



FINANCIAL ADMINISTRATION MANUAL



Issue Date: August 1988	Effective Date: Immediate	Responsible Agency: Directorate, FMBS	Directive No: 703
Chapter: Accounting for Expenditures			
Directive Title: RECORDING TRANSACTIONS			

1. INTRODUCTION

Both cash and commitment accounting form the basis of the traditional system of governmental accounting. Commitment accounting is required to ensure that departments anticipate their expenditures so as not to exceed appropriation ceilings. Cash accounting is required to meet legislative needs for complete, accurate, and informative data on the cash transactions of the Government. Accrual accounting is the principal method of accounting in the Government.

The Financial Information System readily provides accrual accounting information. It also provides for the continuous recording and reporting of commitment information.

2. DEFINITIONS

2.1 Accrual Accounting

Accrual Accounting means the accounting entries are made and the appropriation is charged when goods or services are received. The entries record the receipt of the asset or service and record the liability of the Government to pay for these goods and services.

2.2 Cash Accounting

Cash accounting means the accounting entries are made and the appropriation is charged when funds are paid or received or when internal transactions are recorded.

2.3 Commitment Accounting

Commitment accounting means the accounting entries are made and the appropriation is charged when a contract is entered into or when an order is placed for goods or services. The entries record the amount to be reserved out of the unencumbered balance remaining in an appropriation in order to honour the commitment.

2.4 Cost-based Accounting



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Cost-based accounting means the accounting entries are made and the appropriation is charged when goods or services are consumed. The entries record the cost of resources consumed in the accounting period in which the benefits are received.

3. DIRECTIVE

- 3.1 In order to provide meaningful financial statements, payment requisitions must be forwarded directly and expeditiously to the appropriate finance office to ensure that all expenditures approved by program managers are included in the accounting period to which they apply.
- 3.2 Departments and regions shall ensure that their accounting records are correct and up-to-date.

4. PROVISION

- 4.1 Cash transactions must be processed promptly.
- 4.2 Commitment Accounting
 - 4.2.1 All commitments must be done in accordance with directive 709, Appropriation and Commitment Control.
 - 4.2.2 Decommittments are registered automatically as disbursements are made and the transactions are then recorded in the accounting system.
 - 4.2.3 Commitment information must be readily available to program managers who are expenditure officers and who take actions that will subsequently result in expenditures.
 - 4.2.4 Program managers may request appropriation information if there is any reason to believe that there may be a possibility of reaching full commitment for any appropriation.
- 4.3 Departments may use accrual and cost-based accounting for subsidiary accounting systems to provide reports for management.

5. GUIDELINES

- 5.1 Data on commitments for financial reports should be input on an on-going basis into the Financial Information System.