

## 3300 Expense

---

### A. Overview

Expenses, including losses, are decreases in economic resources, either by way of decreases in assets or increases in liabilities, resulting from the operations, transactions and events of the accounting period.

Expenses include the cost of economic resources consumed in and identifiable with the operations of the accounting period.

### B. Accountability

Ministries are responsible for maintaining source documents, working papers and files supporting expenses for internal and external audit and review.

Ministries are required to:

- establish and maintain accounting systems to collect, record and report information on their expenses;
- establish and maintain adequate internal control systems to ensure the accuracy and reliability of expense information and reports;
- record transactions promptly and accurately;
- ensure there is sufficient legislative authority to undertake an activity that results in a charge to an appropriation;
- ensure expenses are charged to a suitable appropriation; and
- ensure payments are properly approved.

### C. Procedures

Expenses are recorded in the period that gives rise to a liability or a decrease in an asset.

Expenses are recorded on the accrual basis when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved. A reasonable estimate may be calculated or estimated using methods such as past/similar experience or by using quoted prices in a situation where goods or services are provided.

Expenses related to Tangible Capital Assets (TCAs) such as amortization, write downs and losses on disposal of TCAs, are not subject to appropriation. Refer to guidance in [Section 1300 Tangible Capital Assets](#). The recording of almost all other expenses is subject to appropriation; exceptions are noted throughout the manual. The recording of expenditures such as TCA additions are also subject to appropriation.

## 3300 Expense

---

### C. Procedures (*continued*)

It is a ministry's responsibility to ensure that budgetary appropriations are not exceeded, that is, that there is sufficient appropriation room to record an expense. Expenses must be recorded when they are incurred, even if the ministry does not have sufficient appropriation room.

When a ministry identifies that they do not have sufficient appropriation room to record a required expense, the ministry can attempt to obtain a virement. A virement transfers appropriation room from one subvote to another within the same vote and requires the approval of the Minister of Finance. Although virements enable appropriations to be transferred between subvotes, under no circumstances can amounts be transferred between votes.

If a ministry believes that it will overspend its vote (i.e. the entire budget for the ministry), it must apply for additional budgetary funding. If the Legislative Assembly is in session, this means an appropriation bill or Supplementary Estimates. If it is not in session, the ministry can request a special warrant. A special warrant requires the approval of the Lieutenant Governor in Council.

At year end, when none of the above options are available, Subsection 37(3) of *The Financial Administration Act, 1993* requires the amount of the expense in excess of appropriation to be a first charge against a suitable appropriation for the next fiscal year. When overspending occurs, ministries are required to submit a memo to the Provincial Comptroller with the details of the overspending.

For purposes of reporting in Public Accounts, expenses should be recorded in the appropriate expense by object category: salaries and benefits, operating transfers, capital transfers, goods and services, financing charges, amortization or other.

Volume 2 of the Public Accounts reports information on the details of expense by ministry and includes a listing of payees for each major category of expense. Due to the detailed nature of reporting in Volume 2 it is important that ministries carefully review and monitor the recording of expenses in MIDAS, including the use of the proper vendor or public accounts payee.

### C1. Throughout the Year

Record expenses on a timely and appropriate basis as incurred. For simplicity, expenses are typically recorded as invoices are received/payments are made throughout the year.

## 3300 Expense

---

### C. Procedures *(continued)*

#### C1. Throughout the Year *(continued)*

##### *Example 1.1*

Ministry X receives an invoice for \$11,500 on November 21 for repairs completed on a building.

Debit	524010 Repairs – Buildings and Structures	11,500	
Credit	253000 Accounts Payable – from Accounts Payable		11,500
* invoice to record repairs expense and initiate payment			

If an expense accrual recorded in a previous year (based on estimates) is determined to be too high and requires adjustment, the adjustment is recorded as revenue in account 486905 Changes in Previous Years' Estimates rather than a decrease in expense to avoid inappropriately increasing appropriation in the new year.

##### *Example 1.2*

Ministry X determines that an accrual for utilities expense at March 31 was \$1,800 too high and records an adjustment to the payable.

Debit	25xxxx Accounts Payable	1,800	
Credit	486905 Changes in Previous Years' Estimates		1,800
* debit memo to adjust accounts payable for an over accrual of utilities expense in the prior year			

The recording of a negative expense is generally not permitted. Refer to FAM [Section 3005 Refunds to Vote](#) for further guidance and procedures.

Refer to specific expense sections of the Accounting Manual for further guidance and procedures. For transfers expense, refer to [Appendix E - Government Transfers Application Guidance](#).

#### C2. Quarter end

Record accruals for significant expenses incurred but not yet paid at quarter end when there is an appropriate basis of measurement and a reasonable estimate can be made. For purposes of quarter-end accruals, significant is defined to be amounts in excess of \$1 million.

## 3300 Expense

---

### C. Procedures (*continued*)

#### C2. Quarter end (*continued*)

Quarterly accruals are recorded to a specific 587xxx range of accounts. Ministries reverse the quarterly accruals in the following month, except for certain transfers. Refer to specific guidance in [3200 Government Transfers](#) for recording transfers. Refer to [Appendix B - General Revenue Fund Quarter-end Procedures](#) for a list of quarterly accrual natural accounts and for guidance on recording journal entries that reverse in the following month.

##### *Example 2.1*

Ministry X purchased goods and services totaling \$1.1 million on its government issued purchase card which has not yet been paid at quarter end.

Debit	587522 Accrued Expenses - P-cards (Not for Use at Year End)	1,100,000	
Credit	255005 Accrued Accounts Payable - General (Not for Use at Year End)		1,100,000

\* journal entry to record quarterly accrual for goods and services expenses (journal is reversed the following month)

#### C3. Year end

Record accruals for expenses incurred but not yet paid at March 31 when there is an appropriate basis of measurement and a reasonable estimate can be made.

##### *Example 3.1*

Ministry X received consulting services up to March 31 for which an invoice has not yet been received. Ministry X's reasonable estimate of the consulting costs to March 31 is \$30,000.

Debit	521100 Specialized, Technical and Management Consulting	30,000	
Credit	255000 Accounts Payable General		30,000

\* debit memo to record accrual for consulting expense

Refer to specific expense sections of the Accounting Manual for further guidance and procedures. For transfers expense, refer to [Appendix E - Government Transfers Application Guidance](#).

Refer to specific guidance in liabilities sections for recording liabilities and expense.

Refer to guidance in [Appendix A - General Revenue Fund Year-end Procedures and Schedules](#) for recording valuation allowances and bad debt expense.

## 3300 Expense

---

### D. Definitions

**Appropriation** is the amount that the Legislature has authorized to be paid from the General Revenue Fund under an act of the Legislative Assembly for a particular purpose as defined in the Estimates.

**Expenses** are decreases in economic resources, either by way of decreases in assets or increases in liabilities, resulting from operations, transactions and events of the accounting period.

### E. References

[1300 Tangible Capital Assets](#)

[3200 Government Transfers](#)

[Appendix A - General Revenue Fund Year-end Procedures and Schedules](#)

[Appendix B - General Revenue Fund Quarter-end Procedures](#)

[Appendix E - Government Transfers Application Guidance](#)

*Financial Administration Manual*

[3005 Refunds to Vote](#)

*Public Sector Accounting Handbook*

PS 1000 Financial Statement Concepts

PS 1201 Financial Statement Presentation

*Other Links*

[Table of Contents](#)

[Overview](#)

[Glossary](#)