



# Department of Veterans Affairs

## Financial Policy

### Volume IV

### Revenues and Expenses

### Chapter 1

### Revenues and Imputed Financing Sources

Approved:

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## 0101 Overview

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures regarding VA revenues and imputed financing sources to include receipts, collections, classification, recognition, and presentation in VA's consolidated financial statements.

Key points covered in this chapter:

- VA will recognize and record revenues and imputed financing sources in accordance with [Statement of Federal Financial Accounting Standards \(SFFAS\) No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting](#), [Treasury's United States Standard General Ledger \(USSGL\)](#), [OMB Circular A-136, Financial Reporting Requirements](#), and [OMB Circular A-11, Budget Preparation, Submission, and Execution of the Budget](#);
- VA will classify revenues into one of the two categories: 1) Exchange Revenue and 2) Non-Exchange Revenue;
- VA will use Revenue Source Codes; and
- VA will recognize and report Imputed Financing Sources as Other Financing Sources.

## 0102 Revisions

Section	Revision	Office	Reason for Change	Effective Date
Various	Reformatted to new policy format and completed 5-year review	OFP (047G)	Reorganized chapter layout and changed title from "Revenues" to "Revenues and Imputed Financing Sources"	March 2018
0103 Definitions	Updated several definitions	OFP (047G)	Enhance reader understanding	March 2018
0104 Roles and Responsibilities	Updated roles and responsibilities	OFP (047G)	Enhance reader understanding	March 2018
0106 Authorities and References	Added additional	OFP (047G)	All referenced materials were not included in October 2011 policy	March 2018

Section	Revision	Office	Reason for Change	Effective Date
Appendix A	Updated policy information	OFP (047G)	Enhance reader understanding	March 2018

### 0103 Definitions

**Appropriation** – Provisions of law, enacted by Congress, authorizing the expenditure of funds for a given purpose.

**Budgetary Accounts** – A series of accounts that reflect the execution of budgetary authority.

**Budgetary Financing Sources** – Monetary resources appropriated, earned, or transferred to an entity. Some examples include appropriations received, transfers-in, and exchange and non-exchange revenue.

**Capitalize** – To record an expenditure or contribution that will benefit a future period as an asset, rather than to treat the expenditure as an expense of the period in which it occurs.

**Donation** – A contribution to the Government (i.e., gifting of a resource to a Government entity by a non-Government entity).

**Exchange Revenue** – An inflow of resources that the entity has earned. Exchange revenues arise when an entity provides goods and/or services in exchange for payment. Another term for "exchange revenue" is "earned revenue."

**Federal Accounting Standards Advisory Board (FASAB)** – The Board that promulgates Federal accounting standards after considering the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and other users of Federal financial information.

**General Property, Plant, and Equipment (PP&E)** – Tangible assets that 1) have an estimated useful life of two or more years; 2) are not intended for sale in the ordinary course of operations; and 3) are intended to be used or available for use by the entity. PP&E includes land and land rights owned by the Federal Government acquired for or in connection with items of PP&E.

**Heritage Assets** – PP&E that are unique for one or more of the following reasons: 1) historical or natural significance; 2) cultural, educational, or artistic importance; or 3) significant architectural characteristics. Heritage assets are generally expected to be preserved indefinitely.

**Imputed Cost** – Costs incurred that may be reimbursed by another entity.

**Imputed Financing from Costs Absorbed by Others** – This includes financing of certain costs by one Federal entity on behalf of another Federal entity (e.g., the payment of certain employee benefit costs by OPM for employees of other Federal agencies).

**Journal Entry** – An entry used to correct or adjust standard general ledger (SGL) account balances based on supporting documentation. Journal vouchers can also be used to post estimates and specific accounting events that cannot be accomplished using generic financial system functions.

**Net Book Value** – The recorded cost of an asset less any recorded accumulated depreciation.

**Net Cost of Operations** – Gross cost incurred by the reporting entity less any exchange revenue earned from its activities. This amount represents the net cost of a suborganization or entity funded by sources other than exchange revenues. The financing sources for Net Cost of Operations are reported on the Statement of Changes in Net Position.

**Non-Exchange Revenue** – Revenue that is not earned but received due to legislation or regulation such as, taxes, duties, fines, and penalties. Donations may be financial resources, such as cash or securities, or nonfinancial resources such as land or buildings.

**Notes to the Financial Statements** – Disclosure of detailed information related to items presented in the Financial Statements. The Notes comprise a summary of significant accounting policies and other explanatory information. Notes to the Financial Statements serve as a way to provide additional explanations of various portions of the statements.

**Other Financing Sources** – Financing sources, other than exchange and non-exchange revenues, that provide inflows of resources (e.g., transfers of assets from other Government entities, imputed financing from costs absorbed by others).

**Proprietary Accounts** – A series of accounts that are used to record the financial activity of an entity. These accounts include categories such as assets, liabilities, fund balances, revenues, and expenditures. They do not include budgetary accounts.

**Recognize** – The recording of financial transactions in the financial records of an entity.

**Revenue** – An inflow of resources that an entity demands, earns, or receives by donation.

**Revenue Source Code** – A revenue source code identifies and classifies types of revenue such as, rental income, sales by product type, and income by type of service performed.

**Revolving Fund** – A fund established by Congress to finance a cycle of business-like operations through amounts received by the fund. A revolving fund charges for the sale of products or services and uses the proceeds to finance its operations. A revolving fund is a form of permanent appropriation.

**Sales Price** – The amount of funds received in an exchange for goods, services or an asset.

**Special Fund Accounts** – Federal funds earmarked by law for a specific purpose:

- a. **Special Fund Receipt Account** – A receipt account credited with collections that are earmarked by law but included in the Federal funds group rather than classified as trust fund collections. These collections are presented in the President’s budget as either Governmental (budget) receipts or offsetting receipts.
- b. **Special Fund Expenditure Account** – An appropriation account established to record appropriations, obligations, and outlays financed by the proceeds of special fund receipts.

**Trust Funds** – An accounting mechanism used to track earmarked receipts (i.e., money designated for a specific purpose or program) and corresponding expenditures.

**Trust Revolving Funds** – A fund used to record the appropriation and expenditure of collections used to carry out a type of business operations in accordance with a statute that designates the fund as a trust fund.

## **0104 Roles and Responsibilities**

**Administration Chief Financial Officers and Chief Accountants** are responsible for ensuring compliance with the policies and procedures set forth in this chapter. Specific responsibilities include the direction, implementation, and management of policy guidance, and oversight of VA’s financial management personnel, activities, and operations.

## 0105 Policies

### 010501 General Policies

- A. VA will classify, recognize and record revenues in accordance with [SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting](#), Treasury FMS [United States Standard General Ledger \(USSGL\)](#), and [OMB Circular A-11, Budget Preparation, Submission, and Execution of the Budget](#). (Refer to [Volume II - Chapter 1, VA's Accounting Classification Structure](#) for additional information).
- B. To properly track revenue sources, VA will maintain a revenue system, inclusive of revenue source codes, that will provide the capability to trace transactions from their initial source through all stages of related system processing. ((Refer to Appendix C, VA Revenue Source Codes, in [Volume II - Chapter 1, VA's Accounting Classification Structure](#) for additional information). VA's revenue source code categories include, but are not limited to, donations, rental income, enhanced-use leasing, recycling, and waste reduction programs.
- C. Refer to Treasury FMS [United States Standard General Ledger \(USSGL\)](#) for information regarding revenue types and revenue related USSGL accounts. VA maintains general ledger accounts (FMS GLAC tables) and appropriate reference tables (e.g. ACED/ACEN). The GLAC resides within FMS and contains a list of VA SGL accounts. (Refer to Volume II - Chapter 1, VA's Accounting Classification Structure for additional information)

### 010502 Revenue Classification

Revenue is classified at VA into one of the two categories listed below:

1. **Exchange Revenue** – are amounts earned from fees charged for services provided or the sale of goods, some examples of exchange revenue earned by VA are listed below:
  - Medical Revenue – Receipts from third party insurance companies for non-service connected care provided or funded by a VA facility and applicable Veteran copayments;
  - Insurance Revenue – Receipts from insurance policy premiums paid by policyholders;
  - Interest on Treasury Securities - As an example, VBA receives insurance premiums from Veterans and the premiums are invested in Treasury Bills. This is an exchange transaction. Interest is earned on the investments and

- reinvested. In accordance with SFFAS No. 7, interest earned should have the same classification as the predominant source of the investment balances. Therefore, all interest earned from these investments is classified as exchange revenue, since the predominant source of the interest earned is from an exchange transaction; and
- Interest on Uninvested Funds by Direct Loan and Guaranteed Loan Financing Accounts - Interest received is predominately earned through exchange transactions with Treasury and is an offset to the cost of operations. For example, a guaranteed loan financing account holds uninvested balances as reserves against its loan guarantee liabilities. The reserve balances earn interest. This interest adds resources to the guaranteed loan financing account as a source to pay the loan guarantee liabilities.
2. **Non-Exchange Revenue** – Receipts from items such as fines, penalties, and donations. Donations can be in the form of cash, securities, or tangible assets (i.e., land or buildings). Examples of non-exchange revenue are listed below:
- Penalty – Receipts from loan policy holders due to court ordered judgments to reimburse VA for expenses;
  - Interest on Debts
  - Interest on Treasury Securities - In accordance with SFFAS No. 7, interest should have the same classification as the predominant source of the invested balances; if the source of the invested balances is predominantly from non-exchange revenue sources then the interest earned is non-exchange revenue.

### **010503 Recognition of Revenue**

- A. VA will recognize exchange revenues when earned, regardless of when payment is received.
- B. VA will recognize non-exchange revenues when a specifically identifiable, legally enforceable claim to cash or other assets is incurred.
- C. Revenue is recognized to the extent that the collection is probable (i.e., more likely than not) and the amount is measurable (i.e., reasonable estimable).
- D. Donations - VA will recognize revenue from donations in the amount of the financial resource received or in the case of a non-financial resource, at the estimated fair market value of the contribution based on the recognition criteria for assets, with the exception of Federal mission PP&E, heritage assets, and stewardship land, for which no amount is recognized if it is received as a donation. (Refer to SFFAS No.

7, [SFFAS No. 6, Accounting for Property, Plant, and Equipment, Volume V, Chapter 9, General Property, Plant, and Equipment](#), and [Volume III, Chapter 6, Heritage Assets for more information](#)).

E. Gains:

1. When a transaction with the public or another Government entity is unusual or nonrecurring, a gain or loss should be recognized rather than revenue or expense. (Refer to SFFAS No. 7).
2. Gains from Disposal of an Asset - If the sales price of the asset is more than book value, the difference is recorded as a gain rather than revenue since the sales of assets are unusual and non-recurring transactions. (Refer to SFFAS No. 6, SFFAS No. 7, [SFFAS No. 29, Heritage Assets and Stewardship Land](#), Volume V, Chapter 9, General Property, Plant, and Equipment, Volume III, Chapter 6, Heritage Assets, and [Volume III, Chapter 7, Required Supplementary Stewardship Information \(RSSI\)](#) for more information).
3. Gains from Retirement of Debt Securities Prior to Maturity – If VA retires debt securities held by trust funds, special funds, trust revolving funds, and revolving funds before maturity, and they have a call feature or they are eligible for redemption by the holder on demand, VA will record a gain when the selling price is greater than the net book value.
  - a. The gain should be accounted for as a non-exchange gain if the predominant source of interest on the associated debt securities is classified as non-exchange revenue, which is normally the case for trust funds and special funds.
  - b. The gain should be accounted for as an exchange gain if the predominant source of interest on the associated debt securities is classified as exchange revenue, which is normally the case for revolving funds and trust revolving funds.

**010504 Imputed Financing Sources**

- A. VA will recognize and report Imputed Financing Sources, in accordance with [Statement of Federal Financial Accounting Concepts \(SFFAC\) No. 2, Entity and Display](#), [SFFAS No. 4, Managerial Cost Accounting Standards and Concepts](#) and SFFAS No. 7.
- B. VA as the receiving entity should recognize an imputed financing source of the difference between the actual payment (if any) and the full cost.

- C. There are two types of imputed financing sources:
1. Amounts equal to the costs that have been incurred by the reporting entity but financed by another entity, e.g., retirement costs; and
  2. Amounts representing costs that are attributable to the reporting entity's activities but that do not require a direct out-of-pocket payment. For example, VA is only required to reimburse the Judgment Fund for No Fear Act and Contract Dispute Act cases. All other amounts paid by the Judgment Fund on VA's behalf are not reimbursed by VA. The portion VA does not reimburse is imputed financing for reporting purposes. (Refer to [U.S. Department of Treasury, Bureau of Fiscal Service – Payments: Judgment Fund](#) for more information).
- D. Imputed financing is necessary so that the imputed costs do not reduce the entity's operating results and net position. The imputed financing equals the amount of imputed cost and is recognized as an Other Financing Source.

#### **010505 Presentation and Disclosure of Revenue and Imputed Financing Sources in Consolidated Financial Statements**

- A. VA will report Revenue in the financial statements in accordance with [OMB Circular A-136, Financial Reporting Requirements \(Refer to Section II.4.1, Instructions for the Financial Statements\)](#).
- B. VA will eliminate intra-departmental revenue at the end of the period in accordance with OMB Circular A-136.
- C. The Statement of Net Cost shall report the Department's Net Cost of Operations, as a whole, by the VA Administrations and their respective costs and revenues.
- D. VA will report, on the SNC, gains and losses from changes in long-term assumptions used to measure liabilities for Federal civilian and military employee pensions, other retirement benefits (ORB), and other postemployment benefits (OPEB), including Veterans' Benefits (e.g., Compensation, Burial, Education, and Insurance) in accordance with [SFFAS No. 33, Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation](#).
- E. VA will report donations and forfeitures of property under Other Financing Sources (non-exchange) on the SCNP.

- F. Any portion of exchange revenue that cannot be retained by the entity should be reported as a transfer-out on the SCNP.
- An entity should have specific legislation or an appropriation that authorizes the entity to retain revenues.
- G. Non-exchange revenue and other financing sources, including appropriations, and Net Cost of Operations for Funds from Dedicated Collections should be shown separately on the SCNP in accordance with [SFFAS No. 43, Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds](#) and [SFFAS No. 27, as amended by SFFAS No. 43](#).

## 0106 Authorities and References

[FASAB Technical Release 8, Clarification of Standards Relating to Inter-Entity Costs](#)

[Government Performance and Results Act \(GPRA\)](#)

[Office of Financial Policy Publications Library](#)

[OMB Circular No. A-11, Preparation, Submission, and Execution of the Budget](#)

[OMB Circular No. A-136, Financial Reporting Requirements](#)

[Statement of Federal Financial Accounting Concepts \(SFFAC\) No. 2, Entity and Display](#)

[SFFAS No. 4, Managerial Cost Accounting Standards and Concepts](#)

[SFFAS No. 6, Accounting for Property, Plant, and Equipment](#)

[SFFAS No. 7, Accounting for Revenue and Other Financial Sources](#)

[SFFAS No. 21, Reporting Corrections of Errors and Changes in Accounting Principles](#)

[SFFAS No. 27, Identifying and Reporting Funds from Dedicated as amended by SFFAS No. 43](#)

[SFFAS No. 29, Heritage Assets and Stewardship Land](#)

[SFFAS No. 30, Inter-Entity Cost Implementation, Amending SFFAS No. 4, Managerial Cost Accounting Standards and Concepts](#)

[SFFAS No. 33, Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation](#)

[SFFAS No. 43, Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds](#)

[United States Standard General Ledger \(USSGL\)](#)

[U.S. Department of Treasury, Bureau of Fiscal Service – Payments: Judgment Fund](#)

[VA's Agency Financial Report](#)

[Volume II - Chapter 1, VA's Accounting Classification Structure](#)

### **0107 Rescissions**

Volume IV – Chapter 1, Revenues, October 2011

### **0108 Questions**

Questions concerning these financial policies and procedures should be directed to the specific POC's and formatted as follows using the group email. Do not use proper names.

VHA	VHA CFO Accounting Policy (10A3A) (Outlook)
VHA	VAFSC Nationwide Accounting (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
VBA	VAVBAWAS/CO/OPERATIONS (Outlook)
NCA	NCA Finance Group (Outlook)
NCA	NCA Budget Service (Outlook)
All Others	Travel Policy (Outlook)
All Others	OFF Accounting Policy (Outlook)

**Appendix A: Financial Procedures and Policies for Revenue Types and Topics in the Office of Financial Policy Publications Library**

This appendix contains an inventory of the revenue-related financial policy and procedure chapters in the Office of Financial Policy (OFP) Publications Library.

A. The chapters below provide the OFP volume, chapter number and titles, and the related SGL series.

VOL	CH	CHAPTER TITLE	VA SGL ACCOUNT SERIES	REVENUE TYPES
II	2A	Supply Fund	5100 5200	Sales Reimbursable Earnings
II	2B	Franchise Fund	5100 5200	Sales Reimbursable Earnings
II	2E	Parking Garage Revenue	5900	Other Revenue
II	2G	Enhanced-Use Fund	5900	Other Revenue
II	2H	Life Insurance Program	5500	Insurance Revenue
II	7E	Recycling Revenue	5900	Other Revenue
II	8	Bartering	5900	Other Revenue
V	5	Investments	5300	Interest Revenue
V	7	Loans Receivable	5300	Interest Revenue
XII	3	Freedom of Information Act Fees	5900	Other Revenue
XII	5	Medical Care Debts	5200	Reimbursable Earnings

B. Following are chapter titles and the topic covered relating to revenue.

VOL	CH	CHAPTER TITLE	TOPIC RELATED TO REVENUE
I	1	Introduction to VA's Accounting Policies	Revenue Accounting Policy
I	8	Period-Ending Procedures	Revenue Accrual Policy
II	1	VA's Accounting Classification Structure	Revenue Classification and Recording
II	2	VA's Budget Cycle	Revenue Classification
III	6	Heritage Assets	Revenue Recording and Recognition
III	7	Required Supplementary Stewardship Information (RSSI)	Revenue Recording and Recognition

<b>VOL</b>	<b>CH</b>	<b>CHAPTER TITLE</b>	<b>TOPIC RELATED TO REVENUE</b>
V	6A	Interest Receivable	Interest Receivable Accounting Policy
V	9	General Property, Plant, and Equipment (PP&E)	Revenue Recording and Recognition