

CHAPTER 6

ANNEX 4

REAL PROPERTY FINANCIAL REPORTINGCOMMON BUSINESS SCENARIOS

This annex depicts common business scenarios and illustrates the implementation of this policy for reporting real property and associated costs, including the imputed costs to be reported on the receiving entities financial statements.

Scenario One

1. The accountable entity funded acquisition of the asset.
2. The accountable entity funds the sustainment, operation, and capital improvements to the asset.
3. The asset is solely used/occupied by receiving entity(ies).
4. The receiving entity(ies) does not reimburse the accountable entity for use of the asset.

Financial Reporting Component	Acquisition Cost (Capitalized) & Depreciation Expense	Sustainment Cost (Expensed)	Operation Cost (Expensed)	Capital Improvement Cost (Capitalized) & Depreciation Expense
Accountable Entity	1) Asset Acquisition Cost 2) Acquisition Depreciation Expense	Actual Sustainment Expenditure	Actual Operation Expenditure	1) Actual Capital Improvements 2) Actual Capital Improvement Depreciation Expense
Receiving Entity(ies) <i>(Proportionate to each entity's occupancy rate)</i>	Imputed Cost for the Depreciation Expense associated with the Asset Acquisition Cost	Imputed Cost for Sustainment	Imputed Cost for Operation	Imputed Cost for Capital Improvements and associated Depreciation Expense

Scenario Two

1. The accountable entity funded acquisition of the asset.
2. The receiving entity(ies) funds operation and sustainment (either through direct payment or reimbursement).
3. The receiving entity(ies) funds capital improvements.
4. The asset is solely occupied/used by the receiving entity(ies).

Financial Reporting Component	Acquisition Cost (Capitalized) & Depreciation Expense	Sustainment Cost (Expensed)	Operation Cost (Expensed)	Capital Improvement Cost (Capitalized) & Depreciation Expense
Accountable Entity	1) Asset Acquisition Cost 2) Acquisition Depreciation Expense			
Receiving Entity(ies) <i>(Proportionate to each entity's occupancy rate)</i>	Imputed Cost for the Depreciation Expense associated with the Asset Acquisition Cost	Actual Sustainment Expenditure	Actual Operation Expenditure	1) Actual Capital Improvements 2) Actual Capital Improvement Depreciation Expense

Scenario Three

1. An entity other than the accountable entity funded acquisition of the asset.
2. The original acquisition funding entity funds operation and sustainment (either through direct payment or reimbursement).
3. The original acquisition funding entity funds capital improvements.
4. Asset is solely occupied/used by the original acquisition funding entity.

Financial Reporting Component	Acquisition Cost (Capitalized) & Depreciation Expense	Sustainment Cost (Expensed)	Operation Cost (Expensed)	Capital Improvement Cost (Capitalized) & Depreciation Expense
Accountable Entity				
Original Acquisition Funding Entity	1) Actual Asset Acquisition Cost 2) Actual Asset Acquisition Depreciation Expense	Actual Sustainment Expenditure	Actual Operation Expenditure	1) Actual Capital Improvements 2) Actual Capital Improvement Depreciation Expense

Scenario Four

1. An entity other than the accountable entity funded acquisition of the asset.
2. The original acquisition funding entity funds operation and sustainment (either through direct payment or reimbursement).
3. The original acquisition funding entity funds capital improvements.
4. The asset is occupied/used by the original acquisition funding entity and a receiving entity.

Financial Reporting Component	Acquisition Cost (Capitalized) & Depreciation Expense	Sustainment Cost (Expensed)	Operation Cost (Expensed)	Capital Improvement Cost (Capitalized) & Depreciation Expense
Accountable Entity				
Original Acquisition Funding Entity	1) Actual Asset Acquisition Cost 2) Actual Asset Acquisition Depreciation Expense	Actual Sustainment Expenditure	Actual Operation Expenditure	1) Actual Capital Improvements 2) Actual Capital Improvement Depreciation Expense
Receiving Entity <i>(Proportionate to entity's occupancy rate)</i>	Imputed Cost for Acquisition Depreciation Expense	Imputed Cost for Sustainment Expenditure	Imputed Cost for Operation Expenditure	Imputed Cost for Depreciation Expense associated with Capital Improvements

Scenario Five

1. The accountable entity funded acquisition of the asset.
2. The asset is solely occupied/used by two receiving entities (A & B).
3. Entity A funds operation and sustainment (either through direct payment or reimbursement) without any reimbursement from Entity B.
4. The accountable entity funds capital improvements without reimbursement from either receiving entity.

Financial Reporting Component	Acquisition Cost (Capitalized) & Depreciation Expense	Sustainment Cost (Expensed)	Operation Cost (Expensed)	Capital Improvement Cost (Capitalized) & Depreciation Expense
Accountable Entity	1) Actual Asset Acquisition Cost 2) Actual Asset Acquisition Depreciation Expense			1) Actual Capital Improvements 2) Actual Capital Improvement Depreciation Expense
Receiving Entity A (<i>Proportionate to each entity's occupancy rate</i>)	Imputed Cost for the Depreciation Expense associated with the Asset Acquisition Cost	Actual Sustainment Expenditure	Actual Operation Expenditure	Imputed Cost for Depreciation Expense associated with Capital Improvements
Receiving Entity B (<i>Proportionate to each entity's occupancy rate</i>)	Imputed Cost for the Depreciation Expense associated with the Asset Acquisition Cost	Imputed Cost for Sustainment Expenditure	Imputed Cost for Operation Expenditure	Imputed Cost for Depreciation Expense associated with Capital Improvements

Scenario Six

1. The accountable entity funded acquisition of the asset.
2. The asset is solely occupied/used by two receiving entities (A & B).
3. The accountable entity funds operation and sustainment costs and is fully reimbursed by each receiving entity.
4. Both receiving entities fund capital improvements to the asset.

Financial Reporting Component	Acquisition Cost (Capitalized) & Depreciation Expense	Sustainment Cost (Expensed)	Operation Cost (Expensed)	Capital Improvement Cost (Capitalized) & Depreciation Expense
Accountable Entity	1) Actual Asset Acquisition Cost 2) Actual Acquisition Depreciation Expense	Actual Sustainment Expenditure	Actual Operation Expenditure	
Receiving Entity A <i>(Proportionate to each entity's occupancy rate)</i>	Imputed Cost for Acquisition Depreciation Expense	Actual Sustainment Expenditure as Reimbursed	Actual Operation Expenditure as Reimbursed	1) Actual Capital Improvements (for the portion of investment funded) 2) Actual Improvement Depreciation Expense
Receiving Entity B <i>(Proportionate to each entity's occupancy rate)</i>	Imputed Cost for Acquisition Depreciation Expense	Actual Sustainment Expenditure as Reimbursed	Actual Operation Expenditure as Reimbursed	1) Actual Capital Improvements (for the portion of investment funded) 2) Actual Improvement Depreciation Expense

Scenario Seven

1. A Defense Agency or Activity other than an accountable entity funded the original acquisition.
2. The acquisition funding entity is no longer managing or utilizing the asset.
3. The asset is now solely utilized by two other entities (receiving entities A & B). Entity A manages the asset and is responsible for funding all of the operation and sustainment costs without reimbursement from Entity B.
4. Both entities fund capital improvements to the asset.

Financial Reporting Component	Acquisition Cost (Capitalized) & Depreciation Expense	Sustainment Cost (Expensed)	Operation Cost (Expensed)	Capital Improvement Cost (Capitalized) & Depreciation Expense
Accountable Entity				
Original Acquisition Funding Entity				
Receiving Entity A	1) Actual Asset Acquisition Cost 2) Actual Acquisition Depreciation Expense	Actual Sustainment Expenditure	Actual Operation Expenditure	1) Actual Capital Improvements (for the portion of investment funded) 2) Actual Improvement Depreciation Expense
Receiving Entity B <i>(Proportionate to entity's occupancy rate)</i>	Imputed Cost for Acquisition Depreciation Expense	Imputed Cost for Sustainment Expenditure	Imputed Cost for Operation Expenditure	1) Actual Capital Improvements (for the portion of investment funded) 2) Actual Improvement Depreciation Expense

Scenario Eight

1. Two entities (acquisition funding entities) other than the accountable entity jointly fund acquisition of the asset.
2. The two acquisition funding entities jointly fund operation and sustainment.
3. The two acquisition funding entities jointly fund capital improvements.
4. The asset is solely occupied/used by the two acquisition funding entities (A&B).

Financial Reporting Component	Acquisition Cost & Depreciation Expense (Capitalized)	Sustainment Cost (Expensed)	Operation Cost (Expensed)	Capital Improvement Cost & Depreciation Expense (Capitalized)
Accountable Entity				
Acquisition Funding Entity (A) <i>(Proportionate to entity's share of funding.)</i>	1) Actual Asset Acquisition Cost 2) Actual Asset Acquisition Depreciation Expense	Actual Sustainment Expenditure	Actual Operation Expenditure	1) Actual Capital Improvements 2) Actual Capital Improvement Depreciation Expense
Acquisition Funding Entity (B) <i>(Proportionate to entity's share of funding.)</i>	1) Actual Asset Acquisition Cost 2) Actual Asset Acquisition Depreciation Expense	Actual Sustainment Expenditure	Actual Operation Expenditure	1) Actual Capital Improvements 2) Actual Capital Improvement Depreciation Expense