

It is clear that, provided effective accounting systems are in use, it would be possible to enter the expenditure process at any point—or at several points—for purposes of preparing summary budget statements. The Commission, therefore, has had to decide which measure or measures are most appropriate for purposes of overall budget summary statements. The Commission concluded that accrued expenditures are that “best measure,” since the accrual is the point of final commitment which has the largest and most direct economic impact on the private sector.

*Appropriations, obligations, and costs*

The interrelationships between appropriations and obligations, and between obligations and costs, are worthy of careful examination. Appropriations, as broadly defined by the Commission, are and will continue to be the important first step in the expenditure process. Appropriations usually are more significant indicators of expenditures at a detailed program level than in the aggregate. However, total appropriations do determine the future course of total expenditures, and in Chapter 2 the Commission has made recommendations to give overall appropriations greater prominence in the President's budget message than they now have.

Recording of obligations is essential for financial control and accountability of agency appropriations. Obligations are, however, increasingly recognized as generally inadequate for measurement of agency performance, and are being replaced by program costs for this purpose as rapidly as development of adequate accounting systems permits.

While obligations may become less important as a measure of performance at the program level than they once were (because of the growing dependence on costs), the Commission definitely feels a need for better information on the aggregate volume of Government contracts and obligations. This is desirable to permit better analysis, both inside and outside Government, of overall expenditure trends. Such information as is now readily available on obligations is either too broad or too detailed for many purposes, and does not relate easily to expenditures. It is encouraging to note, therefore, that the Treasury and the Bureau of the Budget have arranged for the early publication of monthly obligations in some detail and consistent conceptually with available summary expenditure information.

*The trend toward better accounting*

As indicated above, program costs are being increasingly used to measure agency performance. The accurate measurement of program costs requires an accrual accounting system, in which such items as accounts receivable, accounts payable, stocks on hand at the beginning and end of the period, and capital assets are recorded in addition to the normal appropriations, obligations, and cash disbursements. In measuring program costs, it is usually necessary to include estimates of the depreciation on plant and equipment “used” during the period. However, expenditures for the acquisition of new capital goods that are to be used in later periods are not included.