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Збірник наукових студентських робіт призначено для широкого кола читачів, які цікавляться проблемами вивчення іноземних мов та перекладу в Україні та за кордоном.

The collection of students' abstracts is designed for a large circle of readers who are interested in the state of learning foreign languages and translation both in Ukraine and abroad.

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RESTRICTED FUNDS-ACCOUNTING AND AUDITING PROBLEMS

Institutions generally have followed two methods of recording charges to current restricted funds. Under one method, transfers are made from the current restricted fund to a general fund income account. The amount transferred would be equal to amounts charged to operating expenses that could have been charged to the fund. Under this method, the responsibility of establishing the extent to which a restricted purpose fund has been used is assigned to the accounting department. This method can be applied without difficulty under circumstances where the restrictions are rather general and where such activities are readily disclosed by the operating accounts. As an example, assume that a teaching institution has current restricted funds for teaching salaries.

The accounting department can readily ascertain the teaching salary expense and transfer from the funds to a general fund income account the lesser of either the fund balance or the amount of expense. Institutions have attempted to apply this method to current restricted funds embodying complex restrictions. They found it necessary to analyze current operating expense and in effect to estimate those expenses that could have been charged directly to the funds.

Operating statements showing the activity and unexpended balances of current restricted funds would therefore appear to be unnecessary to those officials in the operating departments. The philosophy underlying this accounting method appears to be that all operations will be conducted in disregard of the source of funds. Under the second and certainly preferred method, charges are made directly to the current restricted funds. Here we find the responsibility for the use of the funds being directed not to the accounting department, but to those operating officials who are also responsible for accomplishing the restricted purposes. It appears that only the operating officials of institutions can intelligently judge when and to what extent funds are being expended in the accomplishment of the restricted purposes.

The responsible operating officials accordingly must inform the accounting department of this activity. It follows then that the distribution of charges to be made against current restricted funds represented by payrolls, invoices, stores requisitions, etc., should begin with the operating officials. Under these circumstances, the accounting department assumes its proper role. It now must inform operating sections of the existence of funds, and the restrictions on their uses, as well as provide periodic operating statements containing charges to the funds and balances unexpended. The philosophy underlying this method appears to be that the activity sought by the funds will continue only to the extent of the availability of current restricted funds.

At this time I wish to make certain comments concerning the responsibilities of the public accountant whose examination is to enable him to express his opinion on the basic financial statements of a non-profit organization. These comments are intended for current restricted funds but may be applicable to other fund groups as well. As for any audit, whether or not a non-profit organization, the auditor must study and evaluate existing internal control in order to determine the extent of his tests. We shall therefore not discuss the extent of testing but consider the general scope of the audit of current restricted funds. Contributions generally compose a substantial part of the receipts of non-profit organizations. It is advisable for the public accountant to prepare an audit program for the examination of all contributions whether or not restricted. Generally, such a program should provide for the examination of receipts on a test basis for the purpose of establishing the validity of the amounts recorded as well as the propriety of the distribution to the various accounts.

The audit program should provide for the reading of correspondence accompanying the contributions for the purpose of determining the type of fund created, considering the restrictions, if any, placed on the use of the funds. For restricted purpose funds, copies or excerpts of the correspondence should be kept in the working papers for use in determining whether expenditures are in conformity with the donors' intentions. Copies or excerpts of grants, contracts, and the like establishing restricted purpose funds should also be made part of the working papers. As part of his examination of endowment funds, the auditor should obtain for his permanent records, the restrictions on the use of endowment income. Further, he should provide sufficient audit steps for the verification of income from endowments as well as income from restricted funds' investments.

As stated previously, such income is credited to a current restricted fund. Having satisfied himself with receipts, he must now establish that the current restricted funds were expended for the intended purpose. In those instances where charges are made directly to the funds the auditor should satisfy himself that those persons responsible for the use of the funds are initiating and/or approving payrolls, accounts payable, stores, and other distributions to the restricted purpose fund. Frequently the terms of grants outline in detail certain expenditures that are not to be charged to the grant. It is necessary therefore that the limitations on the use of the funds be kept in mind as this phase of the examination is undertaken. Copies of clients' working papers and other available evidence supporting the use of the funds for the intended purpose should be examined and evaluated by the auditor. Current restricted funds, especially those created through grants and contracts, frequently give recognition to administrative and other indirect expenses as chargeable to the funds. When such charges are permitted they are generally expressed in terms of a percentage of certain direct expenses.

Administrative officials of non-profit organizations most often prefer unrestricted contributions. In recent years, however, especially with the current prominence of United States government grants, current restricted funds have become a substantial source of revenue to non-profit organizations. It appears reasonable that greater emphasis be placed on accounting and reporting for current restricted funds, for consumption both internally and in published form, so that these funds may be used for their intended purpose to the best advantage of non-profit organizations.