

Assumption:

- The agency's accounting software will record Contractor developed software directly to account 1832 (Internal Use Software-in-Development). For software internally developed the agency initially records expense accounts and reclassifies items to account 1832.
- For simplicity, this example will not include postings for other direct and indirect expenses related to internally developed software.

**YEAR 19X1**

EVENT DESCRIPTION	PROPRIETARY ACCOUNTS	BUDGETARY ACCOUNTS
1) An agency receives an appropriation and it is apportioned and allotted.	1010 FBWT 12,000 3100 Unexp App 12,000	4119 Other Appro Realiz 12,000 4450 Unapportion Auth ava 12,000 4450 Unapportion Auth Ava 12,000 4510 Apportionment 12,000 4510 Apportionment 12,000 4610 Allotments 12,000
2) An agency records payroll and other expenses related to Internally developed Software-in-Progress to expense accounts.	6100 Op Exp 8,000 6400 Benefit Exp 2,000 1010 FBWT 10,000 3100 Unexp App 10,000 5700 Appro Used 10,000	4610 Allotments 10,000 4902 Exp Auth -pd 10,000
3) An agency reclassifies expenses related to software development to a capital asset account (Internal Use Software-in Development)	1832 Int Use Soft-in-Dev 5,000 6600 App Ovrhd 1,000 6610 Dir Cost Cap Offset 4,000	None
4) An agency records Contractor developed Software -in-Development directly to a capital asset account.	1832 Int Use Soft-in-Dev 2,000 1010 FBWT 2,000 3100 Unexp App 2,000 5700 Appro Used 2,000	4610 Allotments 2,000 4902 Exp Auth -pd 2,000
5) An agency determines that some projects classified as Software-in-Development are now in Production.	1830 IT Software 3,000 1832 Int Use Soft-in-Dev 3,000	None
6) An agency records depreciation expense on "in-production" software.	6710 Dep Exp 500 1839 Accum Amor- Soft 500	None
7) An agency writes-off Software-in-Development project that has been abandoned.	7210 Losses Disp of Assets 100 1832 Int Use Soft-in-Dev 100	None

**YEAR 19X1      PRECLOSING TRIAL BALANCE AND CLOSING ENTRIES**

Proprietary			Budgetary		
Preclosing Trial Balance			Preclosing Trial Balance		
1830 IT Software	3,000		4119 Other Appro Realized	12,000	
1832 Int Use Soft-in-Dev	3,900		4902 Exp Auth –pd		12,000
1839 Accum Amor- Soft		500			
5700 Appropriation Used		12,000			
6100 Op Exp	8,000				
6400 Benefit Exp	2,000				
6710 Dep Exp	500				
7210 Losses Disp of Assets	100				
6600 Applied Overhead		1,000			
6610 Dir Cost Cap Offset		4,000			
	<u>17,500</u>	<u>17,500</u>			
Closing Entries			Closing Entries		
5700 Appropriation Used	12,000		4902 Exp Auth –pd	12,000	
3310 Cumulative Results		12,000	4201 Total Act Resources		12,000
3310 Cumulative Results	5,600		4201 Total Act Resources	12,000	
6710 Dep Exp		500	4119 Other Appro Realized		12,000
7210 Losses Disp of Assets		100			
6400 Benefit Exp		2,000			
6100 Op Exp		8,000			
6600 Applied Overhead	1,000				
6610 Dir Cost Cap Offset	4,000				

<b>YEAR 19X1 – STATEMENTS</b>			
<u>Statement of Net Cost</u>		<u>Balance Sheet</u>	
6100 Op Exp	8,000	Plant, Property and Equipment	<u>6,400</u>
6400 Benefit Exp	2,000		
6710 Dep Exp	500		
6600 Applied Overhead	(1,000)		
6610 Dir Cost Cap Offset	(4,000)	Net Position	<u>6,400</u>
7210 Losses Disp of Assets	100		
<b>Net Cost</b>	<u>5,600</u>		
<u>Statement of Change in Net Position</u>		<u>Statement of Financing</u>	
Net Cost	5,600	Obligation Incurred	
		4902 Exp Auth –pd	12,000
Financing Sources		Total Obligations as Adjusted Nonbudget Res	<u>12,000</u>
5700 Appropriation used	(12,000)	Cost Capitalized on the Balance Sheet	
Net Result of operation	(6,400)	1830 IT Software	(3,000)
Unexpended Appro		1832 Int Use Soft-in-Dev	<u>(4,000)</u>
3100	0	<u>Total Resources that Do Not Fund Net Cost</u>	<u>(7,000)</u>
Net Position Beginning of the Period	0		
<u>Net Position End of Period</u>	<u>(6,400)</u>	6710 Dep Exp	500
		7210 Losses Disp of Assets	<u>100</u>
		<u>Total Costs that Do Not Require Resources</u>	<u>600</u>
		<u>Net Cost</u>	<u>5,600</u>