the Treasury's role of "banker" for the Government, just as cash accounting in the private sector is a necessary supplement to regular business profit and loss accounting on an accrual basis. However, cash concepts need not be discussed in the January budget and no cash surplus or deficit should be presented in the budget summary. The Commission recommends that Treasury monthly reports on budget receipts and expenditures also be on an accrual rather than a cash basis; monthly and daily reports on cash deposits and withdrawals should not be called *the budget* or "another measure of *the budget*."

Reporting of expenditures on an accrual basis will not impinge in any way on the present appropriations process, or the need for accounting controls over obligations. Appropriations will continue to be the critical point of congressional control over the expenditure process, and indeed the Commission has recommended steps to highlight appropriations in the budget even more prominently than now. The Commission emphasizes that its intent is not to alter the basis of congressional expenditure authorization in any way.

Finally, accrued expenditures should not be confused with program costs. Accrued expenditures measure resources acquired, while program costs—important particularly at the program level—measure resources used.

Importance of the accrued expenditure concept

The Commission recognizes that in the vast majority of individual expenditure transactions, the Government's liability is liquidated soon after it arises. This is clear, for example, in employee pay or in benefit payments. In such cases there is typically little or no practical difference in timing between cash disbursements and accrued expenditures, although even in these cases there are occasional "humps" in monthly cash disbursements growing out of the Federal government's biweekly pay structure that would be recorded more accurately in an accrual system. The discrepancies between cash disbursements and accruals become particularly significant in periods where there is a rapid increase or decrease in outstanding Government orders for long leadtime procurement items, as in a defense build-up or demobilization period. Under the accrual approach, the difference between costs incurred by a contractor and progress payments made to him will be properly recorded as an accrued liability of the Government.

Progress payments should not be confused with advances and prepayments. Advances and prepayments are occasionally made to provide contractors with working capital. They will be reflected on the Government's books as assets like accounts receivable rather than as expenditures, in an accrual system.

The Commission believes that acceptance of its recommendation for accrued expenditures will make the Federal budget a more useful document for understanding the economic impact of the budget. For example, in a period of rapid defense build-up such as during fiscal year 1966, the