

## CHAPTER 12

UNEARNED REVENUE AND OTHER LIABILITIES1201 GENERAL

120101. Purpose. This chapter prescribes the accounting principles and policy and related requirements necessary to establish financial control over the Department of Defense (DoD) liabilities not discussed in Chapters 9 through 11 of this volume. Accrued environmental and nonenvironmental disposal cost liabilities and environmental restoration (cleanup) liabilities are discussed in [Chapters 13 and 14](#) of this volume, respectively.

120102. Overview

A. Unearned Revenue. Unearned revenue consists of amounts received in advance for goods and services to be delivered at a future date, liens approved and accepted as claims on assets acquired through default, property used by the DoD Components that is owned by others, and liabilities for funds awaiting final disposition.

B. Other Liabilities. Other liabilities include measurable and probable expected outflows resulting from past transactions or events, and the estimated costs of conditions, situations, or circumstances that will be resolved in the future; relate to a past transaction or event, and the future outflow of resources is probable and reasonably estimable.

1202 ACCOUNTING POLICY AND PROCEDURES FOR UNEARNED REVENUE (ADVANCES, DEFERRED CREDITS, AND DEPOSITS)

120201. Advances received are transfers of assets from the public and other federal entities to cover future expenses or the acquisition of other assets. All advances, including those under any long-term contract in excess of revenue earned, shall be recorded as unearned revenue. The 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), the DoD Components shall record the appropriate amount as revenue and reduce the liability accordingly.

120202. The following paragraphs describe the accounts used to record financial transactions related to unearned revenue of the DoD.

120203. Advances from Others (Account 2310)

A. This account is used to record funds received in contemplation of the future delivery of services, goods or other assets.

B. Table 12-1 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 2310 -  
ADVANCES FROM OTHERS**

Dr. 1010 Fund Balance with Treasury

Cr. 2310 Advances from Others

To record cash advances received.

Dr. 2310 Advances from Others

Cr. 5100 Revenue From Goods Sold

Cr. 5200 Revenue From Services Provided

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

Dr. 2310 Advances from Others

Cr. 1010 Funds Balance with Treasury

To record return of unearned cash advances previously received.

TABLE 12-1

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

120204. Deferred Credits (Account 2320)

A. “Deferred Credits” represents revenue received but not yet earned.

B. This account shall not be used by the DoD Components without the prior approval of the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)). Such amounts shall be recorded in account 2310, “Advances from Others.”

120205. Liability for Deposit Funds, Clearing Accounts and Undeposited Collections (Account 2400)

A. This account represents amounts in deposit funds for receipts held in suspense (e.g., X6875), temporarily for later refund or payment to some other Treasury fund or other entity, or held by the DoD as banker or agent for others for payment at the direction of the owner. The amounts in deposit funds may also represent budget clearing accounts (e.g., F3875) awaiting disposition or reclassification. The liability includes United States (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. Such funds are not available for paying salaries, grants, or other expenses of the federal government.

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

C. Table 12-2 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 2400 -  
LIABILITY FOR DEPOSIT FUNDS, CLEARING ACCOUNTS AND  
UNDEPOSITED COLLECTIONS**

1. Dr. 1190 Other Cash

Cr. 2400 Liability for Deposit Funds, Clearing Accounts and Undeposited Collections

To record amounts received from U.S. Treasury for disbursing officer's use.

2. Dr. 2400 Liability for Deposit Funds, Clearing Accounts and Undeposited Collections

Cr. 1190 Other Cash

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

TABLE 12-2

**1203 ACCOUNTING POLICY AND PROCEDURES FOR OTHER LIABILITIES**

120301. The following subsections provide guidance to be followed by the DoD Components for using the accounts contained within the "Other Liabilities" classification.

120302. Prior Liens Outstanding on Acquired Collateral (Account 2910).

A. This account is used to record 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. Sources for entries to this account include loan guarantee documents and default documents.

D. Table 12-3 illustrates the common entry used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 2910 -  
PRIOR LIENS OUTSTANDING ON ACQUIRED COLLATERAL**

1. Dr. 1349 Allowance for Loss on Interest Receivable

Dr. 1551 Foreclosed Property

Cr. 1340 Interest, Penalty and Administrative Fees Receivable

Cr. 1350 Loans Receivable

Cr. 2910 Prior Liens Outstanding on Acquired Collateral

To record an adjustment to loans receivable based on acquired collateral.

TABLE 12-3

120303. Contingencies. Contingencies are existing conditions, situations, or circumstances involving uncertainty as to possible gain or loss to an entity. These uncertainties will be resolved in the future when one or more events 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 be classified as probable, reasonably possible or remote, as follows:

1. Probable. The future confirming 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 probable.

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

B. Accrual (and financial statement disclosure) of contingencies varies depending on their probability of occurrence. Contingent liabilities should be recorded in DoD financial systems and reported in financial statements when:

1. A past event or exchange transaction has occurred.

2. A future outflow or other sacrifice of resources is probable (the future confirming event or events is more likely than not to occur), and

3. The future outflow or other sacrifice of resources is measurable (with sufficient reliability to be reasonably estimable).

C. The estimated liability may be a specific amount or a range of amounts. If some amount within a range is considered a better estimate than any other estimate, that amount should be used. If no amount within the range appears to be a better estimate than other estimates then the minimum amount in the range should be used. The range and a description of the nature of the contingency should be disclosed (provided as information by footnote) in the annual financial statements.

D. A contingent liability should be disclosed (provided as information by footnote) in the annual financial statements if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or additional loss may have been incurred. Disclosure is necessary if the financial statements would otherwise be misleading. The decision to disclose shall be based on materiality of the loss contingency and its possible impact on the financial statements and DoD operations.

E. Events that could cause an asset to be impaired or a liability incurred may occur after the date of the annual financial statements (subsequent event) but before the statements are issued. Such events may require disclosure (provided as information by footnote) in the annual financial statements.

F. The DoD Components shall consult with their respective legal counsels in determining whether a contingency exists and the amount to be recorded as a liability.

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

H. 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 (see [Volume 14](#) of this Regulation).

120304. Funds Related to Contingencies. Funds related to contingencies (e.g., litigation, claims, and assessments) shall be committed. When a commitment has been established to meet contractual contingencies as discussed in [Chapter 15 of Volume 3](#) of this Regulation and not moved to an obligation status by the close of the fiscal year when the appropriation is canceled, the commitment shall be canceled. Amounts recorded as contingent liabilities on a canceled appropriation shall be maintained as a memorandum account until liquidated from the current, open appropriation under procedures found in [Chapter 10 of Volume 3](#) of this Regulation.

120305. Contingent Liabilities (Account 2920)

A. Table 12-4 illustrates the most common entries used for this account.

<b>ACCOUNTING ENTRIES FOR ACCOUNT 2920 - CONTINGENT LIABILITIES</b>	
Dr. 6800 Cr. 2920	Future Funded Expense Contingent Liabilities
To record a contingent liability.	
Dr. 2920 Cr. 1010	Contingent Liabilities Fund Balance With Treasury
To record settlement of the actual amount of a previously estimated contingent liability.	
Dr. 2920 Cr. 1010 Cr. 6800	Contingent Liabilities Fund Balance With Treasury Future Funded Expense
To record settlement of the actual amount of a contingent liability that is less than the previously estimated contingency.	
TABLE 12-4	

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

120306. Capital Lease Liabilities

A. Capital lease liabilities are minimum payment obligations. The DoD Components authorized to enter into capital lease agreements shall treat the transaction as the acquisition of an asset and the incurrence of a liability. The amount to be recorded as a liability under a capital lease is the lesser of the present value of the rental and other minimum lease payments during the lease term, excluding the executory costs (actual or estimated) paid to the lessor, or the asset's fair value (see paragraph 070207 of [Volume 4](#) of this Regulation).

B. [Chapter 7](#) of this volume also provides guidance for determining whether a lease is a capital lease or an operating lease and for determining the amounts to be recorded.

120307. Capital Lease Liability (Account 2940)

A. This account is used to record the liability incurred for capital leases entered into pursuant to legislative authority.

B. Table 12-5 illustrates the most common entries used for this account.

<b>ACCOUNTING ENTRIES FOR ACCOUNT 2940 - CAPITAL LEASE LIABILITY</b>			
1.	Dr. 1810	Assets Under Capital Lease	
	Cr. 2940	Capital Lease Liability	
	To record the value of leased property.		
2.	Dr. 2940	Capital Lease Liability	
	Dr. 6330	Other Interest Expenses	
	Cr. 1010	Fund Balance with Treasury	
	To record payments on capital leases.		

TABLE 12-5

C. Sources for entries to this account include lease agreements and disbursing vouchers.

★ 120308. Liability for Subsidy Related to Undistributed Loans (Account 2950)

A. This account is used to record the liability owed by the financing fund for direct and guaranteed loans which have not been disbursed. This liability will be liquidated when the loan is disbursed.

B. This account shall not be used by the DoD Components without the prior approval of the OUSD(C).

★ 120309. Accounts Payable Canceled (Account 2960)

A. This account is used to reclassify regular accounts payable that have been canceled under the requirements of Public Law 101-510.

B. Table 12-6 illustrates the most common entries used for this account.

<b>★ACCOUNTING ENTRIES FOR ACCOUNT 2960 - ACCOUNTS PAYABLE CANCELED</b>							
1.	<table style="width: 100%; border: none;"> <tr> <td style="width: 30%;">Dr. 2210</td> <td style="width: 30%;">Accounts Payable</td> <td style="width: 30%;"></td> </tr> <tr> <td style="padding-left: 20px;">Cr. 2960</td> <td style="padding-left: 20px;">Accounts Payable Canceled</td> <td></td> </tr> </table> <p style="margin-left: 40px;">To reclassify accounts payable that have been canceled under Public Law 101-510.</p>	Dr. 2210	Accounts Payable		Cr. 2960	Accounts Payable Canceled	
Dr. 2210	Accounts Payable						
Cr. 2960	Accounts Payable Canceled						
2.	<table style="width: 100%; border: none;"> <tr> <td style="width: 30%;">Dr. 2960</td> <td style="width: 30%;">Accounts Payable Canceled</td> <td style="width: 30%;"></td> </tr> <tr> <td style="padding-left: 20px;">Cr. 3310</td> <td style="padding-left: 20px;">Cumulative Results of Operations</td> <td></td> </tr> </table> <p style="margin-left: 40px;">To record in the canceled appropriation the accrual of a valid bill to be paid from the current year unexpired appropriation.</p>	Dr. 2960	Accounts Payable Canceled		Cr. 3310	Cumulative Results of Operations	
Dr. 2960	Accounts Payable Canceled						
Cr. 3310	Cumulative Results of Operations						
TABLE 12-6							

- ★ 120310.     Resources Payable to Treasury (Account 2970).
  - A.     This account is used to record liquidating assets in excess of liabilities that are being held as working capital.
  - B.     Table 12-7 illustrates the most common entries used for this account.

<b>★ACCOUNTING ENTRIES FOR ACCOUNT 2970 - RESOURCES PAYABLE TO TREASURY</b>										
1.	<table style="width: 100%; border: none;"> <tr> <td style="width: 30%;">Dr. 5700</td> <td style="width: 30%;">Expended Appropriations Used</td> <td style="width: 30%;"></td> </tr> <tr> <td style="padding-left: 20px;">Cr. 2970</td> <td style="padding-left: 20px;">Resources Payable to Treasury</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Cr. 6100</td> <td style="padding-left: 20px;">Operating Expense/Program Costs</td> <td></td> </tr> </table> <p style="margin-left: 40px;">To record the closing of the liquidating fund.</p>	Dr. 5700	Expended Appropriations Used		Cr. 2970	Resources Payable to Treasury		Cr. 6100	Operating Expense/Program Costs	
Dr. 5700	Expended Appropriations Used									
Cr. 2970	Resources Payable to Treasury									
Cr. 6100	Operating Expense/Program Costs									
2.	<table style="width: 100%; border: none;"> <tr> <td style="width: 30%;">Dr. 2910</td> <td style="width: 30%;">Principal Payable to Treasury</td> <td style="width: 30%;"></td> </tr> <tr> <td style="padding-left: 20px;">Dr. 2970</td> <td style="padding-left: 20px;">Resources Payable to Treasury</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Cr. 1010</td> <td style="padding-left: 40px;">Fund Balance with Treasury</td> <td></td> </tr> </table> <p style="margin-left: 40px;">To record in the liquidating account the payment of excess cash to Treasury not needed to satisfy obligations.</p>	Dr. 2910	Principal Payable to Treasury		Dr. 2970	Resources Payable to Treasury		Cr. 1010	Fund Balance with Treasury	
Dr. 2910	Principal Payable to Treasury									
Dr. 2970	Resources Payable to Treasury									
Cr. 1010	Fund Balance with Treasury									
TABLE 12-7										

★ 120311. Custodial Liability (Account 2980).

A. This account is used to record the amount of custodial revenue yet to be transferred to another federal entity.

B. This account shall not be used by the DoD Components without the prior approval of the OUSD(C).

120312. Other Liabilities (Account 2990).

“Other Liabilities” represents amounts not otherwise classified to specific liability accounts discussed in this Chapter.

<b>ACCOUNT NO. 2310</b>	
<b>ADVANCES FROM OTHERS</b>	
<p><b>DESCRIPTION:</b>                      Payments received from other federal and nonfederal entities in contemplation of the future delivery of services, goods, incurrence of expenditures, or other assets.</p>	
DEBIT	CREDIT
<p>1. To record revenue for a reimbursable order with an advance.</p> <p style="padding-left: 40px;">Contra: 5100, 5200</p> <p>2. To record refund of an advance to the ordering agency.</p> <p style="padding-left: 40px;">Contra: 1010</p>	<p>1. To record a reimbursable order with an advance.</p> <p style="padding-left: 40px;">Contra: 1010</p>
<p><b>NORMAL BALANCE:</b>                      CREDIT</p>	
<p><b>FIGURE 12-1</b></p>	

<b>ACCOUNT NO. 2320</b>	
<b>DEFERRED CREDITS</b>	
DESCRIPTION: Represents revenue received but not earned.	
DEBIT	CREDIT
<p>This account shall not be used by the DoD Components without the prior approval of the OUSD(C). Such amounts shall be recorded in Account 2310, "Advances from Others."</p>	
NORMAL BALANCE: CREDIT	
FIGURE 12-2	

<b>ACCOUNT NO. 2400</b>	
<b>LIABILITY FOR DEPOSIT FUNDS, CLEARING ACCOUNTS AND UNDEPOSITED COLLECTIONS</b>	
<p>DESCRIPTION: Represents amounts in deposit funds, Treasury cash advances to disbursing officers, suspense accounts and budget clearing accounts, awaiting disposition, or reclassification.</p>	
DEBIT	CREDIT
<p>1. To record amounts returned to U.S. Treasury due to reduction in a disbursing officer's authorized amount.</p> <p>Contra: 1190</p>	<p>1. To record amounts received from U.S. for disbursing officer's use.</p> <p>Contra: 1190</p>
<p>NORMAL BALANCE: CREDIT</p>	
<p>FIGURE 12-3</p>	

<b>ACCOUNT NO. 2910</b>	
<b>PRIOR LIENS OUTSTANDING ON ACQUIRED COLLATERAL</b>	
DESCRIPTION: Represents the value of liens approved and accepted as being claims against assets acquired through loan defaults.	
DEBIT	CREDIT
	1. To record an adjustment to loans receivable based on acquired collateral.  Contra: 1551, 1349
NORMAL BALANCE: CREDIT	
FIGURE 12-4	

<b>ACCOUNT NO. 2920</b>	
<b>CONTINGENT LIABILITIES</b>	
<b>DESCRIPTION:</b> Represents the estimated value of a probable loss.	
DEBIT	CREDIT
<p>1. Settlement of a previously recorded contingent liability.</p> <p>Contra: 1010</p> <p>2. Settlement of a previously recorded contingent liability for less than the amount originally estimated.</p> <p>Contra: 6800 and 1010</p>	<p>1. To record a contingent liability.</p> <p>Contra: 6800</p>
NORMAL BALANCE: CREDIT	
FIGURE 12-5	

<b>★ACCOUNT NO. 2940</b>	
<b>CAPITAL LEASE LIABILITY</b>	
DESCRIPTION: Represents the liability for capital leases that have not expired.	
DEBIT	CREDIT
1. To record lease payments.  ★Contra: 1010	1. To record the value of leased property.  Contra: 1810
NORMAL BALANCE: CREDIT	
FIGURE 12-6	

ACCOUNT NO. 2950	
★LIABILITY FOR SUBSIDY RELATED TO UNDISTRIBUTED LOANS	
DESCRIPTION: Represents the liability owed by the financing fund for direct and guaranteed loans that have been disbursed.	
DEBIT	CREDIT
This account shall not be used by the DoD Components without the prior approval of the OUSD(C).	
NORMAL BALANCE: CREDIT	
FIGURE 12-7	

<b>ACCOUNT NO. 2960</b>	
<b>★ACCOUNTS PAYABLE CANCELED</b>	
DESCRIPTION: Represents the amount of regular accounts payable reclassified as canceled under the requirements of Public Law 101-510.	
DEBIT	CREDIT
<p>1. To record in the canceled appropriation the accrual of a valid bill to be paid from the current year unexpired appropriation.</p> <p>Contra: 3310</p>	<p>1. To reclassify canceled payables.</p> <p>Contra: 2210</p>
NORMAL BALANCE: CREDIT	
FIGURE 12-8	

<b>ACCOUNT NO. 2970</b>	
<b>★RESOURCES PAYABLE TO TREASURY</b>	
<p><b>DESCRIPTION:</b> Recognizes the liability resulting from liquidating assets in excess of liabilities that are being held as working capital.</p>	
DEBIT	CREDIT
<p>1. To record the payment of excess cash not needed to satisfy obligations to Treasury.</p> <p>Contra: 1010</p>	<p>1. To record the closing of the liquidating fund.</p> <p>Contra: 5700</p>
<p><b>NORMAL BALANCE: CREDIT</b></p>	
<p><b>FIGURE 12-9</b></p>	

ACCOUNT NO. 2980	
★CUSTODIAL LIABILITY	
DESCRIPTION: Recognizes the amount of custodial liability yet to be transferred to another federal entity.	
DEBIT	CREDIT
This account shall not be used by the DoD Components without the prior approval of the OUSD(C).	
NORMAL BALANCE: CREDIT	
FIGURE 12-10	

<b>ACCOUNT NO. 2990</b>	
<b>OTHER LIABILITIES</b>	
<b>DESCRIPTION:</b> Represents the value of liabilities not otherwise classified.	
DEBIT	CREDIT
	1. To record a seized monetary instrument other than cash at market value.  Contra: 1531
NORMAL BALANCE: CREDIT	
FIGURE 12-11	

Dr 6100 Operating Expenses/Program Costs  
Cr 2110 Accounts Payable

and

Dr 4801 Unexpended Obligations - Unpaid  
Cr 4901 Expended Authority - Unpaid

and

Dr 3100 Unexpended Appropriations  
Cr 5700 Appropriations Used

or

Dr 6100 Operating Expenses/Program Costs  
Cr 1410 Advances to Others  
Cr 1450 Prepayments

and

Dr 4802 Unexpended Obligations - Paid  
Cr 4902 Expended Authority - Paid

and

Dr 3100 Unexpended Appropriations  
Cr 5700 Appropriations Used

Dr 6330 Other Interest Expense  
Cr 2140 Accrued Interest Payable

and

Dr 4801 Unexpended Obligations - Unpaid  
Cr 4901 Expended Authority – Unpaid

and

Dr 3100 Unexpended Appropriations  
Cr 5700 Appropriations Used