

## SECTION XII--INTERPRETATIONS

### ACCOUNTING INTERPRETATION NO. 12

#### **Subject: Accounting for Accounts Payable in Governmental Funds at June 30**

The School Accounting Manual defines accounts payable as "liabilities on open account owing to private persons, firms or corporations for goods and services received."

In governmental funds (e.g., General Fund, Special Revenue Funds, Capital Projects Funds) the recording of accounts payable liabilities at June 30 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 June 30 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., textbooks, cleaning supplies, paper goods), the entry to record accounts payable at June 30 is:

Inventory (Account No. 170)	xx	
Accounts Payable		xx

Entries into the expenditure budget record to recognize budgetary expenditures are dependent upon the basis upon which the budget was prepared. If the budget is prepared on a GAAP basis, budgetary expenditures should be recorded at the same time as the expenditures account is debited in the general ledger. If the budget is prepared on a cash basis, budgetary expenditures should be recorded at the time the cash account is credited in the general ledger.