Arsi University, College of Business and Economics, Department of Accounting and Finance

Assignment on Government and not for profit entities Accounting

Q1: Record the following transaction on the book of General fund and prepare financial statements (Balance sheet and statement of revenues, expenditures and changes in fund balance)

ASELLA TOWN- General Fund
Balance Sheet
Sene 30, 2010

Assets

Cash ----------220,000
Taxes receivable—delinquent ----------660,000
Less: Estimated uncollectible delinquent taxes ---------- (50,000)
Net taxes receivable- delinquent---------- 610,000
Interest and penalties receivable on taxes ---------- 13,200
Less: Estimated uncollectible interest and penalties---------- (3,300)
Net interest and penalties receivable on taxes---------- 9,900
Inventory of supplies---------- 61,500
Total Assets ----------901,400

Liabilities and Fund Balances

Liabilities:

Vouchers payable ----------320,000
Due to federal government ---------- 90,000
Total Liabilities ---------- 410,000
Fund Balances:
Reserved for inventory of supplies ---------- 61,500
Unreserved Fund balance- ---------- 429,900
Total Fund Balances ---------- 491,400
Total Liabilities and Fund Balances ----------901,400

The above balance sheet is used as a beginning balance sheet for the budget year ending June 30, 2011.

Record the following transactions on the book of Asella town General fund

1. The fiscal year's budget approved is as follows
   Estimated Revenues 3,986,000
   Budgetary Fund Balance 285,500
   Appropriations 4,180,000
   Estimated Other Financing Uses (transfer to ISF) 91,500
2. The town levied property tax for the fiscal year totaled 2,708,333 out of this 108,333 is estimated to be allowance for uncollectible.
3. A transfer of inventory of supplies 61,500 and 30,000 in cash is made from the General Fund for general government function to establish the internal service fund (equity transfer out).
4. Purchase order issued for supplies fund in the amount of 306,450 (247,360 to supplies fund and the remaining for other suppliers)
5. The town collected 2,042,033 from the property tax levied for the current fiscal year.
6. During fiscal year 2011, the Asella Town has collected revenues in cash from the sources such as licenses and permits, fines and forfeits, charges for services, and certain other sources are often not measurable until received in cash 259,200 (directly charged to Revenues)
7. Supplies ordered at an estimated cost of 247,360 from the internal service fund (Supplies Fund) were received at an actual cost of 249,750 (Due to ISF); however, only a portion of the supplies and contracts with outside vendors were filled or completed during the year at an actual cost of 19,700 (Vouchers payable), for which the estimated cost had been 22,415. (encumbrance to be cancelled will be 269,775=247,360+22,415)
8. Checks were drawn and paid the 339,700 balance of vouchers payable

9. The General Fund paid the Supplies Fund 249,750 for supplies purchased (in Entry no.4) and the federal government 90,000 (see on the beginning balance sheet)
10. The gross pay of employees of General Fund departments for the month of July 2010 amounted to 252,000. The town does not use the encumbrance procedure for payrolls. Deductions from gross pay for the period amount to 44,478 for employees' share of federal withholding tax for **federal government (**due to federal government**)** and 5,040 share of withholding tax for **state governments (**Due state governments**)** the remainder will be **net pay** for employees (kept as vouchers payable)**.**
11. Payment of cash on vouchers for the net pay of payroll is made
12. During fiscal year 2011, the Asella Town has collected revenues in cash from the sources such as licenses and permits, fines and forfeits, charges for services, and certain other sources are often not measurable until received in cash 259,200 (directly charged to Revenues)
13. All uncollected property taxes and related allowance for uncollectible on become delinquent.
14. Delinquent taxes are subject to interest and penalties (interest and penalties receivable on taxes) of 13,320 of which 2520 is estimated to be allowance for uncollectible on interest and penalties.
15. Additional penalty of 600 was charged for the period from the first day of fiscal year 2011 to the dates on which the delinquent taxes were paid. The entry will be as follows

    Interest and Penalties Receivable on Taxes 600

    Revenues 600
16. Total cash collection of the delinquent taxes as well as interest and penalties made at the amount of 440,000 and 9,400 for tax receivable- delinquent and interest and penalties respectively.
17. Asella Town treasurer receives approval to write off delinquent taxes totaling 26,300 and related interest and penalties receivable of 1,315.

Estimated Uncollectible Delinquent Taxes 26,300
Estimated Uncollectible Interest and Penalties 1,315

Taxes Receivable—Delinquent 26,300

Interest and Penalties Receivable on Taxes 1,315

Q2: Capital Project Fund - Transactions

The city's office building is to be constructed at an estimated total cost of 5,050,000 the source of finance for the project is issuance of bond and 100,000 is to be received from the federal government; the project is to be completed within one year from now.

Record the following transactions on the book of capital project fund and at governmental activities

1) For the office building project, 50,000 birr was borrowed from the General Fund, to be repaid within one year from bond proceeds.
2) A contract was signed to an architectural firm in the amount of 50,000 for the completion of the architectural design for the new city office building.
3) The architectural firm for which an encumbrance of 50,000 had been recorded provided a final bill for 48,000. The city immediately paid the bill
4) The bonds with a face value of 5,000,000 were issued at 101% (at premium) to finance the project, the 50,000 premium to be transferred to Debt service fund (Due to debt service fund).
5) The amount promised from the federal government for the previously approved amount of 100,000 is received.
6) The 50,000 due to the General Fund was repaid
7) A contract was signed with Capital Construction Company in the amount of 5,050,000

8) A partial billing of 3,000,000 was received from Capital Construction Company
9) The amount of 3,000,000 due to Capital Construction Company was paid, except for a 5% retained percentage (contract retained payable), which in conformity with the provisions of the contract was withheld pending final inspection.
10) Capital Construction Company completed the city office building project and provided its final bill in the amount of 2,000,000
11) The City paid the amount of 2,000,000 due to Capital Construction, except for a 5% retained percentage (contract retained payable).
12) The contractor was paid the remaining retained percentage.
13) The due to debt service fund 50,000 is transferred (refer transaction number 5)
14) The project being complete, the City closed all temporary accounts.
15) The resources remaining at end of project are transferred to debt service fund
16) Show the journal entry to record the completed building at the governmental activities

N.B. *Lessons to be learned from capital project fund transactions are*

- ✓ The building is included in the governmental activities statement of net assets as a capital asset, net of accumulated depreciation
- ✓ The long-term liability is reported in the Governmental Activities column of the statement of net assets
- ✓ Depreciation expense is reported at the government-wide level on the statement of activities as a pro rata direct expense for each of the functions occupying the building.