supporting each subsidiary account shall be maintained.

C. Table 13-1 illustrates the most common entries used for this account.

D. Sources for entries to this account include cash collection vouchers, journal vouchers, and documents showing the amounts advanced.

130304 Unearned Revenue-Advances from the Public (Account 2312)

A. "Unearned Revenue-Advances from the Public" represents the outstanding balance of advances received from nonfederal entities for the future delivery of goods, services, or other assets.

B. Subsidiary accounts shall be established for each advancing organization. Documentation supporting each subsidiary account shall be maintained.

C. Table 13-2 illustrates the most common entries used for this account.

ACCOUNTING ENTRIES FOR ACCOUNT 2310 ADVANCES FROM OTHERS	
Dr 1011 Funds Collected	Cr 2311 Unearned Revenue-Advances from Government
To record cash advances received.	
Dr 2311 Unearned Revenue-Advances from Government	Cr 5100 Revenue From Goods Sold
	Cr 5200 Revenue From Services Provided
To record revenue earned from work, services, or material provided.	
Dr 2312 Unearned Revenue-Advances from Government	Cr 1011 Funds Collected
To record return of unearned cash advances previously received.	

TABLE 13-1

**ACCOUNTING ENTRIES FOR ACCOUNT 2312 -
UNEARNED REVENUE-ADVANCES FROM THE PUBLIC**

Dr 1011 Funds Collected
Cr 2312 Unearned Revenue-Advances from the Public

To record cash advances received.

Dr 2312 Unearned Revenue-Advances from the Public
Cr 5100 Revenue From Goods Sold
Cr 5200 Revenue From Services Provided

To record revenue earned from work, services, or material provided.

Dr 2312 Unearned Revenue-Advances from the Public
Cr 1011 Funds Collected

To record return of unearned cash advances previously received.

TABLE 13-2

D. Sources for entries to this account include cash collection vouchers, journal vouchers, and documents showing the amounts advanced.

130305 Deferred Credits (Account 2320)

A. "Deferred Credits" represents revenue received but not yet earned.

B. This account shall not be used by DoD Components without the prior approval of the Office of the Deputy Under Secretary of Defense (Comptroller/Financial Management). Such amounts shall be recorded in account 2311, "Unearned Revenue-Advances from Government," or account 2312, "Unearned Revenue-Advances from the Public," as appropriate.

130306 Liability for Deposit Funds and Suspense Accounts (Account 2400)

A. "Liability for Deposit Funds and Suspense Accounts" represents amounts in deposit funds, suspense accounts (e.g., X6875), and budget clearing accounts (e.g., F3875), awaiting disposition, or reclassification.

B. This account is a summary control account for financial reporting purposes. No entries are posted to this account.

130307 Treasury Cash Advances to Disbursing Officers (Account 2410)

A. "Treasury Cash Advances to Disbursing Officers" represents the amount of disbursing officers' personal liability for cash advanced by the U.S. Treasury. The liability includes U.S. currency and coin on hand, cash on deposit at designated depositories, cash in the hands of deputy disbursing officers, cashiers and agents, negotiable instruments on hand, military payment certificates, etc. This account is the contra to account 1191, "Disbursing Officers' Cash." DoD Components shall use this account in support of disbursing officers assigned to their activities.

B. Subsidiary accounts shall be established for each disbursing officer.

C. Table 13-3 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 2410 -
TREASURY CASH ADVANCES TO DISBURSING OFFICERS**

1. Dr 1191 Disbursing Officer's Cash
 Cr 2410 Treasury Cash Advances to Disbursing Officers

 To record amounts received from U.S. Treasury for disbursing officer's use.
2. Dr 2410 Treasury Cash Advances to Disbursing Officers
 Cr 1191 Disbursing Officer's Cash

 To record amounts returned to U.S. Treasury due to reduction in a disbursing officer's authorized amount.

TABLE 13-3

D. Sources for entries to this account include requests for cash, cash collection vouchers, deposit tickets, and invoices for transferred funds.

130308 Deposit Fund Liabilities (Account 2411)

A. "Deposit Fund Liabilities" represents the amounts in deposit fund accounts awaiting disposition.

B. Table 13-4 illustrates the most common entries used for this account.

C. Sources for entries to this account include cash collection and disbursement vouchers and miscellaneous documents.

130309 Other Liabilities (Account 2900)

A. "Other Liabilities" is used to record amounts of liabilities not otherwise classified to a specific liability account.

B. This account is a summary general ledger account used for financial reporting purposes. No entries are posted to this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 2411 -
DEPOSIT FUND LIABILITIES**

- Dr 1011 Funds Collected
 Cr 2411 Deposit Fund Liabilities

To record deposit fund amounts received.
- Dr 2411 Deposit Fund Liabilities
 Cr 1011 Funds Collected

To record disposition of deposit fund amounts.

TABLE 13-4

130310 Prior Liens Outstanding on Acquired Collateral (Account 2910)

A. "Prior Liens Outstanding on Acquired Collateral" represents the value of liens approved and accepted as being claims against assets acquired through loan defaults.

B. Subsidiary accounts shall be established for each appropriation or fund. Documentation supporting each subsidiary account shall be maintained.

C. Table 13-5 illustrates the most common entries used for this account.

D. Sources for entries to this account include loan guarantee documents and default documents.

130311 Contingent Liabilities (Account 2920)

A. "Contingent Liabilities" represent the probable occurrence of one or more related future events that result in the loss or impair

ment of an asset and/or the incurrence of a liability. The criteria for recording contingent liabilities are in section 1302 of this chapter.

B. Subsidiary accounts shall be established for each appropriation or fund. Documentation supporting each subsidiary account shall be maintained.

C. Table 13-6 illustrates the most common entries used for this account.

D. Sources for entries to this account include estimates of the amount of a probable loss and actual loss documentation.

130312 Other Liabilities (Account 2990)

A. "Other Liabilities" represents amounts of liabilities not otherwise classified to specific liability accounts discussed in this chapter.

B. This account is a summary control account for financial reporting purposes. No entries are posted to this account.

ACCOUNTING ENTRIES FOR ACCOUNT 2910 - PRIOR LIENS OUTSTANDING ON ACQUIRED COLLATERAL	
Dr 1910 Acquired Collateral	
Cr 2910 Prior Liens Outstanding on Acquired Collateral	
To record acquired collateral as a result of default loan guarantee.	
Dr 2910 Prior Liens Outstanding on Acquired Collateral	
Cr 1910 Acquired Collateral	
To record sale of acquired collateral.	
TABLE 13-5	

**ACCOUNTING ENTRIES FOR 2920 -
CONTINGENT LIABILITIES**

Dr 6124 Insurance Claims and Indemnities
Cr 2920 Contingent Liabilities

To record a contingent liability.

Dr 2920 Contingent Liabilities
Cr 1012 Funds Disbursed

To record settlement of the actual amount of a previously estimated contingent liability.

Dr 2920 Contingent Liabilities
Cr 1012 Funds Disbursed
Cr 6124 Insurance Claims and Indemnities

To record settlement of the actual amount of a contingent liability that is less than the previously estimated contingency.

TABLE 13-6

130313 Liability for Property Furnished by Others (Account 2992)

A. "Liability for Property Furnished by Others" represents the estimated fair market value of property on hand originally intended to be returned to the furnishing entity, acquired by seizure, forfeiture, confiscation, etc., or is held in trust or escrow.

B. Subsidiary accounts shall be established for such property in a DoD Component's possession. Documentation supporting each subsidiary account shall be maintained.

C. Table 13-7 illustrates the most common entries used for this account.

D. Sources for entries to this account

include written agreements, statutory or judicial determinations, receipt documents, shipping documents, invoices, and transfer documents.

130314. Progress Billings to Others (Account 2994)

A. "Progress billings to Others" is to recognize the liability resulting from progress payments billed to and/or received from federal and non-federal entities for goods or services that have been ordered by those activities but that have not been completed or delivered.

B. Table 13-8 illustrates the most common entries used for this account.

C. Sources for entries to this account include progress billings, and for liquidation of the account, revenue billings.

**ACCOUNTING ENTRIES FOR ACCOUNT 2992 -
LIABILITY FOR PROPERTY FURNISHED BY OTHERS**

Dr 1765 Property Awaiting Disposal
Dr 1766 Equipment Not in Use
 Cr 2992 Liability for Property Furnished by Others

To record acceptance of property furnished by others or assumption of custody (seizure or confiscation) of property.

Dr 2992 Liability for Property Furnished by Others
 Cr 1765 Property Awaiting Disposal
 Cr 1766 Equipment Not in Use

To record return of property furnished by others.

Dr 2992 Liability for Property Furnished by Others
 Cr 1012 Funds Disbursed

To record purchase of property previously received on loan from others.

Dr 2992 Liability for Property Furnished by Others
 Cr 3220 Transfers-In from Others Without Reimbursement

To record transfer of title of property previously received without payment for the transferred property.

Dr 1762 Equipment in Use
 Cr 2992 Liability for Property Furnished by Others

To record the value of equipment received on loan from another DoD Component.

TABLE 13-7

**ACCOUNTING ENTRIES FOR ACCOUNT 2994-
PROGRESS BILLINGS TO OTHERS**

Dr 1011 Funds Collected
Dr 1311 Accounts Receivable-Government-Current
Dr 1313 Accounts Receivable-Public-Current
 Cr 2994 Progress Billings to Others

To record liability resulting from progress payments billed to and/or received from federal and non-federal entities.

Dr 2994 Progress Billings to Others
 Cr 5100 Revenue from Goods Sold
 Cr 5200 Revenue From Services

To eliminate the liability from progress billings to others and recognize revenue upon delivery of goods or services ordered.

TABLE 13-8

ACCOUNT NO. 2300	
UNEARNED REVENUES (ADVANCES)	
<p>DESCRIPTION: The outstanding balance of amounts advanced or prepaid by federal and non-federal entities to the DoD and prepayments received for the delivery of goods, services, or other assets.</p>	
DEBIT	CREDIT
<p>This account is a summary account Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 13-1	

ACCOUNT NO. 2310	
ADVANCES FROM OTHERS	
DESCRIPTION: Payments received in contemplation of the future delivery of services, goods, incurrence of expenditures, or other assets.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 13-2	

ACCOUNT NO. 2311	
UNEARNED REVENUE - ADVANCES FROM GOVERNMENT	
<p>DESCRIPTION: Represents the outstanding balance of advances received from U.S. Government organizations and funds for goods and services to be furnished under the Economy Act, Project Order Law, or other legal authority.</p>	
DEBIT	CREDIT
<p>1. Deliveries made to liquidate outstanding advances.</p> <p>Contra: 5100, and 5200</p> <p>2. Return of unused advances.</p> <p>Contra: 1011</p>	<p>1. Amounts received from Federal Government organizations for goods that have not been delivered or services not yet performed.</p> <p>Contra: 1011</p>
<p>NORMAL BALANCE: CREDIT</p>	
<p>FIGURE 13-3</p>	

ACCOUNT NO. 2312	
UNEARNED REVENUE - ADVANCES FROM THE PUBLIC	
<p>DESCRIPTION: Represents the outstanding balance of advances received from sources outside the U.S. Government. Account is supported by subsidiary records giving the details of each advance.</p>	
DEBIT	CREDIT
<p>1. Deliveries made to liquidate outstanding advances.</p> <p>Contra: 5100, and 5200</p> <p>2. Return of unused advances.</p> <p>Contra: 1011</p>	<p>1. Amounts received from non-Federal Government organizations for goods that have not been delivered or for services that have not been performed.</p> <p>Contra: 1011</p>
<p>NORMAL BALANCE: CREDIT</p>	
<p>FIGURE 13-4</p>	

ACCOUNT NO. 2320	
DEFERRED CREDITS	
DESCRIPTION: Represents revenue received but not earned.	
DEBIT	CREDIT
<p>Do not use this account without prior approval from the Office of the Deputy Under Secretary of Defense</p>	
NORMAL BALANCE: CREDIT	
FIGURE 13-5	

ACCOUNT NO. 2400	
LIABILITY FOR DEPOSIT FUNDS AND SUSPENSE ACCOUNTS	
DESCRIPTION: Represents amounts in deposit funds, Treasury cash advances to disbursing officers, suspense accounts and budget clearing accounts, awaiting disposition, or reclassification.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 13-6	

ACCOUNT NO. 2410	
TREASURY CASH ADVANCES TO DISBURSING OFFICERS	
DESCRIPTION: Represents the amount of disbursing officers' personal liability for cash advanced by the U.S. Treasury.	
DEBIT	CREDIT
<p>1. Amount returned to Treasury due to reduction in amount of cash authorized.</p> <p>Contra: 1191</p>	<p>1. Amounts of checks for cash written by disbursing officers to establish authorized amount of cash required from Treasury.</p> <p>Contra: 1191</p>
NORMAL BALANCE: CREDIT	
FIGURE 13-7	

ACCOUNT NO. 2411	
DEPOSIT FUND LIABILITIES	
DESCRIPTION: Represents the amounts in deposit funds awaiting disposition.	
DEBIT	CREDIT
<p>1. Disposition of funds.</p> <p>Contra: 1011</p>	<p>1. Amounts deposited.</p> <p>Contra: 1011</p>
NORMAL BALANCE: CREDIT	
FIGURE 13-8	

ACCOUNT NO. 2900	
OTHER LIABILITIES	
DESCRIPTION: Represents amounts not otherwise classified to specific liability accounts.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 13-9	

ACCOUNT NO. 2910	
PRIOR LIENS OUTSTANDING ON ACQUIRED COLLATERAL	
DESCRIPTION: Represents the value of liens approved and accepted as being claims against assets acquired through loan defaults.	
DEBIT	CREDIT
<p>1. Sale of acquired collateral at recorded value. Contra: 1910</p>	<p>1. Acquisition of collateral as a result of default loan guarantee. Contra: 1910</p>
NORMAL BALANCE: CREDIT	
FIGURE 13-10	

ACCOUNT NO. 2920	
CONTINGENT LIABILITIES	
DESCRIPTION: Represents the estimated value of a probable loss.	
DEBIT	CREDIT
<p>1. Settlement of a previously recorded contingent liability.</p> <p>Contra: 1012</p> <p>2. Settlement of a previously recorded contingent liability for less than the amount originally estimated.</p> <p>Contra: 6124 and 1012</p>	<p>1. Estimated amount of a contingent liability.</p> <p>Contra: 6124</p>
NORMAL BALANCE: CREDIT	
FIGURE 13-11	

ACCOUNT NO. 2990	
OTHER LIABILITIES	
DESCRIPTION: Represents liabilities not classified to another 2900 series account.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 13-12	

ACCOUNT NO. 2992	
LIABILITY FOR PROPERTY FURNISHED BY OTHERS	
<p>DESCRIPTION: Represents the estimated fair market value of property on hand, which was originally intended to be returned to the entity that furnished it to the DoD, was acquired by seizure, or held in trust or escrow.</p>	
DEBIT	CREDIT
<p>1. Return of property furnished by others. Contra: 1765, and 1766</p> <p>2. Acquisition of property previously furnished for DoD's use or consumption. Contra: 1012, and 3220</p>	<p>1. Assumption of custody (e.g., seizure or confiscation) of property. Contra: 1765, and 1766</p> <p>2. Value of equipment received on loan from another DoD Component. Contra: 1762</p>
<p>NORMAL BALANCE: CREDIT</p>	
<p>FIGURE 13-13</p>	

ACCOUNT NO. 2994	
PROGRESS BILLINGS TO OTHERS	
<p>DESCRIPTION: Recognizes the liability resulting from progress payments billed to and/or received from federal and non-federal entities for goods and services that have been ordered by those activities but have not been completed or delivered.</p>	
DEBIT	CREDIT
<p>1. Deliveries made to liquidate outstanding progress payments.</p> <p>Contra: 5100, and 5200</p>	<p>1. Amounts received from federal and non-federal entities for goods and services that have been ordered by those activities but have not been completed or delivered.</p> <p>Contra: 1011, 1311, and 1313</p>
<p>NORMAL BALANCE: CREDIT</p>	
<p>FIGURE 13-14</p>	