

CHAPTER 4

ACCOUNTING FOR EXPENDITURES AND RECEIPTS

There are several timing concepts presently used for recording budget receipts and expenditures. On the expenditure side, the administrative budget is mostly on a checks-issued basis, recording an expenditure when a check is written. The consolidated cash budget uses a checks-paid basis for the overall total of expenditures, recording an expenditure when a check clears through the banking system. The Federal sector of the national income accounts records purchases mainly on a deliveries basis, i.e., when the Government physically receives goods or services.

The Commission has examined each of these bases of recording expenditures, and finds them basically deficient as indicators of the time when expenditures are actually made. Therefore, the Commission recommends:

Expenditures should be reflected in the budget and Federal financial reporting when the Government incurs liabilities to pay for goods and services—in other words, on an accrual rather than a cash basis.

Adoption of the accrued expenditures concept is possible at this time because of the progress made in recent years in developing and installing modern accrual accounting systems in Federal Government agencies, in compliance with legislation enacted more than ten years ago. A few important agencies are not ready to implement this recommendation immediately, and some further improvements in accounting systems are required in certain other agencies. However, the Commission believes it will be possible to fully implement this change beginning with the budget to be submitted in January 1970 for the fiscal year 1971, with preliminary internal data gathering and testing to begin by July 1, 1968.

Receipts are recorded at the time they are collected in both the administrative and cash budgets. The national income accounts, however, report receipts partly on a cash and partly on an accrual basis.

The Commission believes that major steps can be taken toward an accrual basis of reporting receipts. The Commission therefore recommends that:

Corporation income taxes should be presented in the budget and reported by the Treasury on an accrual basis, also effective with the January 1970 budget presentation. In addition, the Commission recommends that other receipts be accounted for on an accrual basis as soon as feasible,