

VOLUME 6B, CHAPTER 4: “BALANCE SHEET”**SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [***bold, italic, blue, and underlined font***](#).

The previous version dated [April 2019](#) is archived.

| PARAGRAPH | EXPLANATION OF CHANGE/REVISION | PURPOSE |
|--|--|-----------------------|
| All | Administrative updates in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures. | Revision |
| All | Changed the term “reporting entity” to “consolidation entity.” | Revision |
| 1.2 | Updated the Purpose section with internal Department of Defense sources. | Revision |
| 1.3 | Updated the Authoritative Guidance section. | Revision |
| 2.0 | Added clarifying language on the format for the Balance Sheet. | Addition |
| 3.1.1 | Added a definition for Assets. | Addition |
| 3.2, 3.4, and 3.6 (previous version)/ 3.1.4, 3.2.9, 3.3.2 | Removed the Balance Sheet line-item instructions and referred the reader to access the current reporting requirements in the Office of Management and Budget Circular A-136. | Deletion/ Addition |
| 3.2.3.2 | Clarified narrative regarding Liabilities Not Covered by Budgetary Resources. | Revision |
| Figure 4-1 (previous version) | Deleted Figure 4-1 to streamline the chapter. | Deletion |

Table of Contents

| | |
|---|---|
| VOLUME 6B, CHAPTER 4: “BALANCE SHEET” | 1 |
| 1.0 GENERAL..... | 3 |
| 1.1 Overview | 3 |
| *1.2 Purpose | 3 |
| *1.3 Authoritative Guidance | 3 |
| *2.0 BALANCE SHEET FORMAT | 3 |
| 2.1 General Information | 3 |
| 2.2 Format for the Draft Version of the Balance Sheet..... | 4 |
| 2.3 Materiality Amounts | 4 |
| 2.4 Format for the Final Published Balance Sheet..... | 4 |
| 3.0 GENERAL INSTRUCTIONS FOR PREPARATION OF THE BALANCE SHEET | 4 |
| 3.1 General Instructions for the Assets Section | 4 |
| 3.2 General Instructions for the Liabilities Section..... | 5 |
| 3.3 General Instructions for the Net Position Section..... | 7 |

CHAPTER 4

BALANCE SHEET

1.0 GENERAL

1.1 Overview

The Balance Sheet is a statement of financial position required to be completed by Department of Defense (DoD) [consolidation](#) entities identified in Chapter 1. It is a principal financial statement that presents comparative fiscal year data (i.e., current and preceding), as of a specific time. Moreover, it reports amounts owned or managed by [consolidation](#) entities (assets), amounts owed by the entities (liabilities), and amounts [that](#) comprise the difference (net position). Notes to the Balance Sheet are required to clarify or provide additional, more detailed information on the individual asset, liability, and net position line items reported on the face of the Balance Sheet.

*1.2 Purpose

This chapter presents the form and content of the DoD Balance Sheet. It identifies general requirements for each asset, liability, and net position reported on the Balance Sheet. For detailed accounting policy, see the individual asset and liability chapters published in Volume 4. [Refer to Chapter 10 for required footnote disclosures to the financial statements.](#) For detailed information regarding schedules/timelines and/or specific notes, see the [DoD Financial Reporting Guidance](#) and Chapter 10. [Additionally, the Standard Financial Information Structure](#) supports requirements for budgeting, financial accounting, cost/performance, and external reporting needs

*1.3 Authoritative Guidance

The financial management policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. Office of Management and Budget [\(OMB\) Circular A-136](#), “Financial Reporting Requirements;” and

1.3.2. The U.S. Department of the Treasury (Treasury) [USSGL](#), a supplement of the Treasury Financial Manual

*2.0 BALANCE SHEET FORMAT

2.1 General Information

The Balance Sheet should present summary information necessary to make the statement most useful to readers. Where substantial detail is required to properly explain specific line items,

present the detail in the notes. See OMB Circular A-136 and Chapter 10 for additional instructions regarding the preparation and presentation of notes for each specific line item on the Balance Sheet. Individual statement crosswalks are prepared using the Treasury USSGL. The crosswalk for each line of the Balance Sheet is incorporated into the Defense Departmental Reporting System (DDRS) Audited Financial Statements ([AFS](#)) and can be accessed with proper authorization by selecting “Query” from the main DDRS AFS menu, then selecting the option “Referential Data” and option “Report Map.”

2.2 Format for the Draft Version of the Balance Sheet

The Balance Sheet will be prepared in accordance with the format presented in OMB Circular A-136. The draft versions of all statements and notes must include line numbers as shown in OMB Circular A-136. All amounts are in dollars and cents in the draft versions of the statements and notes in order to facilitate communication among the preparers, reviewers, and auditors during the financial statement preparation process. This process minimizes the additional time and workload required to round and reconcile dollar amounts.

2.3 Materiality Amounts

Separate reporting of items on the Balance Sheet is appropriate if the amounts are material to the Balance Sheet. Material is defined as any item (asset or liability) that represents more than 10 percent of the value of total assets or total liabilities. If an item is determined to be material, DoD [consolidation](#) entities may report the item separately on the face of the Balance Sheet.

2.4 Format for the Final Published Balance Sheet

The final ([year-end](#)) DoD-wide consolidated Balance Sheet and notes will display dollars rounded to millions with one decimal point. All DoD [consolidation](#) entity Balance Sheets and notes must display dollar amounts rounded to the nearest whole thousand. Dollar amounts in note narratives must be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., \$340.1 million). Foreign currency account balances reported on the Balance Sheet must be translated into U.S. dollars at exchange rates determined by the Treasury and which are effective at the financial reporting date. Additionally, the Balance Sheet will use pre-closing balances for all amounts

3.0 GENERAL INSTRUCTIONS FOR PREPARATION OF THE BALANCE SHEET

3.1 General Instructions for the Assets Section

* 3.1.1. [Assets](#). Assets are items owned by the federal government that have probable (more likely than not) economic benefits that can be obtained or controlled by a Federal Government entity (see Volume 4, Chapter 1). The Balance Sheet must include both entity assets and nonentity assets, described further in [SFFAS I](#), “Accounting for Selected Assets and Liabilities.” (Note: Clearing and suspense accounts are [considered](#) entity assets).

3.1.2. Disclosure of Entity and Nonentity Assets. The Balance Sheet combines entity and nonentity assets. For example, entity intragovernmental accounts receivable and nonentity intragovernmental accounts receivable are combined and reported as a single intragovernmental accounts receivable line item on the Balance Sheet. However, DoD [consolidation](#) entities must separately disclose nonentity assets in notes to the financial statements.

3.1.3. Intragovernmental Assets. Intragovernmental assets arise from transactions within or between federal entities and represent claims by a DoD [consolidation](#) entity against other federal entities. DoD [consolidation](#) entities must report intragovernmental assets separately from nonfederal assets on the Balance Sheet. Nonfederal [entities include](#) domestic and foreign persons and organizations outside the U.S. Federal Government. DoD [consolidation](#) entities must classify Foreign Military Sales Trust Fund assets (accounts receivable) as intragovernmental. DoD [consolidation](#) entities should review the Treasury Financial Manual, Volume 1, Part 2, Chapter 4700, Appendix 10, “[Intragovernmental Transaction \(IGT\) Guide](#),” for guidance on the accounting, reporting, and reconciliation of IGT activity with their federal trading partners.

* 3.1.4. Refer to OMB Circular A-136 for Line-Item Instructions for the Assets Section.

3.2 General Instructions for the Liabilities Section

3.2.1. Liability. A liability is a probable future outflow or other sacrifice of resources resulting from past transactions or events. Financial statements must recognize probable and measurable future outflows or other sacrifices of resources arising from:

3.2.1.1. Past exchange transactions;

3.2.1.2. Government-related events;

3.2.1.3. Government-acknowledged events; and

3.2.1.4. Nonexchange transactions that are unpaid amounts due as of the reporting date.

3.2.2. Liability Recognition.

3.2.2.1. [SFFAS 5](#), “Accounting for Liabilities of The Federal Government,” describes the general principles governing the recognition of a liability. The concept of liability includes not only those liabilities that routinely recur in normal operations and are due within a fiscal year (e.g., accounts payable, as outlined in SFFAS 1) but also contingent liabilities resulting from an existing condition that involves uncertainty as to possible loss.

3.2.2.2. DoD [consolidation](#) entities must recognize liabilities resulting from normal operations when they are incurred, regardless of whether they are covered by available budgetary resources. This requirement includes liabilities related to appropriations canceled under “M” account legislation included in [Title 31, United States Code, section 1552](#), “Procedure for Appropriation Accounts Available for Definite Periods.”

3.2.3. Liabilities Covered, Not Covered by, and Not Requiring Budgetary Resources. Liabilities covered by budgetary resources, liabilities not covered by budgetary resources, and liabilities not requiring budgetary resources are combined on the Balance Sheet. For example, intragovernmental accounts payable covered by budgetary resources and intragovernmental accounts payable not covered by budgetary resources are combined and reported as a single intragovernmental accounts payable line item on the Balance Sheet.

3.2.3.1. Liabilities Covered by Budgetary Resources

3.2.3.1.1. Liabilities Covered by Budgetary Resources are liabilities incurred [that](#) are covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. [OMB Circular A-11](#) identifies amounts included as available budgetary resources.

3.2.3.1.2. Liabilities are considered covered by budgetary resources when they are funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the Balance Sheet date. The resources must be apportioned by OMB without further action by Congress and without a contingency having to be met first. Custodial liabilities are covered by the assets that are collected and held for eventual transfer to other entities.

* 3.2.3.2. Liabilities Not Covered by Budgetary Resources. [This category is for liabilities not covered by budgetary resources that will require budgetary resources.](#)

3.2.3.3. Liabilities Not Requiring Budgetary Resources. This category is for liabilities that have not in the past required and will not in the future require the use of budgetary resources.

3.2.4. Current Liability. A current liability is an amount that is due to be paid within 12 months of the Balance Sheet date. Current liabilities must be disclosed separately from noncurrent liabilities in the notes to the financial statements.

3.2.5. Noncurrent Liability. A noncurrent liability is an amount that is due to be paid beyond 12 months of the Balance Sheet date and will be disclosed separately from current liabilities in the notes to the financial statements.

3.2.6. Contingent Liability. A contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event. Record a contingent liability if the contingency is probable and the amount of the liability can be reasonably estimated.

3.2.7. Intragovernmental Liabilities. Intragovernmental liabilities arise from transactions within or between federal entities. Intragovernmental liabilities are claims against a DoD [consolidation](#) entity by other federal entities. DoD [consolidation](#) entities must report intragovernmental liabilities separately from nonfederal liabilities, including government-

sponsored enterprises and the Federal Reserve System, on the Balance Sheet. Classify liabilities with the Foreign Military Sales Trust Fund as intragovernmental.

3.2.8. Interest Payable. Interest payable is a current liability used to report the amount of interest incurred, but not paid by DoD [consolidation](#) entities as of the date of the Balance Sheet. DoD [consolidation](#) entities must report interest payable as a component of the appropriate liability accounts. Interest payable to federal entities is an intragovernmental liability and must be accounted for separately from interest payable to nonfederal entities (or the public).

* 3.2.9. Refer to OMB Circular A-136 for Line-Item Instructions for the Liabilities Section.

3.3 General Instructions for the Net Position Section

3.3.1. Net Position is comprised of unexpended appropriations and cumulative results of operations, including those attributable to funds from dedicated collections. Funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Government's general revenues. [SFFAS 27](#), "Identifying and Reporting Funds from Dedicated Collections," as amended by [SFFAS 43](#), "Funds from Dedicated Collections: Amending Statement of Federal Financial Standards 27, Identifying and Reporting Earmarked Funds," requires disclosure of all funds from dedicated collections for which the [consolidation](#) entity has program management responsibility. A crosswalk from the consolidated to combined net position amounts is included in the notes as a disclosure to the Balance Sheet.

* 3.3.2. Refer to OMB Circular A-136 for Line-Item Instructions for the Net Position Section.