

DRAFT
Credit Reform
Summary of Changes for Case Study
Accounting for Loan Guarantees without Collateral

The following table includes revisions to transactions for the Accounting for Loan Guarantees without Collateral Case Study (dated August 31, 1999). These revisions should be used in conjunction with the original case study until the appropriated changes have been incorporated.

Loan Guarantees without Collateral Case Study Transaction Number and Description	Revised Transaction (New)	Explanation of Revision
<p>Year 1 4. The agency entered into binding contracts to guarantee \$100,000 of private loans. The OMB subsidy model indicated for this risk category that a 25% subsidy rate, 23% for defaults, 4% for interest supplements, and -2% for subsidy recovery from fees was required. Fees received with the loan applications amounted to \$300 and the agency agreed to pay lenders \$5,000 on disbursement of the loans to buy down interest rates.</p>	<p>Program Account</p> <p><i>Budgetary</i> No change to case study.</p> <p><i>Proprietary</i> 2179 Contra liability for subsidy pay to Financing Account 25,000 2170 Subsidy Pay to Financing Acct. 25,000</p> <p>(Section III TC A150)</p> <p>Financing Account</p> <p><i>Budgetary</i> To record resources from fees and subsidy accrual. 4261 Actual Collection of Business -Type Fees 300 4281 Actual Program Accounts Receivable 25,000 4221 Unfilled Customer Orders w/o Advance 25,000 4060 Anticipated Collections from Non-Fed. Sources 300 4070 Anticipated Collections from Federal Sources 25,000</p> <p>(Section III TC C116 and C208)</p> <p>4590 Apportionments – Unavail 300 4610 Allotments – Realized Resources 300</p>	<p>Updated July 12, 2001: Suggested budgetary changes to comply with OMB Circular A-34 (dated November, 2000) Section 70.15 (Exhibit 70); “Include the subsidy cost payment obligated in the program account but not yet paid on line 3B2, <i>Spending authority from offsetting collections, Change in unfilled customer orders, Without advance from Federal sources...</i>” Entries were modified to reflect the receivable of subsidy.</p> <p>Updated October 23, 2000: To comply with the reporting requirements of OMB A-34, Exhibit C11 (dated October 1999). When loan guarantees have been committed, the financing account records a receivable from program account for the subsidy. Entries were modified to reflect the receivable of subsidy.</p> <p>NOTE: The following narrative displayed with the original transaction in the case study should be deleted. <i>The treatment differs from Direct Loans where subsidy is recorded as a receivable in the Financing Account when the loan is obligated. Previous guidance from OMB and Treasury required the same method for Loan Guarantees. However, the 1995 OMB A-34 states that Loan Guarantees programs will not record any receivable or payable for Subsidy when loans are obligated by the third party lender. The subsidy will be recorded and</i></p>

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<p>Year 1 5. Private lenders notified the agency that the loans in transaction #4 were disbursed and the subsidy was transferred from the program to the financing account. The agency paid the \$5,000 in interest supplements.</p>	<p>Program Account <u>Budgetary</u> No change to case study.</p> <p><u>Proprietary</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">6100 Operating Expense/Prog costs-Sub. Def.</td> <td style="text-align: right;">23,000</td> </tr> <tr> <td>6100 Oper. Expense/Prog costs- Int. Supp.</td> <td style="text-align: right;">4,000</td> </tr> <tr> <td> 6100 Oper. Exp./Prog costs –Subsidy Recovery – Fees</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td>2179 Contra. Liab. For Sub. Pay to Fin. Acct.</td> <td style="text-align: right;">25,000</td> </tr> <tr> <td>2170 Subsidy Pay to Fin. Account</td> <td style="text-align: right;">25,000</td> </tr> <tr> <td> 1010 Fund Balance with Treasury</td> <td style="text-align: right;">25,000</td> </tr> <tr> <td>3107 Unexpended Approp. – Used</td> <td style="text-align: right;">25,000</td> </tr> <tr> <td> 5700 Expended Approp.</td> <td style="text-align: right;">25,000</td> </tr> </table> <p>(Section III TC B105 and B134)</p> <p>Financing Account <u>Budgetary</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">4801 Undelivered Orders – Obligations, Unpaid</td> <td style="text-align: right;">5,000</td> </tr> <tr> <td> 4902 Delivered Orders – Obligations, Paid</td> <td style="text-align: right;">5,000</td> </tr> <tr> <td>4271 Actual Prog Acct Sub Coll. Definite Current</td> <td style="text-align: right;">25,000</td> </tr> <tr> <td>4281 Actual Prog Acct Sub Rec. Definite Current</td> <td style="text-align: right;">25,000</td> </tr> <tr> <td>4221 Unfilled Customer Orders w/o Advance</td> <td style="text-align: right;">25,000</td> </tr> </table> <p>(Section III TC B104 and C126) <u>GLPO Memorandum (optional)</u> No change to case study.</p>	6100 Operating Expense/Prog costs-Sub. Def.	23,000	6100 Oper. Expense/Prog costs- Int. Supp.	4,000	6100 Oper. Exp./Prog costs –Subsidy Recovery – Fees	2,000	2179 Contra. Liab. For Sub. Pay to Fin. Acct.	25,000	2170 Subsidy Pay to Fin. Account	25,000	1010 Fund Balance with Treasury	25,000	3107 Unexpended Approp. – Used	25,000	5700 Expended Approp.	25,000	4801 Undelivered Orders – Obligations, Unpaid	5,000	4902 Delivered Orders – Obligations, Paid	5,000	4271 Actual Prog Acct Sub Coll. Definite Current	25,000	4281 Actual Prog Acct Sub Rec. Definite Current	25,000	4221 Unfilled Customer Orders w/o Advance	25,000	<p>Updated July 12, 2001: Suggested budgetary changes to comply with OMB Circular A-34 (dated November, 2000) Section 70.15 (Exhibit 70); “Include the subsidy cost payment obligated in the program account but not yet paid on line 3B2, <i>Spending authority from offsetting collections, Change in unfilled customer orders, Without advance from Federal sources...</i>” Entries were modified to reflect the receivable of subsidy.</p> <p>Updated October 23, 2000: To comply with the reporting requirements of OMB A-34, Exhibit C11 (dated October, 1999). When loan guarantees have been disbursed by the lender, the subsidy is received from the program account to the financing account. Entries were modified to reflect the receivable of subsidy from transaction #4.</p>
6100 Operating Expense/Prog costs-Sub. Def.	23,000																											
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5. Continued.	<u>Proprietary</u>	
	1010 Fund Balance with Treasury	25,000
	2180 Loan Guarantee Liability	25,000
	2320 Deferred Credits – Fees	300
	2180 Loan Guarantee Liability	300
	2180 Loan Guarantee Liability	5,000
	1010 Fund Balance with Treasury	5,000
	2950 Liability for Sub. Related to	
	 Undisb. Loans	25,000
	 1310 Accounts Receivable	25,000
(Section III TC B104, C118 and C126)		

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<p>8. Continued.</p>	<p><i>GLL Memorandum (optional)</i> No change to case study.</p> <p><i>Proprietary</i> To accrue subsidy due.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1310 Subsidy Rec. from Prog. Acct.</td> <td style="width: 20%; text-align: right;">11,200</td> </tr> <tr> <td>— 2950 Liab for Subsidy Related to</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Undisb Loans</td> <td style="text-align: right;">11,200</td> </tr> </table> <p>(Section III TC C208)</p> <p><i>To record receipt of fees.</i></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1010 Fund Balance with Treasury</td> <td style="width: 20%; text-align: right;">125</td> </tr> <tr> <td style="padding-left: 40px;">2320 Deferred Credits-fees</td> <td style="text-align: right;">125</td> </tr> </table> <p>(Section III TC C116)</p>	1310 Subsidy Rec. from Prog. Acct.	11,200	— 2950 Liab for Subsidy Related to		Undisb Loans	11,200	1010 Fund Balance with Treasury	125	2320 Deferred Credits-fees	125	
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Loan Guarantees without Collateral Case Study Transaction Number and Description	Revised Transactions (New)	Explanation of Revision																								
<p>Year 2 18. The agency head allotted the full apportionment and transferred the re-estimate subsidy to the financing account.</p>	<p>Program Account <u>Budgetary</u> No change to case study.</p> <p><u>Proprietary</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">6100 Operating Expense/Program Costs</td> <td style="width: 10%; text-align: right;">1,600</td> <td style="width: 10%;"></td> </tr> <tr> <td style="padding-left: 20px;">1010 Fund Balance with Treasury</td> <td></td> <td style="text-align: right;">1,600</td> </tr> <tr> <td>2170 Subsidy Pay to Financing Account</td> <td style="text-align: right;">1,600</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">6800 Future Funded Expenses</td> <td></td> <td style="text-align: right;">1,600</td> </tr> <tr> <td>3107 Unexpended Appropriation - Used</td> <td style="text-align: right;">1,600</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">5700 Appropriations Used</td> <td></td> <td style="text-align: right;">1,600</td> </tr> </table> <p>(Section III TC B106, B324 and B134)</p> <p>Financing Account No change to case study.</p>	6100 Operating Expense/Program Costs	1,600		1010 Fund Balance with Treasury		1,600	2170 Subsidy Pay to Financing Account	1,600		6800 Future Funded Expenses		1,600	3107 Unexpended Appropriation - Used	1,600		5700 Appropriations Used		1,600	<p>Updated October 23, 2000: To comply with the transactions in Section III of the TFM for the SGL. Reverse account 6800 (Future Funded Expenses) at the beginning of the fiscal year and record account 6100 (Operating Expense/Program Costs).</p>						
6100 Operating Expense/Program Costs	1,600																									
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<p>Year 2 21. The private loans with a guarantee commitment that had not been disbursed by the lender, as of the end of year 1 were disbursed and the accrued subsidy was transferred to the financing account. The financing account paid the \$1,800 in interest supplements to the private lender as agreed to ensure the favorable loan terms for the borrower.</p>	<p>Program Account <u>Budgetary</u> No change to case study.</p> <p><u>Proprietary</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">6100 Operating Expense/Prog costs-Sub. Def.</td> <td style="width: 10%; text-align: right;">9,200</td> <td style="width: 10%;"></td> </tr> <tr> <td>6100 Oper Expense/Prog costs- Int. Supp</td> <td style="text-align: right;">2,800</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">6100 Oper. Exp./Prog costs –Subsidy Recovery – Fees</td> <td></td> <td style="text-align: right;">800</td> </tr> <tr> <td style="padding-left: 20px;">2179 Contra Liab. for Subs. Pay. to Financing Account</td> <td></td> <td style="text-align: right;">11,200</td> </tr> <tr> <td style="padding-left: 20px;">2170 Subsidy Pay to Fin. Account</td> <td style="text-align: right;">11,200</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">1010 Fund Balance with Treasury</td> <td></td> <td style="text-align: right;">11,200</td> </tr> <tr> <td>3107 Unexpended Approp. – Used</td> <td style="text-align: right;">11,200</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">5700 Expended Approp.</td> <td></td> <td style="text-align: right;">11,200</td> </tr> </table> <p>(Section III TC B105 and B134)</p>	6100 Operating Expense/Prog costs-Sub. Def.	9,200		6100 Oper Expense/Prog costs- Int. Supp	2,800		6100 Oper. Exp./Prog costs –Subsidy Recovery – Fees		800	2179 Contra Liab. for Subs. Pay. to Financing Account		11,200	2170 Subsidy Pay to Fin. Account	11,200		1010 Fund Balance with Treasury		11,200	3107 Unexpended Approp. – Used	11,200		5700 Expended Approp.		11,200	<p>Updated July 12, 2001: To comply with the reporting requirements of OMB A-34, Section 70.15 and Exhibit 70K (dated November 2000). When loan guarantees have been committed the financing account records the subsidy payment obligated in the program account but not paid on line 3B2, <i>Spending authority from offsetting collections, Change in unfilled customer orders, Without advance form Federal sources</i> Entries were modified to reflect the receivable of subsidy.</p> <p>Updated October 23, 2000: To comply with the reporting requirements of OMB A-34, Exhibit C11 (dated October, 1999). When loan guarantees have been disbursed by the lender, the subsidy</p>
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<p>21. Continued.</p>	<p>Financing Account</p> <p><u>Budgetary</u></p> <p>4801 Undelivered Orders – Obligations, Unpaid 1,800</p> <p> 4902 Delivered Orders – Obligations, Paid 1,800</p> <p>4271 Actual Prog Acct Sub Coll.</p> <p> Definite Current 11,200</p> <p> 4281 Actual Prog Acct Sub Rec. Definite</p> <p> Current 11,200</p> <p>4221 Unfilled Customer Orders w/o Advance 11,200</p> <p>(Section III TC B104 and C126)</p> <p><u>GLPO Memorandum (optional)</u></p> <p>No change to case study.</p> <p><u>Proprietary</u></p> <p>1010 Fund Balance with Treasury 11,200</p> <p> 2180 Loan Guarantee Liability 11,200</p> <p>2320 Deferred Credits – Fees 125</p> <p> 2180 Loan Guarantee Liability 125</p> <p>2180 Loan Guarantee Liability 1,800</p> <p> 1010 Fund Balance with Treasury 1,800</p> <p>2950 Liability for Sub. Related to</p> <p> Undisb. Loans 11,200</p> <p> 1310 Accounts Receivable 11,200</p> <p>(Section III TC B104, C118 and C126)</p>	<p>is received from the program account to the financing account. Entries were modified to reflect the receivable of subsidy from transaction #8.</p>
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<p>Year 2 26. Because less subsidy was required than originally anticipated in the subsidy computations, the subsidy was re-estimated downward by \$1,000, subsidy; \$75 interest. Since this is a discretionary loan program that does not have OMB authority to use a Special Fund receipt account, the agency accrues a payable, for the remaining subsidy funds, to the Treasury General Fund.</p>	<p>Program Account</p> <p><u>Budgetary</u> No entry</p> <p><u>Proprietary</u> No entry</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">5799 Adjustment of Appropriations Used</td> <td style="text-align: right;">1,000</td> </tr> <tr> <td>6199 Adjustment of Subsidy Expense</td> <td style="text-align: right;">1,000</td> </tr> </table> <p>Financing Account</p> <p><u>Budgetary</u> 4610 Allotments — Realized Resource 1,075 4901 Delivered Orders — Obligations, Unpaid 1,075 No entry</p> <p><u>Proprietary</u> Transfer subsidy to Treasury’s general fund.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">5730 Fin. Source Transferred Out</td> <td style="text-align: right;">1,000</td> </tr> <tr> <td style="padding-left: 20px;">w/o Reimbursement</td> <td style="text-align: right;">1,000</td> </tr> <tr> <td style="padding-left: 20px;">6199 Adjust to Subsidy Expense</td> <td style="text-align: right;">1,000</td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">2180 Loan Guarantee Liab.</td> <td style="text-align: right;">1,000</td> </tr> <tr> <td>6330 Other Interest Expense</td> <td style="text-align: right;">75</td> </tr> <tr> <td>2990 Other Liabilities – General Fund</td> <td style="text-align: right;">1,075</td> </tr> </table> <p>General Fund Receipt Account</p> <p><u>Budgetary</u> No entry</p> <p><u>Proprietary</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1340 Interest Receivable</td> <td style="text-align: right;">75</td> </tr> <tr> <td>1310 Accounts Receivable</td> <td style="text-align: right;">1,000</td> </tr> <tr> <td>5310 Interest Revenue</td> <td style="text-align: right;">75</td> </tr> <tr> <td>5720 Fin Source Transferred in</td> <td style="text-align: right;">1,000</td> </tr> <tr> <td style="padding-left: 20px;">without Reimbursement</td> <td style="text-align: right;">1,000</td> </tr> <tr> <td>5900 Collections for Others</td> <td style="text-align: right;">1,000</td> </tr> </table>	5799 Adjustment of Appropriations Used	1,000	6199 Adjustment of Subsidy Expense	1,000	5730 Fin. Source Transferred Out	1,000	w/o Reimbursement	1,000	6199 Adjust to Subsidy Expense	1,000	2180 Loan Guarantee Liab.	1,000	6330 Other Interest Expense	75	2990 Other Liabilities – General Fund	1,075	1340 Interest Receivable	75	1310 Accounts Receivable	1,000	5310 Interest Revenue	75	5720 Fin Source Transferred in	1,000	without Reimbursement	1,000	5900 Collections for Others	1,000	<p>Updated July 12, 2001: Amended transactions are similar to Option 1 discussed in the AAPC issue paper 98-CR-01. AAPC Issue papers can be found at the Credit Reform web page: www.fms.treas.gov/ussgl/creditreform</p>
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<p>Year 2 27. The downward re-estimate from transaction #26 was paid to Treasury's General Fund.</p>	<p>Program Account <u>Budgetary</u> No entry</p> <p><u>Proprietary</u> No entry</p> <p>Financing Account <u>Budgetary</u> 4901 Deliver Orders – Obligations, Unpaid 1,075 4610 Allotments – Realized Resource 1,075 4902 Delivered Orders – Obligations, Paid 1,075</p> <p><u>Proprietary</u> 2990 Other Liabilities – General Fund 1,075 1010 Fund Balance with Treasury 1,075</p> <p>General Fund Receipt Account <u>Budgetary</u> No entry</p> <p><u>Proprietary</u> 1010 Fund Balance w/ Treasury 1,075 1310 Accounts Receivable 1,000 1340 Interest Receivable 75</p>	<p>Updated July 12, 2001: Amended transactions are similar to Option 1 discussed in the AAPC issue paper 98-CR-01. AAPC Issue papers can be found at the Credit Reform web page: www.fms.treas.gov/ussgl/creditreform</p>
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<p>Year 2 C3. To close the revenue and expense accounts.</p>	<p>Program Account 6199 Adjustment to Subsidy Expense 1,000 5700 Expended Appropriations 13,200 6100 Oper Exp – Sub. Rec – Fees 800 6100 Oper Exp. – Def 9,200 6100 Oper Exp. – Int. Supp 2,800 6100 Oper. Exp. – Admin 400 3310 Cum Results of Oper 1,600 5799 Adjustment of Approp. Used 1,000</p>	<p>Updated July 12, 2001: Reflects changes made in transactions during the year.</p>
	<p>Financing Account 5310 Interest Revenue – Treas. 31,050 6199 Adjustment of Sub. Exp. 1,000 5730 Fin Source Tran. Out w/o Reimb. 1,000 6330 Other Interest Exp. 31,050</p>	