

CHAPTER 60

EQUITY

A. EQUITY

General information relating to equity may be found in Chapter 16, "Equity," of Volume 4 of this regulation. The equity accounts authorized for use by the Defense Working Capital Fund (DWCF) are listed below. A description of each account and illustrative accounting entries are contained in paragraph B. of this chapter. The DWCF equity accounts are:

3211 Capital Investment - DWCF

3211.1 Appropriations Available

3211.2 Assets Capitalized

3211.3 Liabilities Assumed

3220 Transfers In from Others Without Reimbursement

3230 Transfers Out to Others Without Reimbursement

3231 Transfers Out to Government Agencies
Without Reimbursement

3232 Transfers Out to All Others Without
Reimbursement

3310 Cumulative Results of Operations

3311.1 Cumulative Results of Operations - DWCF

3311.2 Cumulative Results of Operations - DWCF - Deferred

3320 Net Results of Operations

3321 Net Results of Operations - DWCF

B. EQUITY ACCOUNT DESCRIPTION AND ILLUSTRATION

1. Account 3211, Capital Investment - DWCF. Accounts subsidiary to the summary account 3211, "Capital Investment - DWCF," have been established to meet the financial reporting requirements of the DWCF. The necessary subsidiary accounts are shown below:

a. Account 3211.1, Appropriations Available. Account 3211.1, "Appropriations Available," shall be used to record amounts appropriated or reappropriated to establish or increase the working capital of the DWCF. Increases occur upon appropriation or reappropriation. Decreases occur primarily when the appropriation is used. Decreases also occur when previously appropriated and/or reappropriated amounts are returned to the U.S. Treasury or to another appropriation or fund. Chapter 52, "Budgetary Resources," of this Part contains additional information on the use of this account. Sources of entries to the "Appropriations Available" account include TFS Form 6200, "Department of the Treasury Appropriation Warrant," and SF-1151, "Nonexpenditure Transfer Authorizations." The following illustrate the most common entries to this credit-balance account:

Dr 1013 Funds With Treasury
Cr 3211.1 Appropriations Available

To record the receipt of capital appropriated for the Defense Business Operations Fund.

Dr 3211.1 Appropriations Available
Cr 5700 Appropriated Capital Used

To record the use of an appropriation.

NOTE: Account 5700, "Appropriated Capital Used," is an account established to disclose an appropriated financing source. The above entry serves to reduce the appropriated balance. More information on account 5700 and associated expense entries is contained in Chapter 53 of this part. At fiscal year end, Account 5700 is closed to account 3321, "Net Results of Operations - DWCF."

Dr 3211.1 Appropriations Available
Cr 1013 Funds With Treasury

To record the return to Treasury of capital appropriated for the DWCF.

b. Account 3211.2, Assets Capitalized. Account 3211.2, "Assets Capitalized," shall be used to (1) record, as an increase, the net book value of assets such as operating materials and supplies, work in process at contractor plants, work in process at other Government plants, and contributed assets that were initially recorded to account 3220, "Transfers-In From Others Without Reimbursement," and (2) record decreases due to the transfer out, donation, or other disposal of contributed capital assets that were initially recorded to account 3231, "Transfers-Out To Other Government Agencies Without Reimbursement," and 3232, "Transfers-Out To All Others Without Reimbursement." Transfers-in and transfers-out are initially recorded to, as applicable, to account 3220, "Transfers-In from Others Without Reimbursement," account 3231 "Transfers-Out to Government Agencies Without Reimbursement," and account 3232 "Transfers-Out to all Others Without Reimbursement." Additionally, account 3211.2 shall be reduced (debited) monthly, at a minimum, by the amount of depreciation expense recorded that month on donated and other assets financed by other than DWCF resources. The offsetting (credit) entry shall be to a financing source account 5790, Invested Capital Used." Those accounts are closed, at the end of a fiscal year, to "Assets Capitalized." Sources of entries to the "Assets Capitalized" account are property records and journal vouchers. The following illustrate the most common entries to this credit-balance account:

Dr 3220 Transfers-In From Others Without Reimbursement
Cr 3211.2 Assets Capitalized

To close the value of assets transferred-in without reimbursement during the fiscal year.

Dr 3211.2 Assets Capitalized
Cr 3231 Transfers-Out To Other Government Agencies Without Reimbursement
Cr 3232 Transfers-Out To All Others Without Reimbursement

To close the value of assets transferred out without reimbursement during the fiscal year.

Dr 3211.2 Assets Capitalized
Cr 5790 Invested Capital Used

To record, as a financing source, the monthly benefit received from the use of non-DWCF assets. The benefit received shall be equal to the depreciation expense recorded for those assets during the same period.

c. Account 3211.3, Liabilities Assumed. Account 3211.3, "Liabilities Assumed," shall be used to (1) record the sum of the amounts assumed without accompanying payment for accrued annual leave and other liabilities transferred-in, and (2) record holdbacks on progress billings from contractors at the time of initial capitalization (if payment in the form of cash or other assets was not received in sufficient amount to cover the liability). Sources of entries to the "Liabilities Assumed" account are journal vouchers. The following illustrates common entries to this debit-balance account:

Dr 3211.3 Liabilities Assumed
Cr 2130 Contract Holdbacks

To record the amount of holdbacks on progress billings from contractors transferred in without accompanying payment upon reorganization of an appropriated fund activity to a DWCF activity.

Dr 3211.3 Liabilities Assumed
Cr 2221 Accrued Annual Leave - Civilian (Unfunded)

To record the amount of unfunded annual leave transferred in without accompanying payment upon reorganization of an appropriated fund activity to a DWCF activity.

2. Account 3311.1, Cumulative Results of Operations - DWCF. Account 3311.1, "Cumulative Results of Operations - DWCF," is authorized for use by DWCF activities. Account 3311.1, "Cumulative Results of Operations - DWCF," shall be used primarily to accumulate the net difference between expenses and financing sources since inception through the annual closing of the balance in account 3321, "Net Results of Operations - DWCF," and account 7400, "Prior Period Adjustments." The following illustrates common entries to this debit/credit-balance account:

Dr 3321 Net Results of Operations - DWCF
Cr 3311.1 Cumulative Results of Operations - DWCF

Entry to record, at fiscal year end, a net gain from operations.

Dr 3311.1 Cumulative Results of Operations - DWCF
Cr 3321 Net Results of Operations - DWCF

Entry to record, at fiscal year end, a net loss from operations.

Dr 7400 Prior Period Adjustments
Cr 3311.1 Cumulative Results of Operations - DWCF

Entry to record, at fiscal year end, prior period adjustments that result in a net increase to equity.

Dr 3311.1 Cumulative Results of Operations - DWCF
Cr 7400 Prior Period Adjustments

Entry to record, at fiscal year end, prior period adjustments that result in a net decrease to equity.

NOTE: Account 7400, "Prior Period Adjustments" is not closed to "Net Results of Operations." Rather, it is closed directly to account 3311, "Cumulative Results of Operations - DWCF," at the end of each fiscal year. Account 7400, "Prior Period Adjustments," is used ONLY to correct errors of entries that were made, or not made, in prior years to accounts, such as revenue, expense, gain, and loss accounts, that were closed to and thereby affected equity.

3. Account 3311.2, Cumulative Results of Operations - DWCF - Deferred. Account 3311.2, "Cumulative Results of Operations - DWCF - Deferred," is authorized for use by DWCF activities. Account 3311.2, "Cumulative Results of Operations - DWCF - Deferred," shall be used to disclose any portion of accumulated operating results that has been deferred for recovery from, or return to, customers in the subsequent fiscal year stabilized rate or standard price development. Entries to this account:

a. Shall not be made unless authorized by the next higher command.

Documentation to demonstrate higher level authorization shall be retained for, and made available for audit.

b. Shall be traceable to specific direction received from the Office of the Under Secretary of Defense (Comptroller) to defer recovery or return of accumulated operating results.

c. Shall agree with amounts reported on Part V, "Recoverable Operating Results," of the DWCF Monthly AR 1307 Statement of Operations

The following illustrates common entries to this debit/credit-balance account:

Dr 3311.2 Cumulative Results of Operations - DWCF - Deferred
Cr 3311.1 Cumulative Results of Operations - DWCF

Entry to record a deferral of a negative accumulated operating results. (This entry must be supported by a specific authorization from the next higher command.)

Dr 3311.1 Cumulative Results of Operations - DWCF
Cr 3311.2 Cumulative Results of Operations - DWCF -
Deferred

Entry to record a deferral of a positive accumulated operating results. (This entry must be supported by a specific authorization from the next higher command.)

4. Account 3321, Net Results of Operations - DWCF. Account 3321, "Net Results of Operations - DWCF," is authorized for use by DWCF activities. Account 3321, "Net Results of Operations - DWCF," shall be used to accumulate the net difference between expenses and financing sources during a fiscal year. Account 3321 is closed to account 3311, "Cumulative Results of Operations - DWCF," at the end of each fiscal year. The following illustrates common entries to this debit/credit-balance account:

Dr 5101 Revenue From Goods Sold - DWCF
Dr 5201 Revenue From Services Provided - DWCF
Cr 3321 Net Results of Operations - DWCF

Entry to close the revenue accounts at the end of the fiscal year.

Dr 7110 Gains on Disposition of Assets
Dr 7190 (Series) Other Gains
Dr 7300 Extraordinary Items (Gains)
Cr 3321 Net Results of Operations - DWCF

Entry to close the "gain" accounts (7100 series) at the end of the fiscal year.

Dr 3321 Net Results of Operations - DWCF
Cr 6500 Cost of Goods Sold

Entry to close the cost of sales account at the end of the fiscal year.

Dr 3321 Net Results of Operations - DWCF
Cr 7210 Losses on Disposition of Assets
Cr 7290 (Series) Other Losses
Cr 7300 Extraordinary Items (Losses)

Entry to close the "loss" accounts (7200 series) at the end of the fiscal year.