

Demonstration Problem Solutions – Topic 16

Demo 16-1

a.

D.	Cash	\$98,000	
	C. Taxes Receivable		\$6,000
	Revenues (control)		92,000

b.

D.	Taxes Receivable	\$9,000	
	C. Cr. Revenues (control)		\$9,000

c.

D.	Food Stamp Coupons	\$10,000	
	C. Deferred Revenues		\$10,000

d.

D.	Expenditures	\$9,000	
	Food Stamp Coupons		\$9,000
D.	Deferred Revenues	\$9,000	
	Revenues (control)		\$9,000

e.

D.	Cash	\$370,000	
	Accounts Receivable	10,000	
C.	Revenues (control)		\$360,000
	Deferred Revenue		20,000

f.

D.	Cash	\$100,000	
	Due from Federal Government	50,000	
C.	Deferred Revenue		\$150,000

Demo 16-2

a.

D.	Investment in Stocks	\$750,000	
C.	Fund Balance Reserved For Trust Corpus		\$750,000

Your book says that the credit should be to "Revenue Control". I don't think that this is correct because the gift can never be spent. This is a permanent fund, which is also called a public trust because it benefits the public in general.

Revenue and expenditures are intended to show that the government is living within its means. Here the so called revenue can't be spent. Calling it revenue would mask inappropriate deficit spending by the government.

b.

D.	Cash	\$15,000	
C.	Revenues (control)		\$15,000

c

In the Permanent Fund:

D.	Other Financing Uses	\$15,000	
Cr.	Cash		\$15,000

In the Special Revenue Fund:

D.	Cash	\$15,000	
Cr.	Other Financing Sources		\$15,000

Demo 16-3

a.

D.	Estimated Other Financing Sources (control)	\$300,000	
Cr.	Appropriations (control)		\$100,000
	Budgetary Fund Balance -- Unreserved		200,000

D.	Estimated Other Financing Sources (control)	\$300,000	
C.	Appropriations (control)		\$100,000
	Budgetary Fund Balance -- Unreserved		200,000

b.

In the General Long Term Debt Account Group:

D.	Amount to be Provided	\$300,000	
C.	Serial Bonds Payable		\$300,000

In the Capital Projects Fund

D.	Cash	\$303,000	
C.	Other Financing Sources (control)		\$303,000

c.

In the Capital Prjects Fund:

D.	Other Financing Uses (control)	\$3,000	
C.	Cash		\$3,000

In the Debt Service Fund:

D.	Cash	\$3,000	
C.	Other Financing Sources (control)		\$3,000

d.

D.	Encumbrances (control)	\$270,000	
C.	Fund Balance – Reserved for Encumbrances		\$270,000

e.

D.	Expenditures (control)	\$10,650	
C.	Cash		\$7,650
	Contracts Payable – Retained Percentage		3,000

f.

D.	Fund Balance – Reserved for Encumbrances	\$60,000	
C.	Encumbrances (control)		\$60,000

(If the amount of the equivalent encumbrance is not specified, the encumbrance entry is reversed for the amount of the billing.)

D.	Expenditures (control)	\$60,000	
C.	Contracts Payable		\$60,000

g.

D.	Contracts Payable	\$60,000	
C.	Cash		\$60,000

h.

D.	Other Financing Sources (control)	\$303,000	
C.	Expenditures (control)		\$70,650
	Other Financing Uses (control)		3,000
	Fund Balance – Unreserved & Undesignated		229,350
D.	Fund Balance – Unreserved & Undesignated	\$210,000	
C.	Encumbrances		\$210,000

In the General Fixed Assets Account Group:

D.	Construction in Progress	\$70,650	
C.	Investment in General Fixed Assets – Capital Project Funds		\$70,650

i.

D.	Budgetary Fund Balance -- Unreserved	\$215,000	
C.	Appropriations (control)		\$215,000
D.	Encumbrances (control)	\$210,000	
C.	Fund Balance – Unreserved & Undesignated		\$210,000

j.

D.	Fund Balance – Reserved For Encumbrances	\$210,000	
C.	Encumbrances (control)		\$210,000
D.	Expenditures	\$227,000	
C.	Contracts Payable		\$217,000
	Contracts Payable – Retained Percentage		10,000

k.

D.	Contracts Payable	\$217,000	
	Contracts Payable – Retained Percentage	13,000	
C.	Cash		\$230,000

l.

D.	Appropriations (control)	\$215,000	
C.	Budgetary Fund Balance – Unreserved		\$215,000
D.	Fund Balance – Unreserved & Undesignated	\$227,000	
C.	Expenditures (control)		\$227,000

In the General Fixed Assets Account Group:

D.	Buildings	\$297,650	
Cr.	Construction in Progress		\$70,650
	Investment in General Fixed Assets – Capital Projects Funds		227,000

The city originally raised \$300,000 that was left in the Capital Projects Fund. The city spent \$297,650. That leaves \$2,350, which we will transfer to the Debt Service Fund.

In the Capital Projects Fund:

D.	Other Financing Uses	\$2,350	
C.	Cash		\$2,350

In the Debt Service Fund:

D.	Cash	\$2,350	
C.	Other Financing Sources (control)		\$2,350

In the Capital Projects Fund:

D.	Fund Balance – Unreserved & Undesignated	\$2,350	
C.	Other Financing Uses		\$2,350

Demo 16-4

a.

In the General LT Debt account group:

D.	Amount to be Provided for Payment of Serial Bonds	\$300,000	
C.	Serial Bonds Payable		\$300,000

In the Capital Projects Fund:

D.	Cash	\$303,000	
C.	Other Financing Sources		\$303,000
D.	Other Financing Uses	\$3,000	
C.	Cash		\$3,000

In the Debt Service Fund:

D.	Cash	\$3,000	
C.	Other Financing Sources (control)		\$3,000
b.			
D.	Taxes Receivable -- Current	\$50,000	
C.	Allowance for Uncollectible Current Taxes		\$500
	Revenues (control)		49,500
c.			
D.	Cash	\$49,600	
	Allowance for Uncollectible Current Taxes	400	
C.	Taxes Receivable – Current Taxes		\$50,000
D.	Allowance for Uncollectible Current Taxes	\$100	
C.	Revenues (control)		\$100
d.			
D.	Amount Available in the Debt Service Fund	\$30,000	
C.	Amount to be Provided for Payments of Serial Bonds		\$30,000
e.			
D.	Cash	\$7,000	
	Due from State	2,000	
C.	Revenues (control)		\$7,000
	Deferred Revenues		2,000
f.			
D.	Cash	\$30,000	
C.	Other Financing Sources (control)		\$30,000

In the Long-Term Debt Account Group

D.	Amount Available in the Debt Service Fund	\$30,000	
C.	Amount to be Provided for Payment of Serial Bonds		\$30,000

g.

D.	Cash with Fiscal Agent	\$84,000	
C.	Cash		\$84,000

h.

D.	Expenditures (control)	\$84,000	
C.	Matured Bonds Payable		\$60,000
	Matured Interest Payable		24,000

In the Long-Term Debt Account Group:

D.	Serial Bonds Payable	\$60,000	
C.	Amount Available in the Debt Service Fund		\$60,000

i.

D.	Matured Bonds Payable	\$60,000	
	Matured Interest Payable	23,000	
C.	Cash with Fiscal Agent		\$83,000

j.

D.	Revenue (control)	\$56,600	
	Other Financing Sources (control)	33,000	
C.	Expenditures (control)		\$84,000
	Fund Balance – Reserved for Debt Service		5,600

Demo 16-5

In the Debt Service Fund:

D.	Cash	\$100,000	
C.	Other Financing Sources – Proceeds of Refunding Bonds		\$100,000
D.	Other Financing Uses – Payment to Escrow Agent	\$100,000	
C.	Cash		\$100,000

If the debt was actually retired, the debit would be to “Other Financing Uses – Retirement of Old Bonds.”

In the General LT Debt account group:

D.	Bonds Payable	\$85,000	
C.	Amount to be Provided		\$85,000
D.	Amount to be Provided	\$100,000	
C.	Bonds Payable		\$100,000

Demo 16-6

a.

In the Capital Projects Fund:

D.	Cash	\$200,000	
Cr.	Other Financing Sources – Bond Proceeds		\$200,000

In the General LT Debt account group (primary liability):

D.	Amount to be Provided for Payment of Special Assessment Debt	\$200,000	
C.	Special Assessment Bonds Payable		\$200,000

In the General LT Debt account group (secondary liability):

D.	Amount to be Provided for Payment of Special Assessment Debt	\$200,000	
C.	Special Assessment Debt with Government Commitment		\$200,000

b.

If debt is issued, for which there is no liability for the G entity (just the property owners), then the following entry is made in the Capital Projects Fund.

D.	Cash	\$200,000	
C.	Contribution from Property Owners		\$200,000

c.

D.	Cash	\$200,000	
C.	Other Financing Sources – Transfers from Other Funds		\$200,000

There is no G debt to be accounted for in the General LT Debt account group.

Demo 16-7

a.

In the Capital Projects Fund:

D.	Expenditures	\$80,000	
C.	Cash		\$80,000

In the General Fixed Assets account group:

D.	Construction in Progress	\$80,000	
C.	Investment in General Fixed Assets – Capital Projects Fund		\$80,000

b.

In the Capital Projects Fund:

D.	Expenditures	\$120,000	
C.	Cash		\$120,000

In the General Fixed Assets account group:

D.	Special Assessment Asset	\$200,000	
C.	Investment in General Fixed Assets – Capital Projects Fund Construction in Progress		\$120,000 80,000

c.

D.	Special Assessments Receivable -- Current	\$20,000	
	Special Assessments Receivable -- Deferred	180,000	
C.	Revenues (control) Deferred Revenue		\$20,000 180,000

d.

As the future installments of the special assessment are levied against the property owners, they re-characterized from deferred to current.

D.	Special Assessments Receivable -- Current	\$20,000	
Cr.	Special Assessments Receivable -- Deferred		\$20,000
D.	Deferred Revenue	\$20,000	
C.	Revenues (control)		\$20,000

Demo 16-8

a.

In the Internal Service Fund:

D.	Due from the General Fund	\$5,000	
C.	Revenue		\$5,000

In the General Fund:

D.	Expenditure	\$5,000	
C.	Due to the Internal Service Fund		\$5,000

b.

In the General Fund:

D.	Due from the Enterprise Fund	\$10,000	
C.	Revenue		\$10,000

In the Enterprise Fund:

D.	Expenses	\$10,000	
C.	Due to the General Fund		\$10,000

Demo 16-9

a.

D.	Restricted Assets – Customers’ Deposits Cash	\$10,000	
C.	Customers’ Deposits Payable from Restricted Assets		\$10,000

b.

D.	Restricted Assets – Customers’ Deposits Investments	\$10,000	
C.	Restricted Assets – Customers’ Deposits Cash		\$10,000

c.

D.	Restricted Assets – Revenue Bond Construction Cash	\$500,000	
C.	Revenue Bonds Payable		\$500,000

d.

D.	Construction in Progress	\$500,000	
C.	Construction Contracts Payable from Restricted Assets		\$500,000

e.

D.	Construction Contracts Payable from Restricted Assets	\$500,000	
C.	Restricted Assets – Revenue Bond Construction Cash		\$500,000

f.

D.	Net Assets – Unrestricted	\$32,180	
C.	Net Assets – Restricted for Bond Debt Service		\$2,000
	Net Assets – Restricted for Bond Retirement		30,180

Demo 16-10

The entry to record the expense and liability for the year ($\$18,000,000 \times (90/4500) = \$360,000$) is as follows:

D.	Landfill Expense	\$360,000	
C.	Liability for Landfill Costs		\$360,000

Demo 16-11

a.

In the Endowment Principal Trust Fund:

D.	Cash	\$50,000	
C.	Fund Balance		\$50,000

b.

In the Endowment Principal Trust Fund:

D.	Investments	\$40,000	
	Unamortized Premium	400	
C.	Cash		\$40,400

c.

In the Endowment Principal Trust Fund:

D.	Cash	\$3,600	
C.	Unamortized Premium		\$40
	Revenues		3,560

d.

The liability to the Endowment Revenues fund for Net Revenue is recorded.

In the Endowment Principal Trust Fund:

D.	Operating Transfer-Out (control)	\$3,560	
C.	Due to Endowment Revenue fund		\$3,560

In the Endowment Revenue Fund:

D.	Due from Endowment Principal Fund	\$3,560	
C.	Other Financing Sources (control)		\$3,560

Cash due is remitted from the Endowment Principal Fund to the Endowment Revenue Fund:

In the Endowment Principal Trust Fund:

D.	Due to Endowment Revenue Fund	\$3,560	
Cr.	Cash		\$3,560

In the Endowment Revenue Fund:

D.	Cash	\$3,560	
Cr.	Due from Endowment Principal Fund		\$3,560

e.

In the Endowment Revenue Fund:

D.	Expenditures (control)	\$3,000	
Cr.	Cash		\$3,000

f.

In the Endowment Principal Trust Fund:

D.	Revenues (control)	\$3,560	
C.	Operating Transfer-Out		\$3,560

In the Endowment Revenue Fund:

D.	Other Financing Sources (control)	\$3,560	
C.	Expenditures (control)		\$3,000
	Fund Balance – Reserved for Endowments		560

Demo 16-12

a.

In the Tax Agency Fund:

D.	Taxes Receivable for All Units	\$1,000,000	
C.	Due to Other Governmental Funds and Units		\$1,000,000

In the General Fund of Zee County:

D.	Taxes Receivable	\$300,000	
C.	Revenues		\$300,000

b.

In the Tax Agency Fund:

D.	Cash	\$1,000,000	
C.	Taxes Receivable for All Units		\$1,000,000

c.

Zee County charges X City \$12,000 (2% x \$600,000) & T Town \$2,000 (2% x \$100,000). The county also adds the \$14,000 charged to the other government's into its General Fund.

In the Tax Agency Fund:

D.	Due to Other Governmental Funds and Units	\$1,000,000	
C.	Due to Zee County General Fund		\$314,000
	Due to X City		588,000
	Due to T Town		98,000

In the General Fund of Zee County:

D.	Due from Agency Fund	\$314,000	
C.	Taxes Receivable		\$300,000
	Revenue		14,000

d.

In the Tax Agency Fund:

D.	Due to Zee County General Fund	\$314,000	
	Due to X City	588,000	
	Due to T Town	98,000	
C.	Cash		\$1,000,000

In the General Fund of Zee County:

D.	Cash	\$314,000	
C.	Due from Agency Fund		\$314,000

In the General Fund of X City:

D.	Cash (net proceeds)	\$588,000	
	Expenditure (control) (for fee charged)	12,000	
C.	Taxes Receivable – Current		\$600,000

Demo 16-13

a.

D.	Special Assessments Receivable -- Current	\$20,000	
	Special Assessments Receivable -- Deferred	180,000	
C.	Due to Special Assessment Bond Creditors		\$200,000

b.

D.	Cash	\$22,000	
C.	Special Assessments Receivable – Current		\$20,000
	Due to Special Assessment Bond Creditors (interest)		2,000

c.

D.	Due to Special Assessment Bond Creditors	\$22,000	
C.	Cash		\$22,000

In this problem, the Government has no liability on the bonds. The debt therefore isn't in any or fund or group, and the debt service isn't in any other fund or group