CHAPTER 10. EQUITY OF THE U.S. GOVERNMENT

Section 1.0 General

Equity of the U.S. Government is the residual difference between assets and liabilities of a Federal agency. This standard is based on accrual accounting concepts incorporating the expended/unexpended budget authority principle. It is intended to account for unexpended and applicable expended budget authority. Equity or net position of the U.S. Government is generally composed of:

a. Cumulative results of operations;

b. Unexpended appropriations;

Section 2.0 Authority

The policies and procedures in this chapter are issued pursuant to:

a. Section 114 of the Budget and Accounting Procedures Act of 1950 (31 U.S.C. Sec. 3513(a)); and

b. GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 2, Appendix I, Section E20.

Section 114 of the Budget and Accounting Procedures Act of 1950 requires the Department of the Treasury to prepare reports on the financial condition and operations of the U.S. Government. The head of each Federal agency is responsible for ensuring that financial reports fully disclose the financial results of all programs and activities, and are submitted in a timely manner.

Section 3.0 Cumulative Results of Operations

a. Cumulative results of operations are the net difference between:

1. Expenses, losses, and transfers out from the

inception of an agency or activity; and

2. Financing sources (i.e., appropriations and revenues) and gains from the inception of an agency or activity (whether financed from appropriations, transfers in, revenues, reimbursements, or any combination of the four.)

The cumulative results of operations are sometimes referred to as "retained earnings" or "loss" in revolving funds or business-like activities.

b. The cumulative results of operations are adjusted at least annually by the results of operations (reported in the Statement of Net Costs) and other items.

- Increases occur with transfers in, donations, or when the results of operations show an excess of unexpended appropriations, financing sources, and gains over appropriations used, expenses, losses, and transfers out.

- Decreases occur when an excess of expenses, losses, and transfers out exists. In revolving funds or business-like activities, the excess is sometimes referred to as "net income" or "loss."

- Adjustments to cumulative results of operations may also arise from prior period adjustments and distributions of the excess financing sources and gains. These adjustments should be in accordance with laws, regulations, or administrative designations. (See the GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 2, Section P30, Prior-period Adjustments of Financial Statements Standard.)

Section 4.0 Unexpended Appropriations

a. Unexpended appropriations represent amounts of authority at the reporting date that are either:

   1. Unobligated and have not lapsed, rescinded, or withdrawn; or

   2. Obligated, but not yet expended (e.g., undelivered orders).

   Unexpended appropriations include, but are not limited to, combinations of the unobligated allotment and unliquidated obligation accounts.

b. Decreases in unexpended appropriations occur in the following circumstances:

   1. When unobligated amounts lapse, are withdrawn, or are rescinded;

   2. When obligations representing undelivered orders are canceled (deobligated) after the related appropriation has lapsed, been withdrawn, or been rescinded; and

   3. When undelivered orders are received and accepted.

   Increases occur when funding (or obligation) authority is made available.