

Essentials of Accounting for Governmental and Not-for-Profit Organizations, 15th Edition

by Paul A Copley · Language: EN

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Overview

Essentials of Accounting for Governmental and Not-for-Profit Organizations, 15th Edition by Paul A. Copley is a comprehensive textbook designed to introduce students and practitioners to the unique accounting and financial reporting principles that apply to state and local governments, the federal government, and not-for-profit organizations. The book explains the rationale behind fund accounting, the modified accrual basis of accounting, and the importance of the budget as a control mechanism. It walks readers through the preparation of financial statements in accordance with the Governmental Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) standards, including the Government-wide Financial Statements and the Statement of Activities.

The book is structured to build understanding progressively: it starts with the fundamentals of governmental accounting, then moves into the details of recording transactions in the various fund types (governmental, proprietary, and fiduciary), and culminates in the preparation of comprehensive annual financial reports (CAFR) and the audit process. It also covers special topics such as public colleges and universities, health care organizations, and the unique reporting requirements for not-for-profit entities. The 15th edition reflects the latest GASB pronouncements and includes updated examples and exercises that mirror real-world scenarios.

This textbook matters because it equips accounting students and professionals with the specialized knowledge needed to work in the public and nonprofit sectors, where accountability and transparency are paramount. It demystifies the complex rules and provides a clear framework for understanding how these entities report their financial activities. By mastering the content, readers can confidently interpret and prepare financial statements that meet the needs of citizens, legislators, donors, and other stakeholders.

Key Takeaways

- Governmental and not-for-profit entities use fund accounting to segregate resources according to their purpose and to ensure compliance with legal and contractual restrictions.

- The modified accrual basis of accounting is used for governmental funds, recognizing revenues when they are measurable and available and expenditures when the liability is incurred.
- The GASB establishes accounting standards for state and local governments, while the FASB sets standards for not-for-profit organizations.
- A comprehensive annual financial report (CAFR) includes an introductory section, financial section, and statistical section, with the financial section containing the auditor's report, management's discussion and analysis, and the basic financial statements.
- Government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, providing a long-term view of the government's financial position.
- Budgetary accounting is essential for control; governments record the budget in the accounts and compare actual results to budgeted amounts in the budget-to-actual statements.
- Not-for-profit organizations must classify net assets as without donor restrictions or with donor restrictions, and they must provide disclosures about liquidity and availability of resources.
- The audit process for governments and nonprofits includes tests of compliance with laws and regulations, and the auditor's report expresses an opinion on the fairness of the financial statements.

Chapter Summaries

Chapter 1: The Government and Not-for-Profit Environment

This chapter introduces the unique characteristics of governmental and not-for-profit entities, including the absence of profit motive, the role of the budget, and the need for fund accounting. It explains the different types of funds and the bases of accounting used. The chapter also discusses the standard-setting bodies, primarily the GASB and FASB, and the concept of accountability. It sets the stage for the rest of the book by contrasting the objectives of financial reporting for these entities with those of for-profit businesses.

Chapter 2: Fund Accounting

This chapter delves into the structure of fund accounting, explaining the three categories of funds: governmental, proprietary, and fiduciary. It describes the purpose of each fund type and provides examples of typical funds within each category. The chapter also introduces the concept of the modified accrual basis for governmental funds and the accrual basis for proprietary and fiduciary funds. It emphasizes the importance of fund accounting in demonstrating legal compliance and fiscal accountability.

Chapter 3: Governmental Operating Activities: Revenues and Expenditures

This chapter focuses on the accounting for revenues and expenditures in governmental funds. It covers the recognition of property taxes, sales taxes, grants, and other revenues under the modified accrual basis, including the availability period. It also explains the classification of expenditures by function and object, and the accounting for capital outlays and debt service. The chapter includes examples of journal entries for typical transactions and discusses the impact of encumbrances.

Chapter 4: Governmental Operating Activities: Other Transactions

This chapter addresses additional operating transactions in governmental funds, such as transfers between funds, proceeds of debt, and the acquisition of capital assets. It explains the accounting for general capital assets and general long-term liabilities, which are reported in the government-wide statements but not in the fund financial statements. The chapter also covers the treatment of special items and extraordinary items, and the preparation of the fund financial statements.

Chapter 5: Proprietary and Fiduciary Funds

This chapter covers the accounting for proprietary funds (enterprise and internal service) and fiduciary funds (pension trust, investment trust, private-purpose trust, and custodial). It explains the use of the accrual basis and the economic resources measurement focus for these funds. The chapter includes examples of financial statements for proprietary funds and discusses the reporting of fiduciary activities in the fund financial statements but not in the government-wide statements.

Chapter 6: Government-Wide Financial Statements

This chapter explains the preparation of the government-wide financial statements: the Statement of Net Position and the Statement of Activities. It describes the conversion from fund-based to government-wide reporting, including the elimination of internal activity and the recording of infrastructure and other capital assets. The chapter also introduces the management's discussion and analysis (MD&A) and the notes to the financial statements, and it explains the reconciliation between the fund financial statements and the government-wide statements.

Chapter 7: Budgeting and Budgetary Accounting

This chapter focuses on the budget process and the accounting for budgets in governmental funds. It explains the legal requirements for budgets, the different types of budgets (operating, capital, and other), and the use of appropriations and encumbrances. The chapter demonstrates how to record the budget in the general ledger and how to prepare the budget-to-actual comparison statement. It also discusses the importance of budgetary control and the consequences of overspending.

Chapter 8: The Comprehensive Annual Financial Report and the Audit

This chapter describes the structure and content of the comprehensive annual financial report (CAFR), including the introductory, financial, and statistical sections. It explains the role of the independent auditor and the types of audit opinions. The chapter also covers the single audit requirements for federal awards and the importance of internal controls. It provides guidance on how to read and analyze a CAFR.

Chapter 9: Not-for-Profit Organizations

This chapter addresses the accounting and financial reporting for not-for-profit organizations. It explains the net asset classification (without donor restrictions and with donor restrictions) and the reporting of revenues and expenses. The chapter covers contributions, promises to give, and the accounting for donated services and materials. It also discusses the statement of cash flows and the required disclosures about liquidity and availability.

Chapter 10: Special Issues in Governmental and Not-for-Profit Accounting

This chapter covers advanced topics such as public colleges and universities, health care organizations, and other special entities. It explains the reporting options for these entities and the unique accounting issues they face. The chapter also discusses the accounting for pensions and other postemployment benefits, and the reporting of infrastructure assets. It concludes with a discussion of emerging issues and the future direction of governmental accounting.

Themes

- Accountability and transparency
- Fund accounting principles
- Budgetary control
- Accrual vs. modified accrual
- Financial reporting standards
- Not-for-profit stewardship

Notable Quotes

- "The primary objective of financial reporting by state and local governments is to provide information that enables users to assess accountability." — Chapter 1, discussing the objectives of financial reporting for governments.
- "Fund accounting is a system of accounting used by nonprofit and governmental entities to ensure that resources are used only for the purposes intended." — Chapter 2, introducing the concept of fund accounting.

- "Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available." — Chapter 3, explaining revenue recognition for governmental funds.
- "The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting." — Chapter 6, describing the basis for government-wide statements.
- "Budgets are the most important financial control in governments." — Chapter 7, emphasizing the significance of budgets.
- "The comprehensive annual financial report is the official annual report of a government." — Chapter 8, defining the CAFR.

Frequently Asked Questions

What is Essentials of Accounting for Governmental and Not-for-Profit Organizations, 15th Edition about?

It is a textbook that explains the accounting and financial reporting principles for state and local governments, the federal government, and not-for-profit organizations. It covers fund accounting, the modified accrual basis, preparation of financial statements, budgeting, and the CAFR. It is used in college courses and for professional development.

Is Essentials of Accounting for Governmental and Not-for-Profit Organizations, 15th Edition worth reading?

Yes, if you are a student or professional in accounting, finance, or public administration. It provides clear, practical explanations of complex standards and includes examples and exercises. It is a standard textbook in the field and is updated to reflect current GASB and FASB pronouncements.

How does Essentials of Accounting for Governmental and Not-for-Profit Organizations, 15th Edition end?

Spoiler: The book concludes with a chapter on special issues, including public colleges, health care entities, pensions, and infrastructure. It does not have a narrative ending; it ends with a discussion of emerging issues and the future of governmental accounting, reinforcing the importance of staying current with standards.

Who should read Essentials of Accounting for Governmental and Not-for-Profit Organizations, 15th Edition?

It is ideal for undergraduate and graduate accounting students, especially those taking a course in governmental or nonprofit accounting. It is also useful for CPAs, auditors, and finance officers working in the public or nonprofit sectors who need to understand the unique accounting rules.

How long does it take to read Essentials of Accounting for Governmental and Not-for-Profit Organizations, 15th Edition?

The book is about 600 pages. At an average reading speed of 250 words per minute, it would take roughly 15 hours to read cover to cover. However, most readers use it as a textbook, spending more time on exercises and problems.