

CHAPTER 7

INVESTMENTS AND OTHER ASSETS0701 GENERAL

070101. Purpose. This chapter prescribes the accounting requirements for recording transactions in those asset accounts not covered in Chapters 2 through 6 of this Volume. These requirements are consistent with and implement the general accounting policy for assets prescribed in [Chapter 1](#) of this Volume.

★ 070102. Overview. Other assets are those assets that are not used directly in performing the DoD mission. These assets consist of securities held in various trust funds, assets acquired through means other than appropriations and assets awaiting disposal.

★0702 ACCOUNTING POLICY AND PROCEDURES FOR INVESTMENTS AND OTHER ASSETS

070201. The following paragraphs describe the accounts used to record financial transactions related to investments and other assets owned by the DoD.

070202. Investments

“Investments” represents the value of securities and other assets held for the production of revenues in the form of interest, dividends, rentals, or lease payments, net of premiums and discounts.

★ 070203. Investments in U.S. Treasury Securities Issued by Public Debt (Account 1610)

★ A. This account is used to record the par value of U.S. Treasury securities held by the DoD Components, to include marketable Treasury securities, non-marketable Treasury securities, and market-based Treasury securities.

B. The DoD Components holding such securities shall maintain an investment subsidiary ledger that provides the name, type, amount, acquisition date, acquisition cost, yield or interest rate, discount or premium, maturity date, and other applicable information for each investment.

C. A subsidiary account shall be maintained for each trust fund that invests in U.S. Treasury securities.

D. Table 7-1 illustrates the more common entries used for this account.

**★ACCOUNTING ENTRIES FOR ACCOUNT 1610 - INVESTMENTS IN U.S.
TREASURY SECURITIES ISSUED BY PUBLIC DEBT**

1.

Dr 1610 Investments in U.S. Treasury Securities Issued by Public Debt

Cr 1010 Fund Balance With Treasury

To record the purchase of U.S. Treasury securities at par value.

2.

Dr 1610 Investments in U.S. Treasury Securities Issued by Public Debt

Cr 1611 Discount on U.S. Treasury Securities Issued by Public Debt

Cr 1010 Fund Balance with Treasury

To record the purchase of U.S. Treasury securities at a discount.

3.

Dr 1610 Investments in U.S. Treasury Securities Issued by Public Debt

Dr 1612 Premium on U.S. Treasury Securities Issued by Public Debt

Cr 1010 Fund Balance with Treasury

To record the purchase of U.S. Treasury securities at a premium.

4.

Dr 1610 Investments in U.S. Treasury Securities Issued by Public Debt

Dr 1612 Premium on U.S. Treasury Securities Issued by Public Debt

Dr 1340 Interest Receivable

Cr 1010 Fund Balance with Treasury

To record the purchase of U.S. Treasury securities at a premium when the purchase price includes interest from the last date interest was paid.

TABLE 7-1

**★ACCOUNTING ENTRIES FOR ACCOUNT 1610 - INVESTMENTS IN U.S.
TREASURY SECURITIES ISSUED BY PUBLIC DEBT (CONT'D)**

5.

Dr 1610 Investments in U.S. Treasury Securities Issued by Public Debt

Dr 1340 Interest Receivable

Cr 1010 Fund Balance with Treasury

Cr 1611 Discount on U.S. Treasury Securities Issued by Public Debt

To record the purchase of U.S. Treasury securities at a discount when the purchase price includes interest from the last date interest was paid.

6.

Dr 1610 Investments in U.S. Treasury Securities Issued by Public Debt

Dr 1340 Interest Receivable

Cr 1010 Fund Balance with Treasury

To record the purchase of U.S. Treasury securities at par when the purchase price includes interest from the last date interest was paid.

7.

Dr 1010 Fund Balance with Treasury

Cr 1610 Investments in U.S. Treasury Securities Issued by Public Debt

To record the following:

(a) Redemption at maturity of U.S. Treasury securities purchased at par.

(b) Sale of U.S. Treasury securities at par with no accrued interest earned. If interest has accrued it must be recognized in recording the sale.

TABLE 7-1 (Cont'd)

★ E. The disposition of a U.S. Treasury security may result in a gain or loss. A comparison of principal proceeds, the book value of a U.S. Treasury security, and any remaining unamortized premium or discount will determine whether there is a gain or loss. Table 7-2 illustrates the disposition of a U.S. Treasury security with unamortized bond premium or discount.

**★ DISPOSITION OF A U.S. TREASURY SECURITY WITH
UNAMORTIZED PREMIUM OR DISCOUNT**

1.

Dr 1010 Fund Balance with Treasury

Dr 7210 Losses on Disposition of Assets

Cr 1612 Premium on U.S. Treasury Securities Issued by Public Debt

Cr 1610 Investments in U.S. Treasury Securities Issued by Public Debt

To record the redemption of U.S. Treasury securities at a loss after recognizing
amortization of the premium.

2.

Dr 1010 Fund Balance with Treasury

Dr 1611 Discount on U.S. Treasury Securities Issued by Public Debt

Dr 7210 Losses on Disposition of Assets

Cr 1610 Investments in U.S. Treasury Securities Issued by Public Debt

To record the redemption of U.S. Treasury securities at a loss after recognizing amortization of the discount.

3.

Dr 1010 Fund Balance with Treasury

Dr 1611 Discount on U.S. Treasury Securities Issued by Public Debt

Cr 1610 Investments in U.S. Treasury Securities Issued by Public Debt

Cr 7110 Gains on Disposition of Assets

To record the redemption of U.S. Treasury securities at a gain after recognizing amortization of the discount.

4.

Dr 1010 Fund Balance with Treasury

Cr 1612 Premium on U.S. Treasury Securities Issued by Public Debt

Cr 1610 Investments in U.S. Treasury Securities Issued by Public Debt

Cr 7110 Gains on Disposition of Assets

To record the redemption of U.S. Treasury securities at a gain after recognizing amortization of the premium.

TABLE 7-2

★ F. Periodically, but at least annually, the Investments in “U.S. Treasury Securities Issued by Public Debt” account balance is to be reconciled with the trust fund portfolios. Such reconciliations also should occur whenever there is a change in trust fund managers or other employees having access to the securities, or when there is a substantial addition, disposition, or replacement in the composition of the portfolio.

G. Unless otherwise provided for by the provisions governing a trust fund operation, securities held by DoD trust funds are U.S. Treasury securities. No certificates are issued by the Treasury. Instead, Treasury notifies trust fund managers of portfolio increases or decreases using the “Transaction Confirmation.”

H. Source documents for entries to the account include U.S. Treasury securities, the “Transaction Confirmation,” collection and disbursement vouchers, amortization schedules, and journal vouchers. Financial record retention requirements are in [Chapter 9 of Volume 1](#) of this Regulation.

070204. Discount on U.S. Treasury Securities Issued by Public Debt (Account 1611), and Premium on U.S. Treasury Securities Issued by Public Debt (Account 1612)

A. Accounts 1611 and 1612 are used to record the unamortized premium or discount on securities. Account 1613 is used to record the amortization of premium or discount on U.S. Treasury securities.

B. A subsidiary account for unamortized premiums or discounts shall be maintained for each trust fund for determining the gain or loss on the disposition of securities held by each trust fund. This information also is needed for reporting on the financial status of each trust fund.

C. The entries in Tables 7-1 and 7-2 illustrate the use of these accounts in securities purchases and dispositions. Table 7-3 illustrates the use of these accounts in the amortization of premium or discount.

**★ ACCOUNTING ENTRIES FOR ACCOUNT 1613 -
AMORTIZATION OF DISCOUNT AND PREMIUM ON U.S. TREASURY
SECURITIES ISSUED BY PUBLIC DEBT**

1. Dr 1340 Interest Receivable
 Dr 1613 Amortization of Discount and Premium on U.S. Treasury Securities
 Issued by Public Debt
 Cr 5310 Interest Revenue
 Cr 1611 Discount on U.S. Treasury Securities Issued by Public Debt
 To record interest earned and amortize bond discount for the current period.

2. Dr 1340 Interest Receivable
 Dr 1612 Premium on U.S. Treasury Securities Issued by Public Debt
 Cr 1613 Amortization of Discount and Premium on U.S. Treasury
 Securities Issued by Public Debt
 Cr 5310 Interest Revenue
 To record interest earned and amortize bond premium for the current period.

TABLE 7-3

D. The income derived from U.S. Treasury securities other than Treasury bills shall be the interest stated on the face of the securities adjusted for the amortized premium or discount. For Treasury bills, the difference between the purchase price and the price received at the time of sale or maturity is income.

E. Premiums and discounts shall be amortized over the life of the securities using the effective interest method or other method if similar results are obtained. The computation of the effective interest rate (yield to maturity) and book value for notes and bonds uses a basic formula for book value. The formula is used to compute yield to maturity by a successive approximation process. This calculated yield to maturity is then used to compute book value at any specified date. The formula for the book value of a bond is found in Table 7-4.

★ FORMULA FOR THE BOOK VALUE OF A BOND

$$BV = \left(PV \times \frac{1}{(1+Y)^{NP}} \right) + \left(PV \times IR \times \frac{1 - \frac{1}{(1+Y)^{NP}}}{Y} \right)$$

where:

BV = Book value at a given date.

PV = Par value at maturity.

Y = Semiannual yield to maturity.

NP = Number of semiannual periods to maturity, including as a decimal any fractional part of 6 Months from date selected to the next coupon payment date.

IR = Semiannual interest rate.

Y and IR (percents) are converted to full decimal ($0 < Y, IR < 1$).

Semiannual rates for Y and IR are computed by dividing the published annual rate by 2.

TABLE 7-4

F. To solve for the semiannual yield to maturity by successive approximation:

1. Set semiannual yield to maturity (Y) equal to the semiannual interest rate (IR), and compute book value (BV).
2. Compare BV to the purchase cost of the security.
3. If the purchase cost is greater, decrease the semiannual yield to maturity (Y) by .1 percent (.001).
4. If the purchase cost is lower, increase Y by .1 percent (.001).
5. When Y is found to .1 percent, repeat the above process using increments or decrements of .01 percent.
6. Iterate until Y is accurate to ten decimal places. The semiannual yield to maturity is the final value for Y.

7. To solve for book value at a given date, use the computed yield to maturity for Y, and an appropriate value for NP.

G. The value for amortized premium expense or amortized discount income is computed using differences in book values at selected dates. Unamortized premium or discount is computed using differences in par value and book value at selected dates.

H. Source documents for entries to this account include amortization schedules and journal vouchers. Financial record retention requirements are in [Chapter 9 of Volume 1](#) of this Regulation.

070205. Other Investments (Account 1690)

A. "Other Investments" is used to record the value of securities issued by government sponsored enterprises and non-government entities.

B. The DoD Components are not authorized to own such securities. Accordingly, this account shall not be used by the DoD Components.

070206. Property Disposal

A. The Defense Reutilization and Marketing Service (DRMS) manages most of the property designated for recovery, utilization, and/or disposal. DRMS is an organization within the Defense Logistics Agency that administers the following:

1. The worldwide DoD Personal Property Utilization and Disposal Program governed by DoD 4160.21-M, "Defense Reutilization and Marketing Manual."

2. The Defense Property Disposal Precious Metals Recovery Program governed by DoD Handbook 4160.21-H, "Defense Scrap Yard Handbook."

(There are cases, however, when DRMS may not be involved. The disposition of surplus contractor-held inventory governed by the Federal Acquisition Regulation is one example.)

B. When a DRMS activity has responsibility for the disposal of certain property, such as explosives, but lacks adequate resources to physically handle it, DRMS shall make suitable alternative arrangements for its care and custody. DRMS shall maintain financial accounting records for such property. The activity performing custodial services shall maintain such property and financial accounting records as necessary to provide an accounting to DRMS for such property.

C. The DRMS shall not accept accountability for recovery, utilization, and/or disposal until the property is physically received unless the DRMS activity involved is prohibited

from physically receiving the property. In such cases, DRMS accountability begins when title passes to DRMS.

D. Property in-transit to disposal shall be recorded as “in transit” when such transfer begins. The accountable organization shall record the transaction in its accounting system when the transfer action is initiated. It shall be removed from the in-transit account only when the property is received and accepted by the DRMS activity. Under no circumstance shall entries to the in-transit accounts be reversed at the beginning of the following accounting period without proper supporting documentation such as reports of survey or notice of receipt by the DRMS activity.

★ E. The DoD Component that is responsible for recognizing an asset shall record the difference between the value of the asset before identification as excess, obsolete, or condemned (i.e., unserviceable beyond repair) and its expected net realizable value after such identification as a gain or loss at the time the determination is made, even though disposition may not occur until a later period. The gain or loss shall be recognized in general ledger account 7110, “Gains on Disposition of Assets” or account 7210, “Losses on Disposition of Assets.” (Accounting for asset disposition gains and losses is discussed in [Chapter 17](#) of this Volume.) Any subsequent adjustments to its net realizable value shall also be recognized as a gain or loss. “Net realizable value” is the estimated selling price in the ordinary course of business, less the estimated cost to sell. The net realizable value to a DoD Component will normally be zero, unless the proceeds are permitted to be retained and used by that DoD Component. Property awaiting disposal is not subject to further depreciation.

F. Subsidiary accounts shall be maintained in a manner that provides information necessary to manage and report on property awaiting disposal.

G. Property awaiting disposal that is not capitalized shall be monitored through property control records in the related property management system.

★ H. Refer to [Chapter 13](#) of this Volume for accounting policy and principles for measuring and recognizing accrued disposal costs.

070207. Assets Under Capital Lease (Account 1810)

A. Assets Under Capital Lease is used to record the amount of assets being leased under terms that essentially are equivalent to an installment purchase.

★ B. A lease conveys the use of an asset or part of an asset (such as part of a building) from one entity, the lessor, to another, the lessee, for a specified period of time in return for rent or other compensation. Lessees have capital or operating leases while lessors have sales-type, direct financing, or operating leases. Capital, sales-type, and direct financing leases transfer substantially all the benefits and risks of ownership from the lessor to the lessee.

★ C. When a lease essentially is equivalent to an installment purchase of property (a capital lease) and the value equals or exceeds the current DoD capitalization threshold, the lessee shall record the applicable asset and liability. The amount to be recorded under a capital lease is the present value of the rental and other lease payments during the lease term, excluding that portion of the payments representing executory costs paid to the lessor. However, if the amount so determined exceeds the fair value of the leased property, at the inception of the lease, the amount recorded should be the fair value. If the executory costs portion of the minimum lease payments cannot be determined, the amount should be estimated. In such cases, the substance of the arrangement, rather than its legal form, shall determine the accounting treatment. All other leases should be accounted for as operating leases with no balance sheet recognition (i.e., rental of property).

D. Lessees shall classify a lease as a capital lease if any one of the following criteria is met:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.

2. The lease contains an option to purchase the leased property at a bargain price.

3. The lease term (noncancelable portion plus all periods, if any, representing renewals or extensions that can reasonably be expected to be taken) is equal to or greater than 75 percent of the estimated economic life of the leased property.

4. The present value of rental and other minimum lease payments, excluding that portion representing executory costs, such as insurance, maintenance, and taxes to be paid by the lessor, equals or exceeds 90 percent of the fair value of the leased property. The lessee shall compute the present value of minimum lease payments using the Treasury Average Interest Rate for Marketable Interest-Bearing Debt unless:

a. It is practicable for the lessee to learn the interest rate implicit in the lease computed by the lessor, and

b. The implicit rate computed by the lessor is less than the Treasury Average Interest Rate for Marketable Interest-Bearing Debt.

★ c. The criteria in paragraph 070308.D.4.a. and b., of this chapter do not apply if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property. (An agency's rental of space from GSA does not meet these criteria.)

★ E. A portion of each lease payment shall be allocated to interest expense, and the balance shall be applied to reduce the lease liability using the effective interest rate method. (Interest is calculated on the balance of the lease obligation for each period, and the remainder of the payment is applied as a reduction of the lease obligation.) The periodic payment amount

allocated to interest expense shall be computed based on the interest rate used to compare the present value of minimum lease payments, unless the lease is recorded at fair value. In that instance, trial and error must be used to compute the interest rate for application to the balance of the lease obligation.

F. In leases with a residual guarantee by the lessee or a penalty for failure to renew the lease at the end of the lease term, following the amortization method in paragraph 070204.F will result in a liability balance that will equal the amount of the guarantee or penalty at the end of the lease term. If a renewal or other extension of the lease term or a new lease under which the lessee continues to lease the same property renders the guarantee or penalty inoperative, the asset and the liability under the lease shall be adjusted by an amount equal to the difference between the present value of the future minimum lease payments under the revised agreement and the present balance of the liability. The present value of future minimum lease payments under the revised agreement shall be computed using the rate of interest used to record the lease initially. Other renewals and extensions of lease terms shall be considered new agreements.

G. Definitions

1. Lease Term. For nonoperating leases, the lease term is the fixed noncancelable term of the lease plus all periods, if any, representing renewals or extensions of the lease that can reasonably be expected to be taken.

2. Noncancelable. Means the lease is cancelable only on the occurrence of a remote contingency. Funds not being appropriated by the Congress in future years to cover the lease is considered a remote contingency.

★ 3. Bargain Purchase Option. A lessee's option to purchase leased property for a price which is sufficiently lower than the expected fair value of the property at the date the option becomes exercisable that, at inception of the lease, makes the exercise of the option reasonably assured.

★ 4. Estimated Economic Life. The estimated remaining period during which the property is expected to be economically usable by one or more users, with normal repairs and maintenance for the purpose for which it was intended at the inception of the lease, without limitation by the lease term.

5. Minimum Lease Payments. The payments that the lessee is obligated to make or can be required to make in connection with the leased property. (Contingent rentals are excluded from the minimum lease payments.)

★ 6. Fair Value. The price for which the property could be sold in an arm's-length transaction between unrelated parties.

7. Interest Rate Implicit in the Lease. The discount rate that, when applied to the minimum lease payments (less executory costs and the unguaranteed residual value),

causes the aggregate present value at the beginning of the lease term to be equal to the fair value of the leased property at the inception of the lease.

8. Renewal or Extension of a Lease. The continuation of a lease agreement beyond the original lease term, including a new lease under which a lessee continues to use the same property.

H. Table 7-5 illustrates the most common entries used for this account.

★ACCOUNTING ENTRIES FOR ACCOUNT 1810 - ASSETS UNDER CAPITAL LEASE	
1.	Dr 1810 Assets Under Capital Lease Cr 2940 Capital Lease Liability To record the value of capital leases signed.
2.	Dr 1819 Accumulated Depreciation on Assets Under Capital Lease Dr 2940 Capital Lease Liability Dr 7210 Losses on Disposition of Assets Cr 1810 Assets Under Capital Lease To record disposition of an asset held under a capital lease at a loss.
TABLE 7-5	

I. Sources for entries to these accounts include contracts, payment documents, amortization schedules, and journal vouchers.

070208. Accumulated Depreciation on Assets Under Capital Leases (Account 1819)

A. Accumulated Depreciation on Assets Under Capital Leases accumulates the depreciation charged to expense for assets under capital lease.

★ B. This account shall be used by those activities that are authorized to enter into capital lease agreements.

C. Table 7-6 illustrates the most common entries used for this account.

★ ACCOUNTING ENTRIES FOR ACCOUNT 1819 - ACCUMULATED DEPRECIATION ON ASSETS UNDER CAPITAL LEASE									
1.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; vertical-align: top;">Dr 6710</td> <td style="width: 35%; vertical-align: top;">Depreciation, Amortization and Depletion</td> </tr> <tr> <td style="vertical-align: top;">Cr 1819</td> <td style="vertical-align: top;">Accumulated Depreciation on Assets Under Capital Lease</td> </tr> </table> <p>To record depreciation on assets held under capital lease.</p>	Dr 6710	Depreciation, Amortization and Depletion	Cr 1819	Accumulated Depreciation on Assets Under Capital Lease				
Dr 6710	Depreciation, Amortization and Depletion								
Cr 1819	Accumulated Depreciation on Assets Under Capital Lease								
2.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; vertical-align: top;">Dr 1819</td> <td style="width: 35%; vertical-align: top;">Accumulated Depreciation on Assets Under Capital Lease</td> </tr> <tr> <td style="vertical-align: top;">Dr 2940</td> <td style="vertical-align: top;">Capital Lease Liability</td> </tr> <tr> <td style="vertical-align: top;">Dr 7210</td> <td style="vertical-align: top;">Losses on Disposition of Assets</td> </tr> <tr> <td style="vertical-align: top;">Cr 1810</td> <td style="vertical-align: top;">Assets Under Capital Lease</td> </tr> </table> <p>To record disposition of an asset held under a capital lease at a loss.</p>	Dr 1819	Accumulated Depreciation on Assets Under Capital Lease	Dr 2940	Capital Lease Liability	Dr 7210	Losses on Disposition of Assets	Cr 1810	Assets Under Capital Lease
Dr 1819	Accumulated Depreciation on Assets Under Capital Lease								
Dr 2940	Capital Lease Liability								
Dr 7210	Losses on Disposition of Assets								
Cr 1810	Assets Under Capital Lease								

TABLE 7-6

D. Sources for entries to this account include journal vouchers showing the basis for the depreciation computation. Financial record retention requirements are in [Chapter 9 of Volume 1](#) of this Regulation.

070209. Leasehold Improvements (Account 1820)

★ A. “Leasehold Improvements” is used to record the value of improvements to leased land, buildings, structures and facilities, as well as easements and right-of-ways, when the value equals or exceeds the current DoD capitalization threshold. Amounts recorded by DoD Components shall meet the capitalization criteria in [Chapter 6](#) of this Volume.

★ B. Improvements to leased facilities that do not meet the capitalization threshold shall be treated as current operating expenses.

C. Table 7-7 illustrates the most common entries used for this account.

D. Sources for entries to this account include journal vouchers and documents transferring completed construction projects to this account. Financial record retention requirements are in [Chapter 9 of Volume 1](#) of this Regulation.

070210. Accumulated Amortization on Leasehold Improvements (Account 1829)

A. “Accumulated Amortization on Leasehold Improvements” is used to accumulate the amortization charges to expense for leasehold improvements.

★ B. This account shall be used by those activities that are authorized to enter into capital lease agreements.

C. Table 7-7 illustrates the most common entries used for this account.

★ ACCOUNTING ENTRIES FOR ACCOUNT 1820 - LEASEHOLD IMPROVEMENTS AND ACCOUNT 1829 - ACCUMULATED AMORTIZATION ON LEASEHOLD IMPROVEMENTS									
1.	<table style="width: 100%; border: none;"> <tr> <td style="width: 15%;">Dr 1820</td> <td style="width: 40%;">Leasehold Improvements</td> <td style="width: 15%;"></td> <td style="width: 30%;"></td> </tr> <tr> <td style="padding-left: 20px;">Cr 1720</td> <td></td> <td style="padding-left: 20px;">Construction-in-Progress</td> <td></td> </tr> </table> <p>To record the value of completed improvements to leased property.</p>	Dr 1820	Leasehold Improvements			Cr 1720		Construction-in-Progress	
Dr 1820	Leasehold Improvements								
Cr 1720		Construction-in-Progress							
2.	<table style="width: 100%; border: none;"> <tr> <td style="width: 15%;">Dr 6710</td> <td style="width: 40%;">Depreciation, Amortization and Depletion</td> <td style="width: 15%;"></td> <td style="width: 30%;"></td> </tr> <tr> <td style="padding-left: 20px;">Cr 1829</td> <td></td> <td style="padding-left: 20px;">Accumulated Amortization on Leasehold Improvements</td> <td></td> </tr> </table> <p>To record the amortization expense for the accounting period.</p>	Dr 6710	Depreciation, Amortization and Depletion			Cr 1829		Accumulated Amortization on Leasehold Improvements	
Dr 6710	Depreciation, Amortization and Depletion								
Cr 1829		Accumulated Amortization on Leasehold Improvements							
3.	<table style="width: 100%; border: none;"> <tr> <td style="width: 15%;">Dr 1829</td> <td style="width: 40%;">Accumulated Amortization on Leasehold Improvements</td> <td style="width: 15%;"></td> <td style="width: 30%;"></td> </tr> <tr> <td style="padding-left: 20px;">Cr 1820</td> <td></td> <td style="padding-left: 20px;">Leasehold Improvements</td> <td></td> </tr> </table> <p>To write off fully amortized leasehold improvements.</p>	Dr 1829	Accumulated Amortization on Leasehold Improvements			Cr 1820		Leasehold Improvements	
Dr 1829	Accumulated Amortization on Leasehold Improvements								
Cr 1820		Leasehold Improvements							

TABLE 7-7

D. Sources for entries to this account include journal vouchers with workpapers supporting the computation of the amounts to be amortized over the life of the lease. Financial record retention requirements are in [Chapter 9 of Volume 1](#) of this Regulation.

070211. Information Technology Software (Account 1830)

★ A. “Information Technology Software” is used to record the value of DoD software that is owned for operational or other internal use. Such software may be commercial off-the-shelf (COTS), contractor-developed, or internally developed; and may consist of one or more components or modules.

★ B. Internal use software that has a life expectancy of more than 2 years and equals or exceeds the current DoD capitalization threshold shall be capitalized (excluding software that is part of National Defense PP&E). Capitalized amounts should consider the software type, as follows.

1. COTS. The capitalized cost of COTS software should be the actual purchase price, plus any material internal costs incurred for implementation.

2. Contractor-Developed. The capitalized cost of contractor developed software should include the amount paid to the contractor for program design, installation, and implementation, plus any material internal costs incurred for implementation.

3. Internally Developed. The capitalized cost of internally developed software should include the full cost (direct and indirect) incurred subsequent to the selection of a design alternative, including the software configuration and software interfaces (see OMB Circular 109, "Major Systems Acquisitions"). The following cost elements should be included, as appropriate:

a. Compensation and benefits of the government personnel expected to devote significant time to the project (i.e., programmers, analysts, project managers, and administrative personnel).

b. Contractors and consultants.

c. Facilities and supplies devoted to the project.

d. Documentation and printing.

C. Table 7-8 illustrates the most common entries used for Account 1830.

★ ACCOUNTING ENTRIES FOR ACCOUNT 1830 - INFORMATION TECHNOLOGY SOFTWARE			
1.	Dr 1830	Information Technology Software	
	Cr 2110	Accounts Payable	
	or		
	Cr 1720	Construction in Progress	
	To record purchased or in-house developed software when completed.		
2.	Dr 7210	Losses on Disposition of Assets	
	Dr 1839	Accumulated Amortization on Information Technology Software	
	Cr 1830	Information Technology Software	
	To write off unusable software.		
3.	Dr 1839	Accumulated Amortization on Information Technology Software	
	Cr 1830	Information Technology Software	

To write off fully amortized software.
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TABLE 7-8

D. Sources for entries to this account include payment vouchers; journal vouchers, and documents transferring completed software from work in process. Financial record retention requirements are in [Chapter 9 of Volume 1](#) of this Regulation.

070212. Accumulated Amortization on Information Technology Software (Account 1839)

★ A. “Accumulated Amortization on Information Technology Software” accumulates the amortization charged to expense for capitalized internal use software.

★ B. Amortization shall be based on the straight-line method, and shall commence on the date the software is installed and ready for use. The recovery period (excluding software that is part of National Defense PP&E) shall be 5 years, barring earlier obsolescence or disposition.

C. Table 7-8 illustrates the most common entries used for Account 1839.

D. Sources for entries to this account include journal vouchers with workpapers supporting the computation of the amounts to be amortized. Financial record retention requirements are in [Chapter 9 of Volume 1](#) of this Regulation.

★ 070213. Other General Property, Plant and Equipment (Account 1890).

“Other General Property, Plant and Equipment” is used to record the value of general property, plant, and equipment not otherwise classified.

070214. Other Assets, Net

“Other Assets, Net” represents the value of assets not specified in specific accounts discussed in [Chapters 4 and 6](#) of this Volume or the preceding paragraphs in this chapter, less allowance for loss.

070215. Unrequisitioned Authorized Appropriations (Account 1920)

A. “Unrequisitioned Authorized Appropriations” is used to record the unrequisitioned disbursing authority as provided for in liquidating cash authority granted by Congress.

B. Entries to this account require a corresponding entry to budgetary accounts dealing with contract authority.

C. Table 7-9 illustrates the most common entries used for this account.

★ ACCOUNTING ENTRIES FOR ACCOUNT 1920 - UNREQUISITIONED AUTHORIZED APPROPRIATIONS									
1.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Dr 1920</td> <td style="width: 35%;">Unrequisitioned Authorized Appropriations</td> </tr> <tr> <td>Dr 4138</td> <td>Resources Realized From Contract Authority</td> </tr> <tr> <td style="padding-left: 20px;">Cr 3100</td> <td>Unexpended Appropriations</td> </tr> <tr> <td style="padding-left: 20px;">Cr 4135</td> <td>Contract Authority Liquidated</td> </tr> </table> <p>To record enactment of public law for liquidating cash authority.</p>	Dr 1920	Unrequisitioned Authorized Appropriations	Dr 4138	Resources Realized From Contract Authority	Cr 3100	Unexpended Appropriations	Cr 4135	Contract Authority Liquidated
Dr 1920	Unrequisitioned Authorized Appropriations								
Dr 4138	Resources Realized From Contract Authority								
Cr 3100	Unexpended Appropriations								
Cr 4135	Contract Authority Liquidated								
2.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Dr 1010</td> <td style="width: 35%;">Fund Balance with Treasury</td> </tr> <tr> <td>Dr 4032</td> <td>Anticipated Contract Authority</td> </tr> <tr> <td style="padding-left: 20px;">Cr 1920</td> <td>Unrequisitioned Authorized Appropriations</td> </tr> <tr> <td style="padding-left: 20px;">Cr 4132</td> <td>Current Year Contract Authority - Realized - Indefinite</td> </tr> </table> <p>To record request for transfer of disbursing Authority to the expenditure account.</p>	Dr 1010	Fund Balance with Treasury	Dr 4032	Anticipated Contract Authority	Cr 1920	Unrequisitioned Authorized Appropriations	Cr 4132	Current Year Contract Authority - Realized - Indefinite
Dr 1010	Fund Balance with Treasury								
Dr 4032	Anticipated Contract Authority								
Cr 1920	Unrequisitioned Authorized Appropriations								
Cr 4132	Current Year Contract Authority - Realized - Indefinite								
3.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Dr 3100</td> <td style="width: 35%;">Unexpended Appropriations</td> </tr> <tr> <td style="padding-left: 20px;">Cr 1920</td> <td>Unrequisitioned Authorized Appropriation</td> </tr> <tr> <td style="padding-left: 20px;">Cr 1010</td> <td>Fund Balance With Treasury</td> </tr> </table> <p>To adjust contract authority to the amount of disbursing authority actually transferred to the expenditure account.</p> <p>NOTE: This entry is reversed at the beginning of the next fiscal year.</p>	Dr 3100	Unexpended Appropriations	Cr 1920	Unrequisitioned Authorized Appropriation	Cr 1010	Fund Balance With Treasury		
Dr 3100	Unexpended Appropriations								
Cr 1920	Unrequisitioned Authorized Appropriation								
Cr 1010	Fund Balance With Treasury								

TABLE 7-9

D. Sources for entries to this account include budget documents and legislation authorizing contract authority. Financial record retention requirements are in [Chapter 9 of Volume 1](#) of this Regulation.

070216. Other Assets (Account 1990)

A. "Other Assets" is used to record the value of assets not otherwise classifiable to a specific asset account. Applicable subsidiary accounts shall be established as necessary to meet management and reporting needs.

B. Table 7-10 illustrates the most common entries used of this account.

ACCOUNTING ENTRIES FOR ACCOUNT 1990 - OTHER ASSETS					
1.	<table><tr><td>Dr 1990</td><td>Other Assets</td></tr><tr><td>Cr 2110</td><td>Accounts Payable</td></tr></table> <p>To record the value of assets purchased from commercial vendors that may not be classified to a specific asset account.</p>	Dr 1990	Other Assets	Cr 2110	Accounts Payable
Dr 1990	Other Assets				
Cr 2110	Accounts Payable				
2.	<table><tr><td>Dr 6000</td><td>Expense accounts series</td></tr><tr><td>Cr 1990</td><td>Other Assets</td></tr></table> <p>To record use of these assets in operations.</p>	Dr 6000	Expense accounts series	Cr 1990	Other Assets
Dr 6000	Expense accounts series				
Cr 1990	Other Assets				
TABLE 7-10					

C. Source documents for entries to this account include receiving reports and journal vouchers. Financial record retention requirements are in [Chapter 9 of Volume 1](#) of this Regulation.

ACCOUNT NO. 1610	
★INVESTMENTS IN U.S. TREASURY SECURITIES ISSUED BY PUBLIC DEBT	
DESCRIPTION: The par value of U.S. Treasury securities held by the DoD Components.	
DEBIT	CREDIT
1. Purchase of securities at a discount. Contra: 1010 and 1611	1. Sale of securities at a loss with unamortized discount. Contra: 1010, 1611, and 7210
NORMAL BALANCE: DEBIT	
FIGURE 7-1	

ACCOUNT NO. 1613	
AMORTIZATION OF DISCOUNT AND PREMIUM ON U.S. TREASURY SECURITIES ISSUED BY PUBLIC DEBT	
DESCRIPTION: The unamortized amount of premiums or discounts on securities.	
DEBIT	CREDIT
1. Amortization of a discount. Contra: 5310	1. Amortization of a premium. Contra: 5310
NORMAL BALANCE: DEBIT OR CREDIT	
FIGURE 7-2	

ACCOUNT NO. 1690	
OTHER INVESTMENTS	
DESCRIPTION: Securities issued by Government-sponsored enterprises and non-government entities.	
DEBIT	CREDIT
Use of this account is not authorized.	
NORMAL BALANCE:	
FIGURE 7-3	

ACCOUNT NO. 1810	
ASSETS UNDER CAPITAL LEASE	
DESCRIPTION: The capitalized value of assets being leased under terms, which are essentially equivalent to an installment purchase.	
DEBIT	CREDIT
1. Capital leases signed. Contra: 2940	1. Disposition of an asset held under a capital lease. Contra: 1819, 2940, and 7210
NORMAL BALANCE: DEBIT	
FIGURE 7-4	

ACCOUNT NO. 1819	
ACCUMULATED DEPRECIATION ON ASSETS UNDER CAPITAL LEASE	
DESCRIPTION: Accumulates the depreciation charged to expense for assets under capital lease.	
DEBIT	CREDIT
1. Disposition of an asset held under capital lease. Contra: 1810	1. Depreciation for the accounting period. Contra: 6710
NORMAL BALANCE: CREDIT	
FIGURE 7-5	

ACCOUNT NO. 1820	
LEASEHOLD IMPROVEMENTS	
DESCRIPTION: Represents the capitalized value of improvements made to leased property.	
DEBIT	CREDIT
1. Value of completed improvements. Contra: 1720	1. Write off fully amortized improvements. Contra 1829
NORMAL BALANCE: DEBIT	
FIGURE 7-6	

ACCOUNT NO. 1829	
ACCUMULATED AMORTIZATION ON LEASEHOLD IMPROVEMENTS	
DESCRIPTION: Accumulated amortization charges to expense for leasehold improvements.	
DEBIT	CREDIT
1. Write off fully amortized leasehold improvements. Contra: 1820	1. Amortization expense for the accounting period. Contra: 6128
NORMAL BALANCE: CREDIT	
FIGURE 7-7	

ACCOUNT NO. 1830	
INFORMATION TECHNOLOGY SOFTWARE	
DESCRIPTION: Represents the capitalized value of software owned by the DoD.	
DEBIT	CREDIT
1. Purchase or in-house developed software. Contra: 1720 and 2110	1. Write off unusable software. Contra: 1839 and 7210
NORMAL BALANCE: DEBIT	
FIGURE 7-8	

ACCOUNT NO. 1839	
★ACCUMULATED AMORTIZATION ON INFORMATION TECHNOLOGY SOFTWARE	
DESCRIPTION: Accumulates the amortization charged to expense for Information Technology software.	
DEBIT	CREDIT
1. Write off fully amortized software. Contra: 1830	1. Record the amortization expense for the accounting period. Contra: 6710
NORMAL BALANCE: CREDIT	
FIGURE 7-9	

ACCOUNT NO. 1920	
UNREQUISITIONED AUTHORIZED APPROPRIATIONS	
DESCRIPTION: The amount of unrequisioned disbursing authority as provided for in liquidating cash authority granted by the Congress.	
DEBIT	CREDIT
1. Record enactment of public law for liquidating cash authority. Contra: 3100	1. Record the transfer of disbursing authority to the expenditure account. Contra: 1011 2. Adjust contract authority to the amount of disbursing authority actually transferred to the expenditure account. (Reverse at beginning of next fiscal year.) Contra: 3100
NORMAL BALANCE: DEBIT	
FIGURE 7-10	

ACCOUNT NO. 1990	
OTHER ASSETS	
DESCRIPTION: The value of assets not otherwise classifiable to a specific asset account.	
DEBIT	CREDIT
1. Purchase of miscellaneous assets from commercial sources. Contra: 2110	1. Use of assets in operations. Contra: 6000 series of accounts.
NORMAL BALANCE: DEBIT	
FIGURE 7-11	