



## FINANCIAL MANAGEMENT TRAINING: Governmental Accounting

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### *Introductory Governmental Accounting, Part II — Learning Objectives*

#### **Lesson 1 — Financial Statements of Position**

One goal of accounting is to prepare various financial statements. This lesson focuses on the statement of position for each of the categories of funds — governmental, proprietary, and fiduciary. In addition, this lesson provides a review of the basic accounting equation, illustrates the different categories of accounts, and discusses what information is selected for presentation in various fund-level statements of position.

##### **Learning Objectives:**

- Identify asset, liability and equity accounts.
- Understand the form and content of a governmental fund balance sheet.
- Understand the form and content of a proprietary fund statement of net position.
- Understand the form and content of a fiduciary fund statement of net position.
- Be aware of GASBS 63 and GASBS 65 changes.

#### **Lesson 2 — Operating Statements**

This lesson provides the basics of accounting theory applicable to fund-level operating statements for each of the three categories of funds — governmental, proprietary, and fiduciary. You will learn what goes on the operating statement of each category of funds. In addition, you will learn why the content of the operating statements differs between governmental and proprietary funds.

##### **Learning Objectives:**

- Understand operating statement terminology related to fund-level financial statements.
- Understand the content of a governmental fund's operating statement.
- Understand the content of a proprietary fund's operating statement.
- Understand the content of a fiduciary fund's operating statement.

#### **Lesson 3 — Fund Accounting**

The use of funds is one of the unique characteristics of accounting systems in governments. Governments account for and allocate resources in separate sub-entities, identified as funds, based upon the purposes for which they are to be expended and the means by which spending activities are legally controlled. This lesson explains the categories of funds and the generic funds within each category. Understanding fund accounting is essential for governmental accountants and accounting paraprofessionals.

##### **Learning Objectives:**

- Define each of the fund categories and generic fund types.
- Determine when to use each of the generic fund types.

## Lesson 4 — Basis of Accounting

The basis of accounting governs the time at which the accounting system recognizes transactions. In order to record transactions at the proper time, knowledge of what basis of accounting is used by different funds is essential to the governmental accountant and accounting paraprofessional. This lesson defines “basis of accounting” and explains when to recognize revenues and expenditures/expenses within the three categories of funds. You will also learn how to calculate revenues and expenditures/expenses using the modified accrual and accrual basis of accounting.

### Learning Objectives:

- Define the phrase “basis of accounting.”
- Contrast the three common bases of accounting.
- Understand when to recognize a revenue under the modified accrual basis of accounting.
- Understand when to recognize an expenditure under the modified accrual basis of accounting.
- Calculate revenues and expenditures or expenses using the accepted bases.

## Lesson 5 — Accounting for Interfund Activities

Transactions that occur between funds of the same government are known as interfund transactions. Governmental accountants and accounting paraprofessionals need to know the differences between the types of interfund transactions and how to record the different interfund transactions. This lesson discusses the differences between interfund loans, interfund transfers and interfund services provided and used.

### Learning Objectives:

- Understand the differences between interfund loans, interfund transfers and interfund services provided and used.
- Record interfund loans, interfund transfers and “arms length” transactions.

## Lesson 6 — Accounting for Encumbrances

Governments use encumbrances to control spending and to enhance cash management. Governmental accountants and accounting paraprofessionals should know why encumbrances are important in a governmental environment and how encumbrances relate to the budget. You will learn how to define an encumbrance and how governments account for encumbrances. In addition, you will also learn how encumbrances are reported in a government’s external financial statements.

### Learning Objectives:

- Understand the Generally Accepted Accounting Principles (GAAP) basis of accounting for encumbrances.
- Understand the statutory basis of accounting for encumbrances.

## Lesson 7 — Revenue and Receipt Accounting at the Fund Level

Governmental accountants and paraprofessionals must be able to record revenue and receipts properly for reporting in financial statements. This lesson provides guidance on the recording of revenues and receipts required by GAAP.

### Learning Objectives:

- Understand the basic tenets associated with revenues and receipts.
- Explain the revenue recognition rules for a government’s primary revenue stream.
- Demonstrate how to record revenues and receipts into an accounting system.
- Understand adjusting and closing revenue journal entries.

## Lesson 8 — Expenditure and Disbursement Accounting

This lesson provides guidance on the recording of expenditures as required by GAAP. Governmental accountants and paraprofessionals must be able to properly record expenditures and disbursements in their financial statements.

### Learning Objectives:

- Recall the basic tenets associated with expenditures and disbursements.
- Cite the value of an expenditure and disbursements journal.
- Demonstrate how to record expenditures and disbursements into your systems.
- Describe the content of the expenditure subsidiary ledgers.
- Summarize adjusting and closing expenditure journal entries.

## Lesson 9 — Practice Exercise

The purpose of this practice exercise is to demonstrate how certain accounting concepts and GAAP (generally accepted accounting principles) apply in an accounting and reporting system for a small government. You will be required to apply the concepts learned in each lesson of this course through the recording of accounting transactions. You will select the accounts needed to record the transaction from the chart of accounts and will decide whether to “debit” or “credit” the account, receiving instant notification if the transaction is properly recorded, allowing you to move to the next transaction.

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