

PRIOR PERIOD ADJUSTMENTS

Occasionally, financial statements require adjustments for events that occurred in previous periods or for changes in accounting principles. Statement of Federal Financial Accounting Standards (SFFAS) number 7, Revenue and Other Financing Sources, addresses such changes, which are prior period adjustments. These changes are limited to corrections of errors and changes with retroactive effect¹. The standard states the "...adjustments should be recognized as a change in cumulative results of operations..."¹ Further, "prior period financial statements should not be restated for prior period adjustments recognized in the current period." When financial statements containing material accounting errors are presented on a comparative basis, the auditors would have to qualify their opinion and the information is confusing to readers of the statements. In SFFAS number 21, Reporting Corrections of Errors and Changes in Accounting Principles, the Federal Accounting Standards Advisory Board (FASAB) amended its position. "...Reporting entities are required to restate prior period financial statements for material errors discovered in the current period, if such statements are provided for comparative purposes, and if the effect would be material to the financial statements of either period."² Prior period financial statements should not be restated for changes in accounting principles unless otherwise directed by the new accounting standard.

This document provides guidance for recording transactions related to adjustments of a prior period financial activity. The transactions are related to the following:

- Changes in accounting principle;
- Corrections of material errors requiring financial statement restatement; and,
- Corrections of non-material errors that do not require financial statement restatement.

Approved USSGL Accounts

3108 Unexpended Appropriations – Prior-Period Adjustments – Restated
 5708 Expended Appropriations – Prior-Period Adjustments – Restated
 5709 Expended Appropriations – Prior-Period Adjustments – Not Restated
 7401 Prior-Period Adjustments - Restated

Changes to Existing USSGL Accounts

3109 Unexpended Appropriations – Prior-Period Adjustments – **Not Restated**
 7400 Prior-Period Adjustments – **Not Restated**

Note: All USSGL accounts noted above crosswalk to line 2 of the current Statement of Changes in Net Position.

¹ SFFAS No. 7, Revenue and Other Financing Sources, paragraph no. 76

² SFFAS No. 21, Reporting Corrections of Errors and Changes in Accounting Principles, paragraph no. 5

PRIOR PERIOD ADJUSTMENTS

Pre-Closing Trial Balance – 2000:

USSGL Account	Debit	Credit
1010 Fund Balance w/ Treasury	10,000	
1310 Accounts Receivable, Federal	2,000	
2110 Accounts Payable		1,000
3100 Unexpended Appropriations		9,000
3310 Cumulative Results		0
5100 Revenue from Services Provided		2,000
5700 Expended Appropriation		1,000
6100 Operating/Program Expenses	1,000	
4201 Total Actual Resources – Collected	10,000	
4251 Reimbursements and Other Income Earned Receivable	2,000	
4901 Delivered Orders – Obligations, Unpaid		1,000
4450 Unapportioned Authority		11,000
Total	25,000	25,000

Post-Closing Trial Balance – 2000:

USSGL Account	Debit	Credit
1010 Fund Balance w/ Treasury	10,000	
1310 Accounts Receivable, Federal	2,000	
2110 Accounts Payable		1,000
3100 Unexpended Appropriations		9,000
3310 Cumulative Results		2,000
4201 Total Actual Resources – Collected	10,000	
4251 Reimbursements and Other Income Earned Receivable	2,000	
4901 Delivered Orders – Obligations, Unpaid		1,000
4450 Unapportioned Authority		11,000
Total	24,000	24,000

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FY 2001:

Financial Event	Accounting Transaction	
Agency allots the unobligated balance carried forward.	Dr. 4450 Unapportioned Authority Cr. 4610 Allotment-Realized Resources	11000 11000
Expenses were found to be understated during FY 2000 by \$ 2000. This is material and requires restatement.	Dr. 4610 Allotments-Realized Resources Cr. 4981 Up Adj. of PY Undel. Orders,Obligations-Unpaid Dr. 7401 Prior Period Adjustment-Restated Cr. 2110 Accounts Payable Dr. 3108 Unexpended Appropriations- "Prior Period Adjustment-Restated" Cr. 5708 Expended Appropriations- Prior Period Adjustments- Restated	2000 2000 2000 2000 2000 2000
Expenses were found to be understated during FY 2000 by \$100. This amount is immaterial and does not require restatement.	Dr. 4610 Allotments-Realized Resources Cr. 4981 Up Adj. Of PY Obligations-Unpaid Dr. 6100 Operating/Program Expenses Cr. 2110 Accounts Payable Dr. 3107 Unexpended Appropriations-Used Cr. 5700 Expended Appropriations	100 100 100 100 100
Change in accounting principle ³ (Accounting principle change involves revenue recognition only)	Dr. 4251 Reimbursements and Other Income-Rec. Cr. 4450 Unapportioned Authority Dr. 1310 Accounts Receivable, Fed Cr. 7400 Prior Period Adjustments-Not Restated	200 200 200 200
Change in accounting principle ⁴ (Accounting principle change involves an adjustment to unexpended appropriations only)	Dr. 4610 Allotments-Realized Resources Cr. 4981 Up Adj. Of PY Obligations-Unpaid Dr. 3109 Unexpended Appropriations-"Prior Period Adjustments-Not Restated" Cr. 5709 Expended Appropriations- Prior Period Adjustments- Not Restated Dr. 7400 Prior Period Adjustments-Not Restated Cr. 2110 Accounts Payable	100 100 100 100 100 100

Pre-Closing Trial Balance – 2001:

USSGL Account	Debit	Credit
1010 Fund Balance w/ Treasury	10,000	
1310 Accounts Receivable, Federal	2,200	

³ For illustration purposes only.⁴ For illustration purposes only.

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2110 Accounts Payable		3,200
3100 Unexpended Appropriations		9,000
3107 Unexpended Appropriations-Used	100	
3108 Unexpended Appropriations-"Prior Period Adjustments-Restated"	2,000	
3109 Unexpended Appropriations-"Prior Period Adjustments-Not Restated"	100	
5700 Expended Appropriations		100
5709 Expended Appropriation-Prior Period Adjustments-Not Restated		100
3310 Cumulative Results of Operation		2,000
5708 Expended Appropriation-Prior Period Adjustments-Restated		2,000
6100 Program/Operating Expenses	100	
7400 Prior Period Adjustment-Not Restated		100
7401 Prior Period Adjustment-Restated	2,000	
4201 Total Actual Resources – Collected	10,000	
4251 Reimbursements and Other Income Earned Receivable	2,200	
4450 Unapportioned Authority		200
4610 Allotment-Realized Resources		8,800
4901 Delivered Orders - Obligations, Unpaid		1,000
4981 Upward Adjustment of Prior Year Undelivered Orders - Obligations, Unpaid		2,200
Total	28,700	28,700

PRIOR PERIOD ADJUSTMENTS

Closing Entries

Close revenues, expenses and other financing sources	Dr. 5708 Expended Appropriation-Restated	2000	
	5709 Expended Appropriation-Restated	100	
	5700 Expended Appropriation	100	
	Cr. 6100 Operating/Program Expenses		100
	3310 Cumulative Results of Operations		2100
Close prior period adjustment accounts to cumulative results of operations.	Dr. 3310 Cumulative Results of Operations	1900	
	Dr. 7400 Prior Period Adjustment-Not Restated	100	
	Cr. 7401 Prior Period Adjustment-Restated		2000
Close prior period adjustment accounts and unexpended appropriation used accounts to unexpended appropriations-cumulative.	Dr. 3100 Unexpended Appropriations	2200	
	Cr. 3107 Unexpended Appropriations-Used		100
	3108 Unexpended Appropriations-"Prior Period Adjustments-Restated"		2000
	3109 Unexpended Appropriations-"Prior Period Adjustments-Not Restated"		100
Close budgetary obligation account	Dr. 4981 Up Adj. Of PY Obligations-Unpaid	2200	
	Cr. 4901 Delivered Orders, Obligations-Unpaid		2200
Close budgetary resource account	Dr. 4610 Allotment-Realized Resources	8800	
	Cr. 4450 Unapportioned Authority		8800

PRIOR PERIOD ADJUSTMENTS

Post-Closing Trial Balance – 2001:

USSGL Account	Debit	Credit
1010 Fund Balance w/ Treasury	10,000	
1310 Accounts Receivable, Federal	2,200	
2110 Accounts Payable		3,200
3100 Unexpended Appropriations		6,800
3310 Cumulative Results of Operation		2,200
4201 Total Actual Resources – Collected	10,000	
4251 Reimbursements and Other Income Earned Receivable	2,200	
4450 Unapportioned Authority		9,000
4901 Delivered Orders, Obligations, Unpaid		3,200
Total	24,400	24,400

PRIOR PERIOD ADJUSTMENTS**FINANCIAL STATEMENTS****BALANCE SHEET**

	2001	2000 (Restated)	2000
1A1 Fund Balance with Treasury (1010E)	10,000	10,000	10,000
1A2 Accounts Receivable (1310E, Fed)	2,200	2,000	2,000
2 Total Assets	12,200	12,000	12,000
3A1 Accounts Payable (2110 E, Fed)	3,200	3,000	1,000
4 Total Liabilities	3,200	3,000	1,000
6A Unexpended Appropriations (3100E)	6,800	7,000	9,000
6B Cumulative Results of Operations (3310E)	2,200	2,000	2,000
7 Total Net Position	9,000	9,000	11,000
8 Total Liabilities and Net Position	12,200	12,000	12,000

Statement of Net Cost

1C Total Cost (6100E)	100	3,000	1,000
Less: Earned Revenue		(2,000)	(2,000)
4 Net Cost of Operations	100	1,000	(1,000)

PRIOR PERIOD ADJUSTMENTS

Statement of Changes in Net Position (FY 2001)

	Cum Results (3310)	Unexp Approp (3100)
1 Beginning Balances	2,000	9,000
2 Prior Period Adjustments-Restated (7401E, 3108E, 5708E)		(2,000)
Beginning Balances (After restatement)	2,000	7,000
Prior Period Adjustments-Not Restated (7400E, 3109E, 5709E)	200	(100)
3 Beginning Balances, As adjusted	2,200	6,900
7 Appropriations Used (5700E, 3107E)	100	(100)
16 Total Financing Sources (Calc 6..15)	100	(100)
17 Net Cost of Operations	100	
Ending Balances (Calc 3+16-17)	2,200	6,800

PRIOR PERIOD ADJUSTMENTS

Statement of Changes in Net Position (2000 Restated)

	Cum Results (3310)	Unexp Approp (3100)
Beginning Balances	0	0
Prior Period Adjustments		
Beginning Balances, As Adjusted	0	0
Appropriations Received (3101E)		10,000
Appropriations Used (3107/5700)	3,000	(3,000)
Total Financing Sources	3,000	(3,000)
Net Cost of Operations	1,000	
Ending Balances	2,000	7,000

Statement of Changes in Net Position (2000)

	Cum Results (3310)	Unexp Approp (3100)
Beginning Balances	0	0
Prior Period Adjustments		
Beginning Balances, As Adjusted	0	0
Appropriations Received		10,000
Appropriations Used	1,000	(1,000)
Total Financing Sources	1,000	9,000
Net Cost of Operations	(1,000)	
Ending Balances	2,000	9,000

PRIOR PERIOD ADJUSTMENTS

SF 133 Statement of Budget Execution and Budgetary Resources (2001)

2A Unobligated Balance, Beg. of Period (4201B, 4251B, 4901E)	11,000
3A2 Spending Authority from Offsetting Coll Receivable (4251E-B)	200
7 Total Budgetary Resources	11,200
8A1 Obligations Incurred (4901E-B, 4981)	2,100
9A1 Unobligated Balance, Currently Available (4610E)	8,900
10D Unobligated Balances Not Avail-Other (4450E)	200
11 Total Status of Resources	11,200
12 Obligated Balance, Beg. (4251B, 4901B)	(1,000)
13 Obligated Balance, Net Transfer	0
14 Obligated Balance, End	
14A Accounts Receivable (4251E)	2,200
14D Accounts Payable (4901E)	2,000
15A Gross Disbursement	0
15B Offsetting Collections	0

Please note: The SF 133 is not restated for FY 2000.

PRIOR PERIOD ADJUSTMENTS**Statement of Financing (2001)**

1 Obligations Incurred (4901E-B, 4981)	2,200
2 Less: Spending Authority from Offsetting Collections (4251E-B)	200
3 Obligations Net of Offsetting Collections	2,000
16 Other Resource or Adjustments (7400E, 7401E)	(1,900)
30 Net Cost of Operations	100

Statement of Financing (2000 Restated)

1 Obligations Incurred (4901E-B, 4891E)	3,000
2 Less: Spending Authority from Offsetting Collections (4251E-B)	2,000
3 Obligations Net of Offsetting Collections	1,000
16 Other Resource or Adjustments	
30 Net Cost of Operations	1,000