

**Missouri Department of Elementary and Secondary Education  
School Finance**

**Vocational Projects For Resale**

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**Resale of Vocational Projects**

Expenditures relating to vocational projects for resale, particularly trades houses, may be made from the Capital Projects Fund or the General (Incidental) Fund. While recording the expenditures in the Capital Projects Fund is the preferred accounting method, examples of the required entries for either fund are provided.

**Capital Projects Fund**

The construction of a vocational trades house is a capital outlay expenditure similar to the construction of any other facility in the district. Therefore, it is appropriate to charge the cost of materials and other project related services to the Capital Projects Fund, Inventory for Resale Account, and the appropriate cash contra account. When expenditures are reflected in the Capital Projects Fund, crossing fiscal years does not have an adverse impact on certificated salary compliance or the “per-pupil” expenditure calculation. Upon the sale of the vocational trades house, proceeds from the sale would effectively reverse the expenditure (possibly over two or more years) and any profit would be correctly reflected in the Capital Projects Fund. The potential “loss” on the sale of the property would be reflected as a reduction in the Capital Projects Fund balance.

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**Example Transaction: Capital Projects Fund - Building Trades Project Sold at a Profit**

Assume that supplies, materials, and other project related costs are \$48,000, and that the house is later sold by bid for \$56,000. This would be recorded as follows:

Example 1: General Journal entries to record cost of supplies, materials and other miscellaneous costs of building the structure:

<u>Date</u>	<u>Capital Projects Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
3/30/xx	Inventory for Resale	1315	\$48,000	
	Cash in Banks	1111		\$48,000

Example 1: General Journal entries to record the sale of the structure and related gain:

<u>Date</u>	<u>Capital Projects Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Cash in Banks	1111	\$56,000	
	Inventory for Resale	1315		\$48,000
	Sale of Other Property	5651		\$8,000

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Example 2: General Journal entries to record cost of supplies, materials and other miscellaneous costs of building the structure:

<u>Date</u>	<u>Capital Projects Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
3/30/xx	Other Community Services	3911	\$48,000	
	Cash in Banks	1111		\$48,000

Example 2: General Journal entries to record the sale of the structure and related gain (ONLY IF OCCURRING DURING THE SAME FISCAL YEAR AS THE EXPENDITURES):

<u>Date</u>	<u>Capital Projects Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Cash in Banks	1111	\$56,000	
	Other Community Services	3911		\$48,000
	Sale of Other Property	5651		\$8,000

Example 2: General Journal entries to record the sale of the structure and related gain (IF OCCURRING IN A DIFFERENT FISCAL YEAR FROM THE EXPENDITURES):

<u>Date</u>	<u>Capital Projects Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Cash in Banks	1111	\$56,000	
	Prior Period Adjustment	5195		\$48,000
	Sale of Other Property	5651		\$8,000

If construction is in progress at 6/30/xx, the value will be shown in the asset account 1315, Inventory for Resale, and thus will not decrease the ending fund balance (equivalent to an investment, the conversion of one asset into another asset).

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**Example Transaction: Capital Projects Fund - Building Trades Project Sold at a Loss**

If the building trades project is sold at a loss, the amount of the loss will be reflected in the expenses. Assume the same facts as in the above transaction except that the house is sold by bid for \$40,000. The entry to record the sale would be recorded as follows (to offset the expenditures occurring in the current fiscal year):

Example 1: General Journal entries to record cost of supplies, materials and other miscellaneous costs of building the structure:

<u>Date</u>	<u>Capital Projects Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
3/30/xx	Inventory for Resale	1315	\$48,000	
	Cash in Banks	1111		\$48,000

Example 1: General Journal entries to record the sale of the structure at a loss:

<u>Date</u>	<u>Capital Projects Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Cash in Banks	1111	\$40,000	
	Other Community Services	3911	\$8,000	
	Inventory for Resale	1315		\$48,000

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Example 2: General Journal entries to record cost of supplies, materials and other miscellaneous costs of building the structure:

<u>Date</u>	<u>Capital Projects Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Other Community Services	3911	\$48,000	
	Cash in Banks	1111		\$48,000

Example 2: General Journal entries to record the sale of the structure and related loss (ONLY IF OCCURRING DURING THE SAME FISCAL YEAR AS THE EXPENDITURES):

<u>Date</u>	<u>Capital Projects Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Cash in Banks	1111	\$40,000	
	Other Community Services	3911		\$40,000

Example 2: General Journal entries to record the sale of the structure and related loss (IF OCCURRING DURING A DIFFERENT FISCAL YEAR AS THE EXPENDITURES):

<u>Date</u>	<u>Capital Projects Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Cash in Banks	1111	\$40,000	
	Prior Period Adjustment	5195		\$40,000

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**General Fund**

Although the accounting method stated above is preferable, the expenses relating to the project may be made from the General (Incidental) Fund. The materials used in the construction of a vocational trades house may be considered supply items, and the cost of materials and other project related services recorded in the General (Incidental) Fund, Inventory for Resale Account, and the appropriate cash contra account. When the building project is completed and sold in the same fiscal year, the building expenditures are effectively reversed when the "Inventory for Resale" entry is made. If there is a profit made on the project above the "supply expenditure", the "realized revenues" should be placed to the credit of the Capital Projects Fund per Section 165.011, RSMo. One problem with this method occurs when the project is not completed and sold in the same fiscal year. In this case, if the supplies and building materials are expensed and these expenses remain on the books as of June 30, the district will overstate the "current expenditure per pupil" calculation.

If the sale of the vocational trades house occurs in the following year, a prior period adjustment (General Ledger account 5195) is made in the current year, effectively adjusting ending balances to properly reflect the transaction. This does not, however, adjust the inflated General (Incidental) Fund expenditures in the prior year. Another issue in the General (Incidental) Fund transaction is accounting for the possibility of a "loss" on the sale of the house. It is unclear where the loss should be reflected since the sale of the house (a capital asset) must be recorded as revenue in the Capital Projects Fund, but the following year's "Prior Period Adjustment" would likely impact the General (Incidental) Fund.

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**Example Transaction: General (Incidental) Fund - Building Trades Project Sold at a Profit**

Assume that supplies, materials, and other project related costs are \$48,000. Further assume that the house is sold by bid for \$56,000. This would be recorded as follows:

Example 1: General Journal entries to record cost of supplies, materials and other miscellaneous costs of building the structure:

<u>Date</u>	<u>General (Incidental) Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
3/30/xx	Inventory for Resale	1315	\$48,000	
	Cash in Banks	1111		\$48,000

Example 1: General Journal entries to record the sale of the structure and related gain:

<u>Date</u>	<u>General (Incidental) Fund Entries (42X)</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Cash in Banks	1111	\$48,000	
	Inventory for Resale	1315		\$48,000

<u>Date</u>	<u>Capital Projects Fund Entries (42X)</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Cash in Banks	1111	\$8,000	
	Sale of Other Property	5651		\$8,000

Example 2: General Journal entries to record cost of supplies, materials and other miscellaneous costs of building the structure:

<u>Date</u>	<u>General (Incidental) Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
3/30/xx	Other Community Services	3911	\$48,000	
	Cash in Banks	1111		\$48,000

Example 2: General Journal entries to record the sale of the structure and related gain (ONLY IF OCCURRING DURING THE SAME FISCAL YEAR AS THE EXPENDITURES):

<u>Date</u>	<u>General (Incidental) Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Cash in Banks	1111	\$48,000	
	Other Community Services	3911		\$48,000

<u>Date</u>	<u>Capital Projects Fund</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Cash in Banks	1111	\$8,000	
	Sale of Other Property	5651		\$8,000

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Example 2: General Journal entries to record the sale of the structure and related gain (IF OCCURRING IN A DIFFERENT FISCAL YEAR FROM THE EXPENDITURES):

<u>Date</u>	<u>General (Incidental) Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Cash in Banks	1111	\$48,000	
	Prior Period Adjustment	5195		\$48,000
<u>Date</u>	<u>Capital Projects Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Cash in Banks	1111	\$8,000	
	Sale of Other Property	5651		\$8,000

If construction is in progress at 6/30/xx, the value will be shown in the asset account 1315, Inventory for Resale, and thus will not decrease the ending fund balance (equivalent to an investment, the conversion of one asset into another asset).

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**Example Transaction: General (Incidental) Fund - Building Trades Project Sold at a Loss**

If the building trades project is sold at a loss, the amount of the loss will be reflected in the General Ledger Account 6031, Expenditures Control. Assume the same facts as in the above transaction except that the house is sold by bid for \$40,000. The entry to record the sale would be recorded as follows:

Example 1: General Journal entries to record cost of supplies, materials and other miscellaneous costs of building the structure:

<u>Date</u>	<u>General (Incidental) Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
3/30/xx	Inventory for Resale	1315	\$48,000	
	Cash in Banks	1111		\$48,000

Example 1: General Journal entries to record the sale of the structure at a loss:

<u>Date</u>	<u>General (Incidental) Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Cash in Banks	1111	\$40,000	
	Other Community Services	3911	\$8,000	
	Inventory for Resale	1315		\$48,000

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Example 2: General Journal entries to record cost of supplies, materials and other miscellaneous costs of building the structure:

<u>Date</u>	<u>General (Incidental) Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Other Community Services	3911	\$48,000	
	Cash in Banks	1111		\$48,000

Example 2: General Journal entries to record the sale of the structure and related loss (IF OCCURING DURING THE SAME FISCAL YEAR AS THE EXPENDITURES):

<u>Date</u>	<u>General (Incidental) Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Cash in Banks	1111	\$40,000	
	Other Community Services	3911		\$40,000

Example 2: General Journal entries to record the sale of the structure and related loss (OCCURING DURING A DIFFERENT FISCAL YEAR AS THE EXPENDITURES):

<u>Date</u>	<u>General (Incidental) Fund Entries</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
4/15/xx	Cash in Banks	1111	\$40,000	
	Prior Period Adjustment	5195		\$40,000