

## SECTION XII--INTERPRETATIONS

### ACCOUNTING INTERPRETATION NO. 10

#### **Subject: Accounting for and Reporting Taxes Receivable, Tax Revenue and Estimated Uncollectible Taxes Receivable**

Taxes receivable and tax revenue can be properly accounted for and reported as follows:

We suggest to maintain the governmental funds' general ledger on the cash basis throughout the year and adjust it to the modified accrual basis at June 30. The following entries should be made:

- |     |                        |    |    |
|-----|------------------------|----|----|
| (a) | Cash                   | xx |    |
|     | Revenue, Current Taxes |    | xx |

This entry is made each month based upon the current tax collections received and recorded in the cash receipts journal, beginning with the taxes received in February of each year.

- |     |                           |    |    |
|-----|---------------------------|----|----|
| (b) | Taxes Receivable--Current | xx |    |
|     | Deferred Revenue          |    | xx |

This entry is made on June 30 of each year in the general journal and general ledger to record taxes receivable and deferred revenue. The amounts to record should be the difference between the taxes levied and the taxes collected in the period February 1 through June 30. This entry also could be made each month to maintain control on taxes receivable rather than waiting until June 30 to determine taxes receivable.