

CHAPTER 15

EQUITY1501 GENERAL

★ Equity accounts represent the net investment of the U.S. Government in the Department of Defense (DoD). As such, it includes all operations of DoD activities, including appropriated activities, working capital funds, and trust funds. The balances in the equity accounts represent the difference between assets and liabilities. The general accounting policy to account for the equity of the U.S. Government in the DoD is contained in this chapter.

★1502 ACCOUNTING POLICY FOR EQUITY

★ 150201. Activities financed by appropriations shall show the results of their operations as reductions to the Unexpended Appropriations account on a transaction basis and as changes in the Cumulative Results of Operations account with respect to the equity effect of transactions. The Unexpended Appropriations account is increased for the receipt of appropriations or other appropriation like resources and reduced for amounts expended for assets or operating expenses, and any appropriation withdrawals. The Cumulative Results of Operations account is increased by revenues and the value of assets transferred in and reduced by expenses requiring current resources, expenses not requiring current resources, and expenses recorded which are not currently funded.

★ 150202. Activities whose operations are financed by revenue sources, generally defined as exchange revenue, shall have their results of operations reflected as increases or decreases to the Cumulative Results of Operations account which will include transfers in of assets which are recognized as financing sources. Appropriations received for a specific funding purpose will be accounted for in the Unexpended Appropriations account until used as a financing source.

★1503 RECOGNITION IN FINANCIAL STATEMENTS

★ 150301. The components of net position include Unexpended Appropriations (unobligated balances and undelivered orders) and Cumulative Results of Operations and shall be shown in the consolidated balance sheet. The amounts of unobligated balances available and unavailable shall be disclosed in the footnotes to the financial statements.

★ 150302. Unexpended Appropriations. This amount includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances. Decreases in Unexpended Appropriations occur as expenditure accruals using appropriated funds are recognized and recorded, and when unobligated amounts are withdrawn, rescinded, or canceled. Increases occur when appropriations are received or Unexpended Appropriation amounts are transferred in.

★ 150303. Cumulative Results of Operations. This amount represents the net results of operations since inception. There no longer will be direct postings to equity for transactions such as donations and transfers in and out of assets without reimbursement. Such transactions are recorded in the revenue accounts and closed to this account at year end. In addition, there no longer will be a segregation of cumulative amounts for future funding requirements (such transactions now are recorded as an expense and closed to this account at year end).

1504 ACCOUNTING FOR EQUITY

★ A. The transactions discussed frequently will require a compound entry; that is, entries must be made in both the proprietary (asset, liability, and equity) accounts and the budgetary accounts. Entries to these equity accounts (3000 series) normally require compound entries to budgetary accounts in the 4000 series of accounts. Those budgetary entries are shown, where applicable, within this chapter. Entries which affect direct program Expended Authority (Paid and Unpaid) must also include postings to Appropriations Used (Revenue) and Unexpended Appropriations (Equity). Additional information on budgetary accounts not covered in this chapter are included in [Volume 3](#), “Budget Execution - Availability and Use of Budgetary Resources” to this “Department of Defense Financial Management Regulation.”

★ B. The transactions illustrated in the text represent the U.S. Government Standard General Ledger at the control account level. Frequently, the control accounts are summary accounts and the reader must consult [Volume 1](#), “General Financial Management Information, Systems, and Requirements,” and [Chapter 7](#) in this Regulation to determine the general ledger subsidiary account most appropriate for posting a specific transaction.

★ 150401. Unexpended Appropriations (Account 3100).

★ A. This account reflects the amounts appropriated by the Congress, which have not been expended. Such appropriations include operation and maintenance, military personnel, construction, procurement, research and development, etc. Unexpended Appropriations (formerly Appropriated Capital) is the proprietary equity account used to record funds made available by the Congress. The amounts recorded in this account include appropriations, withdrawals, and purchase of assets and operating expenses incurred during the year.

★ B. The following entries illustrate the normal proprietary and budgetary entries to this account.

★ 1. The following compound entry is used to record Unexpended Appropriations when an appropriation is realized and a treasury warrant is issued.

Dr	1010	Fund Balance With Treasury
	Cr	3100 Unexpended Appropriations

and

Dr	4119	Other Appropriations Realized
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Cr 4450 Unapportioned Authority

★ 2. During the budget execution process, appropriations (direct program funds) are used to pay for goods and services received by the DoD. The use of appropriations should be recognized as a financing source when accompanied by an entry to Expended Authority - Paid or Unpaid, and also must be accompanied by a reduction in the Unexpended Appropriation balance. The following compound entry illustrates the use of this account: (Note: for appropriated funds, revenues, expenses, gains and losses are closed into account 3310 “Cumulative Results of Operations”--not 3100 “Unexpended Appropriations.”)

Dr 3100 Unexpended Appropriations
Cr 5700 Appropriations Used

and

Dr 4801 Undelivered Orders - Unpaid
Cr 4901 Expended Authority - Unpaid

and

Dr 6100 Operating Expenses/Program Costs
Dr 1700 General Property, Plant, and Equipment, Net
Cr 2110 Accounts Payable

★ 150402. Appropriated Capital Funding Canceled Payables (Account 3105).

★ A. This account is used to record appropriated capital funding payment of accounts payable, which had been canceled under requirements of Public Law 101-510.

B. At the end of the fifth year following the expiration of an account, Public Law 101-510 requires that both the obligated and unobligated balances of an appropriation shall be canceled and will no longer be available for obligation or expenditure for any purpose. Upon cancellation, the following budgetary and proprietary entries shall be made to cancel the unpaid balance of expended authority.

Dr 4971 Downward Adjustments of Prior Year Unpaid Undelivered Orders
Cr 4350 Canceled Authority

and

Dr 2110 Accounts Payable
Cr 1010 Fund Balance With Treasury

C. To establish the payable in the current year.

Dr 6800 Future Funded Expenses
Cr 2960 Accounts Payable Canceled

D. When the bill is received in the current year, the following entry is made in the canceled year appropriation books.

Dr 4350 Canceled Authority
Cr 4201 Total Actual Resources - Collected

E. Simultaneously, in the unexpired paying appropriation, the following entry must be recorded to establish an accrued expenditure, accounts payable, record the expense, and record resources used in an unexpired appropriation available for the same general purpose as the canceled account.

Dr 4610 Allotments - Realized Resources
Cr 4901 Expended Authority - Unpaid

and

Dr 2960 Accounts Payable Canceled
Cr 2110 Accounts Payable

and

Dr 3105 Appropriated Capital Funding Canceled Payables
Cr 3310 Cumulative Results of Operations

F. Upon payment of the bill for an expense relative to a canceled appropriation, the following entry is made in the general ledger of the unexpired appropriation.

Dr 4901 Expended Authority - Unpaid
Cr 4902 Expended Authority - Paid

and

Dr 2110 Accounts Payable
Cr 1010 Fund Balance With Treasury

G. At fiscal year end, general ledger account 3105 is closed as follows.

Dr	3100	Unexpended Appropriations
Cr	3105	Appropriated Capital Funding Canceled Payables

★ 150403. Cumulative Results of Operations (Account 3310).

★ A. This account represents the net difference since the inception of the activity between (1) expenses and losses, and (2) financing sources. The Defense Working Capital Funds (DWCF) may, if needed, establish subaccounts to disclose event types (e.g., revenue from operations, financing sources, etc.). [Volume 11B, Chapter 60](#), provides subaccounts for the DWCF accounts.

★ B. Closing Entries. After preparing the prescribed financial statements for the year ended September 30, the following closing entries shall be made.

★ 1. To close the revenue accounts.

Dr	5100	Revenue from Goods Sold
Dr	5200	Revenue from Services Provided
Dr	5310	Interest Revenue
Dr	5400	Benefit Program Revenue
Dr	5500	Insurance and Guarantee Premium Revenue
Dr	5600	Donated Revenue - Financial Resources
Dr	5610	Donated Revenue - Nonfinancial Resources
Dr	5700	Appropriations Used
Dr	5720	Financing Sources Transferred In Without Reimbursement
Dr	5780	Imputed Financing Sources
Dr	5800	Tax Revenues
Dr	5900	Other Revenue
Cr	3310	Cumulative Results of Operations

and

Dr	3310	Cumulative Results of Operations
Cr	5730	Financing Sources Transferred Out Without Reimbursement

★ 2. To close the expense, gains and losses accounts.

Dr	3310	Cumulative Results of Operations
Cr	6100	Operating Expenses/Program Costs
Cr	6310	Interest Expense on Borrowing from Treasury
Cr	6320	Interest Expense on Securities
Cr	6330	Other Interest Expenses
Cr	6500	Cost of Goods Sold

Cr 6710 Depreciation, Amortization and Depletion
Cr 6720 Bad Debt Expense
Cr 6730 Imputed Costs
Cr 6790 Other Expenses Not Requiring Budgetary Resources
Cr 6800 Future Funded Expenses
Cr 6900 Non Production Costs
Cr 7210 Losses on Disposition of Assets
Cr 7290 Other Losses
Cr 7500 Distribution of Income - Dividend

and

Dr 6190 Contra Bad Debt Expense - Incurred for Others
Dr 6199 Adjustment to Subsidy Expense
Dr 6600 Applied Overhead
Cr 3310 Cumulative Results of Operations

and

Dr 7110 Gains on Disposition of Assets
Dr 7190 Other Gains
Cr 3310 Cumulative Results of Operations

and (depending upon the ending balance)

Dr 3310 Cumulative Results of Operations
Cr 7300 Extraordinary Items
Cr 7400 Prior Period Adjustments
Cr 7600 Changes in Actuarial Liability

★ 150404. Reserved For FACTS Rounding Differences (Account 3320). Reserved for use by the Department of the Treasury. The DoD Components are not to use or post to this account.

★ACCOUNT NO. 3100	
UNEXPENDED APPROPRIATIONS	
DESCRIPTION: Amounts appropriated by Congress for the DoD that have not been expended.	
DEBIT	CREDIT
1. To record budgetary authority withdrawn or rescinded. Contra: 1010 2. To record the use of budgetary authority in operations when goods and services (including amounts capitalized) are received. Contra: 5700	1. To record allotments or appropriations realized. Contra: 1010
NORMAL BALANCE: CREDIT	
FIGURE 15-2	

★ACCOUNT NO. 3105	
APPROPRIATED CAPITAL FUNDING CANCELED PAYABLES	
DESCRIPTION: This account is used to record appropriated capital funding payment of accounts payable which had been canceled under requirements of Public Law 101-510.	
DEBIT	CREDIT
<p>1. To establish an accrued expenditure in current year funds for an accounts payable carried forward from a canceled appropriation to be paid from current year funds.</p> <p>Contra: 2110</p>	<p>1. To close the account at fiscal year end.</p> <p>Contra: 3100</p>
NORMAL BALANCE: DEBIT	
FIGURE 15-3	

★ACCOUNT NO. 3310	
CUMULATIVE RESULTS OF OPERATIONS	
DESCRIPTION: The net difference since the inception of the activity between (1) expenses and losses and (2) financing sources including appropriations, revenues, and gains.	
DEBIT	CREDIT
<p>1. To expense National Defense property, plant and equipment (PP&E) and record depreciation expense on general PP&E upon implementation of Office of Management and Budget “Statement of Federal Financial Accounting Standards No. 6.”</p> <p>Contra: 1750, 1719, 1739, 1749, 1759, 1819, 1829, 1839, 1849</p> <p>2. To close the funds transferred out revenue account at year end.</p> <p>Contra: 5730</p> <p>3. To close the expense, gains and losses accounts at year end.</p> <p>Contra: 6100, 6310, 6320, 6330, 6500, 6710, 6720, 6730, 6790, 6800, 6900, 7210, 7290, 7500</p> <p>4. To close extraordinary items, prior period adjustments, and changes in actuarial liabilities at year end.</p> <p>Contra: 7300, 7400, 7600</p>	<p>1. To close the revenue accounts at year end.</p> <p>Contra: 5100, 5200, 5310, 5400, 5500, 5600, 5610, 5700, 5720, 5780, 5800, 5900</p> <p>2. To close normal credit balance expense accounts at year end.</p> <p>Contra: 6190, 6199, 6600</p> <p>3. To close miscellaneous gain accounts at year end.</p> <p>Contra: 7110, 7190</p>
NORMAL BALANCE: CREDIT	
FIGURE 15-4	