



## **SFFAS 54 LEASE GUIDANCE:**

### **RIGHT-TO-USE LEASES: DEEMED “OPERATING LEASES” FOR BUDGETARY TREATMENT WITH A CANCELLATION CLAUSE GAIN/LOSS ON CANCELLATION**

**EFFECTIVE FISCAL YEAR 2024**

**PREPARED BY:**

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SFFAS No. 54, *Leases*, as amended by SFFAS No. 58 and SFFAS No. 60, replaces proprietary lease accounting and disclosure standards for general purpose federal financial reports. SFFAS No. 54 is effective for reporting periods beginning after September 30, 2023. (Early implementation is not permitted.)

A lease is defined as “a contract or agreement whereby one entity (lessor) conveys the right to control the use of PP&E (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration.” (SFFAS 54, Par. 6.) SFFAS No. 54 requires that federal lessees recognize a lease liability and a right-to-use lease asset (also referred to as a lease asset), and that federal lessors recognize a lease receivable and unearned revenues at the commencement of the lease term, unless the lease meets the definitional criteria of a short-term lease, contract or agreement that transfers ownership, or an intra-governmental lease.

For proprietary accounting, entity management is responsible for exercising professional judgement and collaborating within its agency to reach certain determinations before establishing proprietary accounting treatment, including:

- 1) Lease Term, with consideration for Options, Renewals/Terminations, and Cancellation Clauses;
- 2) Calculation of Lease Asset/Liability; with consideration for Fixed vs. Variable Payments;
- 3) Interest Rates - Amortization of Discount on Lease Liability/Receivable; and
- 4) Modifications, Terminations, and any respective remeasurements.

### **Proprietary Lease Term & Cancellation Clauses**

For proprietary accounting, calculating the lease term is pivotal because the classification between short-term leases and right-to-use leases depends on the lease duration. The lease term is determined to be the noncancelable lease period, plus certain periods subject to options to extend or terminate the lease. The noncancelable period is the shorter of the period agreed upon in the lease contract that: **(1)** precedes any option to extend the lease; or **(2)** precedes the first option to terminate the lease. In addition, the lessee’s lease term should include the noncancelable period, along with periods:

- Involving an option to extend the lease, if it is probable that the lessee or lessor will exercise that option (SFFAS 54, Par. 15a & 15c)
- Following an option to terminate the lease, if it is probable that the lessee or lessor will not exercise that option (SFFAS 54, Par. 15b & 15d)

Some specific provisions may also need to be applied when determining the lease term:

- Periods for which the lessee/lessor **(1)** have an option to terminate the lease without permission from the other entity, or **(2)** have to agree to extend, are considered to be cancelable periods and are thus excluded from the lease term (SFFAS 54, Par. 19a.)
- An availability of funds/cancellation clause allowing lessees to cancel a lease agreement if funds for the lease payments are not appropriated should only affect the lease term when it is probable that the clause will be exercised (SFFAS 54, Par. 19c.)
- If a lessee has the option to purchase the underlying asset during the lease term and the contract is not a contract that transfers ownership, the lease term should exclude the period, after the date at which the option is probable of being exercised (SFFAS 61, Par. 19d.)

### **Fixed Vs. Variable Payments**

The Lessee's lease asset and the Lessor's lease liability should include the present value of payments expected to be made during the lease term. Generally, these should include:

- Fixed payments;
- Variable payments that depend on an index or a rate;
- Variable payments that are fixed in-substance; and
- Any lease incentives receivable from the lessor.

For a complete list of payment types to include in the present value of payments, please see SFFAS 54, Pars. 40 and 56.)

Variable payments based on future performance of the lessee or usage of the underlying asset should be recognized as lease expense/revenue during the reporting period to which those payments relate. These variable payments should NOT be included in the measurement of the lease receivable/lease liability (See SFFAS 54, Pars. 41 and 54.) Reporting entity management should consult with appropriate procurement officials, and use professional judgment, to make determinations on what payments are fixed and what are variable.

### **Amortization of Discount on Lease Liability/Receivable - Interest Expense/Revenue**

In subsequent reporting periods, the Lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. Any payments made should be allocated first to the accrued interest liability and then to the lease liability. (SFFAS 54, Par. 43) Likewise, the Lessor should calculate the amortization of the discount on the receivable and report that amount as interest revenue for the period (SFFAS 54, Par. 60.)

### **Lease Amortization & Lessor Unearned Revenue**

During the lease term, the Lessee's lease asset should be amortized in a systematic and rational manner, over the shorter of: The lease term; or the useful life of the underlying asset (See SFFAS 54, Par. 50, and SFFAS 60, Pars. 20-21.)

Meanwhile, the Lessor should recognize the unearned revenue in a similar manner. (See SFFAS 54, Par. 64, as amended by SFFAS 60, Par. 26.)

### **Modifications/Terminations**

In the event a right-to-use lease is terminated before the end of the contractual lease term (other than by a transfer of ownership/purchase of the underlying asset), a Lessee should account for the termination by reducing the carrying values of the lease liability and the lease asset and recognizing a gain/loss for the difference. Likewise, lessors should reduce the carrying value of the lease receivable and the related unearned revenue, and record a gain/loss for the difference.

## **Budgetary Accounting Requirements & Agency Decision Points**

While proprietary accounting requirements for leases are transformed by SFFAS 54, *Leases*, budgetary accounting requirements will remain unchanged and continue to be guided by the lease scorekeeping rule developed by OMB, CBO, and the House and Senate Budget Committees originally in connection with the Budget Enforcement Act of 1990, and guidance regarding this rule provided in *OMB Circular No. A-11, Appendix B, Budgetary Treatment Of Lease-Purchases and Leases of Capital Assets*.

For budgetary accounting, entity management is responsible for exercising professional judgement and collaborating within its agency to reach certain determinations before establishing budgetary accounting treatment, including:

- 1) Operating vs. Capital Lease (as defined by Appendix B of OMB Circular No. A-11);
- 2) Budgetary Lease Term, with consideration for Cancellation Clauses; and
- 3) Budget Authority and Outlays.

### **Operating/Capital/Lease Purchase**

Reporting entities should apply professional judgment, consistent with the guidance in Appendix B of OMB Circular No. A-11, on Operating Leases/Capital Leases criteria to discern the correct budgetary treatment of each lease contract. The differences in budgetary accounting treatment between Operating and Capital leases are extensive; see Appendix B of *OMB Circular No. A-11* for more details. In order for a lease to qualify for Operating lease treatment for budgetary accounting purposes, a lease must meet the following criteria established in the scorekeeping rule:

- Ownership of the asset remains with the lessor during the term of the lease and is not transferred to the Government at or shortly after the end of the lease term;
- The lease does not contain a bargain-price purchase option;
- The lease term does not exceed 75 percent of the estimated economic life of the asset;
- The present value of the minimum contractually required payments over the life of the lease does not exceed 90 percent of the fair market value of the asset at the beginning of the lease term;
- The asset is a general purpose asset rather than being for a special purpose of the Government and is not built to the unique specification of the Government as lessee; and
- There is a private sector market for the asset.”

### **Lease Term & Cancellation Clauses**

When initiating lease contracts with a cancellation clause, entities are required to presume the lease will run for the full term of the contract when calculating the lease term as part of the budgetary accounting analysis necessary to distinguish between an Operating/Capital Lease.

“Cancellation clauses. It will be presumed that the lease will run for the full term of the contract, and the minimum payments will be calculated on the basis of the lease and other contractually required payments that will be made over the full term of the lease (including options to renew).” (OMB Circular No. 11, Page 8 of Appendix B.)

**Budget Authority and Outlays – Operating Lease**

Budget Authority for Operating Leases should be recorded in an amount equal to the total contractually required payments under the full term of the lease, or (if there is a cancellation clause) the amount sufficient to cover first year lease and other contractually required payments plus cancellation costs up front. Meanwhile, outlays of Operating Leases are scored over the lease term in an amount equal to the annual lease and other contractually required payments.

“For operating leases, budget authority is required to be obligated up front in the amount necessary to cover the Government's legal obligations, consistent with the requirements of the Antideficiency Act. This will include the estimated total payments expected to arise under the full term of the contract or, if the contract includes a cancellation clause, **an amount sufficient to cover the lease and other contractually required payments for the first year plus an amount sufficient to cover the costs associated with cancellation of the contract. For each subsequent year, sufficient budget authority is required to be obligated to cover the annual lease payment for that year plus any additional cancellation costs.** For operating leases funded by the General Services Administration's Federal Buildings Fund (which is self-insuring under existing authority), only the amount of budget authority needed to cover the annual lease payment is required to be obligated.”

**Right-To-Use Leases Determined to be “Operating” for Budgetary Treatment- With Cancellation Clauses**

**Listing of USSGL Accounts Used in This Scenario:**

<b>Account Number</b>	<b>Account Title</b>
<b><u>Budgetary</u></b>	
406000	Anticipated Collections From Non-Federal Sources
411900	Other Appropriations Realized
426600	Other Actual Business-Type Collections From Non-Federal Sources
445000	Unapportioned – Unexpired Authority
449000	Anticipated Resources - Unapportioned Authority
451000	Apportionments
459000	Apportionments – Anticipated Resources – Programs Subject to Apportionment
461000	Allotments – Realized Resources
480100	Undelivered Orders – Obligations, Unpaid
490100	Delivered Orders – Obligations, Unpaid
490200	Delivered Orders – Obligations, Paid
<b><u>Proprietary</u></b>	
101000	Fund Balance With Treasury
134000	Interest Receivable - Not Otherwise Classified

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175000	Equipment
175900	Accumulated Depreciation on Equipment
<b>193000</b>	<b>Lessor Lease Receivable<sup>1</sup></b>
<b>193900</b>	<b>Allowance for Loss on Lease Receivable*</b>
<b>195000</b>	<b>Lessee Right-To-Use Lease Asset*</b>
<b>195900</b>	<b>Accumulated Amortization on Lessee Lease Assets*</b>
214000	Accrued Interest Payable - Not Otherwise Classified
<b>214010</b>	<b>Unfunded Accrued Interest Payable*</b>
<b>233000</b>	<b>Unearned Lessor Revenue*</b>
<b>293000</b>	<b>Lessee Lease Liability*</b>
<b>293010</b>	<b>Unfunded Lessee Lease Liability*</b>
310100	Unexpended Appropriations – Appropriations Received
310700	Unexpended Appropriations - Used - Accrued
310710	Unexpended Appropriations - Used - Disbursed
331000	Cumulative Results of Operations
531000	Interest Revenue - Other
570000	Expended Appropriations - Accrued
570010	Expended Appropriations - Disbursed
<b>593000</b>	<b>Lessor Lease Revenue*</b>
<b>593300</b>	<b>Amortization of Unearned Lessor Revenue *</b>
633000	Other Interest Expense
671000	Depreciation, Amortization, and Depletion
<b>671300</b>	<b>Lessee Lease Amortization*</b>
<b>693000</b>	<b>Lessee Lease Expense*</b>

<sup>1</sup> See Treasury Financial Manual, Volume 1, USSGL Supplements, Section II for Account Definitions of new lease accounts.

## **Key Assumptions Driving Proprietary Accounting Entries:**

### **Lease Term**

- A federal reporting entity (Lessee) signs a 5-year lease with a non-federal entity (Lessor) for the right to control/right to use equipment. (For illustration purposes, the scenario also shows posting logic for a federal Lessor working with a non-federal Lessee under a separate heading.)
- For illustration purposes, the lease begins at the start of the fiscal year.
- No purchase option probable of being exercised exists.
- The lease includes an availability of funds cancellation clause that allows the Lessee to cancel the lease on an annual basis, if funds for the lease payments are not appropriated. Management determines it is not probable that the clause will be exercised.
- The lease contains a fixed \$5,000 cancellation penalty.
- Since management determines the cancellation clause is not probable of being exercised, the lease term is calculated at 5 years, and the lease is determined to be a Right-To-Use Lease.
- All monthly payments are made at the last business day of the month – This scenario assumes payments are made directly to vendor and that there is no lag time between disbursement, authorization, and receipt.

### **Lease Asset/Liability Calculation**

- The contract amount is \$120,000 (\$2,000 monthly payments x 60 months.)
- Management calculates the Present Value of all expected fixed payments to be \$94,131. The Lessor charges the Lessee the Treasury Rate of 10.00%.
- The Lessor already has equipment on its Balance Sheet valued at \$300,000 with \$150,000 Accumulated Depreciation.

### **Fixed & Variable Payments**

- Management determines the lease contains both fixed and variable payments. Fixed payments include a minimum annual payment required by the lease contract, and lease payments (including interest) are paid at the start of the year.
- In addition, there is a \$12 per hour charge for the use of the equipment, which management deems to be a Variable payment based on future usage of the underlying asset. This variable payment will not to be included in the Lease Liability/Lease Receivable per SFFAS 54, Par. 41. (Also See Technical Release 20, Lease Implementation Guidance, Par. 48 for more information on Variable Payments.)
- Management determines that the Fixed minimum lease payment is "contractually required payments" per *OMB Circular A-11, Appendix B*.
- Management determines that the Variable costs related to the usage of the equipment are also "contractually required payments" per *OMB Circular A-11, Appendix B*, and estimates these to be \$1,500 for each year of the lease term.



## Key Assumptions Driving Budgetary Accounting Entries:

### **Budgetary Authority**

- The Lessee received a direct appropriation and is working from a multi-year appropriated TAFS from a general fund expenditure account. Agency management has concluded that appropriations language allows the budget authority to remain available for the lease and other contractually required payments over the full term of the lease.
- For illustration purposes, the lease begins at the start of the fiscal year.
- The Lessor charges the Lessee the Treasury Interest Rate from *OMB Circular No. A-94, Appendix C*, of 10.00%.
- Management determines that the Fixed costs for the lease of equipment are "contractually required payments" per *OMB Circular No. A-11, Appendix B*.
- The lease is **not** funded by the General Services Administration's Federal Buildings Fund.

### **Budgetary Lease Capital/Operating Determination**

- Management determines the lease to be an “**Operating lease**” for budgetary purposes **with a cancellation clause**. Therefore, budget authority should include “an amount sufficient to cover the lease and other contractually required payments for the first year, plus an amount sufficient to cover the costs associated with cancellation of the contract.” For each subsequent year, sufficient budget authority is required to be obligated to cover the annual lease payment for that year plus any additional cancellation costs.

### **Budgetary Outlays**

- As an Operating lease per budgetary treatment, leases will be scored over the lease term in an amount equal to the annual lease and other contractually required payments.

### **Cancellation Clauses**

- The lease **includes** an availability of funds cancellation clause, with a fixed \$5,000 cancellation penalty. For this scenario, there is not an assumption of additional cancellation costs in subsequent years.
- The lease does not contain renewal/purchase options, and is not associated with government land.

### **Amortization Table**

- **Contract Amount \$120,000**
- **5-Year Lease with 60 monthly payments of \$2,000 each**
- **Treasury Interest Rate of 10.0%**
- **Present Value of Payments = \$94,131**
- **Lessee Right-To-Use- Asset & Lease Liability amount: \$94,131**
- **Year 1 Budget Authority = \$15,274 Lease Payments; \$8,726 Interest Expense = \$24,000**
- **Year 2 Budget Authority = \$16,874 Lease Payments; \$7,126 Interest Expense = \$24,000**
- **For illustration purposes, the lease begins at the start of the fiscal year.**
- **Monthly payments are considered to be disbursed on the last business day of each month.**

### **Disclaimer**

The below guidance is intended to serve as a reference only based on a finite number of underlying assumptions. It is in no way intended to provide comprehensive posting logic for every leasing activity. Agencies should have a thorough understanding of authoritative standards SFFAS 54, SFFAS 60, and SFFAS 61 and apply other factors, including but not limited to certain prepayments, accruals, etc. As stated above, agency management must exercise professional judgement and collaborate within their agency to reach determinations of lease activities on a lease-by-lease basis, before establishing accounting treatment.

Entity management should document these decisions and incorporate them into management's existing OMB Circular No. A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," Appendix A, procedures.

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Month			Budgetary Resources			Lease Liability				Right-To-Use Lease Asset		
			Obligation Balance	Monthly Payment	Obligation Closing Balance	Lease Liability Beginning Balance	Interest Expense	Principle Payment	Ending Lease Liability Balance	Lease Asset Beginning Balance	Monthly Amortization (Straightline)	Ending Lease Asset Balance
a	Yr 1	Month 1	24,000	2,000	22,000	94,130.74	784.42	1,215.58	92,915.16	94,130.74	1,568.85	92,561.89
b	Yr 1	Month 2	22,000	2,000	20,000	92,915.16	774.29	1,225.71	91,689.45	92,561.89	1,568.85	90,993.05
c	Yr 1	Month 3	20,000	2,000	18,000	91,689.45	764.08	1,235.92	90,453.53	90,993.05	1,568.85	89,424.20
d	Yr 1	Month 4	18,000	2,000	16,000	90,453.53	753.78	1,246.22	89,207.31	89,424.20	1,568.85	87,855.36
e	Yr 1	Month 5	16,000	2,000	14,000	89,207.31	743.39	1,256.61	87,950.71	87,855.36	1,568.85	86,286.51
f	Yr 1	Month 6	14,000	2,000	12,000	87,950.71	732.92	1,267.08	86,683.63	86,286.51	1,568.85	84,717.66
g	Yr 1	Month 7	12,000	2,000	10,000	86,683.63	722.36	1,277.64	85,405.99	84,717.66	1,568.85	83,148.82
h	Yr 1	Month 8	10,000	2,000	8,000	85,405.99	711.72	1,288.28	84,117.71	83,148.82	1,568.85	81,579.97
i	Yr 1	Month 9	8,000	2,000	6,000	84,117.71	700.98	1,299.02	82,818.69	81,579.97	1,568.85	80,011.13
j	Yr 1	Month 10	6,000	2,000	4,000	82,818.69	690.16	1,309.84	81,508.85	80,011.13	1,568.85	78,442.28
k	Yr 1	Month 11	4,000	2,000	2,000	81,508.85	679.24	1,320.76	80,188.09	78,442.28	1,568.85	76,873.44
l	Yr 1	Month 12	2,000	2,000	0	80,188.09	668.23	1,331.77	78,856.32	76,873.44	1,568.85	75,304.59
<b>Year 1 Totals</b>				<b>\$24,000</b>			<b>\$8,726</b>	<b>\$15,274</b>			<b>\$18,826</b>	
a	Yr 2	Month 1	24,000	2,000	22,000	78,856.32	657.14	1,342.86	77,513.46	75,304.59	1,568.85	73,735.74
b	Yr 2	Month 2	22,000	2,000	20,000	77,513.46	645.95	1,354.05	76,159.40	73,735.74	1,568.85	72,166.90
c	Yr 2	Month 3	20,000	2,000	18,000	76,159.40	634.66	1,365.34	74,794.06	72,166.90	1,568.85	70,598.05
d	Yr 2	Month 4	18,000	2,000	16,000	74,794.06	623.28	1,376.72	73,417.35	70,598.05	1,568.85	69,029.21
e	Yr 2	Month 5	16,000	2,000	14,000	73,417.35	611.81	1,388.19	72,029.16	69,029.21	1,568.85	67,460.36
f	Yr 2	Month 6	14,000	2,000	12,000	72,029.16	600.24	1,399.76	70,629.40	67,460.36	1,568.85	65,891.52
g	Yr 2	Month 7	12,000	2,000	10,000	70,629.40	588.58	1,411.42	69,217.98	65,891.52	1,568.85	64,322.67
h	Yr 2	Month 8	10,000	2,000	8,000	69,217.98	576.82	1,423.18	67,794.80	64,322.67	1,568.85	62,753.83
i	Yr 2	Month 9	8,000	2,000	6,000	67,794.80	564.96	1,435.04	66,359.75	62,753.83	1,568.85	61,184.98
j	Yr 2	Month 10	6,000	2,000	4,000	66,359.75	553.00	1,447.00	64,912.75	61,184.98	1,568.85	59,616.13
k	Yr 2	Month 11	4,000	2,000	2,000	64,912.75	540.94	1,459.06	63,453.69	59,616.13	1,568.85	58,047.29
l	Yr 2	Month 12	2,000	2,000	0	63,453.69	528.78	1,471.22	61,982.47	58,047.29	1,568.85	56,478.44
<b>Year 2 Totals</b>				<b>\$24,000</b>			<b>\$7,126</b>	<b>\$16,874</b>			<b>\$18,826</b>	

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-	Yr 3	Month 1	24,000	2,000	22,000	61,982.47	516.52	1,483.48	60,498.99	56,478.44	1,568.85	54,909.60
-	Yr 3	Month 2	22,000	2,000	20,000	60,498.99	504.16	1,495.84	59,003.15	54,909.60	1,568.85	53,340.75
-	Yr 3	Month 3	20,000	2,000	18,000	59,003.15	491.69	1,508.31	57,494.84	53,340.75	1,568.85	51,771.91
-	Yr 3	Month 4	18,000	2,000	16,000	57,494.84	479.12	1,520.88	55,973.97	51,771.91	1,568.85	50,203.06
-	Yr 3	Month 5	16,000	2,000	14,000	55,973.97	466.45	1,533.55	54,440.42	50,203.06	1,568.85	48,634.21
-	Yr 3	Month 6	14,000	2,000	12,000	54,440.42	453.67	1,546.33	52,894.09	48,634.21	1,568.85	47,065.37
-	Yr 3	Month 7	12,000	2,000	10,000	52,894.09	440.78	1,559.22	51,334.87	47,065.37	1,568.85	45,496.52
-	Yr 3	Month 8	10,000	2,000	8,000	51,334.87	427.79	1,572.21	49,762.66	45,496.52	1,568.85	43,927.68
-	Yr 3	Month 9	8,000	2,000	6,000	49,762.66	414.69	1,585.31	48,177.35	43,927.68	1,568.85	42,358.83
-	Yr 3	Month 10	6,000	2,000	4,000	48,177.35	401.48	1,598.52	46,578.83	42,358.83	1,568.85	40,789.99
-	Yr 3	Month 11	4,000	2,000	2,000	46,578.83	388.16	1,611.84	44,966.98	40,789.99	1,568.85	39,221.14
-	Yr 3	Month 12	2,000	2,000	0	44,966.98	374.72	1,625.28	43,341.71	39,221.14	1,568.85	37,652.30
<b>Year 3 Totals</b>				<b>\$24,000</b>			<b>\$5,359</b>	<b>\$18,641</b>			<b>\$18,826</b>	
-	Yr 4	Month 1	24,000	2,000	22,000	43,341.71	361.18	1,638.82	41,702.89	37,652.30	1,568.85	36,083.45
-	Yr 4	Month 2	22,000	2,000	20,000	41,702.89	347.52	1,652.48	40,050.41	36,083.45	1,568.85	34,514.60
-	Yr 4	Month 3	20,000	2,000	18,000	40,050.41	333.75	1,666.25	38,384.17	34,514.60	1,568.85	32,945.76
-	Yr 4	Month 4	18,000	2,000	16,000	38,384.17	319.87	1,680.13	36,704.04	32,945.76	1,568.85	31,376.91
-	Yr 4	Month 5	16,000	2,000	14,000	36,704.04	305.87	1,694.13	35,009.90	31,376.91	1,568.85	29,808.07
-	Yr 4	Month 6	14,000	2,000	12,000	35,009.90	291.75	1,708.25	33,301.65	29,808.07	1,568.85	28,239.22
-	Yr 4	Month 7	12,000	2,000	10,000	33,301.65	277.51	1,722.49	31,579.17	28,239.22	1,568.85	26,670.38
-	Yr 4	Month 8	10,000	2,000	8,000	31,579.17	263.16	1,736.84	29,842.33	26,670.38	1,568.85	25,101.53
-	Yr 4	Month 9	8,000	2,000	6,000	29,842.33	248.69	1,751.31	28,091.01	25,101.53	1,568.85	23,532.68
-	Yr 4	Month 10	6,000	2,000	4,000	28,091.01	234.09	1,765.91	26,325.10	23,532.68	1,568.85	21,963.84
-	Yr 4	Month 11	4,000	2,000	2,000	26,325.10	219.38	1,780.62	24,544.48	21,963.84	1,568.85	20,394.99
-	Yr 4	Month 12	2,000	2,000	0	24,544.48	204.54	1,795.46	22,749.02	20,394.99	1,568.85	18,826.15
<b>Year 4 Totals</b>				<b>\$24,000</b>			<b>\$3,407</b>	<b>\$20,593</b>			<b>\$18,826</b>	
-	Yr 5	Month 1	24,000	2,000	22,000	22,749.02	189.58	1,810.42	20,938.59	18,826.15	1,568.85	17,257.30
-	Yr 5	Month 2	22,000	2,000	20,000	20,938.59	174.49	1,825.51	19,113.08	17,257.30	1,568.85	15,688.46
-	Yr 5	Month 3	20,000	2,000	18,000	19,113.08	159.28	1,840.72	17,272.36	15,688.46	1,568.85	14,119.61
-	Yr 5	Month 4	18,000	2,000	16,000	17,272.36	143.94	1,856.06	15,416.29	14,119.61	1,568.85	12,550.77
-	Yr 5	Month 5	16,000	2,000	14,000	15,416.29	128.47	1,871.53	13,544.76	12,550.77	1,568.85	10,981.92
-	Yr 5	Month 6	14,000	2,000	12,000	13,544.76	112.87	1,887.13	11,657.63	10,981.92	1,568.85	9,413.07
-	Yr 5	Month 7	12,000	2,000	10,000	11,657.63	97.15	1,902.85	9,754.78	9,413.07	1,568.85	7,844.23
-	Yr 5	Month 8	10,000	2,000	8,000	9,754.78	81.29	1,918.71	7,836.07	7,844.23	1,568.85	6,275.38
-	Yr 5	Month 9	8,000	2,000	6,000	7,836.07	65.30	1,934.70	5,901.37	6,275.38	1,568.85	4,706.54
-	Yr 5	Month 10	6,000	2,000	4,000	5,901.37	49.18	1,950.82	3,950.55	4,706.54	1,568.85	3,137.69
-	Yr 5	Month 11	4,000	2,000	2,000	3,950.55	32.92	1,967.08	1,983.47	3,137.69	1,568.85	1,568.85
-	Yr 5	Month 12	2,000	2,000	0	1,983.47	16.53	1,983.47	0.00	1,568.85	1,568.85	0.00
<b>Year 5 Totals</b>				<b>\$24,000</b>			<b>\$1,251</b>	<b>\$22,749</b>			<b>\$18,826</b>	
<b>LEASE TOTAL</b>				<b>\$120,000</b>			<b>\$25,869</b>	<b>\$94,131</b>			<b>\$94,131</b>	

**FISCAL YEAR 1 - Right-To-Use Leases; “Operating” for Budgetary Treatment; With A Cancellation Clause**

**Lessee Accounting**

<p>1. The Lessee records the enactment of appropriations in Year 1 of the 5-year Operating lease. The lease includes a cancellation clause. Per <i>OMB Circular No. A-11, Appendix B</i>, budget authority for leases considered “Operating leases” on the budgetary side <u>with a cancellation clause</u> is required to be obligated in an amount sufficient to cover the lease and other contractually required payments <b>for the first year, plus cancellation costs. (Budget Authority = Year 1 Lease P&amp;I Payment of \$24,000; + \$1,500 Estimated variable payments for the usage of the equipment; + \$5,000 cancellation costs = \$30,500.)</b></p>			
<b>Lessee - Enactment of appropriation for Year 1.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<p><b><u>Budgetary Entry</u></b>                      411900 Other Appropriations Realized                      445000 Unapportioned - Unexpired Authority</p>	30,500	30,500	A104
<p><b><u>Proprietary Entry</u></b>                      101000 (G) Fund Balance With Treasury                      310100 (G) Unexpended Appropriations – Appropriations Received</p>	30,500	30,500	

<p>2. The Lessee records budgetary authority apportioned by the Office of Management and Budget and available for allotment in Year 1.</p>			
<b>Lessee</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<p><b><u>Budgetary Entry</u></b>                      445000 Unapportioned - Unexpired Authority                      451000 Apportionments</p>	30,500	30,500	A116
<p><b><u>Proprietary Entry</u></b>                      None</p>			



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3. The Lessee records the allotment of authority in Year 1.			
Lessee	Debit	Credit	TC
<u><b>Budgetary Entry</b></u> 451000 Apportionments 461000 Allotments – Realized Resources	30,500	30,500	A120
<u><b>Proprietary Entry</b></u> None			

4. The lease contract is signed by both parties. The Lessee records current-year undelivered orders without an advance.			
Lessee	Debit	Credit	TC
<u><b>Budgetary Entry</b></u> 461000 Allotments – Realized Resources 480100 Undelivered Orders – Obligations, Unpaid	30,500	30,500	B306
<u><b>Proprietary Entry</b></u> None			

5. The Lessee takes control over the use of the equipment. A Lease Asset and Lease Liability are recorded per SFFAS 54, Par. 40 & Par. 49. \$15,274 of the lease liability (principle) is covered from the Year 1 appropriation. \$78,857 of the lease liability will be funded by future appropriations and is recorded as an Unfunded Lease Liability. (\$94,131 - \$15,274 = \$78,857.)			
Lessee – Recognition of Right-to-Use Lease Asset	Debit	Credit	TC
<u><b>Budgetary Entry</b></u> None			
<u><b>Proprietary Entry</b></u> 195000 Lessee Right-To-Use Lease Asset 293000 Lessee Lease Liability 293010 Unfunded Lease Liability	94,131	15,274 78,857	

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6a. The lessee records accrued interest for month 1, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

<b>Lessee - Accrual of Interest Expense for Month 1.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 633000 Other Interest Expense 214000 Accrued Interest Payable – Not Otherwise Classified	784	784	B418

7a. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 1.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	B110
<b><u>Proprietary Entry</u></b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,216 784	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B234
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$92,915</i></b>			

8a. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**  
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

<b>Lessee - Amortization of Lease Asset for Month 1.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$92,562</i></b>			

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6b. The lessee records accrued interest for month 2, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)			
<b>Lessee - Accrual of Interest Expense for Month 2.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b>Budgetary Entry</b> None			
<b>Proprietary Entry</b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	774	774	B418

7b. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.			
<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 1.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b>Budgetary Entry</b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	B110
<b>Proprietary Entry</b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,226 774	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B234
<b>Ending Lease Liability Balance (USSGL 293000) = \$91,689</b>			

8b. The Lessee records amortization of the right-to-use Lease Asset. <b>(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)</b> A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)			
<b>Lessee - Amortization of Lease Asset for Month 2.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b>Budgetary Entry</b> None			
<b>Proprietary Entry</b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$90,993</b>			



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6c. The lessee records accrued interest for month 3, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

<b>Lessee - Accrual of Interest Expense for Month 3.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	764	764	B418

7c. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 1.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	B110
<b><u>Proprietary Entry</u></b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,236 764	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B234
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$90,454</i></b>			

8c. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**  
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

<b>Lessee - Amortization of Lease Asset for Month 3.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$89,424</i></b>			

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6d. The lessee records accrued interest for month 4, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

<b>Lessee - Accrual of Interest Expense for Month 4.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	754	754	B418

7d. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 1.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	B110
<b><u>Proprietary Entry</u></b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,246 754	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B234
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$89,207</i></b>			

8d. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**  
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

<b>Lessee - Amortization of Lease Asset for Month 4.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$87,855</i></b>			

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6e. The lessee records accrued interest for month 5, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)			
<b>Lessee - Accrual of Interest Expense for Month 5.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	743	743	B418

7e. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.			
<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 1.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	B110
<b><u>Proprietary Entry</u></b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,257 743	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B234
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$87,951</i></b>			

8e. The Lessee records amortization of the right-to-use Lease Asset. <b>(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)</b> A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)			
<b>Lessee - Amortization of Lease Asset for Month 5.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$86,287</i></b>			

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6f. The lessee records accrued interest for month 6, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

<b>Lessee - Accrual of Interest Expense for Month 6.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	733	733	B418

7f. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 1.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	B110
<b><u>Proprietary Entry</u></b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,267 733	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B234
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$86,684</i></b>			

8f. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**  
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

<b>Lessee - Amortization of Lease Asset for Month 6.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$84,718</i></b>			

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6g. The lessee records accrued interest for month 7, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

<b>Lessee - Accrual of Interest Expense for Month 7.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	722	722	B418

7g. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 1.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	B110
<b><u>Proprietary Entry</u></b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,278 722	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B234
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$85,406</i></b>			

8g. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**  
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

<b>Lessee - Amortization of Lease Asset for Month 7.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$83,149</i></b>			

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6h. The lessee records accrued interest for month 8, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)			
<b>Lessee - Accrual of Interest Expense for Month 8.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b>Budgetary Entry</b> None			
<b>Proprietary Entry</b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	712	712	B418

7h. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.			
<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 1.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b>Budgetary Entry</b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	B110
<b>Proprietary Entry</b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,288 712	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B234
<b>Ending Lease Liability Balance (USSGL 293000) = \$84,118</b>			

8h. The Lessee records amortization of the right-to-use Lease Asset. <b>(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)</b> A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)			
<b>Lessee - Amortization of Lease Asset for Month 8.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b>Budgetary Entry</b> None			
<b>Proprietary Entry</b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$81,580</b>			

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6i. The lessee records accrued interest for month 9, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

<b>Lessee - Accrual of Interest Expense for Month 9.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	701	701	B418

7i. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 1.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	B110
<b><u>Proprietary Entry</u></b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,299 701	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B234
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$82,819</i></b>			

8i. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**  
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

<b>Lessee - Amortization of Lease Asset for Month 9.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$80,011</i></b>			

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6j. The lessee records accrued interest for month 10, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

<b>Lessee - Accrual of Interest Expense for Month 10.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	690	690	B418

7j. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 1.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	B110
<b><u>Proprietary Entry</u></b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,310 690	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B234
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$81,509</i></b>			

8j. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**  
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

<b>Lessee - Amortization of Lease Asset for Month 10.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$78,442</i></b>			



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6k. The lessee records accrued interest for month 11, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)			
<b>Lessee - Accrual of Interest Expense for Month 11.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b>Budgetary Entry</b> None			
<b>Proprietary Entry</b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	679	679	B418

7k. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.			
<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 1.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b>Budgetary Entry</b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	B110
<b>Proprietary Entry</b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,321 679	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B234
<b>Ending Lease Liability Balance (USSGL 293000) = \$80,188</b>			

8k. The Lessee records amortization of the right-to-use Lease Asset. <b>(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)</b> A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)			
<b>Lessee - Amortization of Lease Asset for Month 11.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b>Budgetary Entry</b> None			
<b>Proprietary Entry</b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$76,873</b>			

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6l. The lessee records accrued interest for month 12, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)			
<b>Lessee - Accrual of Interest Expense for Month 12.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	668	668	B418
7l. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.			
<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 1.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	B110
<b><u>Proprietary Entry</u></b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,332 668	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B234
<b>Ending Lease Liability Balance (USSGL 293000) = \$78,856</b>			
8l. The Lessee records amortization of the right-to-use Lease Asset. <b>(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)</b> A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)			
<b>Lessee - Amortization of Lease Asset for Month 12.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$75,305</b>			

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9. At the end of Year 1, the Lessee calculates 125 hours of equipment usage at \$12/ hour (\$1,500.) Variable payments should be recognized as an expense in the period incurred (SFFAS 54, Par. 41.) Budget Authority was received in Year 1's appropriation. The invoice is due for payment at the beginning of Year 2.

<b>Lessee - Accrual of Variable Expenses Incurred in Year 1 (Budget Authority received in Year 1.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490100 Delivered Orders – Obligations, Unpaid	1,500	1,500	B402
<b><u>Proprietary Entry</u></b> 693000 (N) Lessee Lease Expense 211000 (N) Accounts Payable	1,500	1,500	
310700 Unexpended Appropriations - Used - Accrued 570000 Expended Appropriations - Used - Accrued	1,500	1,500	B134

10. The Lessee records the closing of lease and interest expenses to cumulative results of operations.

<b>Lessee</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 331000 Cumulative Results of Operations 693000 (N) Lessee Lease Expense 671300 Lessee Lease Amortization 633000 (N) Other Interest Expense	29,052	1,500 18,826 8,726	F336

11. The Lessee records the closing of expended appropriation to cumulative results of operations, along with the closing of fiscal-year activity to unexpended appropriations.

<b>Lessee</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
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<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 570000 Expended Appropriations - Used - Accrued	1,500		F336
570010 Expended Appropriations – Disbursed	24,000		
331000 Cumulative Results of Operations		25,500	
310000 Unexpended Appropriations – Cumulative	25,500		F342
310700 Unexpended Appropriations - Used - Accrued		1,500	
310710 Unexpended Appropriations - Used – Disbursed		24,000	
310100 (G) Unexpended Appropriations – Appropriations Received	30,500		F342
310000 Unexpended Appropriations - Cumulative		30,500	

12. The Lessee records the closing of paid delivered orders to total actual resources.			
<b>Lessee</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 490200 Delivered Orders – Obligations, Paid	24,000		F314
420100 Total Actual Resources, Collected		24,000	
<b><u>Proprietary Entry</u></b> None			

13. The Lessee records the consolidation of actual net-funded resources.			
<b>Lessee</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 420100 Total Actual Resources, Collected	30,500		
411900 Other Appropriations Realized		30,500	F302
<b><u>Proprietary Entry</u></b> None			

**Lessor Accounting**

1. In Year 1, the Lessor records anticipated collections. (The amount of expected Year 1 monthly payments is \$24,000.)			
<b>Lessor</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<u><b>Budgetary Entry</b></u> 406000 Anticipated Collections From Non-Federal Sources 449000 Anticipated Resources - Unapportioned Authority	24,000	24,000	A140
<u><b>Proprietary Entry</b></u> None			
2. The Lessor records the apportionment approval by OMB of anticipated authority.			
<b>Lessor</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<u><b>Budgetary Entry</b></u> 449000 Anticipated Resources - Unapportioned Authority 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment	24,000	24,000	A118
<u><b>Proprietary Entry</b></u> None			
3. The Lessee takes control over the use of the equipment; The lease term is 5 years. A Lease Receivable and Unearned Revenue are recorded per SFFAS 54. Also per SFFAS 54, Par. 56, the Lessor reduces the lease receivable by a provision for any uncollectible amounts.			
<b>Lessor – Recognition of Lease Receivable</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<u><b>Budgetary Entry</b></u> None			
<u><b>Proprietary Entry</b></u> 193000 Lessor Lease Receivable 193900 Allowance for Loss on Lease Receivable 233000 Lessor Lease Unearned Revenue	94,131	2,000 92,131	

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4a. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 1. (SFFAS 54, Par. 60)			
<b>Lessor - Accrual of Interest Revenue for Year 1, Month 1</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other	784	784	

5a. In month 1, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds.			
<b>Lessor - Receipt of first Monthly Lease Payment</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources	2,000	2,000	C109
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments	2,000	2,000	A123
451000 Apportionments 461000 Allotments – Realized Resources	2,000	2,000	A120
<b><u>Proprietary Entry</u></b> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable	2,000	784 1,216	
<b><i>Ending Lease Receivable Balance of USSGL 193000 = \$92,915</i></b>			

6a. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straight-line amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26)			
<b>Lessor - Recognition of Unearned Revenue for Year 1, Month 1</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue	1,569	1,569	

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4b. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 2. (SFFAS 54, Par. 60)			
<b>Lessor - Accrual of Interest Revenue for Year 1, Month 2</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other	774	774	

5b. In month 2, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds.			
<b>Lessor - Receipt of second Monthly Lease Payment</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources	2,000	2,000	C109
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments	2,000	2,000	A123
451000 Apportionments 461000 Allotments – Realized Resources	2,000	2,000	A120
<b><u>Proprietary Entry</u></b> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable	2,000	774 1,226	
<b><i>Ending Lease Receivable Balance of USSGL 193000 = \$91,689</i></b>			

6b. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straight-line amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26)			
<b>Lessor - Recognition of Unearned Revenue for Year 1, Month 2</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue	1,569	1,569	

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4c. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 3. (SFFAS 54, Par. 60)			
<b>Lessor - Accrual of Interest Revenue for Year 1, Month 3</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b>Budgetary Entry</b> None			
<b>Proprietary Entry</b> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other	764	764	

5c. In month 3, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds.			
<b>Lessor - Receipt of third Monthly Lease Payment</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b>Budgetary Entry</b> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources	2,000	2,000	C109
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments	2,000	2,000	A123
451000 Apportionments 461000 Allotments – Realized Resources	2,000	2,000	A120
<b>Proprietary Entry</b> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable	2,000	764 1,236	
<b>Ending Lease Receivable Balance of USSGL 193000 = \$90,454</b>			

6c. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straight-line amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26)			
<b>Lessor - Recognition of Unearned Revenue for Year 1, Month 3</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b>Budgetary Entry</b> None			
<b>Proprietary Entry</b> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue	1,569	1,569	



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4d. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 4. (SFFAS 54, Par. 60)			
<b>Lessor - Accrual of Interest Revenue for Year 1, Month 4</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other	764	764	

5d. In month 4, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds.			
<b>Lessor - Receipt of fourth Monthly Lease Payment</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources	2,000	2,000	C109
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments	2,000	2,000	A123
451000 Apportionments 461000 Allotments – Realized Resources	2,000	2,000	A120
<b><u>Proprietary Entry</u></b> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable	2,000	764 1,236	
<b><i>Ending Lease Receivable Balance of USSGL 193000 = \$89,207</i></b>			

6d. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straight-line amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26)			
<b>Lessor - Recognition of Unearned Revenue for Year 1, Month 4</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue	1,569	1,569	

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4e. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 5. (SFFAS 54, Par. 60)			
<b>Lessor - Accrual of Interest Revenue for Year 1, Month 5</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other	743	743	

5e. In month 5, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds.			
<b>Lessor - Receipt of fifth Monthly Lease Payment</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources	2,000	2,000	C109
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments	2,000	2,000	A123
451000 Apportionments 461000 Allotments – Realized Resources	2,000	2,000	A120
<b><u>Proprietary Entry</u></b> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable	2,000	743 1,257	
<b><i>Ending Lease Receivable Balance of USSGL 193000 = \$87,951</i></b>			

6e. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straight-line amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26)			
<b>Lessor - Recognition of Unearned Revenue for Year 1, Month 5</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue	1,569	1,569	

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4f. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 6. (SFFAS 54, Par. 60)			
<b>Lessor - Accrual of Interest Revenue for Year 1, Month 6</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other	733	733	

5f. In month 6, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds.			
<b>Lessor - Receipt of sixth Monthly Lease Payment</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources	2,000	2,000	C109
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments	2,000	2,000	A123
451000 Apportionments 461000 Allotments – Realized Resources	2,000	2,000	A120
<b><u>Proprietary Entry</u></b> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable	2,000	733 1,267	
<b><i>Ending Lease Receivable Balance of USSGL 193000 = \$86,684</i></b>			

6f. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straight-line amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26)			
<b>Lessor - Recognition of Unearned Revenue for Year 1, Month 6</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue	1,569	1,569	

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*\*(For simplicity, the recurring entries of Lessor Receipts for Months 7-12 are not illustrated, but amounts can be seen in the amortization table.)\**

7. The Lessee calculates 125 hours of equipment usage at <b>\$12/ hour in Year 1 = \$1,500</b> . Variable payments should be recognized as revenue in the period in which they are earned (SFFAS 54, Par. 57.) The invoice is due for payment at the beginning of Year 2.			
<b>Lessor - Accrual of Lease Revenue for Variable Payments Earned in Year 1.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 131000 (N) Accounts Receivable 593000 (N) Lessor Lease Revenue	1,500	1,500	
8. In Year 1, the Lessor records depreciation expense on equipment it owns (the underlying asset within the lease.) \$300,000 cost / 20-year useful life = \$15,000.			
<b>Lessor</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 671000 (N) Depreciation, Amortization, and Depletion 175900 Accumulated Depreciation on Equipment	15,000	15,000	E120
9. The Lessor records the closing of revenue to cumulative results of operations.			
<b>Lessor</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 593300 Amortization of Unearned Lessor Revenue 593000 (N) Lessor Lease Revenue 531000 Interest Revenue - Other 331000 Cumulative Results of Operations	18,826 1,500 8,726	29,052	F336

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10. The Lessor records the closing of depreciation expense to cumulative results of operations.			
<b>Lessor</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 331000 Cumulative Results of Operations 671000 Depreciation, Amortization, and Depletion	15,000	15,000	F336

11. The Lessor records the closing of unobligated balances in programs subject to apportionment to unapportioned authority.			
<b>Lessor</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 461000 Allotments – Realized Resources 445000 Unapportioned – Unexpired Authority	24,000	24,000	F308
<b><u>Proprietary Entry</u></b> None			

12. The Lessor records the consolidation of actual net-funded resources.			
<b>Lessor</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 420100 Total Actual Resources, Collected 426600 Other Actual Business-Type Collections From Non-Federal Sources	24,000	24,000	F302
<b><u>Proprietary Entry</u></b> None			

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**Fiscal Year 1 Post-Closing Adjusted Trial Balance:**

FISCAL YEAR 1 POST-CLOSING		LESSEE		LESSOR	
Account	Description	Debit	Credit	Debit	Credit
<b><u>Budgetary</u></b>					
420100	Total Actual Resources, Collected	6,500	-	24,000	-
445000	Unapportioned - Unexpired Authority	-	-	-	24,000
480100	Undelivered Orders – Obligations, Unpaid	-	5,000	-	-
490100	Delivered Orders, Obligations Unpaid	-	1,500	-	-
490200	Delivered Orders – Obligations, Paid	-	-	-	-
<b>Total</b>		<b>6,500</b>	<b>6,500</b>	<b>24,000</b>	<b>24,000</b>
<b><u>Proprietary</u></b>					
101000 (G)	Fund Balance With Treasury	6,500	-	24,000	-
131000	Accounts Receivable	-	-	1,500	-
175000	Equipment	-	-	300,000	-
175900	Acc. Depreciation on Equipment	-	-	-	165,000
193000	Lessor Lease Receivable	-	-	78,857	-
193900	Allowance for Loss on Lease Receivable	-	-	-	2,000
195000	Lessee Right-To-Use Lease Asset	94,131	-	-	-
195900	Accumulated Amortization on Lessee Lease Assets	-	18,826	-	-
211000	Accounts Payable	-	1,500	-	-
233000	Unearned Lessor Revenue	-	-	-	73,305
293000	Lessee Lease Liability	-	-	-	-
293010	Unfunded Lessee Lease Liability	-	78,857	-	-
310000	Unexpended Appropriations - Cumulative	-	5,000	-	-
331000	Cumulative Results of Operations	3,552	-	-	164,052
<b>Total</b>		<b>104,183</b>	<b>104,183</b>	<b>404,357</b>	<b>404,357</b>

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**Year 1 Financial Statements:**

<b>STANDARDIZED BALANCE SHEET – YEAR 1</b>			
<b>Line No.</b>	<b>YEAR 1</b>	<b>LESSEE</b>	<b>LESSOR</b>
	<b>Assets (Note 2)</b>		
	<b>Intra-governmental</b>		
1	Fund Balance with Treasury (Note 3) (101000)	6,500	24,000
<b>7</b>	<b>Total intra-governmental assets</b>	<b>6,500</b>	<b>24,000</b>
	<b>Other than intra-governmental</b>		
9	Accounts receivable, net (Notes 6 and 7) (131000N)	-	1,500
12	General and right-to-use property, plant, and equipment, net (Note 10) (175000E, 175900E, 195000E, 195900E)	75,305	135,000
17	Other assets (Note 12) (193000E, 193900E)	-	76,857
<b>18</b>	<b>Total other than intra-governmental</b>	<b>75,305</b>	<b>213,357</b>
<b>19</b>	<b>Total assets</b>	<b>81,805</b>	<b>237,357</b>
	<b>Liabilities (Note 13)</b>		
	<b>Other than intra-governmental</b>		
28	Accounts payable (211000N)	1,500	-
36	Advances from others and deferred revenue (233000N)	-	73,305
37	Other liabilities (Notes 18, 19, and 20) (293010E)	78,857	-
<b>38</b>	<b>Total other than intra-governmental</b>	<b>80,357</b>	<b>73,305</b>
<b>39</b>	<b>Total liabilities</b>	<b>80,357</b>	<b>73,305</b>
	<b>Net position</b>		
41.2	Unexpended appropriations - Funds from other than Dedicated Collections (310000E)	5,000	-
42.2	Cumulative results of operations - Funds from other than Dedicated Collections (331000E)	<b>(3,552)</b>	164,052
<b>43</b>	<b>Total net position</b>	<b>1,448</b>	<b>164,052</b>
<b>44</b>	<b>Total liabilities and net position</b>	<b>81,805</b>	<b>237,357</b>

<b>STATEMENT OF NET COST – YEAR 1</b>			
<b>Line No.</b>	<b>YEAR 1</b>	<b>LESSEE</b>	<b>LESSOR</b>
	<b>Gross Program Costs (Note 21):</b>		
1	Gross costs (633000E, 671000E, 671300E, 693000E)	29,052	15,000
2	Less: earned revenue (531000E, 593000E, 593300E)	-	29,052
3	Net program costs	29,052	(14,052)
5	Net program costs including Assumption Changes:	29,052	(14,052)
<b>8</b>	<b>Net cost of operations</b>	<b>29,052</b>	<b>(14,052)</b>

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<b>STATEMENT OF CHANGES IN NET POSITION – YEAR 1</b>			
Line No.	YEAR 1	LESSEE	LESSOR
	<b>Unexpended Appropriations:</b>		
4	Appropriations received (310100E)	30,500	-
7	Appropriations used (310700E, 310710E)	25,500	-
8	Net Change in Unexpended Appropriations (calc.)	5,000	-
9	Total Unexpended Appropriations – Ending (calc.)	5,000	-
	<b>Cumulative Results of Operations:</b>		
10	Beginning Balances (331000B)	-	150,000
12	Beginning balances, as adjusted	-	150,000
14	Appropriations used (570000E, 570010E)	25,500	-
21	Revenue From (Net Cost of) Operations (+/-)	(29,052)	14,052
22	Net Change in Cumulative Results of Operations	(29,052)	14,052
23	Cumulative Results of Operations – Ending	(3,552)	164,052
24	<b>Net Position (calc.)</b>	<b><u>1,448</u></b>	<b><u>164,052</u></b>

**Year 1 Reclassified Financial Statements:**

<b>STANDARDIZED BALANCE SHEET – YEAR 1</b>			
Line No.	YEAR 1	LESSEE	LESSOR
	<b>Assets (Note 2)</b>		
	<b>Intra-governmental</b>		
1	Fund Balance with Treasury (Note 3) (101000)	6,500	24,000
7	<b>Total intra-governmental assets</b>	<b>6,500</b>	<b>24,000</b>
	<b>Other than intra-governmental</b>		
9	Accounts receivable, net (Notes 6 and 7) (131000N)	-	1,500
12	General and right-to-use property, plant, and equipment, net (Note 10) (175000E, 175900E, 195000E, 195900E)	75,305	135,000
17	Other assets (Note 12) (193000E, 193900E)	-	76,857
18	<b>Total other than intra-governmental</b>	<b>75,305</b>	<b>213,357</b>
19	<b>Total assets</b>	<b><u>81,805</u></b>	<b><u>237,357</u></b>



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<b>Liabilities (Note 13)</b>			
<b>Other than intra-governmental</b>			
28	Accounts payable (211000N)	1,500	-
36	Advances from others and deferred revenue (233000N)	-	73,305
37	Other liabilities (Notes 18, 19, and 20) (293010E)	78,857	-
<b>38</b>	<b>Total other than intra-governmental</b>	<b>80,357</b>	<b>73,305</b>
<b>39</b>	<b>Total liabilities</b>	<b>80,357</b>	<b>73,305</b>
<b>Net position</b>			
41.2	Unexpended appropriations - Funds from other than Dedicated Collections (310000E)	5,000	
42.2	Cumulative results of operations - Funds from other than Dedicated Collections (331000E)	3,552	164,052
<b>43</b>	<b>Total net position</b>	<b>1,448</b>	<b>164,052</b>
<b>44</b>	<b>Total liabilities and net position</b>	<b>81,805</b>	<b>237,357</b>

<b>RECLASSIFIED STATEMENT OF NET COST – YEAR 1</b>			
<b>Line No.</b>	<b>YEAR 1</b>	<b>LESSEE</b>	<b>LESSOR</b>
<b>1</b>	<b>Gross cost</b>		
2	Non-federal gross cost (633000E, 671000E, 671300E, 693000E)	29,052	15,000
<b>6</b>	<b>Total non-federal gross cost (calc.)</b>	<b>29,052</b>	<b>15,000</b>
<b>9</b>	<b>Department total gross cost (calc.)</b>	<b>29,052</b>	<b>15,000</b>
<b>10</b>	<b>Earned revenue</b>		
11	Non-federal earned revenue (531000E, 593000E, 593300E)	-	29,052
14	Department total earned revenue (calc.)	-	29,052
<b>15</b>	<b>Net cost of operations (calc.)</b>	<b>29,052</b>	<b>(14,052)</b>

<b>RECLASSIFIED STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION – YEAR 1</b>			
<b>Line No.</b>	<b>YEAR 1</b>	<b>LESSEE</b>	<b>LESSOR</b>
<b>1</b>	<b>Net position, beginning of period (310000B, 331000B)</b>	<b>-</b>	<b>150,000</b>
<b>7</b>	<b>Financing sources:</b>		
7.1	Appropriations received as adjusted (rescissions and other adjustments) (RC 41)/1 (310100E)	30,500	-
7.2	Appropriations used (RC 39) (310700E, 310710E)	25,500	-
7.3	Appropriations expended (RC 38)/1 (570000E, 570010E)	(25,500)	-
<b>7.30</b>	<b>Total financing sources (calc.)</b>	<b>30,500</b>	<b>-</b>
8	Revenue From (Net cost of) Operations (+/-)	(29,052)	14,052
<b>9</b>	<b>Net position, end of period (calc.)</b>	<b>1,448</b>	<b>164,052</b>

**FISCAL YEAR 2 - Right-To-Use Leases; “Operating” for Budgetary Treatment; With A Cancellation Clause**

**Lessee Accounting**

<p>1. The Lessee receives funding and appropriation for Year 2, and records the enactment of appropriations in Year 2 of the 5-year Operating lease. Per <i>OMB Circular No. A-11, Appendix B</i>, budget authority for leases considered “Operating leases” for budgetary treatment <u>with a cancellation clause</u> is required to be obligated in an amount sufficient to cover the lease and other contractually required payments for the year, plus cancellation costs. <b>(Year 2 Lease Payment of \$24,000; + \$1,500 Estimated variable payments for the usage of the equipment = \$25,500.)</b> The \$5,000 cancellation cost was already obligated in Year 1, and is not adjusted.</p>			
<b>Lessee - Enactment of appropriation for Year 2.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<p><b><u>Budgetary Entry</u></b>                      411900 Other Appropriations Realized                      445000 Unapportioned - Unexpired Authority</p>	25,500	25,500	A104
<p><b><u>Proprietary Entry</u></b>                      101000 (G) Fund Balance With Treasury                      310100 (G) Unexpended Appropriations – Appropriations Received</p>	25,500	25,500	

<p>2. The Lessee records budgetary authority apportioned by the Office of Management and Budget and available for allotment in Year 2.</p>			
<b>Lessee</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<p><b><u>Budgetary Entry</u></b>                      445000 Unapportioned - Unexpired Authority                      451000 Apportionments</p>	25,500	25,500	A116
<p><b><u>Proprietary Entry</u></b>                      None</p>			

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3. The Lessee records the allotment of authority in Year 2.			
Lessee	Debit	Credit	TC
<u><b>Budgetary Entry</b></u> 451000 Apportionments 461000 Allotments – Realized Resources  <u><b>Proprietary Entry</b></u> None	25,500	25,500	A120

4. The Lessee records current-year undelivered orders without an advance.			
Lessee	Debit	Credit	TC
<u><b>Budgetary Entry</b></u> 461000 Allotments – Realized Resources 480100 Undelivered Orders – Obligations, Unpaid  <u><b>Proprietary Entry</b></u> None	25,500	25,500	B306

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5. In Year 2, the Lessee pays the variable lease payment to Lessor for the accrued usage of the equipment in Year 1. The Lessee records the disbursement of appropriations for the second year.			
<b>Lessee - Disbursement of Payment to Lessor for Variable Expenses Incurred and Accrued in Year 1.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<u><b>Budgetary Entry</b></u> 490100 Delivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	1,500	1,500	B110
<u><b>Proprietary Entry</b></u> 211000 (N) Accounts Payable 101000 (G) Fund Balance With Treasury  310710 Unexpended Appropriations - Used - Disbursed 570000 Expended Appropriations - Used - Accrued 310700 Unexpended Appropriations - Used - Accrued 570010 Expended Appropriations - Disbursed	1,500   1,500	   1,500  1,500	   B235

6. The Lessee continues control over the use of the equipment; the cancellation clause was not used. After receiving budget authority from Year 2 appropriations, the Lessee reclassifies the amount of principal due in Year 2 from Unfunded Lease Liability to Lease Liability. (See amortization table.)			
<b>Lessee</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<u><b>Budgetary Entry</b></u> None			
<u><b>Proprietary Entry</b></u> 293010 Unfunded Lessee Lease Liability 293000 Lessee Lease Liability	16,874	16,874	

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7a. The lessee records accrued interest for Year 2, Month 1, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)			
<b>Lessee - Accrual of Interest Expense for Year 2, Month 1.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	657	657	B418
8a. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.			
<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 2.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	
<b><u>Proprietary Entry</u></b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,343 657	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B235
<b>Ending Lease Liability Balance (USSGL 293000) = \$77,513</b>			
9a. The Lessee records amortization of the right-to-use Lease Asset. ( <b>\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.</b> ) A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)			
<b>Lessee - Amortization of Lease Asset for Year 2, Month 1.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> - None			
<b><u>Proprietary Entry</u></b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$73,736</b>			

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7b. The lessee records accrued interest for month 2, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

<b>Lessee - Accrual of Interest Expense for Year 2, Month 2.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	646	646	B418

8b. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 2.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	
<b><u>Proprietary Entry</u></b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,354 646	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B235
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$76,159</i></b>			

9b. The Lessee records amortization of the right-to-use Lease Asset. (**\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.**) A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

<b>Lessee - Amortization of Lease Asset for Year 2, Month 2.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> - None			
<b><u>Proprietary Entry</u></b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$72,167</i></b>			

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7c. The lessee records accrued interest for month 3, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

<b>Lessee - Accrual of Interest Expense for Year 2, Month 3.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	635	635	B418

8c. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 2.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	
<b><u>Proprietary Entry</u></b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,365 635	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B235
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$74,794</i></b>			

9c. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**  
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

<b>Lessee - Amortization of Lease Asset for Year 2, Month 3.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> - None			
<b><u>Proprietary Entry</u></b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$70,598</i></b>			

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7d. The lessee records accrued interest for month 4, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

<b>Lessee - Accrual of Interest Expense for Year 2, Month 4.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b>			
<b><u>Proprietary Entry</u></b>			
633000 Other Interest Expense	623		
214000 (N) Accrued Interest Payable – Not Otherwise Classified		623	B418

8d. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 2.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b>			
480100 Undelivered Orders – Obligations, Unpaid	2,000		
490200 Delivered Orders – Obligations, Paid		2,000	
<b><u>Proprietary Entry</u></b>			
293000 Lessee Lease Liability	1,377		
214000 (N) Accrued Interest Payable – Not Otherwise Classified	623		
101000 (G) Fund Balance With Treasury		2,000	
310710 Unexpended Appropriations - Used - Disbursed	2,000		
570010 Expended Appropriations - Disbursed		2,000	B235
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$73,417</i></b>			

9d. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**  
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

<b>Lessee - Amortization of Lease Asset for Year 2, Month 4.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> - None			
<b><u>Proprietary Entry</u></b>			
671300 Lessee Lease Amortization	1,569		
195900 Accumulated Amortization on Lessee Lease Assets		1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$69,029</i></b>			



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7e. The lessee records accrued interest for month 5, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

<b>Lessee - Accrual of Interest Expense for Year 2, Month 5.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	612	612	B418

8e. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 2.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	
<b><u>Proprietary Entry</u></b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,388 612	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B235
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$72,029</i></b>			

9e. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**  
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

<b>Lessee - Amortization of Lease Asset for Year 2, Month 5.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> - None			
<b><u>Proprietary Entry</u></b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$67,460</i></b>			

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7f. The lessee records accrued interest for month 6, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)			
<b>Lessee - Accrual of Interest Expense for Year 2, Month 6.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b>			
<b><u>Proprietary Entry</u></b>			
633000 Other Interest Expense	600		B418
214000 (N) Accrued Interest Payable – Not Otherwise Classified		600	
8f. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.			
<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 2.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b>			
480100 Undelivered Orders – Obligations, Unpaid	2,000		
490200 Delivered Orders – Obligations, Paid		2,000	
<b><u>Proprietary Entry</u></b>			
293000 Lessee Lease Liability	1,400		
214000 (N) Accrued Interest Payable – Not Otherwise Classified	600		
101000 (G) Fund Balance With Treasury		2,000	
310710 Unexpended Appropriations - Used - Disbursed	2,000		B235
570010 Expended Appropriations - Disbursed		2,000	
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$70,629</i></b>			
9f. The Lessee records amortization of the right-to-use Lease Asset. <b>(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)</b> A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)			
<b>Lessee - Amortization of Lease Asset for Year 2, Month 6.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> - None			
<b><u>Proprietary Entry</u></b>			
671300 Lessee Lease Amortization	1,569		
195900 Accumulated Amortization on Lessee Lease Assets		1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$65,892</i></b>			

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7g. The lessee records accrued interest for month 7, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

<b>Lessee - Accrual of Interest Expense for Year 2, Month 7.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	589	589	B418

8g. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 2.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	
<b><u>Proprietary Entry</u></b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,411 589	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B235
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$69,218</i></b>			

9g. The Lessee records amortization of the right-to-use Lease Asset. (**\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.**) A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

<b>Lessee - Amortization of Lease Asset for Year 2, Month 7.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> - None			
<b><u>Proprietary Entry</u></b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$64,323</i></b>			

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7h. The lessee records accrued interest for month 8, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)			
<b>Lessee - Accrual of Interest Expense for Year 2, Month 8.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b>			
<b><u>Proprietary Entry</u></b>			
633000 Other Interest Expense	577		B418
214000 (N) Accrued Interest Payable – Not Otherwise Classified		577	
8h. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.			
<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 2.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b>			
480100 Undelivered Orders – Obligations, Unpaid	2,000		
490200 Delivered Orders – Obligations, Paid		2,000	
<b><u>Proprietary Entry</u></b>			
293000 Lessee Lease Liability	1,423		
214000 (N) Accrued Interest Payable – Not Otherwise Classified	577		
101000 (G) Fund Balance With Treasury		2,000	
310710 Unexpended Appropriations - Used - Disbursed	2,000		B235
570010 Expended Appropriations - Disbursed		2,000	
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$67,795</i></b>			
9h. The Lessee records amortization of the right-to-use Lease Asset. ( <b>\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.</b> ) A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)			
<b>Lessee - Amortization of Lease Asset for Year 2, Month 8.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> - None			
<b><u>Proprietary Entry</u></b>			
671300 Lessee Lease Amortization	1,569		
195900 Accumulated Amortization on Lessee Lease Assets		1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$62,754</i></b>			

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7i. The lessee records accrued interest for month 9, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)			
<b>Lessee - Accrual of Interest Expense for Year 2, Month 9.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b>Budgetary Entry</b> None			
<b>Proprietary Entry</b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	565	565	B418
8i. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.			
<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 2.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b>Budgetary Entry</b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	
<b>Proprietary Entry</b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,435 565	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B235
<b>Ending Lease Liability Balance (USSGL 293000) = \$66,360</b>			
9i. The Lessee records amortization of the right-to-use Lease Asset. <b>(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)</b> A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)			
<b>Lessee - Amortization of Lease Asset for Year 2, Month 9.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b>Budgetary Entry</b> - None			
<b>Proprietary Entry</b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$61,185</b>			

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7j. The lessee records accrued interest for month 10, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

<b>Lessee - Accrual of Interest Expense for Year 2, Month 10.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	553	553	B418

8j. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 2.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	
<b><u>Proprietary Entry</u></b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,447 553	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B235
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$64,913</i></b>			

9j. The Lessee records amortization of the right-to-use Lease Asset. (**\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.**)  
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

<b>Lessee - Amortization of Lease Asset for Year 2, Month 10.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> - None			
<b><u>Proprietary Entry</u></b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$59,616</i></b>			

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7k. The lessee records accrued interest for month 11, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)			
<b>Lessee - Accrual of Interest Expense for Year 2, Month 11.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b>			
<b><u>Proprietary Entry</u></b>			
633000 Other Interest Expense	541		B418
214000 (N) Accrued Interest Payable – Not Otherwise Classified		541	
8k. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.			
<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 2.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b>			
480100 Undelivered Orders – Obligations, Unpaid	2,000		
490200 Delivered Orders – Obligations, Paid		2,000	
<b><u>Proprietary Entry</u></b>			
293000 Lessee Lease Liability	1,459		
214000 (N) Accrued Interest Payable – Not Otherwise Classified	541		
101000 (G) Fund Balance With Treasury		2,000	
310710 Unexpended Appropriations - Used - Disbursed	2,000		B235
570010 Expended Appropriations - Disbursed		2,000	
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$63,454</i></b>			
9k. The Lessee records amortization of the right-to-use Lease Asset. <b>(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)</b> A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)			
<b>Lessee - Amortization of Lease Asset for Year 2, Month 11.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> - None			
<b><u>Proprietary Entry</u></b>			
671300 Lessee Lease Amortization	1,569		
195900 Accumulated Amortization on Lessee Lease Assets		1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$58,047</i></b>			

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71. The lessee records accrued interest for month 12, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)			
<b>Lessee - Accrual of Interest Expense for Year 2, Month 12.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified	529	529	B418
81. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.			
<b>Lessee - Disbursement of Monthly Lease Payment (Budget Authority received in Year 2.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	2,000	2,000	
<b><u>Proprietary Entry</u></b> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury	1,471 529	2,000	
310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed	2,000	2,000	B235
<b><i>Ending Lease Liability Balance (USSGL 293000) = \$61,982</i></b>			
91. The Lessee records amortization of the right-to-use Lease Asset. <b>(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)</b> A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)			
<b>Lessee - Amortization of Lease Asset for Year 2, Month 12.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> - None			
<b><u>Proprietary Entry</u></b> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets	1,569	1,569	
<b><i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$56,478</i></b>			



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10. The Lessee calculates 125 hours of equipment usage at \$12/ hour in Year 2; Variable payments should be recognized as an expense in the period incurred (SFFAS 54, Par. 41.) \$1,500 of Budget Authority was already received in Year 1's appropriation. The invoice is due for payment at the beginning of Year 3.			
<b>Lessee - Accrual of Variable Expenses Incurred in Year 2 (Budget Authority received in Year 1.)</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b>			
480100 Undelivered Orders – Obligations, Unpaid	1,500		
490100 Delivered Orders – Obligations, Unpaid		1,500	
<b><u>Proprietary Entry</u></b>			
693000 (N) Lessee Lease Expense	1,500		
211000 (N) Accounts Payable		1,500	B306
310700 Unexpended Appropriations - Used - Accrued	1,500		
570000 Expended Appropriations - Used - Accrued		1,500	B134

11. At the end of Year 2 of the lease, the Lessee learns it does not receive funding/new appropriation; The lease contract is fully cancelled. The Lessee pays the Lessor the \$5,000 cancellation penalty. Both parties reduce the carrying values of the lease asset/liability and recognize a gain/loss for the difference (SFFAS 54, Pars. 82-83.)			
The carrying value of the Lessee Lease Liability is \$61,982, while the value of the Lease Asset is \$56,478.			
<b>Lessee – Lease Cancellation</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b>			
480100 Undelivered Orders – Obligations, Unpaid	5,000		
490200 Delivered Orders – Obligations, Paid		5,000	
<b><u>Proprietary Entry</u></b>			
693000 (N) Lessee Lease Expense	5,000		
101000 Fund Balance with Treasury		5,000	
310710 Unexpended Appropriations - Used - Disbursed	5,000		
570010 Expended Appropriations - Disbursed		5,000	B135
293010 Unfunded Lease Liability	61,982		
195900 Accumulated Amortization on Lessee Lease Assets	37,652		
195000 Lessee Right-To-Use Lease Asset		94,131	F336
711000 Gain on Disposition of Assets - Other		5,503	

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12. The Lessee pays variable lease payment to Lessor for the accrued usage of the equipment in Year 2. The Lessee records the disbursement of appropriations.			
<b>Lessee - Disbursement of Payment to Lessor for Variable Expenses Incurred and Accrued in Year 2.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 490100 Delivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid	1,500	1,500	B110
<b><u>Proprietary Entry</u></b> 211000 (N) Accounts Payable 101000 (G) Fund Balance With Treasury	1,500	1,500	
310710 Unexpended Appropriations - Used - Disbursed 570000 Expended Appropriations - Used - Accrued 310700 Unexpended Appropriations - Used - Accrued 570010 Expended Appropriations - Disbursed	1,500 1,500	1,500 1,500	B235

13. The Lessee records the closing of lease and interest expenses to cumulative results of operations.			
<b>Lessee</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 331000 Cumulative Results of Operations 711000 Gain on Disposition of Assets - Other 693000 (N) Lessee Lease Expense 671300 Lessee Lease Amortization 633000 Other Interest Expense	26,949 5,503	6,500 18,826 7,126	F336

14. The Lessee records the closing of expended appropriation to cumulative results of operations, along with the closing of fiscal-year activity to unexpended appropriations.			
<b>Lessee</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>

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<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 570010 Expended Appropriations – Disbursed 570000 Expended Appropriations – Accrued 331000 Cumulative Results of Operations	32,000	1,500 30,500	F336
310000 Unexpended Appropriations – Cumulative 310700 Unexpended Appropriations - Used – Accrued 310710 Unexpended Appropriations - Used – Disbursed	30,500 1,500	32,000	F342
310100 (G) Unexpended Appropriations – Appropriations Received 310000 Unexpended Appropriations - Cumulative	25,500	25,500	F342

15. The Lessee records the closing of paid delivered orders to total actual resources.			
<b>Lessee</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 490200 Delivered Orders – Obligations, Paid 420100 Total Actual Resources, Collected	32,000	32,000	F314
<b><u>Proprietary Entry</u></b> None			

16. The Lessee records the consolidation of actual net-funded resources.			
<b>Lessee</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 420100 Total Actual Resources, Collected 411900 Other Appropriations Realized	25,500	25,500	F302
<b><u>Proprietary Entry</u></b> None			

**Lessor Accounting**

1. In Year 2, the Lessor records anticipated collections. (The amount of expected Year 2 monthly payments is \$24,000, plus variable usage fees of \$1,500 = \$25,500.)			
<b>Lessor</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<u><b>Budgetary Entry</b></u> 406000 Anticipated Collections From Non-Federal Sources 449000 Anticipated Resources - Unapportioned Authority	25,500	25,500	A140
<u><b>Proprietary Entry</b></u> None			
2. The Lessor records the apportionment approval by OMB of anticipated authority.			
<b>Lessor</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<u><b>Budgetary Entry</b></u> 449000 Anticipated Resources - Unapportioned Authority 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment	25,500	25,500	A118
<u><b>Proprietary Entry</b></u> None			
3. In Year 2, the Lessee pays variable lease payment to Lessor for the accrued usage of the equipment in Year 1, and the Lessor records the receipt of this payment from Lessee.			
<b>Lessor - Receipt of Payment from Lessee for Variable Payments Earned in Year 1.</b>			
<b>Lessor</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<u><b>Budgetary Entry</b></u> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources  459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments  451000 Apportionments 461000 Allotments – Realized Resources	1,500   1,500  1,500	1,500  1,500  1,500	C109  A123  A120
<u><b>Proprietary Entry</b></u> 101000 (G) Fund Balance With Treasury 131000 (N) Accounts Receivable	1,500	1,500	

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4a. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 1. (SFFAS 54, Par. 60)			
Lessor - Accrual of Interest Revenue for Year 2, Month 1	Debit	Credit	TC
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other	657	657	

5a. In month 1, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds.			
Lessor - Receipt of Year 2, Month 1 Lease Payment	Debit	Credit	TC
<b><u>Budgetary Entry</u></b> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources	2,000	2,000	C109
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments	2,000	2,000	A123
451000 Apportionments 461000 Allotments – Realized Resources	2,000	2,000	A120
<b><u>Proprietary Entry</u></b> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable	2,000	657 1,343	
<b><i>Ending Lease Receivable Balance of USSGL 193000 = \$77,513</i></b>			

6a. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straight-line amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26)			
Lessor - Recognition of Unearned Revenue for Year 2, Month 1	Debit	Credit	TC
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue	1,569	1,569	

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4b. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 2. (SFFAS 54, Par. 60)			
<b>Lessor - Accrual of Interest Revenue for Year 2, Month 2</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other	646	646	

5b. In month 2, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds.			
<b>Lessor - Receipt of Year 2, Month 2 Lease Payment</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources	2,000	2,000	C109
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments	2,000	2,000	A123
451000 Apportionments 461000 Allotments – Realized Resources	2,000	2,000	A120
<b><u>Proprietary Entry</u></b> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable	2,000	646 1,354	
<b><i>Ending Lease Receivable Balance of USSGL 193000 = \$76,159</i></b>			

6b. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straight-line amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26)			
<b>Lessor - Recognition of Unearned Revenue for Year 2, Month 2</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue	1,569	1,569	

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4c. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 3. (SFFAS 54, Par. 60)			
<b>Lessor - Accrual of Interest Revenue for Year 2, Month 3</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other	635	635	

5c. In month 3, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds.			
<b>Lessor - Receipt of Year 2, Month 3 Lease Payment</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources	2,000	2,000	C109
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments	2,000	2,000	A123
451000 Apportionments 461000 Allotments – Realized Resources	2,000	2,000	A120
<b><u>Proprietary Entry</u></b> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable	2,000	635 1,365	
<b><i>Ending Lease Receivable Balance of USSGL 193000 = \$74,794</i></b>			

6c. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straight-line amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26)			
<b>Lessor - Recognition of Unearned Revenue for Year 2, Month 3</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue	1,569	1,569	

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4d. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 4. (SFFAS 54, Par. 60)			
Lessor - Accrual of Interest Revenue for Year 2, Month 4	Debit	Credit	TC
<b>Budgetary Entry</b> None			
<b>Proprietary Entry</b> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other	623	623	

5d. In month 4, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds.			
Lessor - Receipt of Year 2, Month 4 Lease Payment	Debit	Credit	TC
<b>Budgetary Entry</b> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources	2,000	2,000	C109
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments	2,000	2,000	A123
451000 Apportionments 461000 Allotments – Realized Resources	2,000	2,000	A120
<b>Proprietary Entry</b> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable	2,000	623 1,377	
<b>Ending Lease Receivable Balance of USSGL 193000 = \$73,417</b>			

6d. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straight-line amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26)			
Lessor - Recognition of Unearned Revenue for Year 2, Month 4	Debit	Credit	TC
<b>Budgetary Entry</b> None			
<b>Proprietary Entry</b> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue	1,569	1,569	



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4e. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 5. (SFFAS 54, Par. 60)			
<b>Lessor - Accrual of Interest Revenue for Year 2, Month 5</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other	612	612	

5e. In month 5, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds.			
<b>Lessor - Receipt of Year 2, Month 5 Lease Payment</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources	2,000	2,000	C109
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments	2,000	2,000	A123
451000 Apportionments 461000 Allotments – Realized Resources	2,000	2,000	A120
<b><u>Proprietary Entry</u></b> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable	2,000	612 1,388	
<b><i>Ending Lease Receivable Balance of USSGL 193000 = \$72,029</i></b>			

6e. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straight-line amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26)			
<b>Lessor - Recognition of Unearned Revenue for Year 2, Month 5</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue	1,569	1,569	

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4f. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 6. (SFFAS 54, Par. 60)			
<b>Lessor - Accrual of Interest Revenue for Year 2, Month 6</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other	600	600	

5f. In month 6, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds.			
<b>Lessor - Receipt of Year 2, Month 6 Lease Payment</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources	2,000	2,000	C109
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments	2,000	2,000	A123
451000 Apportionments 461000 Allotments – Realized Resources	2,000	2,000	A120
<b><u>Proprietary Entry</u></b> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable	2,000	600 1,400	
<b><i>Ending Lease Receivable Balance of USSGL 193000 = \$70,629</i></b>			

6f. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straight-line amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26)			
<b>Lessor - Recognition of Unearned Revenue for Year 2, Month 6</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue	1,569	1,569	

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*\*(For brevity, the recurring entries of Lessor Receipts for Months 7-12 are not illustrated, but amounts can be seen in the amortization table.)\**

7. The Lessee calculates 125 hours of equipment usage at \$12/ hour in Year 2. \$1,500 Variable payments should be recognized as revenue in the period in which they are earned. (SFFAS 54, Par. 57) The invoice is due for payment at the beginning of Year 3.			
<b>Lessor - Accrual of Lease Revenue for Variable Payments Earned in Year 2.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 131000 (N) Accounts Receivable 593000 (N) Lessor Lease Revenue	1,500	1,500	

8. In Year 2, the Lessor records depreciation expense on equipment it owns (the underlying asset within the lease.) \$300,000 cost / 20-year useful life = \$15,000.			
<b>Lessor</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> None			
<b><u>Proprietary Entry</u></b> 671000 (N) Depreciation, Amortization, and Depletion 175900 Accumulated Depreciation on Equipment	15,000	15,000	E120

9. At the end of Year 2 of the lease, the Lessee informs the Lessor that it does not receive funding/appropriations for Year 3; The lease contract is fully cancelled. The Lessor receives the \$5,000 cancellation penalty from the Lessee. Both parties reduce the carrying values of the lease asset/liability and recognize a gain/loss for the difference (SFFAS 54, Pars. 82-83.)			
The carrying value of the Lessor Lease Receivable, net of the \$2,000 balance of Allowance for Loss, is \$61,983, while the Lessor Unearned Revenue is \$54,479.			
<b>Lessor – Lease Cancellation</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>

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<b><u>Budgetary Entry</u></b>			
426600 Other Actual Business-Type Collections From Non-Federal Sources	5,000		
461000 Allotments – Realized Resources		5,000	
<b><u>Proprietary Entry</u></b>			
101000 Fund Balance with Treasury	5,000		
593000 (N) Lessor Lease Revenue		5,000	
233000 Lessor Unearned Revenue	54,479		
193900 Allowance for Loss on Lease Receivable	2,000		
721000 Loss on Disposition of Assets- Other	5,504		
193000 Lessor Lease Receivable		61,983	

10. In Year 2 at cancellation, the Lessee pays variable lease payment to Lessor for the accrued usage of the equipment in Year 2, and the Lessor records the receipt of this payment from Lessee. The Lessor allots the funds.			
<b>Lessor - Receipt of Payment from Lessee for Variable Payments Earned in Year 2 at cancellation.</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b>			
406000 Anticipated Collections From Non-Federal Sources	1,500		A140
449000 Anticipated Resources - Unapportioned Authority		1,500	
449000 Anticipated Resources - Unapportioned Authority	1,500		A118
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment		1,500	
426600 Other Actual Business-Type Collections From Non-Federal Sources	1,500		C109
406000 Anticipated Collections From Non-Federal Sources		1,500	
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment	1,500		A123
451000 Apportionments		1,500	
451000 Apportionments	1,500		A120
461000 Allotments – Realized Resources		1,500	
<b><u>Proprietary Entry</u></b>			
101000 (G) Fund Balance With Treasury	1,500		
131000 (N) Accounts Receivable		1,500	

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11. The Lessor records the closing of revenue to cumulative results of operations.			
Lessor	Debit	Credit	TC
<u><b>Budgetary Entry</b></u> None			
<u><b>Proprietary Entry</b></u> 593300 Amortization of Unearned Lessor Revenue 593000 (N) Lessor Lease Revenue 531000 Interest Revenue - Other 331000 Cumulative Results of Operations	18,826 6,500 7,126	32,452	F336

12. The Lessor records the closing of depreciation expense to cumulative results of operations in Year 2.			
Lessor	Debit	Credit	TC
<u><b>Budgetary Entry</b></u> None			
<u><b>Proprietary Entry</b></u> 331000 Cumulative Results of Operations 721000 Loss on Disposition of Assets- Other 671000 Depreciation, Amortization, and Depletion	15,000 5,504	20,504	F336

13. The Lessor records the closing of unobligated balances in programs subject to apportionment to unapportioned authority.			
Lessor	Debit	Credit	TC
<u><b>Budgetary Entry</b></u> 461000 Allotments – Realized Resources 445000 Unapportioned – Unexpired Authority	32,000	32,000	F308
<u><b>Proprietary Entry</b></u> None			

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14. The Lessor records the consolidation of actual net-funded resources.			
<b>Lessor</b>	<b>Debit</b>	<b>Credit</b>	<b>TC</b>
<b><u>Budgetary Entry</u></b> 420100 Total Actual Resources, Collected 426600 Other Actual Business-Type Collections From Non-Federal Sources	32,000	32,000	F302
<b><u>Proprietary Entry</u></b> None			

**Fiscal Year 2 Post-Closing Adjusted Trial Balance:**

FISCAL YEAR 2 POST-CLOSING		LESSEE		LESSOR	
Account	Description	Debit	Credit	Debit	Credit
<b><u>Budgetary</u></b>					
420100	Total Actual Resources, Collected	-	-	56,000	-
445000	Unapportioned - Unexpired Authority	-	-	-	56,000
480100	Undelivered Orders – Obligations, Unpaid	-	-	-	-
490100	Delivered Orders, Obligations Unpaid	-	-	-	-
490200	Delivered Orders – Obligations, Paid	-	-	-	-
<b>Total</b>		-	-	<b>56,000</b>	<b>56,000</b>
<b><u>Proprietary</u></b>					
101000 (G)	Fund Balance With Treasury	-	-	56,000	-
175000	Equipment	-	-	300,000	-
175900	Acc. Depreciation on Equipment	-	-	-	180,000
193000	Lessor Lease Receivable	-	-	-	-
193900	Allowance for Loss on Lease Receivable	-	-	-	-
195000	Lessee Right-To-Use Lease Asset	-	-	-	-
195900	Accumulated Amortization on Lessee Lease Assets	-	-	-	-
233000	Unearned Lessor Revenue	-	-	-	-
293000	Lessee Lease Liability	-	-	-	-
293010	Unfunded Lease Liability	-	-	-	-
310000	Unexpended Appropriations - Cumulative	-	-	-	-
331000	Cumulative Results of Operations	-	-	-	176,000
<b>Total</b>		-	-	<b>356,000</b>	<b>356,000</b>

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**Year 2 Financial Statements:**

<b>STANDARDIZED BALANCE SHEET – YEAR 2</b>			
Line No.	YEAR 2	LESSEE	LESSOR
	<b>Assets (Note 2)</b>		
	<b>Intra-governmental</b>		
1	Fund Balance with Treasury (Note 3) (101000)	-	56,000
7	<b>Total intra-governmental assets</b>	-	<b>56,000</b>
	<b>Other than intra-governmental</b>		
12	General and right-to-use property, plant, and equipment, net (Note 10) (175000E, 175900E)	-	120,000
18	<b>Total other than intra-governmental</b>	-	<b>120,000</b>
19	<b>Total assets</b>	=	<b><u>176,000</u></b>
	<b>Liabilities (Note 13)</b>		
39	<b>Total liabilities</b>	-	-
	<b>Net position</b>		
42.2	Cumulative results of operations - Funds from other than Dedicated Collections (331000E)	-	176,000
43	<b>Total net position</b>	-	<b>176,000</b>
44	<b>Total liabilities and net position</b>	=	<b><u>176,000</u></b>

<b>STATEMENT OF NET COST – YEAR 2</b>			
Line No.	YEAR 2	LESSEE	LESSOR
	<b>Gross Program Costs (Note 21):</b>		
1	Gross costs (633000E, 671000E, 671300E, 693000E, 721000E)	32,452	20,504
2	Less: earned revenue (531000E, 593000E, 593300E, 711000E)	5,503	32,452
3	Net program costs	26,949	(11,948)
5	Net program costs including Assumption Changes:	26,949	(11,948)
8	<b>Net cost of operations</b>	<b>26,949</b>	<b>(11,948)</b>

<b>STATEMENT OF CHANGES IN NET POSITION – YEAR 2</b>			
Line No.	YEAR 2	LESSEE	LESSOR
	<b>Unexpended Appropriations:</b>		
1	Beginning Balance (310000B)	5,000	-
3	Beginning Balance, as adjusted	5,000	-
4	Appropriations received (310100E)	25,500	-

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7	Appropriations used (310700E, 310710E)	30,500	-
8	Net Change in Unexpended Appropriations (calc.)	(5,000)	-
9	Total Unexpended Appropriations – Ending (calc.)	-	-
	<b>Cumulative Results of Operations:</b>		
10	Beginning Balances (331000B)	(3,552)	164,052
12	Beginning balances, as adjusted	(3,552)	164,052
14	Appropriations used (570000E, 570010E)	30,500	-
21	Revenue From (Net Cost of) Operations (+/-)	(26,949)	11,948
22	Net Change in Cumulative Results of Operations	(26,949)	11,948
23	Cumulative Results of Operations – Ending	-	176,000
24	<b>Net Position (calc.)</b>	=	<b><u>176,000</u></b>

**Year 2 Reclassified Financial Statements:**

STANDARDIZED BALANCE SHEET – YEAR 2			
Line No.	YEAR 2	LESSEE	LESSOR
	<b>Assets (Note 2)</b>		
	<b>Intra-governmental</b>		
1	Fund Balance with Treasury (Note 3) (101000)	-	56,000
7	<b>Total intra-governmental assets</b>	-	<b>56,000</b>
	<b>Other than intra-governmental</b>		
12	General and right-to-use property, plant, and equipment, net (Note 10) (175000E, 175900E)	-	120,000
18	<b>Total other than intra-governmental</b>	-	<b>120,000</b>
19	<b>Total assets</b>	=	<b><u>176,000</u></b>
	<b>Liabilities (Note 13)</b>		
39	<b>Total liabilities</b>	-	-
	<b>Net position</b>		
42.2	Cumulative results of operations - Funds from other than Dedicated Collections (331000E)	-	176,000
43	<b>Total net position</b>	-	<b>176,000</b>
44	<b>Total liabilities and net position</b>	=	<b><u>176,000</u></b>



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<b>RECLASSIFIED STATEMENT OF NET COST – YEAR 2</b>			
<b>Line No.</b>	<b>YEAR 2</b>	<b>LESSEE</b>	<b>LESSOR</b>
<b>1</b>	<b>Gross cost</b>		
2	Non-federal gross cost (633000E, 671000E, 671300E, 693000E, 721000E)	32,452	20,504
<b>6</b>	<b>Total non-federal gross cost (calc.)</b>	32,452	20,504
<b>9</b>	<b>Department total gross cost (calc.)</b>	<b>32,452</b>	<b>20,504</b>
<b>10</b>	<b>Earned revenue</b>		
11	Non-federal earned revenue (531000E, 593000E, 593300E, 711000E)	5,503	32,452
14	Department total earned revenue (calc.)	<b>5,503</b>	<b>32,452</b>
<b>15</b>	<b>Net cost of operations (calc.)</b>	<b>26,949</b>	<b>(11,948)</b>

<b>RECLASSIFIED STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION – YEAR 2</b>			
<b>Line No.</b>	<b>YEAR 2</b>	<b>LESSEE</b>	<b>LESSOR</b>
<b>1</b>	<b>Net position, beginning of period (310000B, 331000B)</b>	<b>1,448</b>	<b>164,052</b>
<b>7</b>	<b>Financing sources:</b>		
7.1	Appropriations received as adjusted (rescissions and other adjustments) (RC 41)/1 (310100E)	25,500	-
7.2	Appropriations used (RC 39) (310700E, 310710E)	30,500	-
7.3	Appropriations expended (RC 38)/1 (570000E, 570010E)	(30,500)	-
<b>7.30</b>	<b>Total financing sources (calc.)</b>	<b>25,500</b>	<b>-</b>
8	Revenue From (Net cost of) Operations (+/-)	(26,949)	11,948
<b>9</b>	<b>Net position, end of period (calc.)</b>	<b>=</b>	<b><u>176,000</u></b>