

City and County of San Francisco
Office of the Controller

Government Accounting, Reporting & Budgeting Workshop 2007

Exercise Solutions

(Refer to Exercises by Slide Number)

My Mythical Bookstore (Slide 5)

Accounting Events

Number		Debit	Credit
1)	Office Supplies	\$100	
	Cash		\$100
2)	Salaries	\$4000	
	Cash		\$4000
3)	Cash	\$200	
	Book Sales		\$200
4)	Accounts Receivable	\$500	
	Book Sales		\$500
5)	Cash	\$10,000	
	Contributed Capital		\$10,000
6)	Inventory	\$500	
	Accounts Payable		\$500

My Mythical Bookstore (Slide 5)

Cash Basis Income Statement

• Revenue	\$ 200
• Expense	<u>(4,100)</u>
• Operating income/(loss)	\$(3,900)

In Which Fund?

(Slide 25-26)

- Property tax – general
- Property tax for debt – debt service, general
- Property tax for parks/rec – general, special revenue
- Golf course fees – enterprise, special revenue
- Law enforcement – general, special revenue
- Parking fines – general
- Building permits – general

In Which Fund ?

(Slide 25-26)

- Gas taxes shared – general, special revenue
- Investments for pensions – pension trust
- Gift without restrictions – general, special revenue
- Gift with restrictions for library – permanent
- Gift with restrictions for outside parties – private purpose trust
- Airport fees - enterprise

Sources and Uses Exercise

Part 1 (Slide 56)

Current Status

- 1) Fund Balance-Budget Basis-Beginning - \$5,000
- 2) Estimated Fee Revenues - \$45,000
- 3) Appropriation for Materials & Supplies - \$50,000
- 4) Encumbrance balance to date - \$42,000
- 5) Payments on encumbrances - \$40,000
- 6) Fee Revenues Received - \$35,000
- 7) Encumbrances cancelled - \$1,000

- A. What is the balance of appropriations? \$9,000
- B. How much are the open encumbrances? \$1,000
- C. What is the balance of est. revenue account? \$45,000

Sources and Uses Exercise

Part 2 – Continue from Part 1

D) Prepare Journal Entries for each of the following events.

- 8) Day 1 --- Place order for two computers for \$6,000 total.
- 9) Day 2 -- Place order for furniture for \$2,000.
- 10) Day 15 - Receive 1st computer and invoice for \$2,500.
- 11) Day 20 - Receive 2nd computer and invoice for \$4,000.
- 12) Day 25 - Received \$12,000 in Fee Revenue
- 13) Day 27 - Cancel order for furniture for \$2,000.

E) After posting your journal entries, calculate the following

- | | | |
|----|-----------------------------|----------|
| 1. | Appropriation Balance | \$2,500 |
| 2. | Encumbrances Balance | \$1,000 |
| 3. | Expenditures To Date | \$46,500 |
| 4. | Operating surplus (deficit) | \$ 500 |

Closing Budgetary Accounts

- When? **Fiscal Year End**

Accounting Event: Closing Appropriations and Estimated Revenues, Actual Revenues, Expenditures, and Encumbrances

F) Based on your answers to Part 1 and Part 2 above, prepare the closing entries below.

		Debit	Credit
	Appropriations	50,000	
	Estimated Revenues		45,000
	Fund Balance		5,000
	Revenues	47,000	
	Fund Balance	500	
	Expenditures		46,500
	Encumbrances		1,000

Government Accounting Exercises							
T-Account Form				Exercise Slide No.		56-57	
Post your journal entries here				Sources and Uses Exercise			

				<i>For answers</i>					
Estimated Revenues				<i>below</i>		Fund Balance			
3)	45000					Budget Basis Beg. Bal.	1)		5000
		C)	45000	F		2)	50000	3)	45000
	45000		45000				50000		50000
	0				F	C)	500	C)	5000
									4500
Appropriations									
		2)	50000	A,E-1					
C)	50000			F					
	50000		50000						
	0								

Government Accounting Exercises							
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Encumbrances						Reserve for Encumbrance			
4)	42000	5)	40000			5)	40000	4)	42000
		7)	1000			7)	1000		
	42000		41000				41000		42000
	1000			A					1000
8)	6000	10)	2500			10)	2500	8)	6000
9)	2000	11)	3500			11)	3500	9)	2000
		13)	2000			13)	2000		
	9000		8000				8000		9000
	1000			E-1,E-2					1000
		C)	1000	F					
	1000		1000						
	0								

Government Accounting Exercises							
T-Account Form					Exercise Slide No.		56-57
Post your journal entries here					Sources and Uses Exercise		

Expenditures						Cash			
5)	40000			A		6)	35000		
10)	2500					12)	12000		
11)	4000						47000		0
	46500						47000		
		C)	46500	F					
	46500		46500						
	0								
Actual Revenues-Fees						Vouchers Payable			
		6)	35000					5)	40000
		12)	12000					10)	2500
			47000					11)	4000
C)	47000			F					46500
	47000		47000						
			0						

Government Accounting Exercises					
T-Account Form				Exercise Slide No.	56-57
Post your journal entries here				Sources and Uses Exercise	

Part 1				
A. Balance of Appropriations				
	Appropriations		50000	
	Encumbrance (balance)		-1000	
	Expenditures		-40000	
	Balance		9000	
B. Open encumbrances				
	Encumbrance to-date		42000	
	Encumbrance cancel		-1000	
	Payments on enc.		-40000	
	Balance open enc.		1000	
C. Balance of Estimated Revenue				
	Estimated fee revenue		45000	

Government Accounting Exercises							
T-Account Form					Exercise Slide No.		56-57
Post your journal entries here					Sources and Uses Exercise		

Part 1					
A. Balance of Appropriations					
	Appropriations			50000	
	Encumbrance (balance)			-1000	
	Expenditures			-40000	
	Balance			9000	
B. Open encumbrances					
	Encumbrance to-date			42000	
	Encumbrance cancel			-1000	
	Payments on enc.			-40000	
	Balance open enc.			1000	
C. Balance of Estimated Revenue					
	Estimated fee revenue			45000	

Government Accounting Exercises							
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Part 2					
E-1. Balance of Appropriations					
	Appropriations			50000	
	Encumbrances			-1000	
	Expenditures			-46500	
	Balance			2500	
E-2. Encumbrance Balance				1000	
E-3. Expenditures to-date				46500	
E-4. Operating surplus (deficit)					
	Revenues			47000	
	Expenditures			-46500	
	Surplus			500	

Government Accounting Exercises					
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F. Closing Entries					
	Appropriations		50000		
	Estimated Revenues				45000
	Fund Balance				5000
	Revenues		47000		
	Fund Balance		500		
	Expenditures				46500
	Encumbrances				1000

Which of the following revenue sources are susceptible to accrual? (Slide 76)

- Property taxes – yes
- Income taxes – no
- Sales taxes – no
- Motor fuel taxes – no
- Estate taxes – no
- Hotel/motel taxes – no
- Parking fines – yes
- Fees and user charges – yes
- Expenditure-driven grants – yes
- Earnings from investments - yes

Exercise 1 – Capital Outlay and Long-Term Debt

(Slides 89-90)

- Modified accrual
- Balance sheet
 - No entries on the fund balance sheet
- Accrual
- Balance sheet
 - Assets
 - Capital asset-equipment – net - \$2,700,000
 - \$3,000,000 less \$270,000 depreciation
 - Liabilities
 - Interest payable - \$10,417
 - Long-term debt - \$2,500,000
 - \$3,000,000 less principal retirement of \$500,000

Exercise 1 – Capital Outlay and Long-Term Debt

(Slides 89-90)

- Modified accrual
- Operating statement
 - Capital outlay - \$3,000,000
 - Debt service
 - Principal - \$500,000
 - Interest - \$125,000
 - Other financing sources
 - bonds issued - \$3,000,000
- Accrual
- Operating statement
 - Depreciation - \$300,000
 - Interest - \$135,417
 - \$50,000 on Dec. 1, 2006
 - \$75,000 on Jun. 1, 2007
 - \$10,417 accrued from June 1 to June 30, 2007
 - (5% of \$2,500,000 divided by 12)

Exercise 1 – Grants

(Slides 109-111)

- Modified accrual
 - Assets
 - Cash - \$4,000,000
 - A/R - \$950,000
 - Liabilities
 - Def rev - \$300,000
 - Revenue
 - \$4,650,000
- Accrual
 - Assets
 - Cash - \$4,000,000
 - A/R - \$950,000
 - Revenue
 - \$4,950,000

Exercise 1 – Payroll

Expenditure/Expense (Slide 116)

- Accrual and modified accrual bases:
 - \$2,000,000
 - All of pay period ending on July 6 plus amount from June 24 to June 30 (one-half of \$1,400,000)

Exercise 2 – Inventory

(Slides 117)

- Purchase method
 - \$84,000
- Consumption method
 - Total purchases
 - \$84,000
 - Ending inventory
 - 10 @ 1,000 = \$10,000
 - 5 @ \$1,300 = \$6,500
 - Total \$16,500
 - Cost of good sold
 - \$67,500

Exercise 3 - Claims

(Slide 122)

- Accrual basis expense:
 - FY 2005
 - \$100,000
- Modified accrual basis expenditure:
 - FY 2006
 - \$60,000 (Nov. 1, 2005 and Mar. 1, 2006)
 - FY 2007
 - \$20,000 (Sep 1, 2006)
 - FY 2008
 - \$20,000 (Aug. 1, 2007)