

**GAINS AND LOSSES ON FOREIGN CURRENCY RATE FLUCTUATIONS
NON-MONETARY BUSINESS TRANSACTIONS**

EFFECTIVE FISCAL YEAR 2019

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GAINS AND LOSSES ON FOREIGN CURRENCY RATE FLUCTUATIONS
Effective Fiscal 2019

Version Number	Date	Description of Change	Effective USSGL TFM	Effective Date
1.0	04/23/2019	Original Version	2019-14	07/11/2019

GAINS AND LOSSES ON FOREIGN CURRENCY RATE FLUCTUATIONS

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Background

Throughout the year, Federal Program Agencies (FPAs) incur gains and losses on non-monetary business transactions based on the fluctuation of foreign currency exchange rates. During the period of execution, gains and losses are incurred at the time of disbursement as these exchange rates move up/down.

A gain is recognized when the exchange rate in the value of foreign currency decreases in relation to the equivalent value of the United States dollar (USD). A loss is recognized when the exchange rate in the value of foreign currency increases in relation to the USD equivalent value. For accounting purposes, applicable gains and losses are realized at the time of disbursement.

Historically, USSGL guidance only addressed gains/losses from the revaluation of foreign currency at the end of accounting periods (when foreign currency is revalued at the going exchange rate) for monetary assets, such as cash and cash equivalent investments. Specifically, USSGL Transaction Code D576 records a loss resulting from the revaluation of foreign currency in the Foreign Currency Account Symbol (X7000 series) at the end of an accounting period, while Transaction Code D578 records a corresponding gain. However, there has been no transaction-level guidance to standardize the accounting treatment of gains and losses related to non-monetary assets, such as unpaid obligations, in the normal course of business.

Currently, FPAs utilize USSGL accounts 719000 and 729000 for recording these gains and losses. However, the only foreign currency gains and losses recognized in the USSGL guidance are related to the revaluation of foreign currency investments (USSGL account 120000) in the Foreign Currency Account Symbol (X7000 series). As currently written, the transactions associated with USSGL accounts 719000 and 729000 do not provide a standard means for recording gains and losses incurred on non-monetary transactions in the normal course of business. New standardized Transaction Codes are needed to account for gains/losses on unpaid obligations from the revaluation of foreign currency if there is a change in the foreign currency exchange rate between the time the funds are obligated, and the time the funds are disbursed. These TCs would be recorded immediately preceding the funds disbursement, rather than at the end of an accounting period.

This scenario applies to FPAs with Treasury Accounts Symbols (TASs) that receive budgetary resources through appropriations, and must absorb any gains/losses from currency fluctuations within the TAS. FPAs with foreign currency fluctuation accounts that have legal authority to Transfer and Merge funding are addressed in a separate example and are **excluded** from this scenario. Those excluded TASs are:

- Peace Corp (011X0101)
- American Battle Monuments Commission (074X0101)
- Department of Defense (097X0801)
- Department of Defense (097X0803)

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New USSGL Transactions (Effective FY 2019)

B450 To record a gain on current year unpaid obligations due to fluctuation of foreign currency exchange rates on a non-monetary transaction, where excess obligations due to the rate variance are deobligated at the time of disbursement.

Comment: Also post, reverse to USSGL TC B134 for direct appropriations. Post this transaction immediately preceding disbursement (USSGL TC B110).

Budgetary Entry

Debit 490100 Delivered Orders – Obligations, Unpaid
Credit 445000 Unapportioned Authority
Credit 451000 Apportionments
Credit 461000 Allotments – Realized Resources

Proprietary Entry

Debit 211000 Accounts Payable
Credit 719000 Other Gains

***Justification:** This transaction code is necessary to standardize the accounting treatment for gains and losses related to foreign currency fluctuation of non-monetary assets in the normal course of business. It should be recorded immediately preceding a fund disbursement, when the value of the foreign currency exchange rate decreases in relation to the US Dollar between the time the funds are obligated and the time the funds are disbursed. Excess obligations need to be deobligated and a gain needs recognized.*

B452 To record a loss on current year unpaid obligations due to fluctuation of foreign currency exchange rates on non-monetary transaction, where additional US equivalent dollars are obligated to cover the rate variance at the time of disbursement.

Comment: Also post USSGL TC B134 for direct appropriations. Post this transaction immediately preceding disbursement (USSGL TC B110).

Budgetary Entry

Debit 461000 Allotments – Realized Resources
Credit 490100 Delivered Orders – Obligations, Unpaid

Proprietary Entry

Debit 729000 Other Losses
Credit 211000 Accounts Payable

***Justification:** This transaction code is necessary to standardize the accounting treatment for gains and losses related to foreign currency fluctuation of non-monetary assets in the normal course of business. It should be recorded immediately preceding a fund disbursement, when the value of the foreign currency exchange rate increases in relation to the US Dollar between the time the funds are obligated and the time the funds are disbursed. Additional US Dollar funds need to be obligated to cover differences, and a loss needs recorded.*

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D618 To record a gain on prior-year unpaid obligations due to fluctuation of foreign currency exchange rates on a non-monetary transaction, where excess obligations of a prior year are adjusted downward due to the rate variance at the time of disbursement.

Comment: Prior-year adjustments are used only in Year 2 or later. Record USSGL account 465000 if the authority has expired. Also post reverse to USSGL TC B134 for direct appropriations. Post this transaction immediately preceding disbursement (USSGL TC B110).

Budgetary Entry

Debit 497100 Downward Adjustments of Prior-Year Unpaid Delivered Orders – Obligations, Recoveries

 Credit 445000 Unapportioned Authority

 Credit 451000 Apportionments

 Credit 461000 Allotments – Realized Resources

 Credit 465000 Allotments – Expired Authority

Proprietary Entry

Debit 211000 Accounts Payable

 Credit 719000 Other Gains

***Justification:** This transaction code is necessary to standardize the accounting treatment for gains and losses related to foreign currency fluctuation of non-monetary assets in the normal course of business. It should be recorded immediately preceding a fund disbursement, when the value of the foreign currency exchange rate decreases in relation to the US Dollar between the time the funds are obligated and the time the funds are disbursed. Excess obligations need to be deobligated and a gain needs recognized.*

D626 To record a loss on prior-year unpaid obligations due to fluctuation of foreign currency exchange rates on a non-monetary transaction, where excess obligations of a prior year are adjusted upward due to the rate variance at the time of disbursement.

Comment: Prior-year adjustments are used only in Year 2 or later. Record USSGL account 465000 if the authority has expired. Also post USSGL TC B134 for direct appropriations. Post this transaction immediately preceding disbursement (USSGL TC B110).

Budgetary Entry

Debit 461000 Allotments – Realized Resources

Debit 465000 Allotments – Expired Authority

 Credit 498100 Upward Adjustments of Prior-Year Delivered Orders – Obligations, Unpaid

Proprietary Entry

Debit 729000 Other Losses

 Credit 211000 Accounts Payable

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***Justification:** This transaction code is necessary to standardize the accounting treatment for gains and losses related to foreign currency fluctuation of non-monetary assets in the normal course of business. It should be recorded immediately preceding a fund disbursement, when the value of the foreign currency exchange rate increases in relation to the US Dollar between the time the funds are obligated and the time the funds are disbursed. Additional US Dollar funds need to be obligated to cover differences, and a loss needs recorded.*

Listing of USSGL Accounts Used in This Scenario

Account Number	Account Title
<u>Budgetary</u>	
411900	Other Appropriations Realized
420100	Total Actual Resources – Collected
445000	Unapportioned Authority
451000	Apportionments
461000	Allotments – Realized Resources
465000	Allotments – Expired Authority
480100	Undelivered Orders – Obligations, Unpaid
490100	Delivered Orders – Obligations, Unpaid
490200	Delivered Orders – Obligations, Paid
497100	Downward Adjustments of Prior-Year Unpaid Delivered Orders – Obligations, Recoveries
498100	Upward Adjustments of Prior-Year Delivered Orders – Obligations, Unpaid
<u>Proprietary</u>	
101000	Fund Balance with Treasury
211000	Accounts Payable
310000	Unexpended Appropriations – Cumulative
310100	Unexpended Appropriations – Appropriations Received
310700	Unexpended Appropriations – Used
331000	Cumulative Results of Operations
570000	Expended Appropriations
610000	Operating Expenses/Program Costs
719000	Other Gains
729000	Other Losses

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Scenario Assumptions

The following overall assumptions are applicable to both the gain and the loss scenarios reflected in the transactions below:

- In Year 1, the FPA entered into an agreement to purchase supplies for 900,000 Euros (EUR) from a foreign entity based on the foreign entity's currency Euro exchange rate.
- Obligations are posted in the FPA's accounting system at the value of the US Dollar (USD).
- At the time of agreement, the foreign currency exchange rate is **1 EUR = 1.12 USD**.
- In Year 1, the FPA obligated **\$1,008,000** in appropriated funds, with a foreign currency exchange rate of 1.12 USD (900,000 EUR x 1.12).
- Unobligated funds remaining at the end of Year 1 expire as of September 30th.
- The FPA has Definite Budget Authority.
- Beginning Trial Balances are not applicable in these scenarios.

Scenario 1 – Gain on Foreign Currency Fluctuation

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Year 1

Illustrative Transactions

In the following transactions, a FPA creates current-year orders without an advance with a foreign vendor, who uses Euros as currency. The FPA must convert the value of US Dollar to the Euro. When goods are delivered, the FPA records the delivery and accrues an accounts payable.

Before the FPA can disburse a payment to the foreign vendor, it identifies that the foreign exchange rate has changed. After the goods were obligated, the value of the US Dollar increases (and the exchange rate in the value of foreign currency decreases.) Thus, the value of the goods at the time of obligation was higher than the value at the time of disbursement. Excess obligations will need to be deobligated and a gain will need to be recognized. Because the gain is recognized at the time of disbursement, this gain is also posted immediately preceding the disbursement.

1-1 To record the enactment of appropriations.			
	DR	CR	TC
<u>Budgetary Entry</u> 411900 Other Appropriations Realized 445000 Unapportioned Authority	5,000,000	5,000,000	A104
<u>Proprietary Entry</u> 101000 Fund Balance with Treasury 310100 Unexpended Appropriations – Appropriations Received	5,000,000	5,000,000	
1-2 To record budgetary authority apportioned by the Office of Management and Budget and available for allotment.			
	DR	CR	TC
<u>Budgetary Entry</u> 445000 Unapportioned Authority 451000 Apportionments	5,000,000	5,000,000	A116
<u>Proprietary Entry</u> None			

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1-3 To record the allotment of authority.			
	DR	CR	TC
<u>Budgetary Entry</u> 451000 Apportionments 461000 Allotments – Realized Resources <u>Proprietary Entry</u> None	5,000,000	5,000,000	A120
1-4 To record current-year undelivered orders without an advance.			
	DR	CR	TC
<u>Budgetary Entry</u> 461000 Allotments – Realized Resources 480100 Undelivered Orders – Obligations, Unpaid <u>Proprietary Entry</u> None	1,008,000	1,008,000	B306
900,000 EUR order x 1.12 USD exchange rate = \$ 1,008,000 Undelivered Order			

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1-5 The agency receives delivery of goods and accrues a liability for 75% of the obligated balance on the agreement. It records the delivery of goods and accrues an accounts payable.			
	DR	CR	TC
<u>Budgetary Entry</u>			
480100 Undelivered Orders – Obligations, Unpaid	756,000		
490100 Delivered Orders – Obligations, Unpaid		756,000	B402
<u>Proprietary Entry</u>			
610000 Operating Expenses/Program Costs	756,000		
211000 Accounts Payable		756,000	
310700 Unexpended Appropriations – Used	756,000		
570000 Expended Appropriations		756,000	B134
\$ 1,008,000 Obligation x 75% delivery of obligation = \$ 756,000 accrual.			

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1-6 The FPA records a gain on current-year unpaid obligations due to the fluctuation of foreign currency exchange rates on a non-monetary transaction, in which excess obligations due to the rate of variance are deobligated at the time of disbursement.			
	DR	CR	TC
<u>Budgetary Entry</u>			
490100 Delivered Orders – Obligations, Unpaid	47,250		
461000 Allotments – Realized Resources		47,250	B450
<u>Proprietary Entry</u>			
211000 Accounts Payable	47,250		
719000 Other Gains		47,250	
570000 Expended Appropriations	47,250		B134R
310700 Unexpended Appropriations – Used		47,250	
<p>At the time of obligation, the foreign currency exchange rate was (1 EUR = 1.12 USD). At the time of disbursement, the foreign currency exchange rate has changed to (1 EUR = 1.05 USD). A Gain of \$ 47,250 is recognized due to the increased USD value, and the decreased value of the EUR rate previously obligated, using the following formula:</p> <p>Gain = Value of obligation (1 EUR = 1.12 USD) – Value of obligation at time of disbursement (1 EUR = 1.05 USD) Gain = \$ 756,000 Accrual at 1.12 USD – (900,000 EUR x 1.05 USD x 75% delivery of Obligation) Gain = \$ 756,000 - \$ 708,750 = \$ 47,250</p>			

1-7 The FPA records a confirmed disbursement previously accrued.			
	DR	CR	TC
<u>Budgetary Entry</u>			
490100 Delivered Orders – Obligations, Unpaid	708,750		
490200 Delivered Orders – Obligations, Paid		708,750	B110
<u>Proprietary Entry</u>			
211000 Accounts Payable	708,750		
101000 Fund Balance with Treasury		708,750	

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1-8 The FPA receives delivery on and accrues a liability for the 25% remaining outstanding balance on the obligated balance on the agreement. It records the delivery of goods and accrues an accounts payable. The disbursement of funds will take place in Year 2.			
	DR	CR	TC
<u>Budgetary Entry</u>			
480100 Undelivered Orders – Obligations, Unpaid	252,000		
490100 Delivered Orders – Obligations, Unpaid		252,000	B402
<u>Proprietary Entry</u>			
610000 Operating Expenses/Program Costs	252,000		
211000 Accounts Payable		252,000	B134
310700 Unexpended Appropriations – Used	252,000		
570000 Expended Appropriations		252,000	
<p>The Obligation was originally recorded at 900,000 EUR with an exchange rate of 1.12 USD = \$ 1,008,000 Obligation. 25% of the original obligation was not yet delivered until this point. Upon delivery of the remaining 25% of the \$ 1,008,000 Obligation balance, the FPA accrues \$ 252,000. \$ 1,008,000 Obligation x 25% = \$252,000 accrual.</p>			

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Year 1 Pre-Closing Adjusted Trial Balance

	<u>USSGL Account</u>	Debit	Credit
	<u>Budgetary</u>		
411900	Other Appropriations Realized	5,000,000	
461000	Allotments – Realized Resources	-	4,039,250
480100	Undelivered Orders – Obligations, Unpaid	708,750	-
490100	Delivered Orders – Obligations, Unpaid	-	960,750
490200	Delivered Orders – Obligations, Paid	-	708,750
	TOTAL	5,708,750	5,708,750
	<u>Proprietary</u>		
101000	Fund Balance with Treasury	4,291,250	-
211000	Accounts Payable	-	252,000
310100	Unexpended Appropriations – Appropriations Received	-	5,000,000
310700	Unexpended Appropriations – Used	960,750	-
570000	Expended Appropriations	-	960,750
610000	Operating Expenses/Program Costs	1,008,000	-
719000	Other Gains	-	47,250
	TOTAL	6,260,000	6,260,000

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Year 1 Closing Entries

1-9 To record the consolidation of actual net-funded resources.			
	DR	CR	TC
<u>Budgetary Entry</u> 420100 Total Actual Resources Collected 411900 Other Appropriations Realized	5,000,000	5,000,000	F302
<u>Proprietary Entry</u> None			
1-10 To record the closing of unobligated balances to expiring authority.			
	DR	CR	TC
<u>Budgetary Entry</u> 461000 Allotments – Realized Resources 465000 Allotments – Expired Authority	4,039,250	4,039,250	F312
<u>Proprietary Entry</u> None			
1-11 To record the closing of paid delivered orders to total actual resources.			
	DR	CR	TC
<u>Budgetary Entry</u> 490200 Delivered Orders – Obligations, Paid 420100 Total Actual Resources – Collected	708,750	708,750	F314
<u>Proprietary Entry</u> None			

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1-12 To record the closing of fiscal-year activity to unexpended appropriations.			
	DR	CR	TC
<u>Budgetary Entry</u> None			
<u>Proprietary Entry</u> 310100 Unexpended Appropriations – Appropriations Received 310000 Unexpended Appropriations – Cumulative	5,000,000	5,000,000	F342
310000 Unexpended Appropriations- Cumulative 310700 Unexpended Appropriations- Used	960,750	960,750	

1-13 To record the closing of operating expenses/program costs to cumulative results of operations.			
	DR	CR	TC
<u>Budgetary Entry</u> None			
<u>Proprietary Entry</u> 331000 Cumulative Results of Operations 570000 Expended Appropriations 331000 Cumulative Results of Operations 610000 Operating Expenses/Program Costs	1,008,000 960,750	960,750 1,008,000	F336

1-14 To record the closing of other gains to cumulative results of operations			
	DR	CR	TC
<u>Budgetary Entry</u> None			
<u>Proprietary Entry</u> 719000 Other Gains 331000 Cumulative Results of Operations	47,250	47,250	F338

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Year 1 Post-Closing Adjusted Trial Balance

	<u>USSGL Account</u>	Debit	Credit
	<u>Budgetary</u>		
420100	Total Actual Resources – Collected	4,291,250	-
465000	Allotments – Expired Authority	-	4,039,250
480100	Undelivered Orders – Obligations, Unpaid	708,750	-
490100	Delivered Orders – Obligations, Unpaid	-	906,750
	TOTAL	5,000,000	5,000,000
	<u>Proprietary</u>		
101000	Fund Balance with Treasury	4,291,250	-
211000	Accounts Payable	-	252,000
310000	Unexpended Appropriations – Cumulative	-	4,039,250
	TOTAL	4,291,250	4,291,250

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Financial Statements – Year 1

BALANCE SHEET – YEAR 1		
	Assets:	
1.	Fund Balance with Treasury (101000E)	4,291,250
15.	Total Assets (calc. 6 through 14)	4,291,250
	Liabilities:	
21.	Accounts Payable (211000E)	252,000
28.	Total Liabilities (calc. 20 through 27)	252,000
	Net Position:	
31.	Unexpended Appropriations – All Other Funds (310100E, 310700E)	4,039,250
33.	Cumulative Results of Operations (331000E)	-
35.	Total Net Position- All Other Funds (calc. 31 through 33)	4,039,250
36.	Total Net Position (calc. 34 + 35)	4,039,250
37.	Total Liabilities and Net Position (calc. 28 + 36)	4,291,250

STATEMENT OF NET COST – YEAR 1		
	Gross Program Costs:	
1.	Gross Costs (610000 E)	1,008,000
2.	Less: earned revenue (719000 E)	(47,250)
3.	Net Program Costs (calc.)	960,750
5.	Net Program Costs including Assumption Changes (calc.)	960,750
8.	Net Cost of Operations (calc.)	960,750

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STATEMENT OF CHANGES IN NET POSITION – YEAR 1		
	Unexpended Appropriations	
	Beginning Balance:	
1.	Unexpended Appropriations – Cumulative	-
3.	Beginning Balance, as adjusted (calc.)	-
4.	Appropriations Received (310100 E)	5,000,000
7.	Appropriations Used (310700 E)	(960,750)
8.	Total Budgetary Financing Sources (calc.)	4,039,250
9.	Total Unexpended Appropriations (calc.)	4,039,250
	Cumulative Results of Operations:	
	Beginning Balance:	
10.	Cumulative Results of Operations	-
12.	Beginning Balance, as adjusted	-
	Budgetary Financing Sources:	
14.	Appropriations Used (570000E)	960,750
23.	Total Financing Sources (calc.)	960,750
24.	Net Cost of Operations (+/-)	(960,750)
25.	Net Change (calc.)	-
26.	Cumulative Results of Operations (calc.)	-
27.	Net Position (calc.)	4,039,250

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STATEMENT OF BUDGETARY RESOURCES – YEAR 1		
	Budgetary Resources:	
1290	Appropriations (discretionary and mandatory) (411900E)	5,000,000
1910	Total Budgetary Resources (calc. SBR Lines 1051+1290+1490+1690+1890)	5,000,000
	Status of Budgetary Resources:	
2190	New obligations and upward adjustments (total) (480100E, 490100E, 490200E)	960,750
	Unobligated balance, end of year:	
2204	Apportioned, unexpired account (461000E)	4,039,250
2412	Unexpired unobligated balance, end of year (calc. SBR Lines 2204 + 2304 + 2404)	4,039,250
2490	Unobligated balance, end of year (total) (calc. SBR Lines 2204, 2304, 2404, & 2413)	4,039,250
2500	Total budgetary resources (calc. SBR Lines 2190 + 2490)	5,000,000
	Outlays, Net:	
4190	Outlays, net (total) (discretionary and mandatory) (490200E)	708,750
4210	Agency outlays, net (discretionary and mandatory)	708,750

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SF 133: Report on Budget Execution and Budgetary Resources & Budget Program and Financing Schedule (Schedule P) – YEAR 1			
		SF 133	Schedule P
	BUDGETARY RESOURCES		
	All accounts:		
0900	Total new obligations, unexpired accounts (480100E, 490100E, 490200E)	-	960,750
	Budget authority:		
	Appropriations:		
	Discretionary:		
1100	Appropriation (411900E)	5,000,000	5,000,000
1160	Appropriations, discretionary (total) (calc. Lines 1100-1153)	5,000,000	5,000,000
1900	Budget authority (total)	5,000,000	5,000,000
1910	Total budgetary resources	5,000,000	-
1930	Total budgetary resources available	-	5,000,000
	Memorandum (non-add) entries:		
	All accounts:		
1940	Unobligated balance expiring (-) (465000E)	-	(4,039,250)
	STATUS OF BUDGETARY RESOURCES		
	New obligations and upward adjustments:		
	Direct:		
2001	Category A (by quarter) (480100E, 490100E, 490200E)	960,750	-
2004	Direct obligations (total) (calc. Lines 2001 - 2003)	960,750	-
2170	New obligations, unexpired accounts (480100E, 490100E, 490200E)	960,750	-
2190	New obligations and upward adjustments (total) (calc. Lines 2170 + 2180)	960,750	-
	Unobligated balance:		
	Apportioned, unexpired accounts:		
2201	Available in the current period (461000E)	4,039,250	-

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2412	Unexpired unobligated balance, end of year	4,039,250	-
2490	Unobligated balance, end of year (total)	4,039,250	-
2500	Total budgetary resources (calc. Lines 2001 - 2403, and 2413)	5,000,000	-
	CHANGE IN OBLIGATED BALANCE		
	Unpaid obligations:		
3010	New obligations, unexpired accounts (480100E, 490100E, 490200E)	960,750	960,750
3020	Outlays (gross) (-) (490200E)	(708,750)	(708,750)
3050	Unpaid obligations, end of year (480100E, 490100E)	252,000	252,000
3100	Obligated balance, start of the year (calc. Lines 3000, 3001, 3060 and 3061)	-	-
3200	Obligated balance, end of year (+ or -)	252,000	252,000
	BUDGET AUTHORITY AND OUTLAYS, NET		
	Discretionary:		
	Gross budget authority and outlays:		
4000	Budget authority, gross	5,000,000	5,000,000
4010	Outlays from new discretionary authority (490200E)	708,750	708,750
4020	Outlays, gross (total) (calc. 4010 + 4011)	708,750	708,750
4070	Budget authority, net (discretionary)	5,000,000	5,000,000
4080	Outlays, net (discretionary)	708,750	708,750
	Budget authority and outlays, net (total):		
4180	Budget authority, net (total) (calc. Lines 4070 and 4160)	5,000,000	5,000,000
4190	Outlays, net (total) (calc. Lines 4080 and 4170)	708,750	708,750

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Year 2

Illustrative Transactions

During Year 2, the FPA is ready to disburse funds to the foreign vendor for expenses incurred in Year 1.

Before the FPA disburses the payment to the foreign vendor, it identifies that the foreign exchange rate has changed from the time of obligation in Year 1. After the goods were obligated with Year 1 Budgetary Authority, the value of the US Dollar increased (and the exchange rate in the value of foreign currency decreased.) Thus, the value of the goods at the time of obligation was higher than the value at the time of disbursement. Excess obligations will need to be deobligated, and a gain and downward adjustment will need to be recognized. Because the gain is recognized at the time of disbursement, this gain and downward adjustment are posted immediately preceding the disbursement.

2-1 To record a gain on a prior-year unpaid obligation due to fluctuation of foreign currency exchange rates on a non-monetary transaction, where excess obligations of a prior-year are adjusted downward due to the rate variance at the time of disbursement.			
	DR	CR	TC
<u>Budgetary Entry</u>			
497100 Downward Adjustments of Prior-Year Unpaid Delivered Orders – Obligations, Recoveries	4,500		D618
465000 Allotments – Expired Authority		4,500	
<u>Proprietary Entry</u>			
211000 Accounts Payable	4,500		
719000 Other Gains		4,500	B134R
570000 Expended Appropriations	4,500		
310700 Unexpended Appropriations – Used		4,500	
<p>At the time of obligation, the foreign currency exchange rate was (1 EUR = 1.12 USD). At the time of disbursement in Year 2, the foreign currency exchange rate has changed to (1 EUR = 1.10 USD). A \$4,500 Gain and Downward Adjustment are recognized due to the increased value of the USD, and the decreased value of the EUR rate previously obligated, using the following formula:</p> <p>Gain = Value of obligation (1 EUR = 1.12 USD) – Value of obligation at time of disbursement (1 EUR = 1.10 USD) Gain = \$252,000 Accrual at 1.12 USD – (900,000 EUR x 1.10 USD x 25% delivery of Obligation) Gain = \$252,000 - \$247,500 = \$4,500.</p>			

GAINS AND LOSSES ON FOREIGN CURRENCY RATE FLUCTUATIONS
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2-2 To record a confirmed disbursement schedule previously accrued.			
	DR	CR	TC
<u>Budgetary Entry</u>			
490100 Delivered Orders – Obligations, Unpaid	247,500		
490200 Delivered Orders – Obligations, Paid		247,500	B110
<u>Proprietary Entry</u>			
211000 Accounts Payable	247,500		
101000 Fund Balance with Treasury		247,500	

GAINS AND LOSSES ON FOREIGN CURRENCY RATE FLUCTUATIONS
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Year 2 Pre-Closing Adjusted Trial Balances

	<u>USSGL Accounts</u>	Debit	Credit
	<u>Budgetary</u>		
420100	Total Actual Resources – Collected	4,291,250	-
465000	Allotments – Expired Authority	-	4,043,750
480100	Undelivered Orders – Obligations, Unpaid	708,750	-
490100	Delivered Orders – Obligations, Unpaid	-	713,250
490200	Delivered Orders – Obligations, Paid	-	247,500
497100	Downward Adjustments of Prior-Year Unpaid Delivered Orders – Obligations, Recoveries	4,500	-
	TOTAL	5,004,500	5,004,500
	<u>Proprietary</u>		
101000	Fund Balance with Treasury	4,043,750	-
310000	Unexpended Appropriations – Cumulative	-	4,039,250
310700	Unexpended Appropriations – Used	-	4,500
570000	Expended Appropriations	4,500	-
610000	Operating Expenses/Program Costs	-	-
719000	Other Gains	-	4,500
	TOTAL	4,048,250	4,048,250

GAINS AND LOSSES ON FOREIGN CURRENCY RATE FLUCTUATIONS
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Year 2 Closing Entries

2-3 To record the closing of paid delivered orders to total actual resources.			
	DR	CR	TC
<u>Budgetary Entry</u> 490200 Delivered Orders – Obligations, Paid 420100 Total Actual Resources – Collected	247,500	247,500	F314
<u>Proprietary Entry</u> None			
2-4 To record the closing of downward adjustments to prior-year unpaid delivered orders - obligations, recoveries.			
	DR	CR	TC
<u>Budgetary Entry</u> 490100 Delivered Orders – Obligations, Unpaid 497100 Downward Adjustments of Prior-Year Unpaid Delivered Orders – Obligations, Recoveries	4,500	4,500	F325
<u>Proprietary Entry</u> None			
2-5 To record the closing of fiscal-year activity to unexpended appropriations.			
	DR	CR	TC
<u>Budgetary Entry</u> None			
<u>Proprietary Entry</u> 310700 Unexpended Appropriations – Used 310000 Unexpended Appropriations – Cumulative	4,500	4,500	F342

GAINS AND LOSSES ON FOREIGN CURRENCY RATE FLUCTUATIONS
Effective Fiscal 2019

2-6 To record the closing of expended appropriations to cumulative results of operations.			
	DR	CR	TC
<u>Budgetary Entry</u> None			
<u>Proprietary Entry</u> 331000 Cumulative Results of Operations 570000 Expended Appropriations			
	4,500	4,500	F336

2-7 To record the closing of other gains to cumulative results of operations.			
	DR	CR	TC
<u>Budgetary Entry</u> None			
<u>Proprietary Entry</u> 719000 Other Gains 331000 Cumulative Results of Operations			
	4,500	4,500	F338

Year 2 Post-Closing Adjusted Trial Balances

	<u>USSGL Accounts</u>	Debit	Credit
	<u>Budgetary</u>		
420100	Total Actual Resources – Collected	4,043,750	-
465000	Allotments – Expired Authority	-	4,043,750
480100	Undelivered Orders – Obligations, Unpaid	708,750	-
490100	Delivered Orders – Obligations, Unpaid	-	708,750
	TOTAL	4,752,500	4,752,500
	<u>Proprietary</u>		
101000	Fund Balance with Treasury	4,043,750	-
310000	Unexpended Appropriations – Cumulative	-	4,043,750
	TOTAL	4,043,750	4,043,750

GAINS AND LOSSES ON FOREIGN CURRENCY RATE FLUCTUATIONS
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Financial Statements – Year 2

BALANCE SHEET – YEAR 2		
	Assets:	
1.	Fund Balance with Treasury (101000E)	4,043,750
15.	Total Assets (calc. 6 through 14)	4,043,750
	Liabilities:	
28.	Total Liabilities (calc. 20 through 27)	-
	Net Position:	
31.	Unexpended Appropriations – All Other Funds (310000E, 310700E)	4,043,750
33.	Cumulative Results of Operations- All Other Funds (331000E)	-
35.	Total Net Position – All Other Funds (calc.)	4,043,750
36.	Total Net Position (calc.)	4,043,750
37.	Total Liabilities and Net Position (calc.)	4,043,750

STATEMENT OF NET COST – YEAR 2		
	Gross Program Costs:	
2.	Less: Other Gains (719000E)	(4,500)
3.	Net Program Costs (calc.)	(4,500)
5.	Net Program Costs including Assumption Changes (calc.)	(4,500)
8.	Net Cost of Operations (calc.)	(4,500)

GAINS AND LOSSES ON FOREIGN CURRENCY RATE FLUCTUATIONS
Effective Fiscal 2019

STATEMENT OF CHANGES IN NET POSITION – YEAR 2		
	Unexpended Appropriations	
	Beginning Balance:	
1.	Unexpended Appropriations – Cumulative (310000B)	4,039,250
3.	Beginning Balance, as Adjusted (calc.)	4,039,250
7.	Appropriations Used (310700 E)	4,500
8.	Total Budgetary Financing Sources (calc.)	4,500
9.	Total Unexpended Appropriations (calc.)	4,043,750
	Cumulative Results of Operations:	
	Beginning Balance:	
10.	Cumulative Results of Operations	-
12.	Beginning Balance, as adjusted	-
	Budgetary Financing Sources:	
14.	Appropriations Used (570000E)	4,500
23.	Total Financing Sources (calc.)	4,500
24.	Net Cost of Operations (+/-)	(4,500)
25.	Net Change (calc.)	-
26.	Cumulative Results of Operations (calc.)	-
27.	Net Position (calc.)	4,043,750

GAINS AND LOSSES ON FOREIGN CURRENCY RATE FLUCTUATIONS
Effective Fiscal 2019

STATEMENT OF BUDGETARY RESOURCES – YEAR 2		
	Budgetary Resources:	
1051	Unobligated balance from prior year budget authority, net (420100B)	4,291,250
1910	Total Budgetary Resources (calc. SBR Lines 1051+1290+1490+1690+1890)	4,291,250
	Status of Budgetary Resources:	
2190	New obligations and upward adjustments (total) (480100, 490100, 490200E, & 497100E)	247,500
	Unobligated balance, end of year:	
2413	Expired unobligated balance, end of year (465000E)	4,043,750
2490	Unobligated balance, end of year (total) (calc. SBR Lines 2204, 2304, 2404, & 2413)	4,043,750
2500	Total budgetary resources (calc. SBR Lines 2190 + 2490)	4,291,250
	Outlays, Net:	
4190	Outlays, net (total) (discretionary and mandatory) (490200E)	247,500
4210	Agency outlays, net (discretionary and mandatory)	247,500

GAINS AND LOSSES ON FOREIGN CURRENCY RATE FLUCTUATIONS
Effective Fiscal 2019

SF 133: Report on Budget Execution and Budgetary Resources & Budget Program and Financing Schedule (Schedule P) – YEAR 2			
		SF 133	Schedule P
	BUDGETARY RESOURCES		
	Unobligated balance:		
1000	Unobligated balance brought forward, Oct 1 (420100B)	4,291,250	-
	Budget authority:		
	Appropriations:		
	Discretionary:		
1900	Budget authority (total)	4,291,250	-
1910	Total budgetary resources	4,291,250	-
1930	Total budgetary resources available	-	-
	Memorandum (non-add) entries:		
	All accounts:		
1940	Unobligated balance expiring (-)	-	-
	STATUS OF BUDGETARY RESOURCES		
	New obligations and upward adjustments:		
2001	Category A (by quarter) (480100E, 490100E, 490200E)	247,500	-
2004	Direct obligations (total) (calc. Lines 2001 - 2003)	247,500	-
2180	Obligations (“upward adjustments”), expired accounts (480100E, 490100E, 490200E, & 497100E)	247,500	-
2190	New obligations and upward adjustments (total)	247,500	-
	Unobligated balance:		
	Expired accounts		
2413	Expired unobligated balance, end of year (465000E)	4,043,750	-
2490	Unobligated balance, end of year	4,043,750	-
2500	Total budgetary resources (calc. Lines 2001 through 2403, and 2413)	4,291,250	-

GAINS AND LOSSES ON FOREIGN CURRENCY RATE FLUCTUATIONS

Effective Fiscal 2019

	CHANGE IN OBLIGATED BALANCE		
	Unpaid obligations:		
3000	Unpaid obligations, brought forward, Oct 1 (480100B, 490100B)	252,000	252,000
3001	Adjustments to unpaid obligations, brought forward, Oct 1 (497100E)	(4,500)	(4,500)
3010	New obligations, unexpired accounts (480100E, 490200E)	-	-
3020	Outlays (gross) (-) (490200E)	247,500	247,500
3050	Unpaid obligations, end of year (480100E, 490100E, 497100E)	-	-
3100	Obligated balance, start of the year (calc. Lines 3000, 3001, 3060 and 3061)	252,000	252,000
3200	Obligated balance, end of year (calc.)	-	-
	BUDGET AUTHORITY AND OUTLAYS, NET		
	Discretionary:		
	Gross budget authority and outlays:		
4011	Outlays from discretionary balances (490200E)	247,500	247,500
4020	Outlays, gross (total) (calc. 4010 + 4011)	247,500	247,500
4080	Outlays, net (discretionary)	247,500	247,500
	Budget authority and outlays, net (total):		
4180	Budget authority, net (total) (calc. Lines 4070 + 4160)	-	-
4190	Outlays, net (total) (calc. Lines 4080 + 4170)	247,500	247,500

GAINS AND LOSSES ON FOREIGN CURRENCY RATE FLUCTUATIONS
Effective Fiscal 2019

Reclassified Financial Statements

RECLASSIFIED BALANCE SHEET		
1	Assets	
3	Federal	
3.1	Fund balance with Treasury (101000E)	4,043,750
3.14	Total federal assets	4,043,750
4	Total assets (calc.)	4,043,750
5	Liabilities	-
8	Total liabilities (calc.)	-
9	Net position:	
9.2	Net position – funds other than those from dedicated collections (310000E)	4,043,750
10	Total net position (calc.)	4,043,750
11	Total liabilities and net position (calc.)	4,043,750

RECLASSIFIED STATEMENT OF NET COST		
10	Earned Revenue	
11	Non-federal earned revenue (719000N)	(4,500)
13	Total federal earned revenue (calc.)	(4,500)
14	Department total earned revenue (calc.)	(4,500)
15	Net cost of operations (calc.)	(4,500)

GAINS AND LOSSES ON FOREIGN CURRENCY RATE FLUCTUATIONS
Effective Fiscal 2019

RECLASSIFIED STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION		
1	Net position, beginning of period	4,039,250
7	Budgetary financing sources:	
7.2	Appropriations used (310700E)	4,500
7.3	Appropriations expended (570000E)	(4,500)
7.20	Total budgetary financing sources (calc.)	-
9	Net cost of operations (+/-)	(4,500)
10	Net position, end of period	4,043,750

Scenario 2 – Loss on Foreign Currency Fluctuation

GAINS AND LOSSES ON FOREIGN CURRENCY RATE FLUCTUATIONS
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Year 1

Illustrative Transactions

In the following transactions, a Federal Program Agency (FPA) creates current-year orders without an advance with a foreign vendor, who uses Euros as currency. The FPA must convert the value of US Dollar to the Euro. When goods are delivered, the FPA records the delivery and accrues an accounts payable.

Before the FPA can disburse a payment to the foreign vendor, it identifies that the foreign exchange rate has changed. After the goods were obligated, the value of the US Dollar decreases (and the exchange rate in the value of foreign currency increases.) Thus, the value of the goods at the time of obligation was lower than the value at the time of disbursement. Additional US Dollar funds will need to be obligated to cover the difference, and a loss will need to be recognized. Because the loss is recognized at the time of disbursement, this loss is also posted immediately preceding the disbursement.

1-1 To record the enactment of appropriations.			
	DR	CR	TC
<u>Budgetary Entry</u> 411900 Other Appropriations Realized 445000 Unapportioned Authority	5,000,000	5,000,000	A104
<u>Proprietary Entry</u> 101000 Fund Balance with Treasury 310100 Unexpended Appropriations – Appropriations Received	5,000,000	5,000,000	

1-2 To record budgetary authority apportioned by the Office of Management and Budget and available for allotment.			
	DR	CR	TC
<u>Budgetary Entry</u> 445000 Unapportioned Authority 451000 Apportionments	5,000,000	5,000,000	A116
<u>Proprietary Entry</u> None			

GAINS AND LOSSES ON FOREIGN CURRENCY RATE FLUCTUATIONS
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1-3 To record the allotment of authority.			
	DR	CR	TC
<u>Budgetary Entry</u> 451000 Apportionments 461000 Allotments – Realized Resources	5,000,000	5,000,000	A120
<u>Proprietary Entry</u> None			
1-4 To record current-year undelivered orders without an advance.			
	DR	CR	TC
<u>Budgetary Entry</u> 461000 Allotments – Realized Resources 480100 Undelivered Orders – Obligations, Unpaid	1,008,000	1,008,000	B306
<u>Proprietary Entry</u> None			
900,000 EUR Order x 1.12 USD exchange rate = \$ 1,008,000 Undelivered Order			