

Government & Not-For-Profit Accounting

4th Edition

김용석 CPA/CFA

Errata

2019.5.14.

I. 2019년 3월14일 업데이트 내용

☞ p.48 하 도표 수정

☞ 정오표 반영 본문 참고

☞ p.50 하8 용어 수정

Total internal fund assets ☞ Total internal service fund assets

☞ p.54, 55, 69, 94 용어 수정

net assets ☞ net position (정오표 반영 본문 참고)

☞ p60 하6 용어 수정

Expenditure-insurance costs ☞ Expense-insurance costs

☞ p61 하2-3 삭제

~~Dr) Deferred revenue 8,000,000~~

~~— Cr) Revenue grants ————— 8,000,000~~

☞ p62 상8 용어 수정

Dr) Deferred revenue 8,000,000

☞ Dr) Deferred inflows of resources 8,000,000

☞ p98 상9 용어 수정

2) Market Approach ☞ 2) Cost Approach

☞ p142 상6 수정, p143 상5 수정

Cash flows from perating activities:

☞ Cash flows from operating activities:

☞ p177 상10~11 수정

Capital-Air 25,000 ➡ Capital-Air 20,000

Capital-Bird 25,000 ➡ Capital-Bird 30,000

☞ p204 하1~2 수정

** 1,000 EUR ÷ (1.30-1.20) = \$100

➡ ** (1,000 EUR ÷ 1.30) - (1,000 EUR ÷ 1.20) = - 64

*** 1,000 EUR ÷ (1.35-1.30) = \$50

➡ ** (1,000 EUR ÷ 1.35) - (1,000 EUR ÷ 1.30) = - 28

☞ p238 하1 수정

Inventory 1,850,000 ➡ Inventory 1,800,000

☞ p239 상9 자료 추가 (빨간색 표시)

	11/1/20X1	12/31/20X1	2/1/20X2
Fuel	15	17	18
call option-time value	9,000	3,000	0

☞ p274 하 표(7) 수정

➡ 정오표 반영 본문 참고

☞ p275 상 표(8) 수정

➡ 정오표 반영 본문 참고

☞ p274 표(5) 배열 및 text 굵기 수정

➡ 정오표 반영 본문 참고

II. 2019년 5월14일 업데이트 내용

☞ p241, p242 회계처리 수정

➡ 정오표 반영 본문 참고

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

(5) Unassigned fund balance

The residual classification for the government's **general fund** and includes all spendable amounts not contained in the other classifications.

In other funds, the unassigned classification should be used only to report a **deficit balance** resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Summary of fund balance categories

	GF	SRF	CPF	DSF	PF
Non-spendable	○	○			○
Restricted	○	○	○	○	
Committed	○	○	○	○	
Assigned	○		○	○	
Unassigned	○	(-)	(-)	(-)	(-)

(2) Major Funds

- 1) Major fund reporting requirements do not apply to internal service funds
- 2) Non-major funds should be aggregated and displayed in a single column
- 3) General fund is always a major fund
- 4) Major fund test

다음 두 가지 조건을 모두 충족하여야 major fund로 분류된다.

- ① Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least **10 percent** of the corresponding total for all funds of that category.
- ② Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least **5 percent** of the corresponding total for all governmental and enterprise funds combined.

※ Assets should be combined with deferred outflows of resources.
Liabilities should be combined with deferred inflows of resources.

Example

Total governmental fund type assets : \$200,000

Total enterprise fund assets : 300,000

Total internal service fund assets : 50,000

General fund assets : 19,000

Community special revenue fund assets : 26,000

Route 7 construction capital projet fund assets : 24,000

Route 8 construction capital projet fund assets : 131,000

How many funds should be displayed as major funds?

Major fund threshold = Max [200,000 x 10%, 500,000 x 5%] = 25,000

Major funds = GF, Community SRF, Route 8 CPF

Example

Reconciliation from fund-F/S to G-wide F/S

Seoul city reported a \$200,000 net increase in fund balance for governmental funds during 20X1. What amount should Seoul city report as the change in net position for governmental activities?

- Police cars (acquisition cost=\$7,000, depreciation expense=\$2,500)
- Disposal of park land (book value=\$30,000, proceeds=\$40,000)
- Increase in net position for internal service fund=\$7,000
- Seoul city levied property taxes in the amount of \$100,000 and 5% of the levy was not expected to be collected. At December 31, 20X1, \$75,000 of the property taxes were collected, but the remainder was not expected to be collected within 60 days after the end of 20X1.

Changes in fund balances for total governmental funds	200,000
1) Police cars-acquisition cost	+7,000
2) Police cars-depreciation expense	-2,500
3) Book value of park land	-30,000
4) Increase in net position for internal service fund	+7,000
5) Property tax	+20,000
Changes in net position for governmental activities	201,500

Example

Reconciliation from fund-F/S to G-wide F/S

Seoul city reported a \$200,000 net increase in fund balance for governmental funds during 20X1. What amount should Seoul city report as the change in net position for governmental activities?

- Payment of principal on GOB = \$50,000
- GOB proceeds = \$80,000
- Increase in net position for enterprise fund = \$7,000
- Payment of interest on GOB = \$10,000
- For 20X1, the general fund of Seoul city received \$50,000 grant from the state to be used for training its police force. The state recently passes legislation that requires training for all police departments in the state. The grant was received in cash on December 10, 20X1, and was used for training seminars during January 20X2.

Changes in fund balances for total governmental funds	200,000
1) Payment of principal on GOB	+50,000
2) GOB proceeds	-80,000
3) Increase in net position for enterprise fund	0
4) Payment of interest on GOB	0
5) Grant	+50,000
Changes in net position for governmental activities	220,000

Comprehensive example

(1) Issuing general obligation bonds

- Bond par value is separately displayed as **other financing sources**
- Bond premiums/discounts are separately displayed as **other financing sources**
- Bond issuance cost are displayed as **expenditures**—debt service.

Seoul city issued the following bonds to build a new city hall.

- bond par value : \$10,000,000
- bond premiums : \$500,000
- bond issue cost : \$300,000

Dr) Cash	10,200,000	
Expenditure-issuance costs	300,000	
Cr) Other financing sources-bond proceeds(par value)		10,000,000
Other financing sources-bond proceeds(premium)		500,000

※ 일반적으로 bond premium은 CPF에서 공사지출로 사용하지 않고, DFS에서 원리금상환의 자금으로 사용한다.

※ G-wide F/S

Dr) Cash	10,200,000	
Expense-insurance costs	300,000	
Cr) Bond payable		10,000,000
Premium on bond payable		500,000

Bond issuance costs should be recognized as an expense in the period incurred.

※ 기업회계에서는 채권발행비는 부채의 감소로 처리하지만, 정부회계 발생주의에서는 채권발행비는 발생즉시 비용으로 인식한다.

(2) Transfer to debt service fund

Seoul city transferred the premiums of \$200,000 to debt service fund for principal payments.

〈Capital project fund〉	
Dr) Other financing uses-transfer out	200,000
Cr) Cash	200,000
〈debt service fund〉	
Dr) Cash	200,000
Cr) Other financing sources-transfer in	200,000

(3) Restricted grant

Seoul city received \$8 million of its grant from the state for the construction.

Dr) Cash	8,000,000
Cr) Deferred inflows of resources	8,000,000

※ 사용이 제한된 보조금은 사용시점에서 수익으로 인식하며, 사용제한이 없는 보조금은 수령즉시 수익으로 인식한다.

(4) Construction contract

Seoul city signs several construction-related contracts for goods and service to cost \$16 million

Dr) Encumbrance	16,000,000
Cr) Budgetary Fund Balance	16,000,000

※ 건설계약시점에서 encumbrance 회계처리를 한다.

(5) Construction expenditure

Seoul city received and paid contractor invoices of \$15 million for construction and related service.

Dr) Expenditures-construction	15,000,000
Cr) Cash	15,000,000
Dr) Budgetary Fund Balance	15,000,000
Cr) Encumbrance	15,000,000
Dr) Deferred inflows of resources	8,000,000
Cr) Revenues-grants	8,000,000

※ 건설관련 지출은 즉시 지출로 인식하고 주정부 보조금을 수익으로 인식한다.

※ G-wide F/S

Dr) Capital assets	15,000,000
Cr) Cash	15,000,000

※ 건설관련 지출은 고정자산으로 인식하고, 주정부 보조금은 eligibility requirements 충족시점에서 수익을 인식한다.

2 Statement of net position

(1) Asset & Liability

Assets and liabilities should be presented in a **classified format** to distinguish between current and long-term assets and liabilities.

(2) Net position

- 1) **Invested in capital asset** : capital asset less any related debt
- 2) **Restricted** : externally imposed by laws, contributors & creditors
- 3) **Unrestricted**

3 Statement of revenues, expenses and changes in net position

(1) Presentation

- 1) Operating revenues (by source)
- 2) Operating expenses (by nature)
- 3) Operating income
- 4) Nonoperating revenues and expenses
- 5) Income before other revenues, expenses, gains, losses, and transfers
- 6) Capital contributions or grant
- 7) Transfers
- 8) Increase (decrease) in net position
- 9) Net position—beginning of period
- 10) Net position—end of period

- 1) all-inclusive format
- 2) Distinguish between operating and nonoperating revenues and expenses
- 3) Capital contributions, special and extraordinary items, and transfers should be reported separately, **after** nonoperating revenues and expenses.

4 Statement of activities

(1) Accrual accounting

(2) Presentation

- 1) Expenses (by function)
- 2) Program revenues
- 3) Net (expenses) revenue
- 4) General revenues
- 5) Contributions to permanent fund principal
- 6) Special items
- 7) Transfers
- 8) Increase (decrease) in net position
- 9) Net position—beginning of period
- 10) Net position—end of period

The operations of the reporting government should be presented in a format that reports the **net (expense) revenue of its individual functions**. Governments should report all expenses by function.

General revenues, contributions to permanent fund principal, special and extraordinary items, and transfers should be reported separately **after** the total net expenses of the government's functions.

(3) Program revenues

- ① Charges for service
- ② Operating grant and contribution restricted for program
- ③ Capital grant and contribution restricted for program

4 Fair Value Measurement and Application (GASBS 72)

(1) Definition of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(2) Valuation Approaches

1) Market Approach

The market approach to measuring fair value uses prices and other relevant information generated by market transactions involving identical or similar assets or liabilities.

2) Cost Approach

The cost approach to measuring fair value reflects the amount that would be required currently to replace the present service capacity of an asset.

3) Income Approach

The income approach to measuring fair value converts future amounts to a single current amount (such as would be determined by using the discounted present value technique).

(3) Fair Value Hierarchy

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels.

1) Level 1 inputs

are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

2) Level 2 inputs

are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.

3) Level 3 inputs

are unobservable inputs for an asset or liability

3 Statement of cash flows

(1) Format–direct method

Not-for-Profit Entity A Statement of Cash Flows Year Ended June 30, 20X1 (in thousands)	
Cash flows from operating activities:	
Cash received from service recipients	\$ 5,020
Cash received from contributors	8,030
Cash collected on promises to give	2,615
Interest and dividends received	8,570
Miscellaneous receipts	150
Cash paid to employees and retirees	(13,400)
Cash paid to suppliers	(5,658)
Interest paid	(382)
Grants paid	(5,175)
Net Cash used by operating activities	<u>(230)</u>
Cash flows from investing activities:	
Purchase of equipment	(1,500)
Proceeds on sale of equipment	200
Insurance proceeds from fire loss on building	250
Proceeds from sale of investments	76,100
Purchase of investments	(74,900)
Net cash provided by investing activities	<u>150</u>
Cash flows from financing activities:	
Proceeds from contributions restricted for:	
Investment in perpetual endowment	200
Investment in term endowment	70
Investment in land, buildings, and equipment	1,210
Investment subject to annuity trust agreements	200
	<u>1,680</u>
Other financing activities:	
Interest and dividends restricted for reinvestment	300
Payments of annuity trust obligations	(145)
Payments on notes payable	(1,140)
Payments on long-term debt	(1,000)
	<u>(1,985)</u>
Net cash used by financing activities	<u>(305)</u>
Net decrease in cash and cash equivalents	<u>(385)</u>
Cash and cash equivalents at beginning of year	4,960
Cash and cash equivalents at end of year	<u>\$ 4,575</u>
Supplemental data for noncash investing and financing activities:	
Gifts of equipment	\$ 140
Gift of paid-up life insurance, cash surrender value	80

(2) Format—indirect method

Not-for-Profit Entity A
Statement of Cash Flows
Year Ended June 30, 20X1 (in thousands)

Cash flows from operating activities:	
Change in net assets	\$ 15,450
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	3,200
Fire loss	80
Actuarial loss on annuity trust obligations	30
Gain on sale of equipment	(200)
Increase in accounts and interest receivable	(460)
Decrease in inventories and prepaid expenses	390
Increase in contributions receivable	(325)
Increase in accounts payable	1,520
Decrease in refund receivable	(650)
Decrease in grant payable	(425)
Contributions restricted for long-term investment	(2,740)
Realized and unrealized gains on investments	(15,800)
Interest and dividends restricted for reinvestment	(300)
Net cash used by operating activities	(230)
Cash flows from investing activities:	
Purchase of equipment	(1,500)
Proceeds on sale of equipment	200
Insurance proceeds from fire loss on building	250
Proceeds from sale of investments	76,100
Purchase of investments	(74,900)
Net cash provided by investing activities	150
Cash flows from financing activities:	
Proceeds from contributions restricted for:	
Investment in perpetual endowment	200
Investment in term endowment	70
Investment in land, buildings, and equipment	1,210
Investment subject to annuity trust agreements	200
	1,680
Other financing activities:	
Interest and dividends restricted for reinvestment	300
Payments of annuity trust obligations	(145)
Payments on notes payable	(1,140)
Payments on long-term debt	(1,000)
	(1,985)
Net cash used by financing activities	(305)
Net decrease in cash and cash equivalents	(385)
Cash and cash equivalents at beginning of year	4,960
Cash and cash equivalents at end of year	\$ 4,575
Supplemental data for noncash investing and financing activities:	
Gifts of equipment	\$ 140
Gift of paid-up life insurance, cash surrender value	80
interest paid	382

partnership의 자본은 납입자본과 잉여금을 구분하지 않고 각 사원별로 자본을 구분하며 capital이라는 계정을 사용한다.

Example-1

Air & Bird form a partnership. Air contributes cash of \$20,000, while Bird contributes land with a fair value of \$45,000 and the partnership assumes a liability on the land of \$15,000.

Dr) Cash	20,000	
Land	45,000	
Cr) Mortgage payable		15,000
Capital-Air		20,000
Capital-Bird		30,000

(2) Owners' equity accounts

1) Capital account

출자, 당기순손익 및 영구적인 인출을 기록하는 계정이다.

2) Drawing account

일반적인 인출을 기록하는 계정이다.

3) Loans to or from partners

출자가 아닌 자금의 대여 및 차입을 기록하는 계정이다.

(3) Unidentifiable assets contributed—bonus method

사원이 출자한 영업권을 인식하지 않고 영업권 사원의 자본을 증가하고 다른 사원의 자본을 감소하여 조정한다.

Example-3

On 12/1/20X1, KIMCPA purchased goods from foreign company. The purchase in the amount of 1,000 EUR is to be paid for on 2/1/20X2 in EUR. The exchange rates for EUR are as follows:

December 1, 20X1	1 USD = 1.20 euro
December 31, 20X1	1 USD = 1.30 euro
February 1, 20X2	1 USD = 1.35 euro

12/1/20X1	Inventory	833*
	Account payable	833
12/31/20X1	Account payable	64**
	Exchange gain	64
2/1/20X2	Account payable	28***
	Exchange gain	28
Settlement	Account payable	741
	Cash	741

* $1,000 \text{ EUR} \div 1.2 = 833$

** $(1,000 \text{ EUR} \div 1.30) - (1,000 \text{ EUR} \div 1.20) = -64$

*** $(1,000 \text{ EUR} \div 1.35) - (1,000 \text{ EUR} \div 1.30) = -28$

Example-5

On 11/1/20X1, an airline entered into forward contract to purchase 100,000 gallons at \$15 per gallon on 2/1/20X2. The company designates the hedge as cash flow hedge. The market price of fuel per gallon follows:

	11/1/20X1	12/31/20X1	2/1/20X2
fuel	15	17	18

11/1/20X1	No entry		
12/31/20X1	Forward contract(Asset)		200,000
	Other comprehensive income		200,000
2/1/20X2	Forward contract(Asset)		100,000
	Other comprehensive income		100,000
Settlement	Cash		300,000
	Forward contract(Asset)		300,000
	Inventory		1,800,000
	Cash		1,800,000
When the fuel is consumed	Other comprehensive income		300,000
	COGS		300,000
	COGS		1,800,000
	Inventory		1,800,000

Example-6

On 11/1/20X1, an airline purchased an at-the-money call option for \$9,000 to purchase 100,000 gallons at \$15 per gallon on 2/1/20X2. The company designates the hedge as cash flow hedge and the effectiveness of a hedging relationship with an option is assessed based on changes in the option's intrinsic value. The market price of fuel and time value of the call option follow:

	11/1/20X1	12/31/20X1	2/1/20X2
fuel	15	17	18
call option-time value	9,000	3,000	0

11/1/20X1	Call option(Asset)	9,000
	Cash	9,000
12/31/20X1	Call option(Asset)	194,000
	Loss on call option	6,000
	Other comprehensive income	200,000
2/1/20X2	Call option(Asset)	97,000
	Loss on call option	3,000
	Other comprehensive income	100,000
Settlement	Cash	300,000
	Call option(Asset)	300,000
	Inventory	1,800,000
	Cash	1,800,000
When the fuel is consumed	Other comprehensive income	300,000
	COGS	300,000
	COGS	1,800,000
	Inventory	1,800,000

Example-8

On 11/1/20X1, AIFA issued an at-the-money call option for \$9,000 to purchase 100,000 gallons at \$15 per gallon on 2/1/20X2. AIFA designates the derivatives as speculation. The market price of fuel and time value of the call option follow:

	11/1/20X1	12/31/20X1	2/1/20X2
fuel	15	17	18
call option—time value	9,000	3,000	0

11/1/20X1	Call option(Asset)	9,000
	Cash	9,000
12/31/20X1	Loss on call option	6,000
	Call option(Asset)	6,000
2/1/20X2	Loss on call option	3,000
	Call option(Asset)	3,000
Settlement	No entry	

Example-9

On 11/1/20X1, AIFA purchased an at-the-money call option for \$9,000 to purchase 100,000 gallons at \$15 per gallon on 2/1/20X2. AIFA designates the derivatives as speculation. The market price of fuel and time value of the call option follow:

	11/1/20X1	12/31/20X1	2/1/20X2
fuel	15	13	14
call option—time value	9,000	3,000	0

11/1/20X1	Cash	9,000
	Call option(Liability)	9,000
12/31/20X1	Call option(Liability)	6,000
	Gain on call option	6,000
2/1/20X2	Call option(Liability)	3,000
	Gain on call option	3,000
Settlement	No entry	

- (4) For defined benefit pension plans, the **accumulated benefit obligation**.

Information for pension plans with an accumulated benefit obligation in excess of plan assets		
	December 31	
	20X3	20X2
Projected benefit obligation	\$ 263	\$ 247
Accumulated benefit obligation	237	222
Fair value of plan assets	84	95

- (5) The **benefits** expected to be paid in each of the **next five fiscal years**, and in the **aggregate** for the five fiscal years thereafter.

	Pension Benefits	Other Benefits
20X4	\$ 200	\$ 150
20X5	208	155
20X6	215	160
20X7	225	165
20X8	235	170
Years 20X9 – 20Y3	1,352	984

- (6) The employer's best estimate of **contributions** expected to be paid to the plan during the **next fiscal year**.

- (7) The amount of **net benefit cost** recognized, showing separately

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income				
	Pension Benefits		Other Benefits	
	20X3	20X2	20X3	20X2
Net Periodic Benefit Cost				
Service cost	\$ 76	\$ 72	\$ 36	\$ 32
Interest cost	90	88	55	55
Expected return on plan assets	(85)	(76)	(17)	(8)
Amortization of prior service cost	20	16	(5)	(5)
Amortization of net (gain) loss	—	—	—	—
Net periodic benefit cost	<u>\$ 101</u>	<u>\$ 100</u>	<u>\$ 69</u>	<u>\$ 74</u>

- (8) On weighted-average basis, assumed discount rates, rates of compensation increase, and expected long-term rates of return on plan assets.

Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31				
	Pension Benefits		Other Benefits	
	20X3	20X2	20X3	20X2
Discount rate	7.25%	7.50%	7.50%	7.75%
Expected long-term return on plan assets	8.00	8.50	8.10	8.75
Rate of compensation increase	4.50	4.75		

- (9) Separately the net gain or loss and net prior service cost or credit recognized in other comprehensive income and reclassification adjustments of other comprehensive income for the period, as those amounts, including amortization of the net transition asset or obligation, are recognized as components of net periodic benefit cost.

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income				
	Pension Benefits		Other Benefits	
	20X3	20X2	20X3	20X2
Net loss (gain)	\$ 76	\$ 112	\$ 37	\$ (48)
Prior service cost (credit)	70	—	(75)	(27)
Amortization of prior service cost	(20)	(16)	5	5
Total recognized in other comprehensive income	126	96	(33)	(70)
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ 227</u>	<u>\$ 196</u>	<u>\$ 36</u>	<u>\$ 4</u>

- (10) The amounts in accumulated other comprehensive income that have not yet been recognized as components of net periodic benefit cost, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation.

	Pension Benefits		Other Benefits	
	20X3	20X2	20X3	20X2
Net loss (gain)	\$ 94	\$ 18	\$ (11)	\$ (48)
Prior service cost (credit)	210	160	(92)	(22)
	<u>\$ 304</u>	<u>\$ 178</u>	<u>\$ (103)</u>	<u>\$ (70)</u>

14. A company is an accelerated filer that is required to file Form 10-Q. What is the maximum number of days after the company's fiscal quarter?

- a. 60 days
- b. 75 days
- c. 90 days
- d. 40 days

15. In addition to the most recent quarter-end, for which of the following periods is the company required to present balance sheets of Form 10-Q?

- I . The end of the corresponding fiscal quarter of the preceding fiscal year.
- II . The end of the preceding fiscal year.

- a. I only
- b. II only
- c. Both I and II
- d. None of the above

16. For which of the following periods is the company required to present income statements of Form 10-Q?

- I . For the current interim period
- II . Cumulatively for the current financial year to date
- III . For the current interim periods of the immediately preceding financial year.
- IV . For the year-to-date interim periods of the immediately preceding financial year.

- a. I and III
- b. II and IV
- c. I and II
- d. I, II, III and IV