

**STATE OF GEORGIA  
ACCOUNTING PROCEDURES MANUAL**

**SECTION:           THREE – ACCOUNTING PROCEDURES**  
**TOPIC:             DEFERRED REVENUE**

**ACCOUNT RANGE:           250000**

**GEORGIA LAWS**

None

**ACCOUNTING PROCEDURES**

***PROCEDURES IN GENERAL***

Deferred revenue should be recorded in accordance with GAAP. Variances between GAAP and the State's budgetary basis primarily apply to the cash basis State Revenue Collection Fund. Significant variances between GAAP and the State's budgetary basis of accounting are discussed below.

*Governmental Funds*

Deferred revenue must be recorded for amounts that have been received or recognized as receivables but which do not meet the "available" criteria (e.g., sales taxes which are received before they are due should be recorded as deferred revenue). Available is defined as due, or past due and receivable within the current period, and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Federal grants and certain other sources of financial resources are often subject to restrictions by the governmental unit providing the funds. Such restrictions must be evaluated to determine when the resources become measurable and available. In practice, for expenditure driven grants revenue is considered deferred until earned.

*Proprietary Funds, Fiduciary Funds and Component Units*

Deferred revenue must be recorded for amounts that have been received but which have not been earned (e.g., advances from customers for good or services).

*Budget Fund*

Federal and other revenues received in advance of being earned should be recorded as deferred revenues. Traditionally, such funds have been recorded as a reservation of fund balance. However, in order to increase the degree of consistency between the GAAP basis balance sheet and the budget basis balance sheet, revenues received in advance of being earned should be recorded as deferred.

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**TOPIC: DEFERRED REVENUE**

**EXAMPLE OF DEFERRED REVENUE ENTRIES**

This example assumes that an organizational unit of the State received a Federal program startup advance of \$10,000 and that this Federal program is administered on a reimbursable basis. No expenditures/expense have been incurred. The following is an example of the entry that should be recorded by either a governmental fund or a proprietary fund.

		<u>Debit</u>	<u>Credit</u>
101xxx	Cash in Bank	\$10,000	
250001	Deferred Revenue		\$10,000
	(To record Federal funds received in advance.)		

In the subsequent year \$10,000 in expenditures/expenses were made by the State organization in support of the Federal program.

		<u>Debit</u>	<u>Credit</u>
250001	Deferred Revenue	\$10,000	
431001	Federal Government Grants – Direct (Revenue)		\$10,000
	(To record Federal revenue.)		

**SYNOPSIS OF SIGNIFICANT VARIANCES BETWEEN GAAP AND BUDGET BASIS**

If GAAP financial statements are not provided, SAO must be furnished with information to meet the following GAAP reporting requirements:

Deferred revenue must be recorded when applicable; including revenues traditionally accounted for in the cash basis State Revenue Collections Fund (provide a detail of all revenues which have not been earned, also, provide a detail of all amounts shown in deferred revenue that have been earned but are not available).