

## SAM—MISCELLANEOUS ACCOUNTING PROCEDURES

### CONTINGENT AND REAL LIABILITIES

8751

(Revised 2/98)

A contingent liability is defined as an obligation relating to a past transaction or event that may be payable in the future. The distinction between a real liability and a contingent liability depends on the certainty of the payment to be made. A real liability exists when it is probable that the payment will be made. A contingent liability exists when it is only possible that the payment will be made.

Real liabilities payable from an existing appropriation must be recognized at year-end even though the amount may be estimated in whole or part. Real liabilities not properly payable from an existing appropriation will be reported as payable from a future appropriation.

A statement of all contingent liabilities and liabilities payable from a future appropriation will be prepared at year-end. These liabilities will be reported in Statement No. 22, Statement of Contingent Receivables and Contingent Liabilities. See SAM Section [7979](#). Agencies will establish appropriate memorandum accounts as a record of these liabilities.