Introductory Governmental Accounting Part I — Learning Objectives

Lesson 1 — Basic Accounting Theory
Accounting professionals and paraprofessionals need a thorough understanding of the fundamental concepts of accounting theory in order to appropriately record governmental accounting transactions. This first chapter provides knowledge of those basic accounting concepts through the accounting equation and how transactions affect that accounting equation.

Learning Objectives:
• Define the terms “economic condition” and “financial position.”
• Recall the basic accounting equation.
• Identify asset and liability accounts.
• Observe the relationship between the balance sheet/statement of net position and the operating statement.
• Explain how revenues and expenditures affect fund equity.

Lesson 2 — The Chart of Accounts
The first step in setting up an accounting system is to decide what you need to keep track of. The chart of accounts is what fuels the accounting system and ultimately drives your financial statements. This module defines how charts of accounts are used in accounting systems and provides practice in using a chart of accounts for recording transactions.

Learning Objectives:
• Explain the architecture of a governmental chart of accounts.
• Identify asset, liability, equity, revenue, expenditure, and expense accounts.
• Code funds and accounts.

Lesson 3 — Double Entry Accounting
Accounting systems are designed to record transactions through the use of “debits” and “credits.” The primary purpose of this chapter is to explain the relationship of increases or decreases to accounts and the accounting terms “debits” and “credits.” This chapter provides the basics of how accountants should record transactions.

Learning Objectives:
• Record transactions using debits and credits.
• Demonstrate how debits and credits affect accounts.
Lesson 4 — Accounting Systems & Records
An integral part of governmental accounting is to understand how transactions flow through the accounting records and systems. Organized methods are necessary for a government to utilize the accounting process properly and accurately. These methods are reflected in part by the type of accounting records used. In order to heighten your understanding of the accounting process and the relevancy of certain types of accounting records and reports, we will describe within this chapter how a traditional (manual) system functions and then discuss the facets of a computerized system.

Learning Objectives:
• Cite the difference between journals and ledgers.
• Recognize how accounting systems process information into reports.
• Practice recording accounting transactions.
• Describe the value and purposes of a trial balance.

Lesson 5 — 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 generic fund.

Lesson 6 — The 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.

Learning Objectives:
• Define the phrase “basis of accounting.”
• Contrast the three common bases of accounting.
• Cite the revenue and expenditure recognition criteria using the modified accrual basis of accounting.
• Perform simple calculations of revenues and expenditures/expenses using the modified accrual and/or accrual bases of accounting.
• Recall the difference between the purchases and consumption methods of accounting for prepaid assets and inventories.

Lesson 7 — Payroll and Benefits Accounting
For most governments, whether state or local, employee salaries and benefits are the single largest costs. This lesson provides an overview of the payroll process from recording time worked to recording the payroll.

Learning Objectives:
• Identify how employee earnings are determined.
• Distinguish between a gross payroll and an adjusted gross payroll.
• Define the various types of payroll deductions.
• Demonstrate how to record the payroll and the employer’s share of employee benefits.
Lesson 8 — Accounting for Interfund Transactions
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.

Learning Objectives:
• Understand the difference between interfund loans and interfund transfers.
• Record interfund loans and interfund transfers.

Lesson 9 — Adjusting and Closing the General Ledger
At the close of each year, whether fiscal or calendar, certain events must occur within the accounting system. This lesson explains those events in terms of what accounts should possibly be adjusted and the reasons for making adjustments in the accounting system. The closing process for the general ledger is also discussed.

Learning Objectives:
• Recall why adjusting journal entries are required.
• Record adjusting and closing entries.

Lesson 10 — Practice Exercise
One of the more effective methods used in order to understand accounting is to actually record the transactions. This practice exercise presents different types of daily, ordinary, governmental accounting transactions to record. You will select the accounts needed to record the transaction and will decide whether to “debit” or “credit” the account, receiving instant notification if the transaction is not recorded correctly. This study provides a method to determine whether you have grasped most of the concepts discussed in the course.

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