

SECTION XII--INTERPRETATIONS

ACCOUNTING INTERPRETATION NO. 10

Subject: Accounting for Accounts Payable in Governmental Funds at December 31

The Municipal Accounting Manual defines accounts payable as “liabilities on open account owing to private persons, firms or corporations for goods and services received by a municipality.”

In governmental funds (e.g., General Fund, Special Revenue Funds, Capital Projects Funds) the recording of accounts payable liabilities at December 31 is influenced by the nature of the liabilities being recorded. If the liability to be recorded is for goods or services already received and utilized, the entry to record accounts payable at December 31 on a generally accepted accounting principle (GAAP) basis is:

Expenditures	xx	
Accounts Payable		xx

If the liability to be recorded is for goods received but which will not be utilized or consumed until the following year (e.g., cleaning supplies, paper goods), the entry to record accounts payable at December 31, is:

Inventory (Account No. 141)	xx	
Accounts Payable		xx