

although it recommends further study in the case of individual income and employment taxes.

Under present timing practices, there are significant differences between cash expenditures and receipts and accrued expenditures and receipts—in some years totaling billions of dollars. The shift toward accrual accounting recommended by the Commission should make the budget totals a better index of the current impact of Federal financial activities on the economy, and should provide a better reflection of the financial condition of the Government than any of the present timing concepts.

ACCRUAL OF EXPENDITURES

A comprehensive accounting system

There are a number of important steps in the Federal expenditure process and a comprehensive accounting system should record each of them: appropriations, obligations, accrued expenditures, program costs, checks issued, and checks paid.

Appropriations and *obligations* are important because they establish the control points in Federal expenditure programs. Appropriations represent the initial point of decision by the Congress as to the magnitude and direction of future government expenditures. Obligations record that part of the appropriation which has been legally committed by a Government agency. They represent the point at which the Government initiates the formal action with an outsider that will ultimately result in paying out Government funds. Careful records of obligations must be maintained to assure that authority granted by the Congress is not exceeded. Obligations are also an early indicator of the economic impact of Government expenditures.

From the standpoint of determining fiscal policy, *expenditures* on an accrual basis probably represent the best measure of the economic impact of the budget. This is the point in time at which the Government actually incurs a liability requiring immediate or eventual payment, including constructive delivery in the case of construction put in place and work performed by contractors on specific order.

Program costs are increasingly recognized as a significant instrument of agency management, budget formulation, and execution. They represent resources actually used for a program regardless of when such resources were acquired. For this reason, program costs are assuming increasing importance in the details of the budget *Appendix* in connection with the President's appropriation requests.

Disbursements (*checks issued and checks paid*) are necessary measures of Government outgo for Treasury cash management purposes and for analyzing Treasury borrowing requirements.