Illustrative Use of Proposed New General Ledger Accounts for Operating Materials and Supplies

Account Title: Operating Materials and Supplies Held For Repair  
Account Number: 1514  
Normal Balance: Debit

Definition: The cost/value of damaged personal property held as operating materials and supplies, which is more economical to repair than to dispose.

Account Title: Operating Materials and Supplies - allowance  
Account Number: 1519  
Normal Balance: Credit

Definition: The amount of estimated repairs needed for damaged operating materials and supplies and the estimated gain or loss on the value of inventory due to unrealized holding gains and losses.

Background

The Department of Defense purchases reparable components, subsystems, and assemblies, consumable repair parts, bulk items and material, subsistence, and expendable end items, including clothing and other personal gear to hold in stock. The Department of Defense also purchases munitions ranging from tactical missiles and bombs to small caliber ammunition. If items are purchased with working capital funds and held in stock for sale to end users, then the stock is reported as inventory on the financial statements of the pertinent working capital fund entity. If items are purchased with procurement funds and held for issue without reimbursement to end users, then the stock is reported as operating materials and supplies (OM&S) on the financial statements of the pertinent general fund entity.

The material in stock is held for sale or issue, held for future sale or future issue, held for repair, or held as excess, obsolete or condemned pending transfer to disposal. As shown below, five United States Government Standard General Ledger (SGL) accounts exist for inventory but only three for OM&S.
<table>
<thead>
<tr>
<th>Account Title</th>
<th>Inventory Account</th>
<th>OM&amp;S Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Held for sale or issue</td>
<td>1521</td>
<td>1511</td>
</tr>
<tr>
<td>Held for future sale or future issue</td>
<td>1522</td>
<td>1512</td>
</tr>
<tr>
<td>Held for repair</td>
<td>1523</td>
<td>none</td>
</tr>
<tr>
<td>Excess, obsolete, unserviceable</td>
<td>1524</td>
<td>1513</td>
</tr>
<tr>
<td>Allowance</td>
<td>1529</td>
<td>none</td>
</tr>
</tbody>
</table>

Although there is presently no SGL account for OM&S held for repair, the Department of Defense does have OM&S items that are held for repair. For instance, if the tail fin of a bomb is bent, the bomb is not thrown away. Replacing the damaged tail fin repairs the bomb. Similarly, spare parts for certain aircraft (e.g., the C-17) are stocked in the general fund and issued to replace broken parts. The broken parts are then repaired and returned to stock as serviceable assets. Therefore, the Department of Defense is proposing account 1514 for OM&S held for repair and account 1519 for an OM&S allowance. Sample transactions and further details follow.

Note that the illustrative transactions above use the allowance account. Statement of Federal Financial Accounting Standard # 3, Accounting for Inventory and Related Property, permits use of the either the direct method or the allowance method with inventory held for repair. The Department of Defense has opted for the allowance method. To be consistent, the allowance method also will be used for OM&S.
Sample Transactions: Proposed SGL accounts 1514 and 1519

Year A
Transactions for an exchange of a serviceable spare part for a reparable one so a broken end item can be fixed.

Year A Opening Trial Balance:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1511 Operating Materials &amp; Supplies Held For Use</td>
<td>4,000</td>
</tr>
<tr>
<td>3310 Cumulative Results of Operations</td>
<td>4,000</td>
</tr>
</tbody>
</table>

**Total:** 4,000 4,000

To record the issue of the serviceable item:

Debit 6790 Other Expenses Not Requiring Budgetary Resources 1,000
Credit 1511 Operating Materials & Supplies Held for Use 1,000

To record the turn-in of the broken part and to revalue the part based on the estimated repair costs:

Debit 1514 Operating Materials & Supplies Held for Repair 1,000
Credit 6790 Other Expenses Not Requiring Budgetary Resources 1,000

- and -

Debit 6790 Other Expenses Not Requiring Budgetary Resources 400
Credit 1519 Operating Materials & Supplies-Allowance 400

Year A Preclosing Trial Balance

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1511 Operating Materials &amp; Supplies Held for Use</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>1514 Operating Materials &amp; Supplies Held for Repair</strong></td>
<td><strong>1,000</strong></td>
</tr>
<tr>
<td>1519 Operating Materials &amp; Supplies – Allowance</td>
<td>400</td>
</tr>
<tr>
<td>3310 Cumulative Results of Operations</td>
<td>4,000</td>
</tr>
<tr>
<td>6790 Other Expenses Not Requiring Budgetary Resources</td>
<td>400</td>
</tr>
</tbody>
</table>

**Total:** 4,400 4,400
Year A Closing Entry:
Debit 3310  Cumulative Results of Operations  400
Credit 6790 Expenses Not Requiring Budgetary Resources  400

Year A Postclosing Trial Balance
1511 Operating Materials & Supplies Held for Use 3,000
1514 Operating Materials & Supplies Held for Repair 1,000
1519 Operating Materials & Supplies – Allowance 400
3310 Cumulative Results of Operations 3,600

BALANCE SHEET – YEAR A
ASSETS
1B5. Inventory and Related Property, Net 3,600
3. Total Assets 3,600

NET POSITION
8. Cumulative Results of Operations 3,600
9. Total Net Position 3,600
10. Total Liabilities and Net Position 3,600

STATEMENT OF NET COST – YEAR A
PROGRAM COSTS
Public
1B1. Production 400
1C. Total Program Costs 400
1E. Net Program Costs 400
4. Net Cost of Operations 400

SGL crosswalks
1511, 1514, 1519
Calc
3310
Calc
Calc
Calc
6790
Calc
Calc
Calc
STATEMENT OF CHANGES IN NET POSITION – YEAR A
1. Net Cost of Operations 400 Statement of Net Cost
3. Net Results of Operations 400 Calc
8. Net Position – Beginning of Period 4,000 3310 (B)

STATEMENT OF BUDGETARY RESOURCES – YEAR A
N/A: No budgetary activity or balances

STATEMENT OF FINANCING – YEAR A
1J. Total Obligations as Adjusted and Nonbudgetary Resources 0
Components of Costs of Operations That Do Not Require
Or Generate Resources
3E. Other 400 6790
5. Net Cost of Operations 400 Calc

Year B
Transactions to record the repair of the broken item and its return to stock as a serviceable asset.

To record the receipt, apportionment, and allotment of an appropriation with a Treasury warrant (abbreviated entry)
Debit 1010 Fund Balance with Treasury 500
Credit 3100 Unexpended Appropriations 500
Debit 4119 Other Appropriations Realized 500
Credit 4610 Allotments – Realized Resources 500

To record the obligation for repair contract:
Debit 4610 Allotments – Realized Resources 400
Credit 4801 Unexpended Obligations – Unpaid 400
To record the repair of the broken part:
Debit 6100 Operating expenses/program costs 400
Credit 2110 Accounts Payable 400
Debit 4801 Undelivered Orders Unpaid 400
Credit 4901 Expended Authority Unpaid 400
Debit 3100 Unexpended Appropriations 400
Credit 5700 Appropriations used 400

To record the item’s return to stock as a serviceable item:
Debit 1511 OM&S held for use 1,000
Credit 1514 OM&S held for repair 1,000
Debit 1519 OM&S-Allowance 400
Credit 6790 Other Expenses Not Requiring Budgetary Resources 400

To reclassify allotments to unapportioned authority at year-end:
Debit 4610 Allotments – Realized Resources 100
Credit 4450 Unapportioned Authority 100

Year B Adjusted Preclosing Trial Balance
1010 Fund Balance with Treasury 500
1511 Operating Materials & Supplies Held for Use 4,000
2110 Accounts Payable 400
3100 Unexpended Appropriations 100
3310 Cumulative Results of Operations 3,600
4119 Other Appropriations Realized 500
4450 Unapportioned Authority 100
4901 Expended Authority – Unpaid 400
5700 Appropriations Used 400
6100 Operating Expenses 400
6790 Other Expenses Not Requiring Budgetary Resources 400

Total 5,400 5,400
Year B Closing Entries:

4201  Total Actual Resources – Collected       500
4119  Other Appropriations Realized           500
-and-
3310  Cumulative Results of Operations       400
5700  Appropriations Used                     400
6100  Operating Expenses                      400
6790  Other Expenses Not Requiring Budgetary Resources  400

Year B Postclosing Trial Balance:
1010  Fund Balance with Treasury             500
1511  Operating Materials & Supplies Held for Use 4,000
2110  Accounts Payable                        400
3100  Unexpended Appropriations               100
3310  Cumulative Results of Operations       4,000
4201  Total Actual Resources - Collected      500
4450  Unapportioned Authority                 100
4901  Expended Authority – Unpaid             400

5,000 5,000
BALANCE SHEET – YEAR B

ASSETS
1A1. Fund Balance with Treasury  500 1010  
1B5. Inventory and Related Property, Net  4,000 1511  
3. Total Assets  4,500 Calc

LIABILITIES
4B1. Accounts Payable  400 2110  
4C. Total Liabilities Covered by Budgetary Resources  400 Calc  
6. Total Liabilities  400 Calc

NET POSITION
7. Unexpended Appropriations  100 3100  
8. Cumulative Results of Operations  4,000 3310  
9. Total Net Position  4,100 Calc  
10. Total Liabilities and Net Position  4,500 Calc

STATEMENT OF NET COST – YEAR B

PROGRAM COSTS
Public
1B1. Production  0 6110, 6790  
1C. Total Program Costs  0 Calc  
1E. Net Program Costs  0 Calc  
4. Net Cost of Operations  0 Calc

STATEMENT OF CHANGES IN NET POSITION – YEAR B
1. Net Cost of Operations  0 Statement of Net Cost  
2A. Appropriations Used  400 5700  
3. Net Results of Operations  400 Calc  
6. Increase/Decrease in Unexpended Appropriations  100 3100 (E-B)  
8. Net Position – Beginning of Period  3,600 3310 (B)  
9. Net Position – End of Period  4,100 Calc
### STATEMENT OF BUDGETARY RESOURCES – YEAR B

#### BUDGETARY RESOURCES

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1A. Appropriations</td>
<td>500</td>
<td>4119</td>
</tr>
<tr>
<td>5. Total Budgetary Resources</td>
<td>500</td>
<td>Calc</td>
</tr>
</tbody>
</table>

#### STATUS OF BUDGETARY RESOURCES

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Obligations Incurred</td>
<td>400</td>
<td>4901 (E-B)</td>
</tr>
<tr>
<td>7. Unobligated Balances Available</td>
<td>100</td>
<td>4610</td>
</tr>
<tr>
<td>9. Total, Status of Budgetary Resources</td>
<td>500</td>
<td>Calc</td>
</tr>
</tbody>
</table>

#### OUTLAYS

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>10. Obligations Incurred</td>
<td>400</td>
<td>4901 (E-B)</td>
</tr>
<tr>
<td>14D. Accounts Payable</td>
<td>(400)</td>
<td>4901 (E)</td>
</tr>
<tr>
<td>15. Total Outlays</td>
<td>0</td>
<td>Calc</td>
</tr>
</tbody>
</table>

### STATEMENT OF FINANCING – YEAR B

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1A. Obligations Incurred</td>
<td>400</td>
<td>4901 (E-B)</td>
</tr>
<tr>
<td>1J. Total Obligations as Adjusted and Nonbudgetary Resources</td>
<td>400</td>
<td>Calc</td>
</tr>
<tr>
<td>Components of Costs of Operations That Do Not Require Or Generate Resources:</td>
<td>400</td>
<td>Calc</td>
</tr>
<tr>
<td>3E. Other</td>
<td>(400)</td>
<td>6790</td>
</tr>
<tr>
<td>5. Net Cost of Operations</td>
<td>0</td>
<td>Calc</td>
</tr>
</tbody>
</table>