



UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

APR 20 1995



COMPTROLLER

MEMORANDUM FOR DIRECTOR, DEFENSE COMMISSARY AGENCY
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY
DIRECTOR, DEFENSE LOGISTICS AGENCY
DIRECTOR, JOINT LOGISTICS SYSTEMS CENTER
COMMANDER-IN-CHIEF, UNITED STATES TRANSPORTATION
COMMAND
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL
MANAGEMENT AND COMPTROLLER)

SUBJECT: Defense Business Operations Fund (DBOF) Accounting
Report (AR 1307)

Recent developments indicate the need for pen and ink changes to the DBOF AR 1307 formats and instructions contained in chapter 70 of Volume 11B, "Reimbursable Operations, Policy and Procedures--Defense Business Operations Fund," of the DoD Financial Management Regulation.

The Office of Management and Budget (OMB) previously advised that the preparation of the Statement of Cash Flows is no longer mandatory for inclusion within the annual Chief Financial Officer's (CFO) financial statements. Therefore, effective immediately, the Statement of Cash Flows is no longer required to be included in monthly DBOF accounting reports (AR 1307) submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)). However, the general ledger account information currently identified as "Supplemental Disclosure of Cash Information," within the DBOF Statement of Cash Flows shall continue to be prepared and reported as supplemental information to the Statement of Financial Position.

Notwithstanding the discontinuance of the requirement to include the Statement of Cash Flows as part of the 1307 report submitted to the OUSD(C), some DBOF report users have indicated a need for, and a desire to continue to receive, the Statement. Accordingly, the Defense Finance and Accounting Service should continue to work with those DBOF Components that request this Statement from the Defense Finance and Accounting Service as part of their monthly DBOF AR 1307 accounting report.

The current instructions for the Statement of Operations provide for credits given for materiel returns, and for depot level reparable (DLR) exchanges to be shown as a reduction of revenue in Part I of the Statement of Operations. The effect of that instruction is to nullify adjustments made in Part III of the Statement of Operations for such credits. Therefore, effective with 1307 reports for April 1995, credits given for materiel returns, and for DLR exchanges, shall not be shown as a reduction of revenue.

Specific pen and ink changes to Volume 11B, to implement the above discussed changes, are attached.

The point of contact for this matter is Mr. Thomas W. Short. He may be reached at (703) 697-6875 or DSN 227-6875.

A handwritten signature in cursive script, appearing to read "Alice C. Maroni".

Alice C. Maroni
Principal Deputy Under Secretary
of Defense (Comptroller)

Attachment

PEN AND INK CHANGES
TO
CHAPTER 70 OF VOLUME 11B
OF
DOD 7000.14-R

The following pen and ink changes should be made:

Page 70-1--Section A, "General," paragraph A.1.

Strike out "three" in first sentence and replace with "two." Strike out subparagraph A.1.b. and renumber subparagraph A.1.c. as subparagraph A.1.b.

Page 70-1--Section A, "General," paragraph A.2.

Add a new paragraph A.2. which reads:

2. A Statement of Cash Flows which discloses the reporting entity's gross cash receipts and disbursements with an explanation of the changes in cash for the reporting period is an optional report that may, if requested, be prepared. However, the Statement of Cash Flows need not be prepared for those DBOF activities and/or management commands that do not specifically request its preparation.

Page 70-1--Section A, "General," paragraph A.2.

Renumber paragraph A.2. as A.3. Renumber paragraphs A.3., A.4., and A.5. as A.4., A.5., and A.6. respectively.

Page 70-14--Notes to Statement of Financial Position

Add Note 2, "Supplemental Disclosure of Cash Information." The general ledger account balance information formerly reported on lines 29 through 34 of the Statement of Cash Flows is to be reported as Note 2 to the Statement of Financial Position. The current Note 2 shall be renumbered as Note 3.

Page 70-26--Format for Statement of Cash Flows

Strike out report lines 29 through 34 and report the information applicable to those lines as Note 2 to the Statement of Financial Position.

Page 70-30--Preparation Instructions for Statement
of Cash Flows

Strike out preparation instructions for lines 29 through 34. The instructions for the information reported on lines 29 through 34 shall apply as the instructions for Note 2 to the Statement of Financial Position.

Page 70-32--Format for Part I of Statement of Operations

Strike out report lines 2."a. Gross Revenue from Sales," and line 2."b., Less: Credits Allowed on Sales."

Page 70-39--Preparation Instructions for Part I of Statement
of Operations

Strike out the Note to preparation instruction 2. Strike out preparation instructions 3. (for line 2.a.) and 4. (for line 2.b.). Renumber the remaining preparation instructions 3 through 18 accordingly.

The above pen and ink changes are shown in the attached corrected pages.

CHAPTER 70

DEFENSE BUSINESS OPERATIONS FUND ACCOUNTING REPORT
[ACCOUNTING REPORT (M) 1307]

SECTION I

GENERAL PREPARATION INSTRUCTIONS

A. GENERAL

1. The Defense Business Operations Fund Accounting Report consists of ~~three~~ two principal statements:

a. Statement of Financial Position which discloses the reporting entity's assets, liabilities, and net position;

~~b. Statement of Cash Flows which discloses the reporting entity's gross cash receipts and disbursements with an explanation of the changes in cash for the reporting period;~~

b. Statement of Operations (and Changes in Net Position) which discloses the results of the reporting entity's operations for the reporting period, including the changes in the entity's net position from the end of the prior reporting period.

2. A Statement of Cash Flows which discloses the reporting entity's gross cash receipts and disbursements with an explanation of the changes in cash for the reporting period is an optional report that may, if requested, be prepared. The Statement of Cash Flows need be prepared only for those DBOF activities and/or management commands that specifically request its preparation.

3. An identification of the hierarchy of accounting standards to be followed in preparing Fund financial statements is contained in Chapter 50, "Defense Business Operations Fund General Policies and Requirements," of this Regulation and is summarized below.

a. Individual standards agreed to and published by the Joint Financial Management Improvement Program (JFMIP) principals. (The JFMIP principals are the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General of the United States.)

b. Form and content requirements included in OMB Bulletin 93-02, dated October 22, 1992 and subsequent issuances.

c. Accounting standards contained in agency (i.e., DoD) accounting policy, procedures manuals, and/or related guidance as of March 29, 1991, so long as they are prevalent practices.

13. Liabilities Not Covered by Budgetary Resources		\$ <u>xxx</u>
14. Total Liabilities		\$ <u>x,xxx</u>
NET POSITION		
15. Balances:		
a. Unexpended Appropriations		\$ xxx
b. Invested Capital		\$ xxx
(1) Assets Capitalized	\$ xxx	
(2) Liabilities Assumed	\$ xxx	
(3) Fund (Cash) Transfers	\$ xxx	
(4) Transfers In of Property	\$ xxx	
(5) Transfers Out of Property	(\$ xxx)	
c. Cumulative Results of Operations		\$ xxx
d. Other		\$ xxx
e. Future Funding Requirements		(\$ xxx)
f. Total Net Position		\$ <u>xxx</u>
16. Total Liabilities and Net Position		\$ <u>x,xxx</u>

The accompanying notes are an integral part of these statements.

NOTES

Note 1. Fund Balances With Treasury

	<u>Obligated</u>	<u>Unobligated</u>		<u>Total</u>
		<u>Available</u>	<u>Restricted</u>	
1. DBOF Account (97X4930)	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2. Appropriated Funds	\$ xxx	\$ xxx	\$ xxx	\$ xxx
3. Other Funds (Specify)	\$ <u>xxx</u>	\$ <u>xxx</u>	\$ <u>xxx</u>	\$ <u>xxx</u>
Total	\$ <u>xxx</u>	\$ <u>xxx</u>	\$ <u>xxx</u>	\$ <u>xxx</u>

Note 2. Supplemental Disclosure of Cash Information. Provide the following information:

1. Funds Collected		
a. Funds Collected - Operating Program - DBOF		\$ xxx
b. Funds Collected - Capital Program - DBOF		\$ xxx
2. Funds Disbursed		
a. Funds Disbursed - Operating Program - DBOF		\$ xxx
b. Funds Disbursed - Capital Program - DBOF		\$ xxx
3. Cash on Hand and Other Monetary Assets		\$ xxx
4. Funds with Treasury		

- a. Funds with Treasury - Operating Program - DBOF \$ xxx
- b. Funds with Treasury - Capital Program - DBOF \$ xxx
- 5. Undistributed Collections (As appropriate)
 - a. Undistributed Collections - DBOF Appropriation Level \$ xxx
 - b. Undistributed Collections - DBOF Component Level \$ xxx
 - c. Undistributed Collections - DBOF Business Area Level \$ xxx
 - d. Undistributed Collections - DBOF Installation Level \$ xxx
- 6. Undistributed Disbursements (As appropriate)
 - a. Undistributed Disbursements - DBOF Appropriation Level \$ xxx
 - b. Undistributed Disbursements - DBOF Component Level \$ xxx
 - c. Undistributed Disbursements - DBOF Business Area Level \$ xxx
 - d. Undistributed Disbursements - DBOF Installation Level \$ xxx

Note #3. Preparer Information. Provide the following information:

Preparer's Name: Telephone No: (Commercial)
(Autovon)

Supervisor's Name: Telephone No: (Commercial)
(Autovon)

Address:

22. Net Cash Provided (Used) by Operations, Investments and Appropriations	\$ xxx
23. Fund Balance, Beginning	\$ <u>xxx</u>
24. Fund Balance, Ending	\$ <u>xxx</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

25. Total Interest Paid	\$ xxx
-------------------------	--------

SUPPLEMENTAL SCHEDULE OF APPROPRIATIONS AND INVESTMENTS:

26. Property and Equipment Acquired Under Capital Lease Obligations	\$ xxx
27. Property Acquired Under Long-term Financing Arrangements	\$ xxx
28. Other Exchanges of Noncash Assets or Liabilities	\$ xxx

~~SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION:~~

29. Funds Collected	
 a. Funds Collected - Operating Program - DBOF	\$ xxx
 b. Funds Collected - Capital Program - DBOF	\$ xxx
 c. Funds Collected - Undistributed - DBOF	\$ xxx
30. Funds Disbursed	
 a. Funds Disbursed - Operating Program - DBOF	\$ xxx
 b. Funds Disbursed - Capital Program - DBOF	\$ xxx
 c. Funds Disbursed - Undistributed - DBOF	\$ xxx
31. Cash on Hand and Other Monetary Assets	\$ xxx
32. Funds with Treasury	
 a. Funds with Treasury - Operating Program - DBOF	\$ xxx
 b. Funds with Treasury - Capital Program - DBOF	\$ xxx
33. Undistributed Collections (As appropriate)	
 a. Undistributed Collections - DBOF Component Level	\$ xxx
 b. Undistributed Collections - DBOF Business Area Level	\$ xxx
 c. Undistributed Collections - DBOF Installation Level	\$ xxx
34. Undistributed Disbursements (As appropriate)	
 a. Undistributed Disbursements - DBOF Component Level	\$ xxx
 b. Undistributed Disbursements - DBOF Business Area Level	\$ xxx
 c. Undistributed Disbursements - DBOF Installation Level	\$ xxx

DEFENSE BUSINESS OPERATIONS FUND ACCOUNTING REPORT
[ACCOUNTING REPORT (M) 1307]

SECTION III (OPTIONAL)

INSTRUCTIONS FOR THE PREPARATION OF THE
STATEMENT OF CASH FLOWS
(INDIRECT METHOD)

Preparation of the Statement of Cash Flows, a formerly required report, is now an optional report. The Statement of Cash Flows shall be prepared for only those DBOF activities and/or management commands who specifically request its preparation. Each request for preparation of the Statement of Cash Flows must be validated annually to continue its preparation.

Retain instructions 1 through 28 that are contained on pages 70-27 through 70-30.

The preparation instructions formerly applicable to Statement of Cash Flow report lines 29 through 34 now apply to the information to be reported as Note 2 to the Statement of Financial Position.

DEFENSE BUSINESS OPERATIONS FUND ACCOUNTING REPORT
[ACCOUNTING REPORT (M) 1307]

SECTION IV

FORMAT OF THE STATEMENT OF OPERATIONS

DEFENSE BUSINESS OPERATIONS FUND
STATEMENT OF OPERATIONS
AND
CHANGES IN NET POSITION
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING _____, 19__

PART I - STATEMENT OF OPERATIONS

	<u>(\$000)</u>	<u>(\$000)</u>
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used		\$ _____
2. Revenues from Sales of Goods and Services		\$ _____
a. Gross Revenue from Sales	\$ _____	
b. Less: Credits Allowed on Sales	(\$ _____)	
3. Other Revenue & Financing Sources		\$ _____
4. Total Revenues and Financing Sources:		\$ _____
EXPENSES		
5. Program or Operating Expenses (Lines A - G, Part IV)		
6. Cost of Goods Sold and Services Provided (From Part III)		\$ _____
7. Depreciation and Amortization (Line H, Part IV)		\$ _____
8. Bad Debts and Writeoffs (Line I, Part IV)		\$ _____
9. Other Expenses (Line J, Part IV)		\$ _____
10. Total Expenses (Lines 5 through 9)		\$ _____
11. Revenue Less Cost Incurred Before Extraordinary Items (Line 4 - Line 10)		\$ _____
12. Plus (Minus) Extraordinary Items		\$ _____
13. NET OPERATING RESULTS		\$ _____
14. Plus (Minus) Nonrecoverable Amounts (From Part V)		\$ _____
15. Recoverable Operating Results		\$ _____
<u>Capital Investment Program</u>		
16. OBLIGATIONS FOR CAPITAL ASSETS (From Part VI)		\$ _____
17. OUTLAYS FOR CAPITAL ASSETS (From Part VI)		\$ _____
Footnote: Mobilization Requirement Cost	\$ _____	

DEFENSE BUSINESS OPERATIONS FUND ACCOUNTING REPORT
[ACCOUNTING REPORT (M) 1307]

SECTION IV

INSTRUCTIONS FOR THE PREPARATION OF THE STATEMENT OF OPERATIONS

A. General. Part I provides data on current operating results by Defense Business Operations Fund business area.

B. Heading. Complete the heading of the form to show (a) the reporting DoD Component, (b) the reporting business area and (c) the reporting period (month and calendar year).

C. Line Item Instructions. Instructions for the content of each line item are as follows:

1. Line 1 - Appropriated Capital Used. Appropriations, primarily for War Reserve Material and Commissary Operations, may be provided directly to the DBOF. General ledger account (GLA) 5700, "Appropriated Capital Used," is used to record accrued expenses (versus outlays) of appropriated funds provided directly to the Fund. The purpose of the account is to match current period expenses against the use of appropriated funds used to finance those expenses. The amounts to be recorded in Account 5700 shall be equal to the amount of program expenses recorded in the 6100 series of accounts but shall not include any expenses applicable to revenue accounts other than GLA 5700--in other words, expenses incurred against an appropriation made directly available to the DBOF should be recorded separately from expenses incurred against ordinary DBOF reimbursable financing. Addendum 1 to Chapter 52 of this Regulation contains additional information on GLA 5700. Report the balance in the following account:

5700 Appropriated Capital Used

2. Line 2. - Revenues from Sale of Goods and Services. The amount reported shall ordinarily agree with the amount reported on line 3.A., "Reimbursements Earned," of the DD Form 1176, "Report on Budget Execution." If it does not agree with line 3.A. of the DD Form 1176, include a note explaining the difference (for example, line 3.A. of the DD Form 1176 may include some of the amounts reported in line 6 below.) Report the balance in the following accounts:

5100 Revenue from Goods Sold
5200 Revenue from Services Provided

~~NOTE: The Supply Management Business Area shall report revenue net of amounts allowed for returns of material for credit. The dollar amount of material returns with credit shall be reported on line 2.b.~~

~~3. Line 2.a. - Gross Revenue from Sales. This line applies to the Supply Management business area only. Reporting activities within the Supply Management business area shall report gross revenue on this line. Gross revenue is revenue before deduction of amounts allowed for returns of material for credit and credits allowed on Depot Level Repairable Exchanges (DLRs). The~~

~~dollar amount of materiel returns with credit shall be reported on line 2.b.(2). Report the following accounts on this line:~~

~~5100 Revenue from Goods Sold
5200 Revenue from Services Provided~~

~~4. Line 2.b. - Credits Allowed on Sales. This line applies to the Supply Management business area only. Reporting activities within the Supply Management business area shall report the dollar amount of credits allowed on amounts due it (accounts receivable) as a result of sales or DLR exchanges. Report the following accounts on this line:~~

~~1529.1E Materiel Returns - Credit Given
1529.3A Estimated Repair Costs
1529.3B Estimated Exchange Costs~~

3.5- Line 3 - Other Revenue & Financing Sources. Report revenues and financing sources not reported on lines 1 or 2. Include cash donations and an amount equal to any depreciation recorded against donated assets. Invested capital used is the depreciation expense of capital assets provided to Fund activities for its use but which were paid for by funds other than the Defense Business Operations Fund. Identify the nature of each miscellaneous gain. Report the total recorded in the following accounts:

5600 Donated Revenue
5790 Invested Capital Used
5910 Miscellaneous Reimbursements
7110 Gains on Disposition of Assets
7193 Other Miscellaneous Gains

(a) General ledger account (GLA) 5790, "Invested Capital Used," is used to record, as a financing source, the value of assets (ordinarily buildings and other assets financed by a Military Construction appropriation) used by, and in custody of, a DBOF activity but which were not acquired, nor will be replaced, through use of Defense Business Operations Fund resources.

(b) The amounts to be recorded in this account shall be equal to the amount of depreciation expense recorded in general ledger account 6125, "Depreciation of Equipment," general ledger account 6126 "Depreciation of Real Property," and general ledger account 6127, "Depletion of Natural Resources," but only if the depreciated asset(s) were not acquired nor will be replaced through use of Defense Business Operations Fund resources. No other amounts shall be recorded to general ledger account 5790.

(c) Addendum 1 to Chapter 58, "Capital Assets," of this Regulation contains additional information on GLA 5790.

4.6- Line 4 - Total Revenues and Financing Sources. Report the total of lines 1 through 3 above. Revenue should equal net sales plus any other reimbursable revenue and financing source.

5.7- Line 5 - Program or Operating Expenses. This line is a summary of appropriations expensed during the current period. Do not include (1) cost of goods sold [reported on line 6 below], (2) expenditures for assets that were