

CHAPTER 18

REVENUES1801 GENERAL

180101 Purpose. This chapter sets forth the accounting policy to be used to account for revenues.

180102 Overview. For the purposes of this chapter, revenues are defined as gross income resulting from the sale of goods and services, interest and penalties, and trust fund receipts. For those activities authorized to generate income as a normal part of their activities (e.g., Defense Business Operations Fund), revenue is the income resulting from completing customer orders. For general appropriation-financed activities, revenues are the use, through expense recognition of appropriations used as well as the collections earned for goods and services provided under reimbursable orders. For all activities, income includes interest and dividends earned that are credited to the account financing current operations.

1802 ACCOUNTING POLICY FOR REVENUES

180201 Revenues shall be recognized when they become realizable with reasonable practical certainty; that is, when the customers accounting entity acknowledges a claim against its resources, or the performing accounting entity has an enforceable claim.

180202 Revenues shall be recorded in the financial records, collected promptly, and deposited in the appropriate Treasury account. Amounts received in advance of performance, however, shall be accounted for as unearned revenues until performance is accomplished in accordance with Chapter 14 of this Volume.

180203 Revenues shall be classified according to the type of revenues earned.

180204 Revenues from Foreign Military Sales (FMS) transactions shall be handled in

accordance with FMS accounting procedures in Volume 15 of this Regulation.

180205 When revenues are generated by providing goods and services, the cost of the goods and services provided shall be recorded as a cost of goods sold. Use of the cost of goods sold account is discussed in Chapter 18 of this Volume.

180206 When appropriated funds furnish goods and services on a reimbursable basis and the amounts collected are returned to miscellaneous receipts accounts (unless specific legal authority exists to retain such collections), the collections shall be treated as a transfer out to other Government Agencies. The expenses incurred in providing the good or service shall be recorded in the appropriate expense accounts and shall not be reduced even though the collection is deposited to miscellaneous receipts.

1803 ACCOUNTING FOR REVENUES

180301 This section contains the procedures for recording revenues realized by DoD Components.

180302 The use of the revenue series of accounts depends upon the type of business activity, i.e., appropriated fund, business operations fund, or trust fund. Accordingly, the use of the accounts is discussed in the following paragraphs based upon this distinction. Closing entries are not illustrated. They are discussed in Chapter 15 of this Volume.

180303 Addendum 1 to this chapter illustrates the applicability of the revenue accounts to the activity groupings discussed in Chapter 15 of this Volume.

180304 The following account is common to all three of the above activities.

A. Revenue (Account 5000)

1. "Revenue" represents the amount of offsetting collections resulting from services performed and goods and tangible property delivered to customers.

2. This account is a summary account used for financial reporting and control purposes. No transactions are posted to this account

180305 The following accounts are not authorized to be used by DoD Components.

A. Insurance and Guarantee Premiums Revenue (Account 5500)

1. "Insurance and Guarantee Premiums Revenue" is used to record revenue earned by DoD Components that administer insurance plans, and guarantee programs.

2. The Department of Defense does not operate insurance and guarantee programs. Accordingly, use of this account is not authorized without the approval of the Office of the Deputy Under Secretary of Defense (Comptroller Financial Management)/Deputy Chief Financial Officer.

B. General Fund Sales of Property (Account 5911)

1. "General Fund Sales of Property" is used to record the amount of receivables from the sale of property for credit to Treasury general fund receipt accounts.

2. DoD Components are not normally engaged in the sale of property to the public. As such, any amounts realized from the sale of DoD fixed assets represent the recovery of prior investment in the fixed asset and not income. Guidance pertaining to the disposition of DoD-owned assets is contained in Chapter 7 of this Volume.

C. Miscellaneous General Fund Income (Account 5912)

1. "Miscellaneous General Fund Income" is used to record the amount of

miscellaneous receivables for credit to Treasury general fund receipt accounts.

2. DoD Components are not normally engaged in selling assets to the public. Therefore, Components shall not use this account without specific approval from the Office of the Deputy Under Secretary of Defense (Comptroller Financial Management)/Deputy Chief Financial Officer.

180306 The following accounts relate to DoD business operations fund activities:

A. Revenue from Goods Sold (Account 5100)

1. "Revenue from Goods Sold" is used to record the value of completed projects, completed work, the selling price of inventory, and percentage of physical completion that have been billed to DoD Components.

2. The following are types of projects and work that are applicable to the "Revenue from Goods Sold" category. (Subsidiary accounts need not be established for the types designated below. These are simply a description of applicable projects and work that should be recorded to this account):

a. Manufacture and Assembly. Includes furnishing customers with new end-items and components, manufacture of prototypes or items furnished to the customer for test. Includes assembly and test of missile and missile components, load, assembly and pack of ammunition and unit and set assembly.

b. Construction and Conversion of property and equipment.

c. Alteration and Modification of property and equipment.

d. Production of items for service testing or engineer-user testing.

e. Inventory

3. Table 18-1 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 5100 -
REVENUE FOR GOODS SOLD**

- a. Dr 1311 Accounts Receivable-Government-Current
 Dr 6500 Cost of Good Sold
 Cr 5100 Revenue from Goods Sold
 Cr 1581 Work-In-Process-In-House
 or
 Cr 1521 Inventory Held for Sale

To record delivery of completed projects or supplies sold to and activity.

TABLE 18-1

4. Sources for entries to this account include journal vouchers and SF 1080s.

B. Revenue from Services Provided
(Account 5200)

1. "Revenue from Services Provided" is used to record revenue earned by business operations activities from the sale of services including sale of power, transportation, etc.

2. The following are types of projects and work that are applicable to the "Revenue from Services Provided" category. (Subsidiary accounts need not be established for the types designated below. These are simply a description of applicable projects and work that should be recorded to this account):

a. **Research and Development.** Includes the conduct and support of research and development, including basic research, theoretical studies, scientific experiments, applied research, feasibility studies, system engineering, design studies, weapon systems analysis and operations research, in connection with procurement, production and modification) and fabrication of experimental models and prototypes.

b. **Transportation Services.** Includes traffic management and transportation (air, land, and sea) services. Also includes operation of ports, port facilities and related sub-

installations, including holding and reconsignment points engaged in cargo and passenger transshipment activities. Also includes the operation of docks, piers, terminals or similar facilities, and wharfage, ferrying, lighterage and stevedoring.

c. **Communication and Information Services.** Includes communication services and data processing services rendered.

d. **Financial Operations.** Includes provision of finance and accounting procedures, systems and operations by the Defense Finance and Accounting Service.

e. **Technical Information.** Includes central collection and dissemination for DoD technology base information. Includes provision of access to , and transfer of, scientific and technical information. Also includes provision for solutions to technological problems of the Military Departments.

f. **Printing Services.** Includes revenues of activities whose primary mission is printing and reproduction services as well as printing performed by other activities for tenants, satellites or other off-post activities.

g. **Supply Management.** Includes operation of supply management offices and procurement operations.

h. Distribution Depots. Includes operation of supply depots and receipt, reclamation, storage, and issue of ammunition, aircraft, and other equipment.

i. Contract Management. Includes expediting the products and services delivered by industry and assuring that the specifications of the contract are met. Also includes surveillance of contractor operations to assure compliance with contractual requirements and determining the effectiveness of contractor quality control systems and inspection procedures, and officially accepting material on behalf of the Government after certifying its conformance to contract provisions. Also such as representation and participation in meetings and informal program/contract reviews.

j. Base Support. Includes facilities maintenance, family housing services, laundry and dry cleaning services, other housekeeping services, and administrative functions, provided to tenants and others. Also includes provision of utility services (steam, electricity, water, sewage disposal, and gas).

k. Engineering Services. Includes providing technical and engineering assistance in matters relating to various weapon systems and industrial plant equipment and associate system when they do not relate to research and development projects. Also includes repair service and quality evaluation; that is inspecting, calibrating, testing, evaluating, trimming and re-engineering of items.

l. Support of Reserve (Under and Unutilized) Capacity. Includes maintenance of unutilized capacity and support of underutilized capacity.

m. Commissary Services. Includes operation of Defense commissaries. Also includes providing troop issue subsistence and programming of the replacement of War Reserve Material rotation rations.

n. Reutilization and Marketing Services. Includes the reuse of excess and surplus property within the government and

other authorized agencies, donation to local governments, the sale of the remaining property to the public on a competitive basis, and other disposition of excess and surplus property.

o. Other Services. Includes services not otherwise classified.

3. Table 18-2 illustrates the most common entries used for this account.

4. Sources for entries to this account include journal vouchers and SF 1080s.

180307 The following revenue accounts relate to DoD trust fund activities:

A. Interest and Penalties Revenue (Account 5300)

1. "Interest and Penalties Revenue" is used to record revenue earned on investments, delinquencies, and loans.

2. Table 18-3 illustrates the most common entries used for this account.

3. Sources of entries to this account include cash collection vouchers and journal vouchers supported by worksheets showing the net effect of unamortized premium and discount on interest income.

B. Benefit Program Revenue (Account 5400)

1. "Benefit Program Revenue" is used to record revenue earned by DoD activities that administer retirement and education benefit plans, insurance plans, and other annuity programs. Included as revenue are contributions received by administrators from contributing DoD Components.

2. Table 18-4 illustrates the most common entries used for this account.

3. Sources of entries to this account include SF 1081s from the Treasury Department and records from plan/program administrators.

**ACCOUNTING ENTRIES FOR ACCOUNT 5200 -
REVENUE FROM SERVICES PROVIDED**

- a. Dr 1311 Accounts Receivable-Government-Current
Dr 6100 Operating/Program Expense Series
Dr 6500 Cost of Goods Sold
 Cr 1581 Work-In-Process-In-House
 Cr 5200 Revenue from Services Provided

To record sale of services.

TABLE 18-2**ACCOUNTING ENTRIES FOR ACCOUNT 5300 -
INTEREST AND PENALTIES REVENUE**

- a. Dr 1011 Funds Collected
Dr 1311 Accounts Receivable-Government-Current
 Cr 5300 Interest and Penalties Revenue
 Cr 1611 Securities-Unamortized Premium or Discount

To record interest earned on securities held at a premium.

- b. Dr 1011 Funds Collected
 Cr 1610 Securities (at par)
 Cr 1611 Securities-Unamortized Premium or Discount
 Cr 5300 Interest and Penalties Revenue
 Cr 7192 Investment Gains

To record a gain on the sale of securities at held at a premium.

TABLE 18-3**ACCOUNTING ENTRIES FOR ACCOUNT 5400 -
BENEFIT PROGRAM REVENUE**

- a. Dr 1011 Funds Collected
 Cr 5400 Benefit Program Revenue

To record contributions to retirement fund.

TABLE 18-4

C. Donated Revenue (Account 5600)

1. "Donated Revenue" is used to record revenue earned by trust funds from authorized acceptance of cash or "in kind" payments from non-federal sources and other authorized donations.

2. Amounts recorded in this account represent income accruing to the trust funds from investments and services provided to others under the terms governing the use of the trust fund corpus. Amounts collected that represent increases in the corpus of the fund are not revenues.

3. Table 18-5 illustrates the most common entries used for this account.

4. Sources of entries to this account include cash collection vouchers.

180308 The following accounts relate to appropriated funds:

A. Appropriated Capital Used (Account 5700)

1. "Appropriated Capital Used" is used to record accrued expenses (versus outlays) of appropriated funds. The purpose of the account is to match current period expenses against the use of appropriated funds used to finance those expenses.

2. The amounts to be recorded in this account shall be equal to the amount of operating and program expenses recorded in the 6100 series of accounts but shall not include any expenses applicable to other revenue accounts.

3. Table 18-6 illustrates the most common entries used for this account.

B. Other Revenue (Account 5900)

1. "Other Revenue" is used to record revenue earned from miscellaneous sources not specifically provided for in other revenue accounts.

2. This account is a summary account used for financial reporting purposes. As such, no transactions are posted to this account.

C. Miscellaneous Reimbursements (Account 5910)

1. "Miscellaneous Reimbursements" is used to record the amount of revenue earned from miscellaneous sources not specifically provided for in other revenue accounts as reimbursable to DoD appropriations.

2. The costs to be recovered as a reimbursement shall be accumulated in a work in process account in accordance with guidance contained in Chapter 4 of this Volume. The determination of the costs to be recovered shall be in accordance with the guidance contained in Volume 11 of this Regulation.

3. Table 18-7 illustrates the use of this account together with the transfer of work in process to the cost of goods sold account.

4. Sources for entries to this account include journal vouchers and SF 1080s.

D. Contra Revenue-Collected for Others (Account 5990)

1. "Contra Revenue-Collected for Others," is used in conjunction with revenue accrued when amounts collected must be deposited to Treasury. It is used to establish a corresponding liability to Treasury and is reported as a deduction from revenue on the reporting entity's operating statement.

2. The treatment of collections by appropriated funds depends on whether the collections are to be credited to the funding appropriation or whether they are to be returned to a miscellaneous receipts account in the Treasury.

3. When the amount is to be credited to the appropriation account, the transaction is treated as a reimbursable transaction as illustrated in Table 18-7.

4. When the amount received for reimbursable work is to be deposited to a miscellaneous receipts account rather than to a DoD appropriation, the transaction shall first be

recorded as a normal revenue transaction and second as a contra-revenue (i.e., negative revenue) with a corresponding liability to Treasury. Table 18-8 illustrates this process.

**ACCOUNTING ENTRIES FOR ACCOUNT 5600 -
DONATED REVENUE**

- a. Dr 1011 Funds Collected
Cr 5600 Donated Revenue

To record a cash donation.

TABLE 18-5

**ACCOUNTING ENTRIES FOR ACCOUNT 5700 -
APPROPRIATED CAPITAL USED**

- a. Dr 3100 Appropriated Capital
Cr 5700 Appropriated Capital Used

To record appropriated funds used to finance accrued expenses.
(The amount recorded shall be equal exactly to the expenses recorded
against the financing appropriation)

TABLE 18-6

**ACCOUNTING ENTRIES FOR
MISCELLANEOUS REIMBURSEMENTS**

- a. Dr 1311 Accounts Receivable-Government-Current
Dr 6500 Cost of Goods Sold
Cr 5910 Miscellaneous Reimbursements
Cr 1581 Work in Process-In-House

To record miscellaneous reimbursements earned.

- b. Dr 1011 Funds Collected
Cr 1311 Accounts Receivable-Government-Current

To record collection of reimbursement earned.

TABLE 18-7

**ACCOUNTING ENTRIES FOR
CONTRA REVENUE - COLLECTED FOR OTHERS**

- a. Dr 1311 Accounts Receivable-Government-Current
Dr 6500 Cost of Goods Sold
 Cr 5910 Miscellaneous Reimbursements
 Cr 1581 Work in Process-In-House

To record miscellaneous reimbursements earned (This entry is the standard entry made regardless of whether the collection is to be retained within the financing appropriation or deposited with Treasury as miscellaneous receipts.)

- b. Dr 5990 Contra Revenue-Collected for Others
 Cr 2190 Other Liabilities

To record the amount of revenues earned that, when collected, will not be retained for use by a DoD appropriation but shall, instead, be deposited with Treasury as miscellaneous receipts.

- c. Dr 2190 Other Liabilities
 Cr 1011 Funds Collected

To record the amount of funds collected that were deposited with Treasury as miscellaneous receipts.

- d. Dr 5910 Miscellaneous Reimbursements
 Cr 5990 Contra Revenue-Collected for Others

To close account 5990 at fiscal year end.

TABLE 18-8

ACCOUNT NO. 5000	
REVENUE	
DESCRIPTION: Represents the amount of offsetting collections resulting from: (a) service performed, (b) goods and tangible property delivered to purchasers, (c) interest and penalties, and (d) trust fund receipts.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 18-1	

ACCOUNT NO. 5100	
REVENUE FROM GOODS SOLD	
DESCRIPTION: Represents the value of inventory and completed projects for which revenue is billed to customers.	
DEBIT	CREDIT
	<p>1. Delivery of completed projects or sale of supplies.</p> <p>Contra: 1311 and 6500</p>
NORMAL BALANCE: CREDIT	
FIGURE 18-2	

ACCOUNT NO. 5200	
REVENUE FROM SERVICES PROVIDED	
DESCRIPTION: Represents revenue earned from the sale of services provided, including sale of power, transportation, etc.	
DEBIT	CREDIT
	1. Sale of services Contra: 1311 and 6500
NORMAL BALANCE: CREDIT	
FIGURE 18-3	

ACCOUNT NO. 5300	
INTEREST AND PENALTIES REVENUE	
DESCRIPTION: Represents the revenue earned on investments, delinquencies, and loans.	
DEBIT	CREDIT
	<p>1. Record accrual of interest income and amortization of discounts on federal securities or other investments and sale of securities at a gain.</p> <p>Contra: 1011, 1311 and 7192</p>
NORMAL BALANCE: CREDIT	
FIGURE 18-4	

ACCOUNT NO. 5400	
BENEFIT PROGRAM REVENUE	
DESCRIPTION: Represents revenue received by DoD Components that administer retirement plans, education benefit plans, insurance plans, and other annuity programs.	
DEBIT	CREDIT
	1. Record contribution to Benefit Program.
NORMAL BALANCE: CREDIT	
FIGURE 18-5	

ACCOUNT NO. 5500	
INSURANCE AND GUARANTEE PREMIUM REVENUE	
DESCRIPTION: Revenue earned by DoD Components that administer insurance plans and guarantee programs.	
DEBIT	CREDIT
<p>Do not use this account without prior approval from the Office of the Deputy Under Secretary of Defense (Comptroller/Financial Management)/ Deputy Chief Financial Officer</p>	
NORMAL BALANCE: CREDIT	
FIGURE 18-6	

ACCOUNT NO. 5600	
DONATED REVENUE	
<p>DESCRIPTION: Revenue to donation trust funds from authorized acceptance from non-federal sources of payments in cash or kind to cover travel and/or subsistence expenses of employees and other authorized donations.</p>	
DEBIT	CREDIT
	<p>1. Record income received. Contra: 1011</p>
<p>NORMAL BALANCE: CREDIT</p>	
FIGURE 18-7	

ACCOUNT NO. 5700	
APPROPRIATED CAPITAL USED	
<p>DESCRIPTION: This account is a financing source to be matched against current period expenses funded by appropriations. This includes expenses funded by prior years appropriations such as (1) depreciation of fixed assets and consumption of inventory related to prior year purchases of fixed assets and inventory, (2) accrued and actual losses on inventory writedowns, and (3) bad debt expense related to capitalized long term loans receivable and related interest.</p>	
DEBIT	CREDIT
<p>1. Closing entry Contra: 3210</p>	<p>1. Record use of appropriated capital. Contra: 3100</p>
<p>NORMAL BALANCE: CREDIT</p>	
<p>FIGURE 18-8</p>	

ACCOUNT NO. 5900	
OTHER REVENUE	
DESCRIPTION: Represents amounts of revenue earned by DoD Components from miscellaneous sources not specifically provided for in other revenue accounts.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 18-9	

ACCOUNT NO. 5910	
MISCELLANEOUS REIMBURSEMENTS	
DESCRIPTION: Represents the amount of revenue earned by DoD Components from miscellaneous sources not specifically provided for in other revenue accounts and reimbursable to DoD appropriations or funds.	
DEBIT	CREDIT
	1. Miscellaneous reimbursements earned. Contra: 1011 and 6500
NORMAL BALANCE: CREDIT	
FIGURE 18-10	

ADDENDUM								
APPLICATION OF REVENUE ACCOUNTS BY FUNDS								
ACCOUNT	TITLE	APPRO. FUNDS	BUSINESS OPERATION FUND	SPECIAL DEF ACQ FUND	FOREIGN MIL. TRUST FUND	RET. TRUST FUND	MIL. EDU. TRUST FUND	MIL. OTHER TRUST FUND
5000	Revenue	X	X	X	X	X	X	X
5100	Revenue from Goods Sold	X	X	X	X			X
5200	Revenue from Services Provided	X	X					X
5300	Interest and Penalties Revenue	X				X	X	X
5400	Benefit Program Revenue					X	X	
5500	Insurance and Guarantee Premiums Revenue	N/A						
5600	Donated Revenue							X
5700	Appropriated Capital Used	X						
5900	Other Revenue	X						
5910	Miscellaneous Reimbursements	X						
5990	Contra Revenue-Collected from Others	X						