Fund Accounting

Fund accounting

Organizations that receive revenue through public and private sources of funding use the system of fund accounting rather than traditional business methods of accounting. Fund accounting in the context of AIVRS programs refers to the management and allocation of the grant funding under the guidelines outlined in the Uniform Guidance (2 CFR 200), EDGAR, tribal accounting policies and procedures, and in generally accepted accounting principles (GAAP).

Objectives and general practices of fund accounting

Some of the main objectives of fund accounting include:

- Monitor and document the use of grant funds to support program goals, objectives and activities
- Use knowledge of restrictions placed on the grant to ensure that the funds are spent properly
- Making decisions regarding the best uses of limited resources
- Ensuring that purchases are allowable, allocable and reasonable
- Providing information to help funders assess the services that the program provides and its ability to continue to provide those services
- Providing information regarding how the organization obtains and spends cash and other liquid resources

Methods used in fund accounting

While tribal, nonprofit and governmental organizations may not be concerned with accounting methods used for measuring and analyzing profits, some of the methods used in fund accounting are actually strikingly similar to those used in business. Among these are:

- Using a double-entry system of accounts
- Using documents to form basic records
- Keeping books of original entry or journals which are posted to general and subsidiary ledgers
- Drawing trial balances to prove the equality of debits and credits
- Using a chart of accounts that is properly classified and fitted to the organization's structure

Financial Management TOOLKIT

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