

VOLUME 4, CHAPTER 16, APPENDIX A: “TABLE OF TRANSACTIONS”

A. GENERAL

The Government of the United States (U.S.) has a great many types of transactions that finance its cost of operations that must be classified in ways for revenue accounting. The types of transactions may be exchange transactions; nonexchange transactions; other financing sources; revaluations; or transactions not recognized as revenues, gains, or other financing sources. Transactions may be between a government reporting entity and the public or between two reporting entities within the government (i.e., an intragovernmental transaction).

1. Guidance for the classification of specific revenue transactions occurring is set forth in the Statement of Federal Financial Accounting Standards No. 7, “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting” [SFFAS No. 7](#). This appendix provides information concerning accounting standards that may be used for classifying transactions that finance the Department of Defense’s (DoD) cost of operations and a significant number of lesser transactions. Consult SFFAS No. 7, APPENDIX B when a transaction does not fall within any of the classifications included in this appendix. For the classifications included in this appendix, the number(s) appearing in parentheses following the classifications refer to the paragraph(s) of SFFAS No. 7.

2. Following the structure of SFFAS No. 7, APPENDIX B, the transactions in this appendix are divided into groups: nonexchange transactions; exchange transactions that produce revenue; other financing sources; gains and losses due to revaluation; and transactions that produce amounts not recognized as revenues, gains, or other financing sources.

3. Revenue from exchange transactions is subtracted from gross cost in determining the net cost of operations. (Gains and losses from exchange transactions also affect net cost) Revenue from nonexchange transactions is included in determining the net operating results and, hence, the change in net position. Other financing sources are included in determining net operating results and hence the change in net position. (SFFAS 7, Para. 240)

B. NONEXCHANGE TRANSACTIONS

1. Nonexchange Transactions. A nonexchange transaction arises when one party to a transaction receives value without directly giving or promising value in return. There is a one-way flow of resources or promises. Nonexchange revenue transactions do not require a Government entity to give value directly in exchange for the inflow of resources. The Government does not “earn” the nonexchange revenue.

2. Nonexchange Transactions With the Public. User Fees, Harbor Maintenance Trust Fund is an example of a tax that is termed a “user fee” by law while classified in the budget as a governmental receipt together with other taxes and duties. It is an ad valorem tax imposed on commercial cargo loaded and unloaded at specified U.S. ports open to public navigation. The receipt is earmarked to the Harbor Maintenance Trust Fund administered by the U.S. Army Corps of Engineers (USACE). It is similar in nature to other excise taxes that result from the

government's power to compel payment and that are dedicated to a trust fund or special fund to be spent for a designated purpose (for example, the gasoline excise tax, which is dedicated to the Highway Trust Fund). It, therefore, should be recognized as nonexchange revenue for the Harbor Maintenance Trust Fund by the USACE. (SFFAS 7, Para. 249)

3. Nonexchange Transactions-Intragovernmental. An example of this type of transaction is interest earned from Treasury securities held by trust funds and special funds. Paragraphs 306-310 of SFFAS No. 7, APPENDIX B deal with nonexchange revenue and paragraphs 311-313 contain nonexchange gains and losses.

C. EXCHANGE TRANSACTIONS

1. Exchange Transactions With The Public (Revenue)-Sales of Goods and Services. The cost of production for goods and services, such as electricity, mail delivery, and maps, is defrayed in whole or in part by revenue from selling the goods or services provided. The sales may be made by a revolving fund (such as the Defense Working Capital Fund (DWCF)) or a fund that is not a revolving fund (such as a Military Departments appropriated fund). Customers of the Department may include private parties and businesses when authorized by law, including foreign governments, state and local governments, and others not officially representing the Federal Government. Customer orders (requests for goods and services) must be accompanied by a cash advance unless otherwise specified by law. Each party receives and sacrifices something of value. The sale is, therefore, an exchange transaction, and the revenue is exchange revenue for the entity making the sale. (SFFAS 7, Para. 270)

2. Exchange Transactions With the Public (Gains and Losses)-Sales of Property, Plant, and Equipment (Where the Reporting Entity has Legal Authority to Retain the Proceeds From the Sale of the Asset). This transaction is an exchange transaction, because each party receives and sacrifices something of value. If the sales price equals book value, then there is no gain or loss, because a cash inflow equal to book value is the exchange of one asset for another of equal recorded value and, therefore, not a net inflow of resources. If the sales price is more or less than book value, a gain or loss, respectively, is recognized to the extent of the difference. The amount of the difference ordinarily is a gain or loss rather than a revenue or an expense, because sales of property, plant, and equipment (PP&E) ordinarily represent a nonrecurring inflow of resources. The entire sales price is a gain when the book value of the asset is zero. The book value is zero (a) when the asset is general PP&E that is fully depreciated or otherwise has been written-off or (b) when the asset is stewardship PP&E, for which the entire cost was expensed when the asset was purchased. (SFFAS 7, Para. 295-296)

3. Exchange Transactions-Intragovernmental Revenue

a. Intragovernmental Sales of Goods and Services by a Revolving Fund. The cost of providing goods or services by a revolving fund is defrayed in whole or in part by selling the goods or services provided. Performers (DoD activities providing goods and/or services at cost) include DWCF activities, revolving funds within the Military Department reporting entities, revolving funds within the "Other Defense Organizations" reporting entity, and the USACE. Customers of the Department include any DoD Component, organization, office or other element; non-DoD federal government agencies; and others officially representing the

Federal Government. Each party receives and sacrifices something of value. The proceeds are an exchange revenue. (SFFAS 7, Para. 314)

b. Intragovernmental Sales of Goods and Services by an Appropriated Fund or Trust Fund Activity (Other Than a Revolving Fund). The cost of providing goods or services is defrayed in whole or in part by selling the goods or services provided. Performers (DoD activities providing goods and/or services at cost) include the Military Departments, Defense Agencies, and the USACE. Customers of the Department include any DoD Component, organization, office or other element; non-DoD Federal Government Agencies; and others officially representing the Federal Government. Each party receives and sacrifices something of value. The proceeds are an exchange revenue. (SFFAS 7, Para. 315)

c. Employer Entity Contributions to Pension and Other Retirement Benefit Plans for Federal Employees. Employees of the Federal Government provide service to their employer in exchange for compensation, of which some is received currently (the salary); and some is deferred (pensions, retirement health benefits, and other retirement benefits). This is an exchange transaction, because each party sacrifices value and receives value in return. As part of this transaction, the government promises a pension and other retirement benefits (especially health benefits) to the employees after they retire. The financing of these benefits may include contributions paid by the employer entity to the retirement fund. In broad terms, the employer entity contribution is an inflow of resources to the retirement fund as part of this exchange transaction. More narrowly, it is a payment by the employer entity in exchange for the future provision of a pension or other retirement benefit to its employees. Therefore, it is an exchange revenue of the entity that administers the retirement plan and, thus, is an offset to that entity's gross cost in calculating its net cost of operations. Within the DoD, the reporting of this category of revenue applies specifically to the DoD Military Retirement Trust Fund. Any other DoD Component contemplating the use of this category of exchange revenue must first obtain approval from the Office of the Deputy Chief Financial Officer, DoD. (SFFAS 7, Para. 316-317)

d. Interest on Treasury Securities Held by Trust Revolving Funds. A trust revolving fund is a revolving fund that also is classified by law as a trust fund. Like other revolving funds, it earns exchange revenue, which is an offset to its gross cost. Trust revolving funds need capital in their operations, just like other revolving funds, the source of which predominantly is the revenue they have earned. When some of their capital is invested in Treasury securities, the interest is related to their cost of operations in the same way as the revenue earned from selling services. Furthermore, the source of the invested balances is predominantly revenue earned from the sales of services, for which they incurred costs of operations when the revenue was earned. The interest they receive should, therefore, be classified in the same way as the interest received by other revolving funds, which is exchange revenue. The source of balances for some trust revolving funds may not be predominantly exchange revenue. For such exceptions, the interest should be classified in the same way as the predominant source of balances rather than according to the normal rule. (SFFAS 7, Para. 324-325)

e. Interest on Treasury Securities Held by Trust Funds. A major source of revenue for many trust and special funds (such as the DoD Military Retirement Trust Fund, the

DoD Education Benefits Fund, the National Security Education Trust Fund, and the Voluntary Separation Incentive Fund) consists of exchange and other financing sources. When some of their capital is invested in Treasury securities, the interest is related to their cost of operations in the same way as the revenue earned from selling services. Furthermore, the source of the invested balances is predominantly revenue earned from the sales of services, for which they incurred costs when the revenue was earned. Classify the interest received in the same way as the interest received by other revolving funds, which is exchange revenue. (SFFAS 7, Para. 308)

f. Interest on Uninvested Funds Received by Direct Loan and Guaranteed Loan-Financing Accounts. A guaranteed loan financing account holds uninvested balances as reserves against its loan guarantee liabilities and earns interest on these balances that adds to its resources to pay these liabilities. A direct loan financing account may hold uninvested balances to bridge transactions that are integral to its operations, such as when it borrows from Treasury to disburse direct loans prior to the time of disbursement; it earns interest on these balances to reflect the time value of money and, thereby, finance the interest it pays on its debt to Treasury. Thus, in both cases, the interest received by the financing account is earned through exchange transactions with Treasury and is an offset to the financing accounts related costs of operations. The interest is, therefore, an exchange revenue of the financing account. Within the DoD, the reporting of this category of revenue applies specifically to the Family Housing Improvement Fund, Direct Loan Financing Account (97X4166); Family Housing Improvement Fund, Guaranteed Loan Financing Account (97X4167); Defense Export Loan Guarantee Financing Account (97X4168); and Army Initiative Guarantee Loan Financing Account (21X4275). Any other DoD Component contemplating the use of this category of exchange revenue must first obtain approval from the Office of the Deputy Chief Financial Officer, DoD. (SFFAS 7, Para. 326)

4. Exchange Transactions-Intragovernmental-Gains and Losses

Retirement of Debt Securities Prior to Maturity-Revolving Funds and Trust Revolving Funds. Treasury securities held by revolving funds, trust and trust revolving funds (e.g., Military Retirement Trust Fund) are primarily issued in the government account series, which can generally be redeemed on demand. Other Treasury securities held by these funds also may be callable or redeemable on demand. If these debt securities are retired before maturity, the difference, if any, between the reacquisition price and the net carrying value of the extinguished debt should be recognized as a gain or loss by the fund that owned the securities. The gain or loss should be accounted for as a nonexchange gain or loss if the interest on the associated debt securities is classified as a nonexchange revenue, and it should be accounted for as an exchange gain or loss if the interest on the associated debt securities is classified as an exchange revenue. Intragovernmental transactions that produce gains or losses should be classified as producing revenue or expense if they are usual and recurring for a particular reporting entity. (SFFAS 7, Para. 329)

D. OTHER FINANCING SOURCES-INTRAGOVERNMENTAL

1. Cost Subsidies: Difference Between Internal Sales Price (Reimbursement) and Full Cost. One entity may receive goods or services from another entity without paying the full

cost of the goods or services or without paying any cost at all. In these cases, the difference between full cost and the internal sales price or reimbursement (sometimes called a “transfer price”) is an imputed cost to the receiving entity. In addition, the financing of the imputed cost also is imputed to the receiving entity. Imputed financing is necessary so that the imputed cost does not reduce the entity’s operating results and net position. The imputed financing equals the imputed cost and is recognized as an other financing source. It is not revenue, because the receiving entity does not earn the amount imputed or demand its payment. Within the Department of Defense, examples include military personnel costs not reimbursed by Defense Agencies to the military personnel appropriations and environmental cleanup costs not reimbursed to the entity administering the fund when the administering fund is outside the DoD reporting entity. (SFFAS 7, Para. 333-334)

2. Transfer of General PP&E and Stewardship Assets Without Reimbursement. General PP&E and Stewardship Assets (National Defense PP&E, Heritage Assets, and Stewardship Land) may be transferred from one government entity to another. (SFFAS 7, Para. 358)

a. If the asset that is transferred was classified as general PP&E for the transferring entity and general PP&E for the recipient entity, it is recognized as a transfer-out (a negative other financing source) of capitalized assets by the transferring entity and as a transfer-in (another financing source) of capitalized assets by the recipient entity.

b. If the asset that is transferred was classified as general PP&E for the transferring entity but stewardship PP&E for the recipient entity, it is recognized as a transfer-out (a negative other financing source) of capitalized assets by the transferring entity. No amount is recognized by the entity that receives the asset. (SFFAS 7, Para. 346)

c. If the asset that is transferred was classified as stewardship PP&E for the transferring entity but general PP&E for the recipient entity, it is recognized as a transfer-in (another financing source) of capitalized assets by the recipient entity. No amount is recognized by the transferring entity.

d. If the asset was classified as a stewardship asset in its entirety by both the transferring entity and the recipient entity, the transfer does not affect the net cost of operations or net position of either entity. In such a case, it is not revenue, a gain or loss, or other financing source. (SFFAS 7, Para. 345)

E. REVALUATIONS

Refer to SFFAS No. 7, APPENDIX B for these classifications.

F. TRANSACTIONS NOT RECOGNIZED AS REVENUES, GAINS, OR OTHER FINANCING SOURCES

1. Disposition of Revenue to Other Entities-Custodial Transfers. Revenue, primarily nonexchange revenue, may be collected by an entity acting on behalf of the General Fund or another entity within the government on whose behalf it was collected. The collecting entity

accounts for the disposition of these by debiting a “nonentity” liability account and crediting its “nonentity” Fund Balance With Treasury account. These custodial transfers, by definition, do not affect the collecting entity’s net cost of operations or operating results, nor are they part of the reconciliation between its obligations and net cost of operations. The receiving entity recognizes the revenue as nonexchange or exchange revenue, depending on its nature, according to the applicable revenue standards. (SFFAS 7, Para. 353)

2. Sales of Different Types of Government Assets. The sale of government assets (other than forfeited property) is an exchange transaction, because each party receives and sacrifices something of value. As a general rule, any difference between the sales proceeds and book value is recognized as a gain or loss when the asset is sold. The remainder of the transaction does not provide a net inflow of resources, so no gain, revenue, or other financing source is recognized. If the sales proceeds equal book value, there is no gain or loss, because the exchange of one asset for another of equal recorded value is not a net inflow of resources. This general rule applies to PP&E, receivables (other than direct loans), foreclosed property associated with pre-1992 direct loans and loan guarantees, and miscellaneous assets. It does not apply to inventory, nor does it apply to forfeited property. It also does not apply to the sale of direct loans and the sale of foreclosed property associated with post-1991 direct loans and loan guarantees. (SFFAS 7, Para. 354-355)

3. Repayment of Post-1991 Direct Loans. The present value of estimated loan repayments is included in the calculation of the subsidy cost of direct loans, and this subsidy cost is recognized as an expense when the loans are disbursed. The present value of estimated loan repayments is likewise included in the value of the loans receivable. When cash is received for the repayment of loans, decrease the loans receivable by an equal amount. The increase in one asset is offset by an equal decrease in another asset. Therefore, cash inflow from the repayment is not recognized as a revenue, a gain, or another financing source. If the actual repayment is different from the previous estimate, the present value of the difference between cash inflows and outflows over the term of the loan--calculated as of the date of disbursement--is reestimated and is recognized as a subsidy expense or a reduction in subsidy expense. (SFFAS 7, Para. 365)

4. Repayment of Pre-1992 Direct Loans. When pre-1992 direct loans are repaid in whole or in part, the entity exchanges one asset (loans receivable) for another (cash) with equal value. There is no net inflow of resources. Therefore, the amount of cash inflow equal to book value is not recognized as a revenue, a gain, or another financing source. If the loan is not repaid, the unpaid amount is recognized as an adjustment to the bad debt allowance and does not affect revenue, gains, or other financing sources. (SFFAS 7, Para. 366)

5. Repayment of Receivables-Except Direct Loans. When receivables other than direct loans are paid or repaid in whole or in part, the entity exchanges one asset (loans receivable) for another (cash) with equal value. There is no net inflow of resources. Therefore, the amount of cash inflow equal to book value is not recognized as a revenue, a gain, or another financing source. If the receivable is not repaid, the unpaid amount is recognized as an adjustment to the bad debt allowance and does not affect revenue, gains, or other financing sources. (SFFAS 7, Para. 367)

6. Sales of Direct Loans. The sale of a direct loan is a modification according to the Federal Credit Reform Act of 1990 regardless of whether the loan being sold was obligated after FY 1991 or before FY 1992. The book value loss (or gain) on a sale of direct loans equals the book value of the loans sold (prior to sale) minus the net proceeds of the sale. It normally differs from the cost of modification, which is recognized as an expense. This difference is due to the different interest rates used to discount future cash flows for calculating the subsidy cost (and subsidy allowance) when the loan is disbursed and for calculating the cost of modification at a later time. If the sale is with recourse, the present value of the estimated loss from the recourse is also recognized as an expense. Any difference between the book value loss (or gain) and the cost of modification is recognized as a gain or loss. The amount of cash inflow equal to book value is not a net inflow of resources to the entity, because it is an exchange of one asset for another of equal recorded value. Therefore, the amount of cash inflow equal to book value is not recognized as a revenue, a gain, or another financing source. (SFFAS 7, Para. 368)