ACCOUNTING INTERPRETATION NO. 9

Subject: Direct Expense Accounting for Food Service Fund

A method of getting all the direct expenses reported in the Food Service Fund would be to code and record each transaction properly during the accounting process. For example, if an employee works a certain percentage of his time in the food service area and in instruction, then his salary should be paid from both the General Fund and Food Service Fund in the same percentage that his time was spent. This procedure would apply to all other food service direct expenses which are currently paid by the General Fund.

The following is an acceptable alternative method which transfers the resources from the General Fund to the Food Service Fund.

(1) Prepare a schedule of expenditures made by the General Fund which are directly related to the Food Service Program. This schedule must be supported by adequate documentation—time sheet, etc.

(2) Based on the schedule, make the following General Journal entries in the respective fund's General Ledger.

GENERAL FUND

605  Transfers Out xx
601  General Fund Expenditures (Appropriate Object) xx

FOOD SERVICE FUND

Food Service Expenses (Appropriate Object) xx
305  Transfers In xx

In addition to the entries in the General Ledger, the Expenditure Budget Record of the General Fund would require an adjustment to complete the recording of this transaction.

The transfers received and made should appear as separate items in each statement of revenue, expenditures, and transfers or equivalent financial statements. For the Food Service Fund, the transfers should appear on the income statement after net operating income or loss.