

**CASE STUDY #3**

**PROGRAM FUND AND FINANCING FUND  
FOR A LOAN GUARANTEE PROGRAM**

**Prepared By The  
Financial Management Domain**

**DRAFT: December 17, 2004**

*This document is one of a series of accounting case studies designed by the Financial Management Domain to ascertain whether entries required to record transactions are contained in DoD's Standard General Ledger transaction library. This version of the case, dated December 17, 2004, supersedes all previous versions. The transaction library is discussed in a separate document entitled "Concept of Operations for the DoD Standard General Ledger Transaction Library, based on the U.S. Government Standard General Ledger," draft version 2.0, which these cases accompany. As a useful cross-reference, the tables below each transaction in the case studies refer to DoD Transaction Codes used in the transaction library.*

## **NATURE OF THE CASE**

This is an accounting case study for a DoD program and financing fund which makes loan guarantees, such as for loans through which contractors finance construction and maintenance of military quarters under the Military Housing Privatization Initiative, or for foreign governments to finance purchase of weapons system component under the Foreign Military Sales program. Funding is provided by no-year appropriations and offsetting collections. The case begins with the first year of operation, continues into a second year to allow "hanging" transactions from Year 1 to be cleared and for some additional ones to take place, and concludes with a third year of transactions stemming from the first two. Entries, in standard general journal form, using United States Government Standard General Ledger (SGL) accounts, include:

- Anticipation and realization of appropriations and of federal and non-federal collections, including monies transferred from the program fund to the financing fund.
- Apportionment, allotment, and commitment of funds.
- Obligations for subsidy (broken into its required components), administrative expenses, interest to Treasury, and defaults, without advances.<sup>1</sup>
- Receipt, accrual, and payment for goods and services, including making direct loans and paying principal and interest on loans from Treasury.
- Collection of principal and interest on defaulted guaranteed loans and subsidy from the program to the financing fund.
- An upward subsidy re-estimate, accrued at the end of Year 1, with cash provided at the beginning of Year 2, and a downward subsidy re-estimate accrued at the end of Year 2, with cash transferred in Year 3.
- Closing entries.
- Entries to track the status of loan guarantee levels and disbursements made to borrowers by third-party lenders (contained in the appendix to the case).

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<sup>1</sup> While it would be possible to have advances for undelivered orders with administrative expenses, subsidy cannot be advanced to the financing fund, since Treasury would have to pay interest on it, and there is no legal authority for such interest to be paid.

The case provides pre- and post-closing trial balances, and indicates relationships that can be expected among the budgetary and proprietary accounts involved. The following financial statements are issued, with crosswalks prepared for each:

- Statement of net cost.
- Statement of changes in net position.
- Statement of budgetary resources.
- Statement of financing.
- Balance sheet.

The case is designed primarily for an audience of accountants with knowledge of federal generally accepted accounting principles relating to budgetary and proprietary accounting for authority, which does not expire, and of loan guarantee program accounting fund entities and transactions under the Credit Reform Act of 1990.<sup>2</sup> Its purpose is to provide a benchmark against which to test the transactions and reporting modules of an accounting system to see if they result in essentially the same journal entries, trial balances, and financial statements.

Some caveats and additional remarks:

- Transactions are summarized for the year, and generally are illustrated only once. In practice, of course, they would occur numerous times.
- Operating expenses/program costs (account 6100) and future-funded expenses (account 6800) are subdivided for purposes of illustration—the account numbers used with two or more different titles. In an actual situation, attributes, sub-accounts, subsidiary ledgers, or other means would be required for the separation. Subsidy is accumulated via the divisions of both accounts.
- Account titles used with the transactions may contain abbreviated titles or titles that more clearly identify how the accounts are used. For example, the financing fund uses account 1310, “accounts receivable,” to accrue upward re-estimates of subsidy at year-end from the program fund. The title for 1310 in the transactions involved reads “Subsidy Receivable from Program Fund.”
- Small numbers are used to facilitate reading and comprehension. All amounts should be considered material. The numbers are assumed for illustrative purposes, and are not based on actual present value computations, as they would be in a real situation.

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<sup>2</sup> P.L. 101-508.

- While the case illustrates a number of common transactions, there is no intent or claim to provide for every possible transaction or variation of transactions. Some transactions have been intentionally omitted. For example, the case does not illustrate the acquisition, sale, repair, or rental of foreclosed property on defaulted loans, since at this writing such transactions would not be expected to occur in DoD's ongoing credit programs, which would seize foreclosed property for several years. Accordingly, while relationships between and among account balances are as indicated in the case, the formulas for the relationships could be more complex if additional transactions were included.
- Unless stated otherwise, the transactions reflect business rules established such that (1) there must be a commitment before an undelivered order; (2) there must be an undelivered order before a payable; and (3) there must be a payable before a disbursement.

The sections of the case which follow include the accounts used and, for each of the three years:

- Relationships among accounts in the opening trial balances.
- Transactions.
- Pre-closing trial balances.
- Relationships among accounts in the pre-closing trial balances.
- Closing entries.
- Post-closing trial balances.
- Relationships among accounts in the post-closing trial balances.
- Financial statements.

Additional information is provided in footnote disclosures or notes within the body of the text throughout.

#### **ACCOUNTS USED IN THE CASE**

Budgetary and proprietary accounts used in the case are set forth in the tables of this section. A "P" indicates applicability to the program fund and an "F" to the Financing Fund for Loan Guarantees. Use of account numbers in the "other" series, or use of multiple accounts with the same number would require a data element or sub-account to differentiate them in a computer system.

**BUDGETARY ACCOUNTS USED IN THE CASE**

4060 Anticipated Collections from Non-Federal Sources (F)  
4070 Anticipated Collections from Federal Sources (F)  
4115 Loan Subsidy Appropriation (P)  
4117 Loan Administrative Expense Appropriation (P)  
4118 Re-Estimated Loan Subsidy Appropriation (P)  
4120 Anticipated Appropriations – Indefinite (P)  
4201 Total Actual Resources – Collected (P,F)  
4221 Unfilled Customer Orders Without Advance (F)  
4262 Actual Collections of Loan Principal (F)  
4263 Actual Collections of Loan Interest (F)  
4271 Actual Collections of Subsidy (F)  
4273 [Actual] Interest Collected from Treasury (F)  
4450 Unapportioned Authority (P,F)  
4510 Apportionments (P,F)  
4590 Apportionments Unavailable – Anticipated Resources (P)  
4610 Allotments – Realized Resources (P,F)  
4700 Commitments (P,F)  
4801 Undelivered Orders – Obligations, Unpaid (P,F)  
4901 Delivered Orders – Obligations, Unpaid (P,F)  
4902 Delivered Orders – Obligations, Paid (P,F)

**PROPRIETARY ACCOUNTS USED IN THE CASE**

1010 Fund Balance with Treasury (P,F)  
1310 Accounts Receivable (F)  
1350 [Defaulted Guaranteed] Loans Receivable (F)<sup>3</sup>  
1399 Allowance for Subsidy [- Defaulted Guaranteed Loan Assets] (F)<sup>4</sup>  
2180 Loan Guarantee Liability (F)  
2110 Accounts Payable (P,F)  
2170 Subsidy Payable to Financing Fund (P)  
2190 Other Accrued Liabilities: Subsidy Payable to Misc. Receipt Fund (F)  
2510 Principal Payable to Treasury (F)  
3100 Unexpended Appropriations – Cumulative (P)  
3101 Unexpended Appropriations – Appropriations Received (P)  
3107 Unexpended Appropriations – Appropriations Used (P)  
3310 Cumulative Results of Operations (P,F)<sup>5</sup>  
5312 Interest Revenue – Loans Receivable/Uninvested Funds (F)  
5730 Financing Sources Transferred Out Without Reimbursement (F)  
6100 Operating Expenses/Program Costs – Administrative Expense (P)  
6100 Operating Expenses/Program Costs – Subsidy Expense – Defaults (P)  
6100 Operating Expenses/Program Costs – Subsidy Re-Estimate Expense –  
Now Funded (P)  
6790 Other Expenses Not Requiring Budgetary Resources: Interest Expenses –  
Factor On Loan Guarantee Liability (F)<sup>6</sup>  
6800 Future-Funded Expenses: Funded Subsidy Re-estimates Previously Unfunded (P/F)  
6800 Future-Funded Expenses: Unfunded Subsidy Re-estimates Now Funded (P/F)  
6800 Future-Funded Expenses: Subsidy Re-estimates – Cash Flows – Principal (P/F)  
6800 Future-Funded Expenses: Subsidy Re-estimates – Cash Flows – Interest (P/F)  
6800 Future-Funded Expenses: Subsidy Re-estimates – Interest Rate – Principal (P/F)  
6800 Future-Funded Expenses: Subsidy Re-estimates – Interest Rate – Interest (P/F)

Memorandum accounts are listed in the appendix to the case, which illustrates their use.

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<sup>3</sup> FASAB Standard 2 requires separate reporting of loan assets between those related to defaulted guaranteed loans and those related to direct loans.

<sup>4</sup> See note 3, which applies here.

<sup>5</sup> The beginning and post-closing balances of this account must be zero in the financing fund.

<sup>6</sup> Some credit program agencies use 6330 Other Interest Expenses for the interest factor on the loan guarantee liability. However, the factor causes a reconciling item on the statement of financing (there are no obligations, but there is a net cost of operations for the expense). The USSGL Board created the 6700 series for this particular type of reconciling factor, so the case will use 6790 rather than 6330.

**TRANSACTIONS—YEAR 1**

**1-1. The program fund requested apportionment of a \$35 no-year appropriation for subsidy and a four-year \$10 appropriation for administrative expenses.<sup>7</sup> The particular credit program involved was not categorized by law as an entitlement program<sup>8</sup>.**

4120 Anticipated Appropriations	35	
4117 Administrative Expense Appropriations	10	
4450 Unapportioned Authority		45
1010 Fund Balance with Treasury	10	
3101 Unexpended Appropriations – Received		10

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A102	A102-001	4120	4450			35
A104	A104-011	4117	4450	1010	3101	10

**1-2. The financing fund for the loan guarantee program anticipated receiving a \$35 subsidy collection from the program fund and \$1 of interest from Treasury on uninvested balances in the fund. Because no defaults or other transactions requiring an apportionment were expected, no apportionment was requested.**

4070 Anticipated Collections from Federal Sources	36	
4450 Unapportioned Authority		36

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A140	A140-003	4070	4450			36

**1-3. OMB apportioned all requested amounts for both funds, which resulted in realizing the subsidy appropriation.**

*1-3a. Program Fund*

4115 Administrative Expense Appropriation	35	
4120 Anticipated Appropriations		35
4450 Unapportioned Authority	35	
4510 Apportionments		35

<sup>7</sup> For simplicity, resources and status of resources accounts will not be broken out between these two purposes of the appropriations. However, the accounting system would need to separate them to make sure that obligations for any one purpose did not exceed resources related to the purpose.

<sup>8</sup> The significance of this is in how downward subsidy re-estimates are treated; in an entitlement program, downward re-estimates usually go from the financing fund back to the program fund for re-use; in a discretionary program, they usually go to a designated misc. receipt fund in Treasury.

1010 Fund Balance with Treasury 35  
 3101 Unexpended Appropriations – Received 35

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A116	A116-001	4450	4510			35
A104	A104-007	4115	4120	1010	3101	35

*1-3b. Financing Fund for Loan Guarantees*  
 No entries required.<sup>9</sup>

**1-4. The funds allotted the maximum authority allowable.**

*1-4a. Program Fund*  
 4510 Apportionments 45  
 4610 Allotments – Realized Resources 45

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A120	A120-001	4510	4610			45

*1-4b. Financing Fund for Loan Guarantees*  
 No entries required.<sup>10</sup>

**1-5. The entity made a firm commitment to make a \$100 loan guarantee to an applicant after the applicant satisfied stated criteria. The subsidy rate was 35%, and the full loan was guaranteed.<sup>11</sup>**

*1-5a. Program Fund*  
 4610 Allotments – Realized Resources 35  
 4700 Commitments 35  
 4700 Commitments 35  
 4801 Undelivered Orders Without Advances 35

<sup>9</sup> Note that there was no apportionment requested of OMB (see transaction 1-2).

<sup>10</sup> This is because there was no apportionment (see transactions 1-2 and 1-3).

<sup>11</sup> Even if the guarantee was less than 100%, the subsidy is still required by OMB to be stated as a percentage of the full amount of the loan.

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B202	B202-001	4610	4700			35
B204	B204-003	4700	4801			35

*1-5b. Financing Fund for Loan Guarantees*

4221 Unfilled Customer Orders Without Advances 35  
4070 Anticipated Collections from Federal Sources 35

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C101	C101-001	4221	4070			35

**1-6. The applicant met the required criteria and received the guaranteed loan for \$100 from a third-party lender. The subsidy rate of 35% was entirely for defaults.<sup>12</sup>**

*1-6a. Program Fund*

4801 Undelivered Orders Without Advances 35  
4901 Delivered Orders – Unpaid 35  
4901 Delivered Orders – Paid 35  
4902 Delivered Orders – Paid 35  
6100 Subsidy Expense – Defaults 35  
2110 Accounts Payable 35  
2110 Accounts Payable 35  
1010 Fund Balance with Treasury 35  
3107 Unexpended Appropriations – Used 35  
5700 Financing Sources – Appropriations Used 35

<sup>12</sup> Loan guarantee subsidies also often contain a percentage for interest supplements the government pays the third-party lender to “buy down” the interest rate, or a negative amount for fees charged for the guarantee. This is not shown in the case, because DoD apparently does not have these components in its guarantee agreements.

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B302	B302-022	4801	4901	6100	2110	35
B110	B110-001	4901	4902	2110	1010	35
B134	B134-001			3107	5700	35

*1-6b. Financing Fund for Loan Guarantees*

4271 Actual Collections of Subsidy	35	
4221 Unfilled Customer Orders Without Advances		35
1010 Fund Balance with Treasury	35	
2180 Loan Guarantee Liability		35

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C103	C103-003	4271	4221	1010	2180	35

**1-7. The program fund placed obligations for \$9 of administrative expenses, without advances.**

4610 Allotments – Realized Resources	9	
4700 Commitments		9
4700 Commitments	9	
4801 Undelivered Orders Without Advances		9

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B202	B202-001	4610	4700			9
B204	B204-003	4700	4801			9

**1-8. The program fund incurred \$7 of administrative expenses that had been obligated in that amount.**

4801 Undelivered Orders Without Advances	7	
4901 Delivered Orders – Payable (“Unpaid”)		7
6100 Administrative Expenses	7	
2110 Accounts Payable		7
3107 Unexpended Appropriations – Used	7	
5700 Financing Sources from Appropriations Used		7

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B302	B302-022	4801	4901	6100	2110	7
B134	B134-001			3107	5700	7

**1-9. The program Fund paid \$6 of its payables.**

4901 Delivered Orders – Payable	6	
4902 Delivered Orders – Paid		6
2110 Accounts Payable	6	
1010 Fund Balance with Treasury		6

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B110	B110-001	4901	4902	2110	1010	6

**1-10. The financing fund collected \$1 interest from Treasury on uninvested cash balances during the year.<sup>13</sup>**

4273 Actual Interest Collected from Treasury	1	
4070 Anticipated Federal Resources		1
1010 Fund Balance with Treasury	1	
5312 Interest Revenue – Loans Receivable/Uninvested Funds		1

<sup>13</sup> Receivables are not normally accrued for this interest, as the interest is required to be collected at September 30. Were receivables to be accrued, the accrual and collection entries would be as shown below (all for \$1):

4283 Interest Receivable from Treasury		1340 Interest Receivable
4070 Anticipated Federal Collections	- and -	5312 Interest Revenue
4273 Actual Collections of Interest		1010 Fund Balance with Treasury
4283 Interest Receivable from Treasury	- and -	1340 Interest Receivable

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C109	C109-085	4273	4070	1010	5312	1

**1-11. The financing fund accrued the interest factor on the loan guarantee liability.**

6790 Interest Expense – Loan Guarantee Liability 1<sup>14</sup>  
 2180 Loan Guarantee Liability 1

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D516	D516-001			6330	2180	1

**1-12. There was an upward re-estimate of subsidy in the amount of \$4 (\$3 principal and \$1 interest) from changes in cash flows plus \$1 (\$.75 principal and \$.25 interest) due to interest rate changes.<sup>15</sup>**

*1-12a. Program Fund*

6800 Subsidy Expense – Upward Re-Estimate – Cash Flows - Prin 3  
 6800 Subsidy Expense – Upward Re-Estimate – Cash Flows - Int 1  
 6800 Subsidy Expense – Upward Re-Estimate – Interest Rate – Prin .75  
 6800 Subsidy Expense – Upward Re-Estimate – Interest Rate – Int .25  
 2170 Subsidy Payable to Financing Fund 5

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B324	B324-002			6800	2170	5

*1-12b. Financing Fund for Loan Guarantees*

1310 Subsidy Receivable from Program Fund 5  
 2180 Loan Guarantee Liability 5

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C228	C228-001			1310	2180	5

<sup>14</sup> In a loan guarantee financing fund with no defaulted guaranteed loans and interest receivable or foreclosed property, the interest expense on the loan guarantee liability is the same amount as the interest revenue received from Treasury.

<sup>15</sup> FASAB Standard No. 18 requires that the re-estimate be broken into these two components, as seen in the journal entry for the program fund. Although not required for CFO-Act statements and notes, the amount of the interest sub-components of the two main components must be reported to OMB.

**PRE-CLOSING TRIAL BALANCES—YEAR 1**

<i>Budgetary</i>	<i>Program Fund</i>	<i>Financing Fund for Loan Guar.</i>
4060	N/A	- 0 -
4070	N/A	- 0 -
4115	\$35	N/A
4117	10	N/A
4118	- 0 -	N/A
4120	- 0 -	N/A
4201	- 0 -	- 0 -
4221	N/A	- 0 -
4262	N/A	- 0 -
4263	N/A	- 0 -
4271	N/A	35
4273	N/A	1
4450	- 0 -	(36)
4510	- 0 -	- 0 -
4590	- 0 -	- 0 -
4610	(1)	- 0 -
4700	- 0 -	- 0 -
4801	(2)	- 0 -
4901	(1)	- 0 -
4902	(41)	- 0 -

<i>Proprietary</i>	<i>Program Fund</i>	<i>Financing Fund for Loan Guar.</i>
1010	\$ 4	\$ 36
1310	N/A	5
1399	N/A	-0-
2110	(1)	N/A
2170	(5)	N/A
2180	N/A	(41)
3100	-0-	N/A
3101	(45)	N/A
3107	42	N/A
3310	-0-	-0-
5312	-0-	(1)
5700	(42)	N/A
6100 Adm Exp	7	N/A
6100 Subs-Defaults	35	N/A
6790	N/A	1
6800 Sub Re-Est-Cash F1 <sup>16</sup>	4	-0-
6800 Sub Re-Est-Int Rate <sup>17</sup>	1	-0-

<sup>16</sup> Re-estimated subsidy expense accounts for upward re-estimates would be used by the program fund. Those related to downward re-estimates would be used by the financing fund. The trial balance aggregates the two sub-components for principal and interest, since they do not have to be reported in the CFO Act financial statements and notes.

**RELATIONSHIPS AMONG PRE-CLOSING ACCOUNT BALANCES—YEAR 1**

The following relationships exist between the pre-closing trial balances, in addition to the general requirement that the sum of debit balances must equal the sum of credit balances:

<i>Program Fund</i>	
1.	$4201 + 4115 + 4117 - 4902 = 1010$ [ $\$-0- + 35 + 10 - 41 = \$4$ ]
2.	$4901E-B + 4902 = 3107$ [ $(\$1 - \$0) + \$41 = \$42$ ]
3.	$3107 = 5700$ [ $\$42 = \$42$ ]
4.	$5700 = 6100$ [ $(\$7 + \$35) = \$42$ ]

<i>Financing Fund</i>	
1.	$4201 + 4262 + 4263 + 4271 + 4273 - 4902 = 1010$ [ $\$0 + \$0 + \$0 + \$35 + \$1 - \$0 = \$36$ ]
2.	$6790 - 5312 = 0$ [ $\$1 - \$1 = \$-0-$ ]
3.	$3310$ must = $\$-0-$ [it does]

**CLOSING ENTRIES—YEAR 1**

Closing entries are set forth below.

*Program Fund Budgetary*

**PCB-1.1 To change the status of unobligated authority for administrative expenses to unapportioned authority.<sup>18</sup>**

4610 Allotments – Realized Resources	1	
4450 Unapportioned Authority		1

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F210	F210-004	4610	4450			1

**PCB-1.2. To consolidate the budgetary cash accounts into total actual resources - collected.**

4902 Delivered Orders – Paid	41	
4201 Total Actual Resources – Collected	4	
4115 Subsidy Appropriation		35
4117 Administrative Expense Appropriation		10

<sup>17</sup> See note 16.

<sup>18</sup> Note that there is no unobligated authority for the subsidy. If there were, it would also have been closed to 4450.

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F214	F214-001	4902	4201			41
F204	F204-037	4201	4115			35
F204	F204-038	4201	4117			10

*Program Fund - Proprietary*

**PCP-1.3 To consolidate accounts relating to unexpended appropriations.**

3101 Unexpended Appropriations – Received	45	
3100 Unexpended Appropriations – Cumulative		3
3107 Unexpended Appropriations – Used		42

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F233	F233-001			3101	3100	45
F233	F233-009			3100	3107	42

**PCP-1.4 To close expense and financing source accounts to cumulative results of operations.**

5700 Financing Sources from Appropriations Used	42	
3310 Cumulative Results of Operations	5	
6100 Administrative Expense		7
6100 Subsidy Expense - Defaults		35
6800 Subsidy Expense – Re-Estimates – for Cash Flow Changes		4
6800 Subsidy Expense – Re-Estimates – for Interest Rate Changes		1

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F228	F228-045			5700	3310	42
F228	F228-032			3310	6800	5
F228	F228-022			3310	6100	42

*Financing Fund Budgetary*<sup>19</sup>

**FCP-1.1 To consolidate the budgetary cash accounts into 4201.**

4201 Total Actual Resources - Collected	36	
4271 Actual Collections of Subsidy		35
4273 Actual Collections of Interest		1

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F204	F204-025	4201	4271			35
F204	F204-026	4201	4273			1

*Financing Fund Proprietary*

**FCP-1.2 To close expense and financing source accounts to cumulative results of operations.**<sup>20</sup>

5312 Interest Income – Loans Receivable/Invested Funds	1	
3310 Cumulative Results Of Operations		
6790 Interest Expense – Loan Guarantee Liability		1
3310 Cumulative Results Of Operations		

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F228	F228-039			5312	3310	1
F228	F228-031			3310	6790	1

<sup>19</sup> Although neither 4060 nor 4070 had a balance, if either did, the balance would be closed into 4450.

<sup>20</sup> Note that this leaves cumulative results of operations with a zero balance, which is required. Financing funds cannot have a net position. Their assets must equal their liabilities.

**POST-CLOSING TRIAL BALANCES—YEAR 1**

<i>Budgetary</i>	<i>Program Fund</i>	<i>Financing Fund for Loan Guar.</i>
4047	N/A	\$ - 0 -
4060	N/A	- 0 -
4070	N/A	- 0 -
4115	\$ - 0 -	N/A
4117	- 0 -	N/A
4118	- 0 -	N/A
4120	- 0 -	N/A
4201	4	36
4221	N/A	- 0 -
4262	N/A	- 0 -
4263	N/A	- 0 -
4271	N/A	- 0 -
4450	(1)	(36)
4510	- 0 -	- 0 -
4590	- 0 -	- 0 -
4610	- 0 -	- 0 -
4700	- 0 -	- 0 -
4801	(2)	- 0 -
4901	(1)	- 0 -
4902	- 0 -	- 0 -

<i>Proprietary</i>	<i>Program Fund</i>	<i>Financing Fund for Loan</i>
1010	\$ 4	\$ 36
1310	N/A	5
1350	N/A	-0-
1399	N/A	-0-
2110	(1)	N/A
2170	(5)	N/A
2180	N/A	41
3100	(3)	N/A
3101	-0-	N/A
3107	-0-	N/A
3310	5	-0-
5312	-0-	-0-
5700	-0-	N/A
5730	N/A	-0-
6100 Adm Exp	-0-	N/A
6100 Sub-Def	-0-	N/A
6790	N/A	-0-
6800 Sub Re-Est-Cash Fl	-0-	-0-
6800 Sub Re-Est-Int Rate	-0-	-0-

## **RELATIONSHIPS AMONG POST-CLOSING ACCOUNT BALANCES—YEAR 1**

The following relationships exist between the post-closing trial balances, in addition to the general requirement that the sum of debit balances must equal the sum of credit balances:

### *Program Fund*

1. 4201 = 1010 [\$4 = \$4]

### *Financing Fund*

1. 4201 = 1010 [\$36 = \$36]

2. 3310 must = \$-0- [it does]

## **FINANCIAL STATEMENTS – YEAR 1**

The following condensed financial statements are illustrated for Year 1:

- Statement of net cost
- Statement of changes in net position
- Statement of budgetary resources
- Statement of financing
- Balance sheet

Crosswalks from the trial balances are provided with the statements. All are pre-closing figures unless indicated by a “B” (from the beginning trial balance) or an “E” (from the post-closing trial balance). A “P” indicates that an account comes from the program fund; an “F” that it comes from the Financing Fund for Loan Guarantees. Where the same account number is used, line items would have to be distinguished by sub-accounts, attributes, or some other means of coding.

**DoD Loan Guarantee Program  
Statement of Net Cost  
For Fiscal Year 1**

**Expenses<sup>21</sup>**

Basic Subsidy Expense – Defaults	\$35	[6100P]
Re-estimated Subsidy Expense – Cash Flows	4	[6800P]
Re-estimated Subsidy Expense – Interest Rates	1	[6800P]
Interest Expense – Loan Guarantee Liability	1	[6790F]
Administrative Expenses	<u>7</u>	\$48 [6100P]

**Earned Revenue:**

Interest Revenue – Treasury	<u>(1)</u>	[5312F]
Net Cost of Operations	<u>\$47</u>	

**DoD Loan Guarantee Program  
Statement of Changes in Net Position  
For Fiscal Year 1**

**Crosswalk**

*Cumulative Results of Operations:*

Cumulative Results of Operations October 1	\$-0-	3310P;B
Appropriations Used for Goods, Services, And Benefits	42	5700P
Net Cost of Operations	<u>(47)</u>	From SNC
Cumulative Results of Operations September 30	<u>\$(5)</u>	Must = 3310P/E

*Unexpended Appropriations*

Unexpended Appropriations October 1	\$-0-	3100P;B
Appropriations Received	45	3101P
Appropriations Used	<u>(42)</u>	3107P
Unexpended Appropriations September 30	<u>\$ 3</u>	Must = 3100P;E

<sup>21</sup> FASAB Standards 2 and 18 require that subsidy expense must be broken into its components. This is done on the face of the statement of net cost here. An alternative, used by most credit agencies, is to combine the subsidy expense into a single amount on the statement of net cost and break it out in a footnote to the financial statements.

**DoD Loan Guarantee Program  
Statement of Budgetary Resources  
For Fiscal Year 1**

	[Program Fund] BUDGETARY	[Financing Fund] NON-BUDGETARY	Crosswalk
<b>RESOURCES</b>			
Unobligated Balance Forward October 1	\$-0-	\$-0-	4450B
New Resources:			
Appropriations	45		4115/4117
Offsetting Collections		<u>36</u>	4271,4273
<b>TOTAL RESOURCES</b>	<u>\$45</u>	<u>\$36</u>	
<b>STATUS OF RESOURCES</b>			
Obligated	\$44	\$ -0-	48xx/49xxE-B
Unobligated – Available for New Obligations	<u>1</u>	<u>36</u>	4450
<b>TOTAL STATUS OF RESOURCES</b>	<u>\$45</u>	<u>\$ 36</u>	
<b>RELATIONSHIP OF NET OBLIGATIONS TO NET OUTLAYS</b>			
Gross Obligations	\$44	\$ -0-	Sec. 2
Less Offsetting Collections	<u>-0-</u>	<u>(36)</u>	Sec. 1
Net Cash and Non-Cash Obligations	44	(36)	
Less Undelivered Orders Without Advances	<u>(2)</u> (Note A)	<u>-0-</u>	4801E-B
<b>NET OUTLAYS</b>	<u>\$42</u>	<u>\$(36)</u>	
Components of Net Outlays:			
Disbursements	\$42	\$-0-	4902
Offsetting Collections	<u>-0-</u>	<u>(36)</u>	4271,4273
<b>NET OUTLAYS</b>	<u>\$42</u>	<u>\$(36)</u>	

(A) The ending amount of undelivered orders without advances was \$2; the beginning amount was \$-0-.

**DoD Loan Guarantee Program  
Statement of Financing  
For Fiscal Year 1**

Net Obligations (from statement of budgetary resources)	\$ 8	<b>Crosswalk</b> SOBR, Sec 3
Items in Net Obligations Not Funding Net Cost of Operations:		
Collections of Subsidy	35	4271P
Increase in Undelivered Orders	<u>(2)</u>	<u>33</u> 4801P(E-B)
<b>Net Obligations Funding Net Cost of Operations</b>	<b>41</b>	
Items in Net Cost of Operations Not Requiring or Using Current-Period Resources:		
Upward Subsidy Re-estimate	5	6800P
Interest Expense – Loan Guarantee Liab.	<u>1</u>	<u>6</u> 6790F
<b>Net Cost of Operations</b>	<b><u>\$47</u></b>	

**DoD Loan Guarantee Program  
Balance Sheet  
At End of Fiscal Year 1<sup>22</sup>**

<b>ASSETS</b>			<b>Crosswalk</b>
Fund Balance with Treasury		<u>\$40</u>	1010P/F
<b>LIABILITIES</b>			
Accounts Payable	\$ 1		2110P
Loan Guarantee Liability	<u>41</u>	\$42	2180F
<b>NET POSITION</b>			
Unexpended Appropriations	3		3100P;E
Cumulative Results of Operations	<u>(5)</u>	<u>(2)</u>	3310P;E
<b>TOTAL LIABILITIES AND NET POSITION</b>		<u>\$40</u>	

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<sup>22</sup> Note that the financing fund's receivable from the program fund, and the program fund's payable to the financing fund are eliminated in the consolidation process and do not appear on the consolidated balance sheet.

**TRANSACTIONS—YEAR 2**

*The transactions for Year 2 in the program fund are limited to liquidating the obligations and unobligated liabilities from Year 1. In the financing fund, they are limited to the loan guarantees made in Year 1. In an actual situation, additional administrative expenses would also be incurred and additional loan guarantees would also be made.*

**2-1. The program fund submitted a request for realization of the permanent indefinite appropriation for the upward re-estimate accrued in transaction 1-13. The financing fund anticipated collection of it, and of \$2 in interest from Treasury. The financing fund also estimated that \$25 of guaranteed loans would default, and that it would have to pay a default claim in that amount, assuming the loans for direct collection. It estimated that it would collect \$1 of interest and \$3 of principal on the loans.**

*2-1a. Program Fund*

4120 Anticipated Appropriations 5  
 4450 Unapportioned Authority 5

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A102	A102-001	4120	4450			5

*2-1b. Financing Fund for Loan Guarantees*

4060 Anticipated Collections from Non-Federal Sources 4  
 4070 Anticipated Collections from Federal Sources 7  
 4450 Unapportioned Authority 11

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A140	A140-001	4060	4450			4
A140	A140-003	4070	4450			7

**2-2. OMB approved both apportionment requests.**

*2-2a. Program Fund*

4118 Re-estimated Loan Subsidy Appropriation 5  
 4120 Anticipated Appropriations 5  
  
 4450 Unapportioned Authority 5  
 4510 Apportionments 5

1010 Fund Balance with Treasury  
 3101 Unexpended Appropriations - Received

5  
 5

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A104	A104-013	4118	4120	1010	3101	5
A116	A116-001	4450	4510			5

2-2b. *Financing Fund for Loan Guarantees*  
 4450 Unapportioned Authority  
 4510 Apportionments

25  
 25<sup>23</sup>

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A116	A116-001	4450	4510			25

**2-3. The agency allotted the apportionments.**

2-3a. *Program Fund*

4510 Apportionments  
 4610 Allotments – Realized Resources

5  
 5

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A120	A120-001	4510	4610			5

2-3b. *Financing Fund*

4510 Apportionments  
 4610 Allotments – Realized Resources

25  
 25

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A120	A120-001	4510	4610			25

<sup>23</sup> There was \$36 in unobligated authority brought forward, which is more than enough to fund the \$25 default payment. The anticipated resources are not expected to be needed. Hence, the entire \$25 is credited to 4510, rather than split between 4510 and 4590.

**2-4. The program fund transferred the re-estimated appropriation to the financing fund.**

*2-4a. Program Fund*

4610 Allotments – Realized Resources	5	5
4700 Commitments		5
4700 Commitments	5	
4801 Undelivered Orders Without Advances		5
4801 Undelivered Orders without Advances	5	
4902 Delivered Orders – Paid <sup>24</sup>		5
2170 Subsidy Payable to Financing Fund	5	
1010 Fund Balance with Treasury		5
3107 Unexpended Appropriations – Used	5	
5700 Financing Sources – Appropriations Used		5
6100 Funded Subsidy Re-estimate Expense Previously Unfunded	5	
6800 Unfunded Subsidy Re-estimate Expense Now Funded		5 <sup>25</sup>

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B202	B202-001	4610	4700			5
B204	B204-003	4700	4801			5
B344	B344-011	4801	4901	6100	6800	5
B105	B105-002	4801	4902	2170	1010	5
B134	B134-001			3107	5700	5

<sup>24</sup> The business rule of establishing a payable is waived for this transaction, because a non-budgetary payable was accrued in Year 1. Requiring an entry to account 4901 for the current transaction would require a companion funded liability, such as 2110, to be recorded along with it to keep the budgetary and proprietary accounts in synch. This complication is too cumbersome to implement.

<sup>25</sup> This entry is designed to equate financing sources from appropriations used with funded expenses. Note that the \$5 was recorded as a credit to two 6800 accounts in transaction 1-12. Combining this with transaction 2-4, the net result is a funded expense of \$5. Note that there would be no expense related to this reported on the statement of net cost for Year 2, because the debit to 6100 and credit to 6800 cancel.

2-4b. <i>Financing Fund for Loan Guarantees</i>		
4271 Actual Collections of Subsidy	5	
4070 Anticipated Collections from Federal Sources		5
1010 Fund Balance with Treasury	5	
1310 Subsidy Receivable from Program Fund		5

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C106	C106-002	4271	4070	1010	1310	5

**2-5. The program fund incurred additional administrative expenses of \$2, related to the undelivered orders placed in Fiscal Year 1, and recorded them as payable.**

4801 Undelivered Orders without Advances	2	
4901 Delivered Orders – Payable (Unpaid)		2
6100 Administrative Expenses	2	
2110 Accounts Payable		2
3107 Unexpended Appropriations – Used	2	
5700 Financing Sources – Appropriations Used		2

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B302	B302-022	4801	4901	6100	2110	2
B134	B134-001			3107	5700	2

**2-6. The program fund paid all accounts payable.**

4901 Delivered Orders – Payable (Unpaid)	3	
4902 Delivered Orders – Paid		3
2110 Accounts Payable	3	
1010 Fund Balance with Treasury		3

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B110	B110-001	4901	4902	2110	1010	3

**2-7. The financing fund approved a default claim for \$25 and paid it, assuming \$25 in defaulted guaranteed loans for direct collection with a present value of \$10.<sup>26</sup>**

4610 Allotments – Realized Resources	25	
4700 Commitments		25
4700 Commitments	25	
4801 Undelivered Orders Without Advances		25
4801 Undelivered Orders without Advances	25	
4901 Delivered Orders – Unpaid		25
4901 Delivered Orders – Unpaid	25	
4902 Delivered Orders – Paid		25
2180 Loan Guarantee Liability	25	
2110 Accounts Payable		25
2110 Accounts Payable	25	
1010 Fund Balance with Treasury		25
1350 [Defaulted Guaranteed] Loans Receivable	25	
1399 Allowance for Subsidy		15 <sup>27</sup>
2180 Loan Guarantee Liability		10

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B202	B202-001	4610	4700			25
B204	B204-003	4700	4801			25
B104	B104-005	4801	4901	2180	2110	25
B110	B110-001	4901	4902	2110	1010	25
C220	C220-003			1350	1399	15
C220	C220-004			1350	2180	10

<sup>26</sup> Though not illustrated in the case, it would also be possible that interest receivable would be assumed. If so, the interest receivable could be debited to 1340, or could also be debited to 1350, leaving 1340 only for additional accruals of interest after the initial receivables were assumed.

<sup>27</sup> \$25 in gross loans receivable less the \$10 present value of the loans.

**2-8. The financing fund collected \$2 of interest and \$1 of principal on the defaulted guaranteed loans.**

4262 Actual Collections of Loan Principal	1	
4263 Actual Collections of Loan Interest	2	
4060 Anticipated Collections from Non-Federal Sources		3
1010 Fund Balance with Treasury	3	
1350 [Defaulted Guaranteed] Loans Receivable		1
1399 Allowance for Subsidy		2 <sup>28</sup>

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C109	C109-034	4262	4060	1010	1350	1
C109	C109-041	4263	4060	1010	1399	2

**2-9. Treasury interest of \$1 on uninvested balances in the financing fund was received.<sup>29</sup>**

4273 Actual Interest Collected from Treasury	1	
4070 Anticipated Federal Resources		1
1010 Fund Balance with Treasury	1	
5312 Interest Revenue – Loans Receivable/Uninvested Funds		1

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C109	C109-085	4273	4070	1010	5312	1

**2-10. The interest factor on the loan guarantee liability and present value of the loan assets (receivables) was recorded in the financing fund. \$1 was related to the loan assets and \$2 to the loan guarantee liability.<sup>30</sup>**

1399 Allowance for Subsidy	1	
6790 Interest Expense – Loan Guarantee Liability	1	
2180 Loan Guarantee Liability		2

<sup>28</sup> Note that interest recognized on defaulted guaranteed loans receivable after initial assumption of the loans for direct collection is credited to 1399 under credit reform accounting.

<sup>29</sup> See note 13, which applies here.

<sup>30</sup> While this relationship of the factor for the liability to the factor for the loans would be different using present value computations, it is assumed for simplicity in the case.

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D366	D366-001			1399	2180	1
D516	D516-001			6330	2180	1

*Note: Account 6330 (Other Interest Expense) could be substituted for 6790 (Interest Expense).*

**2-11. A re-estimate determined that the present value of the loan assets in the financing fund at the balance sheet date was \$7; the present value of the loan guarantee liability was \$23. The net downward re-estimate of \$4<sup>31</sup> was recorded to adjust the present value amounts and accrue the excess subsidy to the misc. receipt account in Treasury designated for it.**

2180 Loan Guarantee Liability	5	
6800 Re-estimated Subsidy Expense – Cash Flow		4 <sup>32,33</sup>
1399 Allowance for Subsidy [Defaulted Guaranteed Loans]		1
5730 Non-Budgetary Transfers-Out	4	
2190 Downward Re-estimate Payable to Misc. Receipt Fund		4

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D112	D112-007			2180	1399	1
D112	D112-008			2180	6800	4
D112	D112-002			5730	2190	4

<sup>31</sup> The present value of the loans receivable just before this transaction was \$8 (\$24 in 1350 less \$16 in 1399). Hence, the re-estimated value of \$7 requires an additional \$1 of subsidy. The present value of the loan guarantee liability just before this transaction was \$28. The re-estimated value of \$23 means that \$5 too much of subsidy had been collected. The difference is a net over-collection of subsidy in the amount of \$4 (\$5 too much less \$1 “not enough”).

<sup>32</sup> Note that only differences in cash flow projections would cause the difference in Year 2 and subsequent years. In year 1, the interest rate would have been adjusted to actual, and there would no longer be a difference between an estimated and the actual rate of interest.

<sup>33</sup> The subsidy expense would need to be broken out into the sub-components of principal and interest for purposes of reporting to OMB. As this was illustrated for Year 1, and because it is not required for CFO Act financial statements and notes, it is not repeated in Year 2.

**PRE-CLOSING TRIAL BALANCES—YEAR 2**

<i>Budgetary</i>	<i>Program Fund</i>	<i>Financing Fund for Loan Guar.</i>
4060	N/A	\$ 1
4070	N/A	1
4115	\$ - 0 -	N/A
4117	- 0 -	N/A
4118	5	N/A
4120	- 0 -	N/A
4201	4	36
4221	N/A	- 0 -
4262	N/A	1
4263	N/A	2
4271	N/A	5
4273	N/A	1
4450	(1)	(22)
4510	- 0 -	- 0 -
4590	- 0 -	- 0 -
4610	- 0 -	- 0 -
4700	- 0 -	- 0 -
4801	- 0 -	- 0 -
4901	- 0 -	- 0 -
4902	(8)	(25)

<i>Proprietary</i>	<i>Program Fund</i>	<i>Financing Fund for Loan Guarantees</i>
1010	\$ 1	\$ 20
1310	N/A	-0-
1350	N/A	24
1399	N/A	(17)
2110	-0-	N/A
2170	-0-	N/A
2180	N/A	(23)
2190	N/A	(4)
3100	(3)	N/A
3101	(5)	N/A
3107	7	N/A
3310	5	-0-
5312	-0-	(1)
5700	(7)	N/A
5730	-0-	4
6100 Adm Exp	2	N/A
6100 Sub-Def	-0-	N/A
6100 Funded Sub Re-Est	5	-0-
6790 Interest Exp - LGL	N/A	1
6800 Sub Re-Est-Cash Fl	-0-	(4)
6800 Sub Re-Est-Int Rate	-0-	-0-
6800 Unf Sub Re-Est Funded	(5)	-0-

**RELATIONSHIPS AMONG PRE-CLOSING ACCOUNT BALANCES—YEAR 2**

The following relationships exist between the pre-closing trial balances, in addition to the general requirement that the sum of debit balances must equal the sum of credit balances:

*Program Fund*

1.  $4201 + 4115 + 4117 + 4118 - 4902 = 1010$  [ $\$4 + \$0 + \$0 + \$5 - 8 = \$1$ ]
2.  $4901E-B + 4902 = 3107$  [ $(\$0 - \$1) + \$8 = \$7$ ]
3.  $3107 = 5700$  [ $\$7 = \$7$ ]
4.  $5700 = 6100$  [ $(\$5 + \$2) = \$7$ ]

*Financing Fund*

1.  $4201 + 4262 + 4263 + 4271 + 4273 - 4902 = 1010$  [ $\$36 + \$1 + \$2 + \$5 + \$1 - \$25 = \$20$ ]
2.  $6790 - 5312 = 0$  [ $\$1 - \$1 = \$-0-$ ]
4. 3310 must =  $\$-0-$  [it does]

**CLOSING ENTRIES—YEAR 2**

Closing entries are set forth below.

*Program Fund Budgetary*

**PCB-2.1 To consolidate the budgetary cash accounts into total actual resources - collected.**

4902 Delivered Orders – Paid	8	
4201 Total Actual Resources – Collected		3
4118 Re-estimated Loan Subsidy Appropriation		5

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F214	F214-001	4902	4201			8
F204	F204-039	4201	4118			5

*Program Fund - Proprietary*

**PCP-2.2 To consolidate accounts relating to unexpended appropriations.**

3101 Unexpended Appropriations – Received	5	
3100 Unexpended Appropriations – Cumulative		2
3107 Unexpended Appropriations – Used		7

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F233	F233-009			3100	3107	7
F233	F233-001			3101	3100	5

**PCP-2.3 To close expense and financing source accounts to cumulative results of operations.**

5700 Financing Sources from Appropriations Used	7	
6800 Subsidy Expense – Unfunded Re-estimates Now Funded	5	
3310 Cumulative Results of Operations		5
6100 Administrative Expense		2
6100 Subsidy Expense – Funded Re-estimates Previously Unfunded		5

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F228	F228-045			5700	3310	7
F228	F228-022			3310	6100	2
F228	F228-022			3310	6100	5
F228	F228-062			6800	3310	5

*Financing Fund Budgetary*

**FCP-2.1. To close anticipated resources**

4450 Unapportioned Authority	2	
4060 Anticipated Non-Federal Resources		1
4070 Anticipated Federal Resources		1

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F112	F112-023	4450	4060			1
F112	F112-024	4450	4070			1

**FCP-2.2 To consolidate the budgetary cash accounts into 4201.**

4902 Delivered Orders – Paid	25	
4201 Total Actual Resources - Collected		16
4262 Actual Collections of Loan Principal		1
4263 Actual Collections of Loan Interest		2
4271 Actual Collections of Subsidy		5
4273 Actual Collections of Interest		1

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F204	F204-019	4201	4262			1
F204	F204-020	4201	4263			2
F204	F204-025	4201	4271			5
F204	F204-026	4201	4273			1
F214	F214-001	4902	4201			25

*Financing Fund Proprietary*

**FCP-2.3 To close expense and financing source accounts to cumulative results of operations.<sup>34</sup>**

6800 Re-Estimated Subsidy Expense – Cash Flows	4
5312 Interest Income – Loans Receivable/Invested Funds	1
3310 Cumulative Results Of Operations	5
6790 Interest Expense – Loan Guarantee Liability	1
5730 Non-Budgetary Transfers-Out	4
3310 Cumulative Results Of Operations	5

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F228	F228-062			6800	3310	4
F228	F228-039			5312	3310	1
F228	F228-031			3310	6790	1
F228	F228-011			3310	5730	4

<sup>34</sup> Note that this leaves cumulative results of operations with a zero balance, which is required. Financing funds cannot have a net position. Their assets must equal their liabilities.

**POST-CLOSING TRIAL BALANCES—YEAR 2**

<i>Budgetary</i>	<i>Program Fund</i>	<i>Financing Fund for Loan Guar.</i>
4060	N/A	\$ - 0 -
4070	N/A	- 0 -
4115	\$ - 0 -	N/A
4117	- 0 -	N/A
4118	- 0 -	N/A
4120	- 0 -	N/A
4201	1	20
4221	N/A	- 0 -
4262	N/A	- 0 -
4263	N/A	- 0 -
4271	N/A	- 0 -
4273	N/A	- 0 -
4450	(1)	(20)
4510	- 0 -	- 0 -
4590	- 0 -	- 0 -
4610	- 0 -	- 0 -
4700	- 0 -	- 0 -
4801	- 0 -	- 0 -
4901	- 0 -	- 0 -
4902	- 0 -	- 0 -

<i>Proprietary</i>	<i>Program Fund</i>	<i>Financing Fund for Loan Guar.</i>
1010	\$ 1	\$ 20
1310	N/A	-0-
1350	N/A	24
1399	N/A	(17)
2110	-0-	N/A
2170	-0-	N/A
2180	N/A	(18)
2190	N/A	(4)
3100	(1)	N/A
3101	-0-	N/A
3107	-0-	N/A
3310	-0-	-0-
5312	-0-	-0-
5700	-0-	N/A
5730	-0-	-0-
6100 Adm Exp	-0-	N/A
6100 Sub-Def	-0-	N/A
6100 Funded Sub Re-Est	-0-	-0-
6790 Int Exp - LGL	N/A	-0-
6800 Sub Re-est-Cash Fl	-0-	-0-
6800 Sub Re-est-Int Rate	-0-	-0-
6800 Unfunded Sub Re-est	-0-	-0-

## **RELATIONSHIPS AMONG POST-CLOSING ACCOUNT BALANCES—YEAR 2**

The following relationships exist between the post-closing trial balances, in addition to the general requirement that the sum of debit balances must equal the sum of credit balances:

### *Program Fund*

1. 4201 = 1010 [\$1 = \$1]

### *Financing Fund*

1. 4201 = 1010 [\$20 = \$20]

2. 3310 must = \$-0- [it does]

## **FINANCIAL STATEMENTS – YEAR 2**

The following condensed financial statements are illustrated for Year 2:

- Statement of net cost
- Statement of changes in net position
- Statement of budgetary resources
- Statement of financing
- Balance sheet

Crosswalks from the trial balances are provided with the statements. All are pre-closing figures unless indicated by a “B” (from the beginning trial balance) or an “E” (from the post-closing trial balance). A “P” indicates that an account comes from the program fund; an “F” that it comes from the Financing Fund for Loan Guarantees. Where the same account number is used, line items would have to be distinguished by sub-accounts, attributes, or some other means of coding.

**DoD Loan Guarantee Program  
Statement of Net Cost  
For Fiscal Year 2**

**Expenses<sup>35</sup>**

Re-Estimated Subsidy Expense – From Cash Flows	\$ (4)	[6800P]
Interest Expense – Loan Guarantee Liability	1	[6790F]
Administrative Expenses	<u>2</u>	\$ (1) [6100P]

**Earned Revenue:**

Interest Revenue – Treasury	<u>(1)</u>	[5312F]
Net Cost of Operations	<u><u>\$ (2)</u></u>	

**DoD Loan Guarantee Program  
Statement of Changes in Net Position  
For Fiscal Year 2**

**Crosswalk**

*Cumulative Results of Operations:*

Cumulative Results of Operations October 1	\$ (5)	3310P;B
Non-Budgetary Transfers-Out	(4)	
Appropriations Used for Goods, Services, And Benefits	7	5700P
Net Cost of Operations	<u>2</u>	From SNC
Cumulative Results of Operations September 30	<u><u>\$ -0-</u></u>	Must = 3310P/E

*Unexpended Appropriations*

Unexpended Appropriations October 1	\$ 3	3100P;B
Appropriations Received	5	3101P
Appropriations Used	<u>(7)</u>	3107P
Unexpended Appropriations September 30	<u><u>\$ 1</u></u>	Must = 3100P;E

<sup>35</sup> FASAB Standards 2 and 18 require that subsidy expense must be broken into its components. This is done on the face of the statement of net cost here. An alternative would be to combine the subsidy expense into a single amount on the statement of net cost and break it out in a footnote to the financial statements.

**DoD Loan Guarantee Program  
Statement of Budgetary Resources  
For Fiscal Year 2**

	[Program Fund] BUDGETARY	[Financing Fund] NON-BUDGETARY	Crosswalk
<b>RESOURCES</b>			
Unobligated Balance Forward October 1	\$ 1	\$36	4450B
New Resources:			
Appropriations	5		4115/4117
Offsetting Collections	<u>    </u>	<u>9</u>	4262/3,4271/3
<b>TOTAL RESOURCES</b>	<u>\$ 6</u>	<u>\$45</u>	
 <b>STATUS OF RESOURCES</b>			
Obligated	\$ 5	\$25	48xx/49xxE-B
Unobligated – Available for New Obligations	<u>1</u>	<u>20</u>	4450
<b>TOTAL STATUS OF RESOURCES</b>	<u>\$ 6</u>	<u>\$45</u>	
 <b>RELATIONSHIP OF NET OBLIGATIONS TO NET OUTLAYS</b>			
Gross Obligations	\$ 5	\$25	Sec. 2
Less Offsetting Collections	<u>-0-</u>	<u>(9)</u>	Sec. 1
Net Cash and Non-Cash Obligations	5	16	
Decrease in Budgetary Accts. Pay.	1 (Note A)	-0-	4901E-B
Decrease in Undeliv. Orders Without Advances	<u>2</u> (Note A)	<u>-0-</u>	4801E-B
<b>NET OUTLAYS</b>	<u>\$ 8</u>	<u>\$16</u>	
 Components of Net Outlays:			
Disbursements	\$ 8	\$25	4902
Offsetting Collections	<u>-0-</u>	<u>(9)</u>	4262/3,4271/3
<b>NET OUTLAYS</b>	<u>\$ 8</u>	<u>\$16</u>	

(A) The ending amount of budgetary accounts payable was \$0; the beginning amount was \$1. The ending amount of undelivered orders without advances was \$0; the beginning amount was \$2.

**DoD Loan Guarantee Program  
Statement of Financing  
For Fiscal Year 2**

			<b>Crosswalk</b>
Resources Financing Activities:			
Net Obligations (from stmt. of bud. res.)	\$21		SOBR, Sec 3
Non-budgetary Transfer-out	<u>(4)</u>	\$17	5730F
Items in Net Obligations Not			
Funding Net Cost of Operations:			
Collections of Subsidy	5		4271P
Collections of Loan Principal	1		4262F
Collections of Capitalized Loan Int.	2		4263F <sup>36</sup>
Obligations for Defaults	(25)		4902F <sup>37</sup>
Oblig. for Subsidy Expensed in Year 1	(5)		6800P <sup>38</sup>
Decrease in Undelivered Orders	<u>2</u>	<u>(20)</u>	4801P(E-B)
Net Obligations Funding			
Net Cost of Operations		(3)	
Items in Net Cost of Operations Not			
Requiring or Using Current-Period Resources:			
Interest Expense – Loan Guarantee Liab.		<u>1</u>	6790F
Net Cost of Operations		<u>\$(2)</u>	

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<sup>36</sup> This would be identified as a reconciling item on the statement of financing via a combination of the account number and the fund symbol identifying it as belonging to a loan guarantee financing fund.

<sup>37</sup> There is no single account from which this number can be derived. Some sort of data element would need to be captured with transaction 2-7 to specifically identify it.

<sup>38</sup> This would be captured from the credit to 6800 Unfunded Subsidy Expense now Funded. There would need to be a data element/attribute or sub-account with 6800 to identify that specific account.

**DoD Loan Guarantee Program  
Balance Sheet  
At End of Fiscal Year 2<sup>39</sup>**

<b>ASSETS</b>			<b>Crosswalk</b>
Fund Balance with Treasury		\$21	1010P/F
Defaulted Guaranteed Loans Receivable	\$24		1350F
Less Allowance for Subsidy	<u>(17)</u>	<u>7</u>	1399F
Total Assets		<u>\$28</u>	
<b>LIABILITIES</b>			
Payable to Misc. Receipt Fund	\$ 4		2190F
Loan Guarantee Liability	<u>23</u>	\$27	2180F
<b>NET POSITION</b>			
Unexpended Appropriations	1		3100P;E
Cumulative Results of Operations	<u>-0-</u>	<u>1</u>	3310P;E
TOTAL LIABILITIES AND NET POSITION		<u>\$28</u>	

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<sup>39</sup> Note that the financing fund's receivable from the program fund, and the program fund's payable to the financing fund are eliminated in the consolidation process and do not appear on the consolidated balance sheet.

**TRANSACTIONS—YEAR 3**

*Only transactions for disposing of the downward re-estimate accrued in the financing fund at the end of Fiscal Year 2 are illustrated in Fiscal Year 3. No transactions are illustrated for the program fund. In a real situation, administrative expenses would continue to be incurred, and loan guarantees would continue to be made.*

**3-1. The financing fund requested an apportionment of its beginning unobligated balance to pay the \$5 downward re-estimate accrued at the end of Fiscal Year 2.<sup>40</sup>**

No entry is required, because the unobligated balance is already present in account 4450.

**3-2. OMB approved the apportionment request.**

4450 Unapportioned Authority 4  
 4510 Apportionments 4

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A116	A116-001	4450	4510			4

**3-3. The agency allotted the authority.**

4510 Apportionments 4  
 4610 Allotments – Realized Resources 4

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A120	A120-001	4510	4610			4

**3-4. The money was transferred to the miscellaneous receipt fund (this should be done as close to the beginning of Year 3 as possible).**

4610 Allotments – Realized Resources 4  
 4700 Commitments 4  
 4700 Commitments 4  
 4801 Undelivered Orders Without Advances 4  
 4801 Undelivered Orders without Advances 4  
 4902 Delivered Orders – Paid<sup>41</sup> 4

<sup>40</sup>Note that the Budget rules call for this to be an expenditure transfer of the financing fund, which requires that it be obligated. Hence, an apportionment is necessary.

<sup>41</sup> The business rule of establishing a payable is waived for this transaction, because a non-budgetary payable was accrued in Year 1. Requiring an entry to account 4901 for the current transaction would require a companion funded liability, such as 2110, to be recorded along with it to keep the budgetary and proprietary accounts in synch. This complication is too cumbersome to implement.

2190 Subsidy Payable to Misc. Receipt Fund	4	
1010 Fund Balance with Treasury		4
6800 Unfunded Subsidy Re-Estimate Expense Now Funded	4 <sup>42</sup>	
6100 Funded Subsidy Re-Estimate Expense Previously Unfunded		4

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B202	B202-001	4610	4700			4
B204	B204-003	4700	4801			4
B302	B302-025	4801	4901			4
B110	B110-005	4901	4902	2190	1010	4

**PRE-CLOSING TRIAL BALANCES—YEAR 3<sup>43</sup>**

<i>Budgetary</i>	<i>Program Fund</i>	<i>Financing Fund for Loan Guar.</i>
4201	1	20
4450	(1)	(16)
4902	-0-	(4)

<i>Proprietary</i>	<i>Program Fund</i>	<i>Financing Fund for Loan Guar.</i>
1010	\$ 1	\$ 16
1350	N/A	24
1399	N/A	(17)
2180	N/A	(23)
2190	N/A	-0-
3100	(1)	N/A
3310	-0-	-0-

**RELATIONSHIPS AMONG PRE-CLOSING ACCOUNT BALANCES—YEAR 3**

The following relationships exist between the pre-closing trial balances, in addition to the general requirement that the sum of debit balances must equal the sum of credit balances:

<sup>42</sup> This entry is designed to equate financing sources from appropriations used with funded expenses. Note that the \$4 was recorded as a credit to 6800 in transaction 2-11. Combining this with transaction 3-4, the net result is a negative funded expense of \$4. Note that there would be no expense related to this reported on the statement of net cost for Year 2, because the debit to 6800 and credit to 6100 cancel.

<sup>43</sup>Accounts not represented have zero balances.

*Program Fund*

1. 4201 = 1010 [\$ = \$1]

*Financing Fund*

1. 4201 – 4902 = 1010 [\$20 – \$4 = \$16]

2. 3310 must = \$-0- [it does]

**CLOSING ENTRIES—YEAR 3**

Closing entries are set forth below.

**FCB-3.1. To consolidate the budgetary cash accounts into 4201.**

4902 Delivered Orders – Paid	4	
4201 Total Actual Resources - Collected		4

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F214	F214-001	4902	4201			4

*Financing Fund Proprietary*

FCP-3.1 To close the expenses to cumulative results of operations.		
6100 Funded Subsidy Re-Estimate Expense Previously Unfunded	4	
3310 Cumulative Results Of Operations	4	
6800 Unfunded Subsidy Re-Estimate Expense Now Funded		4
3310 Cumulative Results Of Operations		4

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F228	F228-063			6100	3310	4
F228	F228-032			3310	6800	4

**POST-CLOSING TRIAL BALANCES—YEAR 3**

<i>Budgetary</i>	<i>Program Fund</i>	<i>Financing Fund for Loan Guar.</i>
4201	1	16
4450	(1)	(16)

<i>Proprietary</i>	<i>Program Fund</i>	<i>Financing Fund for Loan Guar.</i>
1010	\$ 1	\$ 16
1350	N/A	24
1399	N/A	(17)
2180	N/A	(23)
2190	N/A	-0-
3100	(1)	N/A
3101	-0-	N/A
3107	-0-	N/A
3310	-0-	-0-

**RELATIONSHIPS AMONG POST-CLOSING ACCOUNT BALANCES—YEAR 3**

The following relationships exist between the post-closing trial balances, in addition to the general requirement that the sum of debit balances must equal the sum of credit balances:

*Program Fund*

1. 4201 = 1010 [\$1 = \$1]

*Financing Fund*

1. 4201 = 1010 [\$16 = \$16]  
 2. 3310 must = \$-0- [it does]

**FINANCIAL STATEMENTS – YEAR 2**

The following condensed financial statements are illustrated for Year 3, as applicable:

- Statement of net cost
- Statement of changes in net position
- Statement of budgetary resources
- Statement of financing
- Balance sheet

Crosswalks from the trial balances are provided with the statements. All are pre-closing figures unless indicated by a “B” (from the beginning trial balance) or an “E” (from the post-closing trial balance). A “P” indicates that an account comes from the program fund; an “F” that it comes from the Financing Fund for Loan Guarantees. Where the same account number is used, line items would have to be distinguished by sub-accounts, attributes, or some other means of coding.

**DoD Loan Guarantee Program  
Statement of Net Cost  
For Fiscal Year 3**

*There are no expenses or earned revenues to report.*

**DoD Loan Guarantee Program  
Statement of Changes in Net Position  
For Fiscal Year 3**

*There are no changes to report.*

**DoD Loan Guarantee Program  
Statement of Budgetary Resources  
For Fiscal Year 3**

	[Program and] Misc. Receipt Fund]	[Financing Fund]	
<b>RESOURCES</b>	<b>BUDGETARY</b>	<b>NON-BUDGETARY</b>	<b>Crosswalk</b>
Unobligated Balance Forward October 1	<u>\$ 1</u>	<u>\$20</u>	4450B
<b>STATUS OF RESOURCES</b>			
Obligated	\$ -0-	\$ 4	48xx/49xxE-B
Unobligated – Available for New Obligations	<u>1</u>	<u>16</u>	4450
<b>TOTAL STATUS OF RESOURCES</b>	<u>\$ 1</u>	<u>\$20</u>	
<b>RELATIONSHIP OF NET OBLIGATIONS TO NET OUTLAYS</b>			
Gross Obligations	\$ -0-	\$ 4	Sec. 2
Less Offsetting Collections	<u>-0-</u>	<u>-0-</u>	Sec. 1
Net Cash and Non-Cash Obligations	-0-	4	
Net Non-Cash Obligations	<u>-0-</u>	<u>-0-</u>	4801/4901E-B
Net Outlays before Offsetting Receipts	-0-	4	
Offsetting Receipts Deposited to Misc. Receipt Fund <sup>44</sup>	<u>4</u>	<u>-0-</u>	
<b>NET OUTLAYS AFTER OFFSETTING RECEIPTS</b>	<u>\$ -0-</u>	<u>\$ 4</u>	
Components of Net Outlays:			
Disbursements	\$ -0-	\$ 4	4902
Offsetting Collections	-0-	-0-	
Offsetting Receipts	<u>4</u>	<u>-0-</u>	4262/3,4271/3
<b>NET OUTLAYS AFTER OFFSETTING RECEIPTS</b>	<u>\$ (4)</u>	<u>\$ 4</u>	

<sup>44</sup> Although the deposits were made by the financing fund, they are recognized as collections by the miscellaneous receipt fund, which is a budgetary entity. Miscellaneous receipt funds are not reported with the financial statements of the depositing agency, but OMB Circular 01-09 on form and content of agency financial statements requires that the offsetting receipt be shown as illustrated. Hence, the \$4 transfer from the financing to the miscellaneous receipt fund here is shown as a miscellaneous receipt in the budgetary column and as an obligation in the non-budgetary column.

**DoD Loan Guarantee Program  
Statement of Financing  
For Fiscal Year 3**

		<b>Crosswalk</b>
Resources Financing Activities:		
Net Oblig. After Offsetting Rec.	\$-0-	SOBR, Sec 3
Items in Net Obligations Not Funding Net Cost of Operations:		
Offsetting Receipt for Downward Subs. Re-Est.	\$ 4	4902F <sup>45</sup>
Oblig. for Subsidy Expensed in Year 2	<u>(4)</u> <u>-0-</u>	6800F <sup>46</sup>
Net Cost of Operations	<u>\$-0-</u>	

**DoD Loan Guarantee Program  
Balance Sheet  
At End of Fiscal Year 3**

		<b>Crosswalk</b>
<b>ASSETS</b>		
Fund Balance with Treasury	\$17	1010P/F
Defaulted Guaranteed Loans Receivable	\$24	1350F
Less Allowance for Subsidy	<u>(17)</u> <u>7</u>	1399
Total Assets	<u>\$24</u>	
<b>LIABILITIES</b>		
Loan Guarantee Liability	\$23	2180F
<b>NET POSITION</b>		
Unexpended Appropriations	1	3100P;E
Cumulative Results of Operations	<u>-0-</u> <u>1</u>	3310P;E
TOTAL LIABILITIES AND NET POSITION	<u>\$24</u>	

<sup>45</sup> Note that the obligation in the financing fund is the same amount as the offsetting receipt in the miscellaneous receipt fund. See also the following note.

<sup>46</sup> This line would be fed via the debit to account 6800 Unfunded Subsidy Expense Now Funded. There would need to be a data element/attribute or subaccount to specifically identify the item.

## **APPENDIX: MEMORANDUM ACCOUNTS FOR CAPTURING ADDITIONAL INFORMATION**

### **INTRODUCTION**

This appendix discusses the following categories of information in addition to the information in the preceding sections of this case, which need to be reported for loan guarantee programs:

- Loan guarantee levels and their status;
- Loan disbursements made by third party-lenders and their status; and
- Reconciliation of the beginning and ending balances of the loan guarantee liability.

### **LOAN GUARANTEE LEVELS**

In addition to preparing the CFO-Act financial statements, credit agencies are also required to obtain an apportionment and allotment of their loan guarantee levels. Unlike direct loans, loan guarantees do not result in outflows of resources when the guarantees are made, and thus can't be controlled by apportioning and allotting resources.

Accordingly, the actual levels of loans, which can be guaranteed—the loan guarantee authority—, must be apportioned and allotted. This information is included on the SF-132, "Request for Apportionment," for loan guarantee programs, and the figures are based on 100 percent of the loans to be guaranteed, even if the terms of the guarantee provide for less than that. The reporting does not include any interest guaranteed, although that information would be disclosed in the financial statements and notes.

The SGL provides non-mandatory memorandum accounts for use with the financing fund in controlling the making of loan guarantees to avoid making more guarantees in any given time period than apportioned by OMB and allotted by the credit program entity. These accounts are:

### **GUARANTEED LOAN LEVEL MEMORANDUM ACCOUNTS**

8010 Guaranteed Loan Level (GLL)  
8015 Guaranteed Loan Level - Unapportioned  
8020 Guaranteed Loan Level - Apportioned  
8025 Reserved for Agency Use [e.g. - Allotted]  
8030 Reserved for Agency Use [e.g. GLL – Committed]  
8035 Reserved for Agency Use [e.g. GLL - Obligated]  
8040 Guaranteed Loan Level - Used Authority  
8045 Guaranteed Loan Level - Unused Authority

None of the accounts are reported to Treasury or OMB, and the “reserved for agency use” accounts have balances that would normally only be used to provide information within the credit agency for management purposes. The other accounts capture information that is reported to OMB on the SF-132. This appendix discusses only those other accounts. Agencies can use other methods of capturing the information if they wish.

The basic accounting equation provided by the self-balancing accounts is shown in the table below.

<b>ACCOUNTING EQUATION</b>	
<b>GUARANTEED LOAN LEVEL MEMORANDUM ACCOUNTS</b>	
<b>GLL (Dr.)</b>	<b>=</b>
8010 GLL	<b>Status of GLL (Cr.)</b>
	8015 GLL - Unapportioned
	8020 GLL - Apportioned
	8040 GLL - Used Authority
	8045 GLL - Unused Authority (Closing account for 8015 & 8020)

In the illustrative case study, these accounts would be used during Year 1 only, in conjunction with the entries set forth below.

**A1-1. The financing fund for the loan guarantee program anticipated receiving a \$35 subsidy collection anticipated from the program fund and \$1 of interest from Treasury on uninvested balances in the fund. Because no defaults or other transactions requiring an apportionment were expected, no apportionment was requested.**

The \$35 subsidy supported a loan guarantee level of \$100, as the subsidy rate was 35 percent ( $\$35 / .35 = \$100$ ). Accordingly, the entry to be made is:

8010 Guaranteed Loan Level	100	
8015 Guaranteed Loan Level – Unapportioned		100

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
E102	E102-001			8010	8015	100

This establishes the loan level for the year and shows its initial status as unapportioned. While no apportionment of resources will be requested for the financing fund, an apportionment of the loan guarantee level must be requested in order to provide guarantees.

**A1-2. OMB apportioned all requested amounts.**

8015 Guaranteed Loan Level – Unapportioned 100  
 8020 GLL – Apportioned 100

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
E104	E104-001			8015	8020	100

This changes the status of the loan guarantee level from unapportioned to apportioned.

**A1-3. The entity made a firm commitment to make a \$100 loan guarantee to an applicant after the applicant satisfied stated criteria. The subsidy rate was 35%, and the full loan was guaranteed.**

8020 GLL – Apportioned 100  
 8040 GLL – Used Authority 100

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
E106	E106-001			8020	8040	100

**A1-4 Closing entries.** Because all authority was used, there are no closing entries required. A new set of memo accounts would be created for next year’s cohort, and the accounts just posted would remain with this year’s cohort. Had there been some unused authority, the closing entry would have been:

8015 GLL – Unapportioned  
 8020 GLL – Apportioned  
 8045 GLL – Unused Authority

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit
E104	E104-001			8015	8020
F236	F236-001			8020	8045

Flow of entries would be: 8015 debit and 8020 credit; then 8020 debit and 8045 credit.

**A1-5 If the unused loan level could still be used next year, and OMB apportioned it, the entry to record the apportionment in the next year would be**

8045 GLL – Unused Authority  
 8020 GLL – Apportioned

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit
F236	F236-002			8045	8020

Because the memo accounts are not mandatory, variations of the closing entries and the apportionment entries for the next year would be possible. What was just illustrated is only one way that the accounts could be made to work.

**LENDER DISBURSEMENT/  
BORROWER PAYMENT STATUS**

FASAB Standard 2 and OMB Bulletin 01-09 require that guaranteed loans outstanding, and that new loans guaranteed during the year, be shown in notes to the financial statements. The SGL provides the following non-mandatory accounts to do this:

**MEMORANDUM ACCOUNTS FOR  
LOANS DISBURSED AND STATUS**

- 8050 Guaranteed Loan Principal Outstanding [at the beginning of the year]
- 8053 Guaranteed Loan New Disbursements by Lender [during the year] (closed into 8070)
- 8056 Reserved for Agency Use
- 8059 Reserved for Agency Use
- 8062 Reserved for Agency Use
- 8065 Guaranteed Loan Collections, Defaults, and Adjustments (closed into 8050)
- 8068 Reserved for Agency use
- 8070 Guaranteed Loan Cumulative Disbursements by Lenders

With direct loan programs, the government disburses and collects the loans. With loan guarantee programs, third-party (private) lenders do the disbursing and collecting up to the time of default. Lenders are required to report information on disbursements, collections, and defaults to agencies, which capture them in the accounts shown.

The accounting equation satisfied by the accounts is:

**ACCOUNTING EQUATION  
LOANS DISBURSED AND STATUS**

<b>Disbursements (Dr.*)</b>	=	<b>Status of Disbursements (Cr.*)</b>
8070 Guaranteed Loan Cumulative Disbursements by Lenders		8050 Guaranteed Loan Principal Outstanding
8053 Guaranteed Loan New Disbursements by Lenders		8065 Guaranteed Loan Collections, Defaults, and Adjustments

\*Illustrated with balances opposite those provided in SGL.<sup>47</sup>

The accounting equation shown can be described by noting that the total disbursements made to borrowers of guaranteed loans by the third-party lenders involved as of the beginning of the year, plus new loans made during the year, represent the amount of loans to account for. The status of the loans is either that they have been paid by the borrowers (or have defaulted or otherwise been adjusted in some way), or they are still outstanding. If credit agencies wanted to report or gather information in more detail than shown in the chart, the accounts reserved for agency use could be employed. Such information might be breaking out the status by defaults and by types of adjustment. The case will use only the basic accounts in the chart above. A set of these accounts should be maintained for each cohort.

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<sup>47</sup>FMD believes that the balances assigned the accounts in the SGL tend to cause confusion, in that in other situations, such as the budgetary accounts, the items for which a status is shown (resources, in the case of the budgetary accounts) have a debit balance, and the status accounts have a credit balance. This is also true of the memorandum accounts for controlling the loan guarantee level. The accounts related to third-party lender disbursements have opposite balances from what one would expect from the other account sets, and accordingly, the case illustrates them with the balances one would glean from the theory underlying those other account sets. This will be proposed to the USSGL Board as a modification to the USSGL.

Use of the accounts in Year 1. The only transaction in the body of the case that would use these accounts is transaction 1-6:

**A1-6. The applicant met the required criteria and received the guaranteed loan for \$100 from a third-party lender.**

Because this is a new loan made during Year 1, the entry would be:

8053 Guaranteed Loan New Disbursements by Lenders 100  
 8050 Guaranteed Loan Principal Outstanding 100

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
E108	E108-002			8053	8050	100

These accounts tell the reader that \$100 in new guaranteed loans were made by third-party lenders, and that the full \$100 of principal is still outstanding.

**A1-7. The next transaction using the accounts would be based on a reporting of amounts of principal collected (note that there is no requirement to report interest the borrowers pay to their lenders), which lenders must provide to the credit program agency. The body of the case does not provide that information, but suppose that, at year-end, it was reported that \$10 had been paid on principal. The entry to record this would be:**

8050 Guaranteed Loan Principal Outstanding 10  
 8065 Guar. Loan Collections, Defaults, and Adjustments 10

At this point, 8053's balance of \$100 tells the reader that \$100 of new guaranteed loans were disbursed during the year. 8065's \$10 balance tells the reader that \$10 of that was collected, defaulted, or otherwise adjusted. 8050's balance of \$90 tells the reader that \$90 of the loans is still outstanding with the third-party lender.

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
E110 Reverse	E110-001 Reverse			8050	8065	10

**A1-8 Closing entry. At the beginning of the next year, loans that were made in the preceding year are now part of the cumulative loans made in prior years.**

**Accordingly, the following closing entry is required:**

8070 Guaranteed Loan Cumulative Disbursements by Lenders 100  
 8053 Guaranteed Loan New Disbursements by Lenders 100

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F238 Reverse	F238-001 Reverse			8070	8053	100

**Use of the accounts in Year 2.** There is only one transaction illustrated for Year 2 that would require appending of the memorandum accounts for loan disbursement status:

**A2-1. The financing fund approved a default claim for \$25 and paid it, assuming \$25 in defaulted guaranteed loans for direct collection with a present value of \$10.**

Here, the default would be recorded in the memorandum accounts in the same manner as though it were a collection (separate accounts could be established to accumulate defaults, if desired). Assuming that the \$25 was only for principal (remembering that only the status of principal is required to be reported), the entry would be:

8050 Guaranteed Loan Principal Outstanding	25
8065 Guar. Loan Collections, Defaults, and Adjustments	25

USSGL Trans Code	DoD Trans Code	Proprietary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
E110 Reverse	E110-001 Reverse			8050	8065	25

At this point, 8050's balance of \$100 tells the reader that \$100 of guaranteed loans disbursed in prior years were disbursed. 8065's \$35 balance tells the reader that \$35 of that was collected, defaulted, or otherwise adjusted. 8050's balance of \$65 tells the reader that \$65 of principal on the loans is still outstanding with the third-party lenders.

Note that from this point forward, payments on the defaulted guaranteed loans, which have been assumed by the credit program entity for direct collection, no longer are accounted for via the memorandum accounts. Once the entry shown with transaction 2-7 is made, no further recording in the memorandum accounts is made for those loans.

At the end of Year 2, and in subsequent years, payments, defaults, and adjustments on guaranteed loans which have not defaulted should continue to be made, and the closing entry illustrated for Year 1 should be made to the extent applicable.

**RECONCILIATION OF BEGINNING AND ENDING LOAN GUARANTEE BALANCES**

FASAB Standard 18 requires that for loan guarantee programs under credit reform (as opposed to pre-credit reform which the standard exempts), the credit entity must include a reconciliation of the beginning and ending balances of the loan guarantee liability as part of the notes to its financial statements.<sup>48</sup> The SGL does not provide accounts for

<sup>48</sup> It may be helpful to note here that this does not apply to the allowance for subsidy related to defaulted guaranteed loan assets under credit reform. There *is* a requirement to reconcile the allowance for subsidy related to loan assets in direct loan programs under credit reform.

directly accumulating the data for the reconciliation, though some information is captured in the budgetary or proprietary accounts in the course of recording transactions.

Condensed reconciliations for the case agency for Years 1 and 2 (there were no transactions affecting the balance of the loan guarantee liability in Year 3) are presented below, with transaction numbers involved and crosswalks to budgetary and proprietary accounts available to provide the information. In the crosswalks, B = beginning balance, E = ending (post-closing) balance, P = Program Fund, F = Financing Fund, and D indicates that some sort of data element, attribute, or sub-account would be needed along with the account shown. N/A means that a transaction number is not applicable to the line item involved. Unless accounts are shown with a B or an E, the pre-closing balance of the account is intended.

<b>Year 1</b>		<b><u>Transaction Number</u></b>	<b><u>Crosswalk</u></b>
Beginning Balance	\$-0-	N/A	2180B (F)
Basic Subsidy for New Loans	35	1-6	6100 (D) (P)
Interest Accumulation Factor	1	1-10	6790 (D) <sup>49</sup> (F)
Upward Re-estimate	<u>5</u>	2-11	6800 (D) (P) <sup>50</sup>
Ending Balance	<u>\$41</u>	N/A	Must = 2180E
<b>Year 2</b>			
Beginning Balance	\$41	N/A	2180B (F)
Defaults	(25)	2-7	Nothing available
Loans Assumed for Direct Coll.	10	2-7	Nothing available
Interest Accumulation Factor	2	2-10	6790 (D) (F)
Downward Re-estimate	<u>(4)</u>	2-11	Nothing available <sup>51</sup>
Ending Balance	<u>\$41</u>	N/A	Must = 2180E

Where “nothing available” is indicated for a crosswalk, the reporting entity must provide for some means to capture the information if the required credit program footnote is to be automated or if manual research of the transactions is to be avoided.

\* \* \* *This is the end of the loan guarantee case.* \* \* \*

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<sup>49</sup> A data element would be needed because 6790, though used only for the interest accumulation factor in the case, is for “other interest expense,” and could possibly contain items other than the accumulation factor.

<sup>50</sup> This crosswalk will work for Year 1 only. This is because there are no defaulted guaranteed loan asset accounts, and hence, the re-estimate applies only to the loan guarantee liability. It would not apply to any re-estimate that applied partly to the loan guarantee liability and partly to defaulted guaranteed loan assets.

<sup>51</sup> Although the 6800 financing fund account for the Year 2 re-estimate is available, its balance of \$4 is a combination of a downward re-estimate of \$5 for the loan guarantee liability and an upward re-estimate of \$1 for the defaulted guaranteed loan assets. See also the preceding note.