
UNIT 2: PRINCIPLES OF ACCOUNTING AND FINANCIAL REPORTING FOR STATE AND LOCAL GOVERNMENTAL UNITS

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2.0 AIMS AND OBJECTIVES

This unit aims at explaining all the principles of governmental accounting and financial reporting applied by the governmental entities using fund accounting system.

and the common accounting characteristics they possess.

After going through this unit, the student should be able to:

- ▯ explain all governmental accounting principles
- ▯ understand the concept of fund accounting system applied
- ▯ identify the funds, their common accounting character and the financial activities and resources they account.

2.1 INTRODUCTION

The GASBs codification of governmental accounting and financial reporting standards presents twelve principles of governmental accounting. This principles are basic, carefully thought out beliefs and specific fundamental tenets which on the basis of reason, demonstrated performance, general acceptance are generally essential to effective management control and financial reporting which also have been proven to work well and are accepted by most.

2.2 STATEMENT OF THE PRINCIPLES

2.2.1 Accounting & Reporting Capabilities (principle #1)

A government accounting system must make it possible both

- (a) To present fairly & with full disclosure the financial operation of the funds & account groups of the governmental unit in conformity with Generally accepted accounting principles (GAAP) &
- (b) To determine & demonstrate compliance with finance-related legal and contractual provisions.

1. Adherence to GAAP is essential to answering a reasonable degree of comparability among the general-purpose financial reports of state and local governmental units.

2. Sometimes the legal requirements might be contrary to GAAP; for instance, governmental entities may require to keep books with a single entry ledger, or it may require to keep all account on a strictly cash basis. In these cases since the legal requirements are contrary to GAAP financial statements & reports prepared in compliance with state laws are complied. Sometimes legal requirements are also contrary to good financial management. For example a purchase for 3 birr might require the same amount of paper work as a purchase of 10,000 birr. In this case the cost of the forms, the labour to complete them and the storage space to keep them might actually exceed the 3 birr. It is the law. But it is good management of resources.

In some governmental units however Under such circumstances where the laws require to follow practices not consistent with GAAP, Governmental units may prepare two sets of financial statements.

1. One set in compliance with legal requirements,
2. One set in conformity with GAAP

2.2.2 Fund Accounting System (Fund defined) (principle # 2)

Governmental accounting systems should be organized & operated on a fund basis.

“A fund is defined as a fiscal & accounting entity with a self balancing set of accounts recording cash & other financial resources, together with all related liabilities & residual equities and balances, & changes there in, which are segregated for the purpose of carrying on specifies activates or attaining certain objectives in accordance with special regulations, restrictions or limitations.”

- The word FUND is given special definition as it relates to Fund Accounting. The narrow definition of Fund as used in ordinary conversation is a “resource of money”. However in this course it is given the special definition above. It has key phrases indicating the

following points; It is by itself is an entity, having its own accounting existence and a self balancing set of books(double entry system). That set of books is established for recording a specific financial activity. The establishment of the fund will attain a specific objective and will have regulations, restrictions or limitations.

Example

Two examples follow to illustrate the concept of fund. First the ministry of education operates several colleges. Although all are part of the MINISTRY as a whole each one is treated as a fund. Each college will be given money that is specifically for its operations, is not to be mixed up with other institutions. Therefore each college will keep its own set of books, and issue its own Financial Reports, irrespective of the performance of other individual institutions or the ministry as a whole.

Or take the case of Non governmental organizations. For instance, a single NGO will likely have several projects; it may have the following different projects, which are funded by different donors.

1. Construction of a Dam in region 1
2. Water development project in region 2
3. Cattle development project in region 3

Under this case the donor for each project will not necessarily be given the financial statement of the NGO as a whole. The donor for a cattle development project will want financial statements for only the project, which he is funding. Therefore, each project will have its own set of books & produce its own financial statements. So each project will be a separate distinct fund. The very reason of setting up of funds accounting in governmental entity is that of legal requirement & good financial management.

2.2.3 Types of Funds (Principle # 3)

There are seven types of funds, which are subdivided into three categories:

I. GOVERNMENTAL FUNDS

- 1. *The General Fund***- to account for all financial resources except those required to be accounted for in another funds.
- 2. *Special Revenue Funds***- to accounts for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specific purposes.
- 3. *Capital Project Fund***- to account for financial resources to be used for the acquisition or construction of major capital facilities (other them those financed by proprietary & trusts funds)
- 4. *Debt Service Funds***- to account for the accumulation of resources for & the payment of general long term debt principal & interest.

II. PROPRIETARY FUNDS

- 5. *Enterprise Funds***- to accounts for operations
 1. That are financed and operated in a manner similar to private business enterprises-where the intention of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or
 2. Where the governing body has decided that periodic determinations of reveries earned, expenses incurred and/or net income is appropriate for capital maintenance,

public policy, management control, accountability, or other purposes.

6. Internal Service Funds- to account for the financing of goods or services provided by one department or agency to the another department or agency of the governmental unit, or to the other governmental units on a cost reimbursement basis.

III. FIDUCIARY FUNDS

7. Trust And Agency Funds- To account for assets held by governmental unit in a trustee capacity or as an agent for individual private organizations, other governmental units & or funds. These include:

1. Expendable trust funds
2. Non-expendable trust funds
3. Pension trust funds
4. Agency funds

All governmental funds are **Expendable Funds**; expendable funds are meant to be expended or their resources are used up entirely usually within one fiscal year. As a practical matter, any money that remains in an expendable fund at the end of the year typically must be returned to its source. Therefore managers of expendable funds normally try to ensure that all their funds are used up within one time period. if they are not used up, the manager is often perceived as being a poor budget planner. This course deals primarily with accounting for expendable funds. The accounting equation for an expendable fund is slightly different from an FP. recall the accounting equation for an FP: $A - L = C$. The accounting equation for an expendable fund (from the definition of Fund above) is cash plus other financial resources minus liabilities = fund balance. **(C + OR - L = FB)**. There are no ownership

interests in an NFP. So there is no capital or owners equity. There is only a balance remaining to be used for specific purpose.

Non-Expendable Funds are used when maintenance of capital is desired, and the unexpended funds are not meant to be returned. all proprietary funds are non-expendable funds

1. **The general fund** is the first one mentioned. All governmental units should have a general fund except if the resources are to be accounted in other funds. There will be one general fund established. Some governmental units will have only a general fund. If any of the other types of funds are needed, the governmental unit may have several of those funds as needed. The general fund is used for general government services. It is basically used for services that does not require a separate fund.
2. An example of a **special revenue fund** might be “The Unity and safety of the motherland tax” that was collected during the derg regime. This fund was not for the general fund of the government but was raised specifically for the armed forces. it would have needed to be accounted for and reported on separately. An other example is the oil price contingency fund which was established by the government specifically for the purpose of controlling the fluctuation of oil prices in the country.
3. An example of **Capital Projects Funds** could be the construction of new building for the city government Administration. the costs incurred in the construction of the building are quite different from the operating cost of the city administration and would need to be accounted for and reported on as an entity in itself.
4. If money has been borrowed from the construction of new building, that would give rise to a **Debt service Fund**. Assume that 10,000,000 birr was borrowed at 10 % simple interests and is to be repaid in full in 10 years, each year 2,000,000 birr would be needed to be put in a debt service fund- 1,000,000 for the

- payment of the principal plus 1,000,000 for the payment of each year's interest.
5. A public park could be an example of an **Enterprise Fund**. The park would charge a user fee, from which it could pay the expenses (eg. Salaries) of operating the park. as a non-expendable fund, it would not have to return unused money to its source at the end of the year. Therefore, it might also accumulate money from year to year for the purchase of equipment, furnishings and the like from its income from the user charges.
 6. A shared garage is a common example of an **Internal Service Fund** in government ministry offices. the garage would repair all the ministries` vehicles regardless of which project, offices or funds uses them. charges are made to various funds for the repair cost. as a non expendable fund, part of the charge made to the various funds could be intended to be accumulated for future years for the purchase of tools and equipment.
 7. **Fiduciary funds** are used to account for money which one branch of government has on behalf of another fund, organization or individual. a common example of a fiduciary fund is a central tax collection agency, such as the Inland Revenue Authority. the taxes it collects are not for its own benefit, but are rather passed on to other ministries or departments. fiduciary funds are expendable as well as non expendable depending upon the type of fund.

N.B- one additional type of fund i.e special assessment fund has been eliminated by GASB for financial reporting purposes.

2.2.4 Number of Funds (Principle # 4)

Governmental units should establishes and maintain those funds require by law & sound financial administration. only the minimum number of funds in consistent with legal and operating requirements

should be established, however since unnecessary funds result in inflexibility, undue complexity & inefficient financial administration.

The seven fund types are to be used if needed by Governmental unit to demonstrate compliance with legal requirements or if needed to facilitate sound financial administration.

In rare instances the use of a certain fund type is required by GASB standards. If legal requirements GASB standards or sound financial administration do not require the use of a given fund type, it should not be used. In the simplest possible situation, a governmental unit could be in conformity with GAAP if it used a single fund, the general fund, to account for all events & transactions. In addition to that one fund, however it would need two account groups.

This principle is especially important in NGOS who intend to do a number of limited life projects, each of which is accounted for as a separate fund. When the project is finished the fund should be closed. As long as the fund remains open, financial statements continue to be produced for it. Wasting paper, ink, labour and time.

2.2.5 Accounting for fixed assets & long-term liabilities (Principle #5)

A clear distinction should be made between Fund fixed assets & general fixed assets & Fund long-term liabilities & General long-term debt

- A. Fixed assets related to specific property funds & trust funds should be accounted for through those funds. All other fixed assets of governmental units should be accounted for through the general fixed asset account group.
- B. Long term liabilities of proprietary funds & trusts fund should be accounted for through those funds. All other unmatured general long-term liabilities of governmental unit including special assessments debt for which the government is obligated in some

manner should be accounted for through the general long-term debt account group.

1. General fixed assets include land, buildings, improvements other than buildings, car & equipments used by activities accounted by the four fund types classified as “governmental funds”. Which belong to the governmental unit as wholes, rather than to a particular, fund and are to be shared among the different funds e.g. A fleet of cars or office building that is shared among the funds of the municipality. General fixed assets do not represent resources available for expenditure, but rather are items for which resources have been used. Note that the construction or purchase fixed assets is accounted for in a fund as the resource for those assets is being expended. The two principles quoted below establish requirements that relate to fixed asset accounting.
2. General long-term debt would be borrowings of the entire governmental entity rather than by a specific fund. The money would be backed by the full faith and credit of the governmental entity rather than by specific fund. They are to be paid from general tax levies, specific debt service tax levies, or special assessments. The rationale for not including general long-term debt in the general fund’s account is like that of general fixed assets. The general long-term debt is not something will require current period resources for payment. These liabilities do not constitute a fiscal entity either. but they do need accountability, so the general long term debt account group is used to provide this.

2.2.6 Valuation of Fixed Assets (PRINCIPLE # 6)

Fixed assets should be accounted for at cost, or if the cost is not practically determinable, at estimated cost, donated fixed assets should be recorded at their estimated fair value at the time received.

Note: as with FP, Fixed assets should be recorded at their historical cost. But one

difference with profit making accounting is that fixed assets are not usually donated to profit making entities. so they are not concerned with accounting for them.

2.2.7 Deprecation of Fixed Assets (PRINCIPLE # 7)

A. Deprecation of general fixed assets should not be recorded in the accounts of governmental funds. Depredation of general fixed assets may be recorded in cost accounting systems or calculated for cost finding analysis; & accumulated depreciation may be recorded in the General Fixed Asset Account group.

B. Deprecation of fixed assets accounted for in a proprietary funds should be recorded in accounts of that fund. depreciation also recognized in those trust funds where expenses, net income &/or capital maintenance are measured.

1. Depreciation is not recognized in as expenditure in governmental funds because it is not a decrease in fund financial resources. However, It should be calculated in the general fixed asset account group because knowing depreciation is helpful for good financial management and helps in planning for the replacement of assets in the future.
2. Proprietary fund fixed assets- because a proprietary fund needs to know that it is covering all its costs, it includes depreciation as an expense in its accounts. remember that accounting in a proprietary fund is similar to FP accounting.

2.2.8 Basis of Accounting (PRINCIPLE # 8)

The Modified Accrual or accrual basis of accounting as appropriate should be utilized in measuring financial position & operating results.

- A. Governmental fund revenues & expenditures should be recognized on the modified accrual basis. Revenues should be recognized in the accounting in which they become available & measurable. expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt which should be recognized when due.
1. Revenues & other governmental fund financial resource increments (e.g.) bond issue proceeds are recognized in the accounting period in which they become susceptible to accrual i.e. when they become both measurable & available to finance expenditures of the fiscal period.
- B. Proprietary fund revenues & expenses should be recognized on the accrual basis. Revenues should be recognized in the accounting period in which they are earned & become measurable. Expenses should be recognized in the period incurred, if measurable.
2. Proprietary fund account is virtually the same as for profit account.
- C. Fiduciary funds revenue and expenses or expenditures (as appropriate) should be recognized on the basis consistent with the fund's accounting measurement objective. Nonexpendable trusts and Pension Trust Funds should be accounted for on the accrual basis;
3. Expendable trust funds should be accounted for on the modified accrual basis. Agency fund assets and liabilities should be accounted for on the modified accrual basis.
 4. It is sufficient to say that the basis of accounting for Fiduciary funds depends on whether or not the nature of the fund is expendable or non-expendable. Both kinds are possible in fiduciary funds.

D. Transfers of financial resources among funds should be recognized in all funds affected in the period in which the interfund receivables & payable(s) arise.

1. Sometimes there are transfers made between funds. Because each fund is a separate accounting and reporting entity, these transfers must be reported.

In business enterprise accounting, the accrual basis is employed to obtain a matching of costs against the revenues flowing from those costs, they producing a more useful Income Statement. In governmental entities, however, even for those funds that do attempt to determine net income, only certain trust funds have major interest in the largest possible amount of gain. Internal service and enterprise funds are operated principally for service. They make use of revenue and expense accounts to promote efficiency of operations and to guard against importance of ability to render the services desired.

For these reasons, operating statement of proprietary funds, non-expendable trust funds & pension trust fund are called statement of revenue and expenses rather than income statement. GASB standards require that modified accrual basis is appropriate for the four governmental funds, for agency funds & for expendable trust funds while the accrual basis is used for the two proprietary funds, non-expendable and pension trust funds.

The difference between **Expenses** and **Expenditure must** be known properly to understand the distinction between NFP and FP accounting. In the dictionary these words have almost exactly the same meaning. However in fund accounting, they have been given specialized meanings.

2. An **Expense** is a current period consumption of resources.
3. An **Expenditure** a decrease in the fund financial resources.

For example in a profit making accounting a car would be considered as an asset and depreciation would be recorded as an *expense* as the

car is “used up” or “wears out”. In a governmental fund, the car would be considered as an *expenditure* at the time of purchase.

2.2.9 Budget and Budgetary Accounting (Principle # 9)

- A. An annual budget (s) should be adapted by every governmental units.
- B. The accounting system should provide the basis for appropriate budgetary control.
- C. Budgetary comparisons should be included in the appropriate financial statement & schedules for governmental units funds, for which an annual budget has been adapted. [Budget with Actual]

- 1. Budgeting is the process of allocating of resource to meet unlimited demands.

There are three primary questions to ask when preparing a budget.

Q, How much will we spend?

Q, Why will we spend it?

Q, Where will we get the money?

- 2. Budgets are key elements of legislative control over governmental units. The executive branch of a governmental units propose the budget, the legislative branch reviews, modifies & enacts the budget and finally approves and the executive branch then carries out the provisions. Budgets have a greater role in governmental accounting than in profit making business, because governmental budgets are fixed by law and are generally unchangeable, so exceeding them may carry severe penalties. Budget in profit making enterprises are usually more flexible & can change as conditions change during the year. A budget, when adopted according to procedures specified in state laws is binding on the administration of a Governmental unit. Accordingly, a distinctive characteristics of Governmental accounting resulting from the need to demonstrate with laws governing the sources of revenues available to governmental units, & laws governing the utilization of those revenues is the

formal recording of the legally approved budgets in the accounts of funds operated on an annual basis.

2.2.10 Financial Reporting (Principal # 10)

Interim financial reports

A. Appropriate interim financial statements & reports of financial position, operating results & other pertinent information should be prepared to facilitate management control of financial operations, legislative oversight & where necessary or desired for external reporting purpose.

3. In NFP accounting interim reporting is used if it fulfils one of these three purposes:

1. For good management
2. For the legislature (legal compliance)
3. For external reporting (perhaps for those who have loaned money to it)

Comprehensive Annual Financial Reports (CAFR)

B. A comprehensive annual financial report covering all funds & account groups of the governmental unit including appropriate combined, combining & individual fund statements, notes to the F.S, schedules, narrative explanations & statistical tables should be prepared & published.

4. Combined statement would show the operations of the entire governmental entity constituting all the individual funds in to one statement. Combining would combine the results of all funds of same type e.g. all special revenue funds. Individual fund statement would be prepared for each individual fund.

General purpose Financial Statement (GPFS)

C. General purpose F.S may be used separately from the comprehensive annual financial report. Such statement should include the basic F.S & notes to the financial statement that are essential to fair presentation of financial position and operating results (changes in financial position of proprietary funds & similar funds)

1. The general purpose F.S are essentially the same as the combined statement.
2. NOTE: governmental reporting entity
3. The first thing that must be clear in accounting for governmental units is that what agencies, commissions, institutions public authorities or other governmental organizations (called component units) are to constitute the reporting entity for a governmental unit. The basic criteria for inclusion in the reporting entity is the ability of governmental units, elected officials to exercise oversight responsibility over the organization in question the primary indication of oversight responsibility is financial independency of the organization & other indicators are - the ability of elected officials to influence the operations.

2.2.11 Classification and Terminology (Principle # 11,12)

Classification (principle # 11)

Transfer, Revenues, Expenditure and Expense account classifications.

I. Classification of Transfers

A. Inter fund transfers & proceeds of general long-term debt issues should be classified separately from fund revenue and expenditures or expenses.

1. Interfund transfers- a transfer from one fund within the unit to another fund within the same unit

2. eg- suppose an NGO operates clinics, & these clinics charges to cover wages & medicines. During the year one clinic had a surplus & another had a loss. The head of the organization decides to transfer funds from one to another.
3. Proceeds of general long term debt issues- money that is received from borrowing.
4. Donation from outside - go in to the general fund or into a particular project fund as the donor indicates.
5. -There are basically fund types of interfund transaction and transfers we commonly encounter in state and local govt. these are: -

1. Quasi-external transactions- transactions that would be treated as revenues, expenditures, or expenses if they organization external to the government unit.

2. Reimbursements- one fund pays a bill on behalf of another

E.g. An NGO operates a clinic in A.A & southern Shoa,

The A.A clinic, for convenience, might pay a bill for medicine on behalf of the Southern Shoa clinic. The Southern Shoa clinic would then reimburse the A.A clinic & it would be an expenditure for the Southern Shoa clinic.

3. Residual equity transfer- left over money at the end of a certain project given to another.

E.g. Funding for water project in Asosa transferred to a water project in Shoa after the Asela project is finished.

4. Operating transfers- all other inter fund transfers

E.g. legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

E.g. Transfers of fund from general fund to a special reserve fund.

N.B: 1&2 are merely transactions whereas 3&4 are transfers

II. Classification of Revenues and Expenditures

A. Governmental fund revenues should be classified by fund and source. Expenditures should be classified by fund, function (or

programmes), organization unit, activity, character & principal classes of object.

III. Proprietary fund Revenues and Expenses

C. Proprietary fund revenues & expenses should be classified in essentially the same manner as those of similar business organizations functions or activities.

Expense is a current period consummation of resources while expenditure is a decrease in fund financial resources.

E.g. in profit making accounting, a car would be considered as an asset & depreciation would be recorded as an expense as the car is used up on wears out, in a fund the car would be considered as expenditure at the time of purchase.

Terminology (Principle #12)

A common terminology & classification should be used consistently through out the budget, the accounts, the financial reports of each fund.

1. The common terminology and classification principle is simply a statement of common sense proposition that if the budgeting, budgetary control, and budgetary reporting principle is to be implemented, persons responsible for preparing the budgets and persons responsible for preparing the financial statements and the financial reports should work with the persons responsible for designing and operating the accounting system. Agreement on a common terminology and classification scheme is needed to make sure the accounting system produces the information needed for budget preparation and for financial statement and report preparation

2.3 COMMON ACCOUNTING CHARACTERISTICS OF THE FUND TYPES.

2.3.1 Accounting Characteristics Common to Funds of the Governmental Fund Category

The four governmental funds (i.e. general, special revenue, capital project & debt service funds) have common characteristics that would distinguish them from that of the other two fund types (i.e. proprietary & fiduciary)

1. Governmental funds are created in accordance with legal requirements.
 - Each fund has only those resources allowed by law.
 - Any governmental unit might or might not use the allowed resource but they should not utilize unauthorized resources.
 - The resources may be expended only for purposes & in amounts approved by the legislative branch. So the measurement focus of governmental fund accounting is on the flow of financial resources (as distinguished from business organization focus on determination of net-income)
 - Governmental funds are expendable i.e. resources are received & expended with no exceptions, that they will be returned through user or departmental charges.
 - Revenues & expenditures (not expenses) of governmental funds are recognized on the “modified accrual basis of account”.
2. Legal constraints on the raising of revenue & the expenditure of revenue are, in most jurisdictions, set forth by a legally adopted budget.
 - Accounting systems of governmental funds should provide the basis for appropriate budgetary control.
3. Governmental funds account only for financial resources: cash, receivables, marketable securities, and, if material, prepaid items & supplies inventories.

- They do not account for plant & equipment.
- 4. Funds in the governmental category account for only those liabilities to be paid from fund assets.
- 5. The arithmetic difference between fund assets & fund liability is called fund equity which could either be reserved or not.
 - The portion of fund equity that is not reserved is called fund balance. residents of the governmental unit do not have legal claim on any portion of it.
 - It is not equivalent to the capital section of an investor owned entity.

2.3.2 Accounting characteristics common to funds of the proprietary fund category.

2. Proprietary fund provide services to users on a cost reimbursement basis.
 3. They are for a part of the government that is run like a private business where the income & fees for services of the fund is expected at least to cover part of the expenses.
 4. They are not subject to income taxation, nor do they have owners in the sense that business enterprises do.
 5. Their account is similar with profit making business.
1. Proprietary funds are established in accordance with enabling legislation & their operations and policies are subject to legislative oversight.
 1. The purpose of legislative oversight and served by proprietary fund account and financial reporting that focuses on the matching of revenues & expenses(not expenditures) on the full accrual basis recommended for business organizations.
 2. Proprietary funds should prepare budget as an essential element in the management planning & control process.
 2. Proprietary funds do not have to adopt budgetary documents by law as governmental funds do. Account systems of this fund do not need to provide the integrated budgetary accounts.

3. Proprietary funds account for all assets used in fund operations- current assets, plant & equipment & any other assets considered as belonging to the fund.
4. Proprietary funds account for current & long-term liabilities to be serviced from fund operations &/or to be paid from fund assets.
 1. they are non- expendable funds.

2.3.3 Accounting Characteristics Common to Funds of the Fiduciary Fund Category

1. All fiduciary funds are used to account assets held by governmental unit as a trustee or agent.
2. Agency fund & expendable trust funds are to be accounted in the same way as governmental funds.
3. Non-expendable & pension trust funds are to be accounted in the some way as proprietary funds.
4. Fiduciary funds can be expendable or non- expendable depending on the purpose of the fund.
 2. An endowment (gift of income producing assets such as bonds) is a good example of fiduciary funds. The principal of the endowment is to be kept intact but the income (interest) may be used up. The income would then be accounted as expendable & the principal non- expendable.

Check Your Progress

1. Compare and contrast the use of the term fund in the financial accounting for profit entities with the technical meaning of the term fund in governmental accounting?

2. How does governmental fund expenditures should be recognized in the accounting period, discuss?

3. Interim financial statement are not required by GASB principles. Do you agree?

4. How does long-term liabilities of a governmental fund be recognized?

5. Describe the concept of GAAP Vs. legal compliance?

6. Explain regarding the concept of fund by giving examples?

7. Describe the difference between classifications of Governmental & Proprietary funds Revenue and Expenditures or Expenses?

8. Compare and contrast Fund Fixed Assets **Vs** General Fixed Assets & Fund long Term Debt **Vs** General Long Term Debt?

9. Explain the difference Between Expendable and Non-expendable funds?

10. Compare and contrast Valuation of Fixed Assets in NFP with FP organization?

2.4 SUMMARY

These principles are specific fundamental tenets which on the basis of reason, demonstrated performance and general acceptance are generally essential to effective management control and financial reporting. It is assumed that the students are familiar with principles of accounting for business entities, and therefore the text is focused on the difference between accounting for governmental and non profit entities and accounting for business enterprises rather than on the many similarities. Students who are not familiar with the prerequisite accounting courses should study and clearly understand to recognize their relations.

2.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Refer to the topic 2.2.2 & 1.2 of unit one
2. Refer to the topic 2.2.8 A
3. Refer to the topic 2.2.10.A
4. Refer to the topic 2.2.5 B
5. Refer to the topic 2.2.1
6. Refer to the topic 2.2.2
7. Refer to the topic 2.2.11 II & III
8. Refer to the topic 2.2.5
9. Refer to the topic 2.2.3
10. Refer to the topic 2.2.6