VOLUME 4, CHAPTER 7: "INVESTMENTS AND OTHER ASSETS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
3.4	Clarified the types of Marketable Treasury securities, as stated in SFFAS 1	Revision
5.1.1	Added applicable statutory reference for Use of Other Investments	Addition
5.3.3.4	Corrected title for Chapter 16	Revision
5.3.3.5	Corrected title for Volume 12, Chapter 4	Revision

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CHAPTER 7

INVESTMENTS AND OTHER ASSETS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the accounting requirements for recording transactions for investments in Treasury securities. These requirements are consistent with the accounting and reporting for federal and nonfederal securities, and are consistent with the implementation of general accounting policy for assets that is prescribed in Volume 4, Chapter 1. Other assets are those assets not used directly in performing the Department of Defense (DoD) mission. These assets consist of securities held in various trust funds, assets acquired through means other than appropriations, and assets awaiting disposal.

1.2 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provision of:

1.2.1. Federal Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Accounting Concepts ***(SFFAC) 1***, "Objectives of Federal Financial Reporting."

1.2.2. FASAB Statement of Federal Financial Accounting Standards ***(SFFAS) 1***, "Accounting for Selected Assets and Liabilities."

1.2.3. FASAB ***SFFAS 3***, "Accounting for Inventory and Related Property."

1.2.4. FASAB ***SFFAS 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting."

1.2.5. FASAB ***SFFAS 27***, "Identifying and Reporting Funds from Dedicated Collections."

1.2.6. FASAB ***SFFAS 49***, "Public-Private Partnerships: Disclosure Requirements."

1.2.7. FASAB ***SFFAS 47***, "Reporting Entity."

1.2.8. Financial Accounting Standards Board (FASB) Accounting Standards Codification ***(ASC) 323*** "Investments Equity Method and Joint Ventures."

1.2.9. Office of Management and Budget ***(OMB) Circular A-136***, "Financial Reporting Requirements."

1.2.10. Title 10 United States Code, sections 1111-1117, ***(10 U.S.C §§ 1111-1117)*** "Department of Defense Medicare-Eligible Retiree Health Care Fund."

1.2.11. ***10 U.S.C. §§ 1461-1467***, "Department of Defense Military Retirement Fund."

1.2.12. ***10 U.S.C § 2875,*** "Investments."

1.2.13. ***TFM Part 2 Chapter 4300***, "Reporting Instructions For Accounts Invested in Department of Treasury Securities."

1.2.14. DoD is authorized to invest by specific laws, including the law establishing the Medicare-Eligible Retiree Health Care Fund (MERHCF) 10 U.S.C. §§ 1111-1117 and the law establishing the Military Retirement Fund (MRF) 10 U.S.C. §§ 1461-1467. DoD invests in limited partnerships under the law allowing for alternative acquisition authority for the Military Housing Privatization Initiative 10 U.S.C. § 2875.

2.0 ACCOUNTING POLICY FOR INVESTMENTS AND OTHER ASSETS

2.1 Account References

DoD investments and other assets must be recognized and recorded as prescribed in SFFAS 1. Accounting events recognized under SFFAS 1 must be reported according to the requirements in TFM Chapter 4300, and OMB Circular A-136 using the accounting entries specified in the DoD Standard Chart of Accounts and Standard Financial Information Structure ***(SFIS)*** Transaction Library, unless otherwise stated. Financial record retention requirements are in Volume 1, Chapter 9, and in accordance with the National Archives and Records Administration.

3.0 INVESTMENTS IN FEDERAL SECURITIES

3.1 Investments

DoD is authorized to invest in Federal securities, which include non-marketable par value Treasury securities, market-based Treasury securities, marketable Treasury securities, and securities issued by other Federal entities.

3.2 Nonmarketable Par Value Treasury Securities

Nonmarketable par value Treasury securities are special issue debt securities that the U.S. Treasury issues to federal entities at face value (par value). The securities are redeemed at face value on demand; thus, investing entities recover the full amounts invested. When authorized, the DoD may invest in MERHCF and MRF may invest par value "special issue" Treasury securities.

3.3 Market-Based Treasury Securities Expected to Be Held to Maturity

Market-based Treasury securities expected to be held to maturity are debt securities that the U.S. Treasury issues to federal entities without statutorily determined interest rates. Although the securities are not marketable, their terms (prices and interest rates) mirror the terms of marketable Treasury securities.

*3.4 Market-Based Treasury Securities

Marketable Treasury securities including Treasury bills, notes, and bonds, are initially offered by Treasury to the marketplace and can then be bought and sold on securities exchange markets. Their bid and ask prices are publicly quoted by the marketplace.

3.5 Recognition of Investments in Federal Securities

DoD Components holding investments in Federal securities must report those investments separately from investments in non-Federal securities. Federal securities should be recorded at their acquisition cost.

3.5.1. When an acquisition is made in exchange for nonmonetary assets, the acquired securities should be recognized at the fair market value (FMV) of either the securities acquired, or the assets given up, whichever is more definitively determinable.

3.5.2. When an acquisition cost differs from the face (par) value, the security should be recorded at the acquisition cost, which equals the security's face value plus or minus the premium or discount on the investment. A discount is the excess of the security's face amount over its purchase price. A premium is the excess of the purchase price over the security's face value. The balance in the valuation account is treated as a contra account to the debt security.

3.5.3. Treasury securities subsequent to their acquisition should be carried at their acquisition cost, adjusted for amortization if appropriate, as explained in SFFAS 1.

3.5.4. Investments must be carried on the Balance Sheet at acquisition cost adjusted for amortization of the premium or discount, except in two cases. If either exception is reflected, then market value should be used (except for pension and retirement plans).

3.5.4.1. When there is intent to sell securities prior to maturity or,

3.5.4.2. When there is a reduction in value that is more than temporary.

3.5.5. DoD Components holding such securities must 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.

3.6 Disposition of Treasury Securities

3.6.1. DoD Components must maintain a subsidiary account for each trust fund that invests in U.S. Treasury securities.

3.6.2. 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.

3.6.3. Quarterly, the "Investments in U.S. Treasury Securities Issued by the Bureau of the Fiscal Service-Non-Marketable Market-Based" account balance must be reconciled with the trust fund portfolios. Such reconciliations must also 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.

3.6.4. Unless otherwise provided for by law, securities held by DoD trust funds are U.S. Treasury securities. The Treasury issues no certificates. Instead, Treasury notifies trust fund managers of portfolio increases or decreases using the "Transaction Confirmation."

3.6.5. Source documents for entries to the account include U.S. Treasury securities, the "Transaction Confirmation," collection and disbursement vouchers, amortization schedules, and journal vouchers.

4.0 INTEREST AND AMORTIZATION

4.1. Interest and Amortization Recognition

4.1.1. The accounts to be used to record accounting events related to U.S. Treasury securities include Discount on U.S. Treasury Securities Issued by the Bureau of the Fiscal Service-Non-Marketable Market-Based (Account 161100.0400), Premium on U.S. Treasury Securities Issued by the Bureau of the Fiscal Service–Non-Marketable Market-Based (Account 161200.0400), Amortization of Discount on U.S. Treasury Securities Issued by the Bureau of the Fiscal Service–Non-Marketable Market-Based-Discount (Account 161300.0500) and Amortization of Premium on U.S. Treasury Securities Issued by the Bureau of the Fiscal Service–Non-Marketable Market-Based-Premium (Account 161300.0600).

4.1.2. The disposition of a U.S. Treasury security may result in a premium or discount. If an amount of premium or discount exists, the carrying amount, or original purchase cost, of the investments must be adjusted in each reporting period to reflect the amortization of the premium or the discount.

4.1.3. Premiums and discounts must be amortized over the life of the Treasury security using the interest method. Under the interest method, the effective interest rate (the actual interest yield on amounts invested) multiplied by the carrying amount of the Treasury security at the start of the accounting period equals the interest income recognized during the period (the carrying amount changes each period by the amount of the amortized discount or premium).

4.1.4. The amount of amortization of discount or premium is the difference between the effective interest recognized for the period and the nominal interest for the period as stipulated in the Treasury security.

4.1.5. Use Accounts 161100.0400 and 161200.0400 to record the unamortized discount or premium on U.S. Treasury securities issued by the Bureau of the Fiscal Service. Use Accounts 161300.0500 and 161300.0600 to record the amortization of discount or premium on U.S. Treasury securities issued by the Bureau of the Fiscal Service. Use separate accounts to record the accounting events related to U.S. Treasury securities. For example, discounts on U.S. Treasury securities should be recorded separately from premiums on U.S. Treasury securities. The amortization of the related securities must be accounted for in distinct accounts.

4.1.6. A subsidiary account for unamortized premiums or discounts must 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.

4.1.7. The income derived from U.S. Treasury securities other than Treasury bills must 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.

4.1.8. Under the interest method of amortization, an amount of interest equal to the carrying amount of the investment times the effective interest rate, is calculated for each accounting period.

4.1.8.1. The calculated interest is the effective interest of the investment (referred to as effective yield in some literature). The amount of effective interest is compared with the stated interest of the investment. The stated interest is the interest that is payable to the investor according to the stated interest rate.

4.1.8.2. The difference between the effective interest and the stated interest is the amount by which the discount or the premium should be amortized (i.e., reduced) for the accounting period.

4.1.8.3. The discounted bonds example in Table 7-1 displays the amortization of a discount. Treasury bonds with the face amount of $100,000, purchased by a federal entity on the bonds' issuance date, January 1, 2020. The bonds' stated interest rate is 7 percent, and interest is payable at the end of each year. The bonds will mature in 5 years, on December 31, 2024. The cost of the investment is $96,007, with a discount of $3,993, which reflects an effective interest rate of 8 percent. In Table 7-1, the annual discount amortization is in column 4, which equals column 3 minus column 2.

Table 7-1. Discount Amortization

Date	Stated Interest 7%	Effective Interest 8%	Discount Amortization	Unamortized Balance	Bonds Carrying Amount
01/01/20				$3,993	$96,007
12/31/20	7,000	$7,681	$681	3,312	96,688
12/31/21	7,000	7,735	735	2,577	97,423
12/31/22	7,000	7,794	794	1783	98,217
12/31/23	7,000	7,857	857	926	99,074
12/31/24	7,000	7,926	926	0	100,000

4.1.9. The premium bonds example in Table 7-2 displays the amortization of premium Treasury bonds with the face amount of $100,000, purchased by a federal entity on the bonds' issuance date January 1, 2020. The bonds' stated interest rate is 7 percent, and interest is payable at the end of each year. The bonds will mature in 5 years, on December 31, 2024. The cost of the investment is $104,212, with a premium of $4,212, which reflects an effective interest rate of 6 percent. In Table 7-2, the annual premium amortization equals the "Stated Interest 7%" less the "Effective Interest 6%."

Table 7-2. Premium Amortization

Date	Stated Interest 7%	Effective Interest 6%	Premium Amortization	Unamortized Balance	Bonds Carrying Amount
01/01/20				$4,212	$104,212
12/31/20	7,000	$6,253	$747	3,465	103,465
12/31/21	7,000	6,208	792	2,673	102,673
12/31/22	7,000	6,160	840	1,843	101,833
12/31/23	7,000	6,110	890	943	100,943
12/31/24	7,000	6,057	943	0	100,000

4.1.10. Source documents for entries to this account must include amortization schedules and journal vouchers.

5.0 OTHER INVESTMENTS

*5.1 Use of Other Investments

5.1.1. When authorized, an investment under the provisions of 10 U.S.C § 2875, may take the form of an acquisition of a limited partnership interest, a purchase of stock or other equity instruments, a purchase of bonds or other debt instruments, or any combination of such forms of investment.

5.1.2. Other investments by the DoD currently authorized include joint ventures with private developers constructing or improving military housing on behalf of the Department under the authority of the Military Housing Privatization Initiative (MHPI), authorized by DoD's "Alternative Authority for Acquisition and Improvement of Military Housing," in Subchapter IV, Chapter 169, of Title 10, United States Code, at (10 U.S.C § 2875). These joint ventures are designed as Public-Private Partnerships (P3s), also referred to as Alternative Financing Arrangements, or Privatization Initiatives, which are defined as "risk-sharing arrangements," or transactions lasting more than five years between public and private sector entities.

5.2 Reporting Other Investments

5.2.1. P3s may involve the use of appropriated funds, non-appropriated funds, third party financing, or significant amounts of private capital or investment. All business events related to the financing of MHPI must be reported in the DoD financial statements, including relevant disclosures to help the user understand the financial condition of the projects.

5.2.2. Use Account 169000.0900 (Other Investments) to record the value of non-marketable market-based investments owned by DoD. Use Account 169000.0700 (Other Investments-MHPI-Limited Partnership) to record DoD investments with Limited Partnerships (LPs), and Limited Liability Companies (LLCs) under the MHPI, authorized by 10 U.S.C. § 2875.

*5.3 Recognition and Measurement of Other Investments

5.3.1. In recognition of the complex and diverse nature and characteristics of the MHPI agreements and P3s, and to determine the appropriate accounting treatment for MHPIs, a comprehensive evaluation of each operating agreement and a full assessment of the relationship with each organization should be reviewed and analyzed in consultation with the Military Department's independent public accountant (IPA).

5.3.2. SFFAS 47 provides guidance for determining the considerations to properly report these complex organizational relationships as consolidation entities, or disclosure entities, and what information should be presented. When the federal government (directly or through its components) holds a majority ownership interest in an organization, it should be included as either a consolidation entity or a disclosure entity in the government-wide financial statements.

5.3.2.1. Majority ownership interest exists with over 50 percent of the voting rights or net residual assets of an organization. If an entity is expected to assume more than 50 percent of another entity's expected losses or gains, it should either consolidate or disclose that entity- as provided in SFFAS 47.

5.3.2.2. An entity could effectively control another entity by making all of the investment decisions and obtaining a considerable portion of the economic benefits, but would not have been required to consolidate that investee if it was exposed to less than 50 percent of the investee's expected losses or gains. These such entities would generally be considered for disclosure rather than consolidation.

5.3.3. It is the Military Department's responsibility to monitor and properly report the financial condition and disclose significant risks of each of its equity investments in MHPI entities. Documentation should be furnished to the Defense Finance and Accounting Service (DFAS) based on DFAS' annual financial schedule and quarterly financial guidance for additional information including cut-off periods. Note that financial statement reporting should be based on the latest financial information for each Limited Liability Corporation (LLC) or Limited Partner (LP), which may not be consistent with the reporting periods for DoD's financial statement reporting.

5.3.3.1. Consolidation considerations and requirements are as follows:

5.3.3.1.1. Per SFFAS 47, an organization is considered a consolidation entity if, based on an assessment of the following characteristics as a whole, the entity is: (1) financed by taxes or other non-exchange revenue, (2) governed by the Congress and/or the President, (3) imposing or may impose risks and rewards to the federal government and (4) providing goods and services on a non-market basis. Goods and services are provided on a non-market basis when they are provided free of charge or at charges that bear little relationship to the cost of providing such goods or services.

5.3.3.1.2. Note, however, not all characteristics are required to be met or to be met to the same degree; classification is based on the assessment as a whole. Each entity should be assessed individually and objectively, to properly examine all of the potential differences among the entities.

5.3.3.1.3. Consolidation entities are considered federal reporting entities, and as such, should apply Generally Accepted Accounting Principles (GAAP) as defined in SFFAS 34, "The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board."

5.3.3.2. Disclosure considerations and requirements are as follows:

5.3.3.2.1. Once SFFAS 47 guidelines have been considered, disclosures for MHPI projects should be evaluated under the established principles of SFFAS 49, "Public-Private Partnerships: Disclosure Requirements," and should be provided for the initial period and all annual periods thereafter where an entity is party to a P3 arrangement/transaction. Disclosure requirements are comprised of quantitative and qualitative information to assist users in understanding the nature of P3s and direct loans and loan guarantees, to include related risks, even those deemed remote. The OMB Circular A-11, Section 185, *Federal Credit,* and OMB Circular A-136, Section II.3.8.8 (Note 8, Loans Receivable, Net and Loan Guarantee Liabilities), specify disclosure requirements for government direct loans and loan guarantees. OMB Circular A-136, Section II.3.8.33 (Note 3, Public-Private Partnerships) specifies disclosure requirements for P3s. DoD's investments in LLCs for MHPIs meet the Circular's P3 disclosure requirements.

5.3.3.2.2. The disclosures should reveal the nature of the relationship to the reporting entity, relevant activity during the reporting period, and the reporting entity's future exposures to risks and rewards resulting from the relationship. Disclosure entities may provide the same or similar goods and services that consolidation entities do, but are more likely to provide them on a market basis. Goods and services are provided on a market basis when prices are based on the prices charged in a competitive marketplace between willing buyers and sellers.

5.3.3.2.3. While the hierarchy of GAAP established for federal reporting entities may not necessarily apply to disclosure entities; information about such organizations is still needed for accountability purposes and to meet federal financial reporting objectives. The information should be disclosed as specified in SFFAS 49, paragraph 24:

5.3.3.2.4. The DoD, and the Military Departments must continue to disclose their respective relationships with the P3 private entities, disclose the risks inherent in the P3 arrangements, and the DoD will recognize any gains or losses associated with TI-97 contributions to the private entity.

5.3.3.3. The Military Departments and DFAS must use established accounting transaction codes in the DoD Transaction Library to record the primary accounting entries to recognize P3 contributions and any collections received upon dissolution of an arrangement that are not available for use without further Congressional action. See Tables 7-3 through 7-8. Additionally, the Military Department must obtain the agreements and supporting documentation for its equity investments in LPs/LLCs managing MHPI to support the following business events:

5.3.3.3.1. LP/LLC Operating Agreement: governing document that contains the agreements set forth by the parties including the contributed cash and/or property balances, and percent government ownership in the LP/LLC.

5.3.3.3.2. Lockbox Agreement: addresses the flow of funds and order of priority for the project. The agreement is unique to each MHPI project.

5.3.3.3.3. Revenue Agreement: containing the priority for the flow of funds from the Revenue Account, and supporting documentation for understanding the flow of funds from the Revenue Account to the Construction Escrow Account prior to the completion of the Initial Development Period (IDP) and the percentage distribution to the Reinvestment Account and Owner after completion of the IDP.

5.3.3.3.4. Dissolution of the investment at a gain or loss, property conveys back to DoD. The dissolution agreement and supporting information is to allow DFAS to account for the government's gain or loss upon termination of the LP/LLC agreement. The conveyed property must be valued at its FMV, or other GAAP compliant valuation methodology, at that point of dissolution.

5.3.3.3.5. Sale of government share of the LP/LLC, and

5.3.3.3.6. Any other accounting transactions related to financial activities to DoD equity investments of this nature. The Military Departments must provide DFAS any other transaction with a financial impact that is not listed in Tables 7-3 through 7-8, and footnote disclosures required, such as the equity method income or loss and description of events of termination or default, and the associated documentation supporting the Military Department's determination for the disclosure.

5.3.3.4. In addition to the transfer of property and cash, a ground lease may be provided to permit access to, and use of the transferred property and/or cash, to develop property consistent with the goals of the LP/LLC. Amounts received in exchange for the ground leases are revenue and the guidance for recording the revenue can be found in Chapter 16: Revenue, Other Financing Sources, Gains, and Losses. No other accounting entries are appropriate.

5.3.3.4.1. Ground leases executed in conjunction with creation of an LP/LLC do not constitute separately identifiable arrangements despite being executed through a separate agreement. Such separate agreements generally acknowledge that, in addition to a nominal rent (such as $1 for the duration of the ground lease), the LP/LLC's commitment to construct and lease military housing is a material inducement to the Military Department to enter into the ground lease. Further, success of the overall investment is dependent upon the ground lease, meaning the ground lease and the transfer of property to the LP/LLC are highly interdependent. Because the ground lease and the transferred property are highly interdependent and not distinct goods and services, the ground lease should be considered part of the initial investment made when property is transferred. ***FASB ASC 606-10-25-19 through 22***, "Revenue from Contracts with Customers," provides guidance for identifying distinct goods and services. The transfer of property and the ground lease are not distinct, separately identifiable arrangements.

5.3.3.4.2. Estimation of the FMV of the property should take into consideration relevant characteristics of the property including the related ground lease granting access to and use of the property. Therefore, no separate entries are required to recognize the ground lease. Instead, the FMV of the ground lease is integral to the FMV of the property.

5.3.3.5. See Volume 12, Chapter 4, "Direct Loans and Loan Guarantees," for additional guidance on the recognition and measurement of direct loans, the liability associated with loan guarantees, and the cost of direct loans and loan guarantees.

Table 7-3. Initial Investment Cash Only

SCENARIO 1 YEAR 1 Initial Formation of LP/LLC P3 Investment (Cash Only)

1. Budgetary

Dr. 461000 - Allotments - Realized Resources
Cr. 480100 - Undelivered Orders - Obligations, Unpaid

Dr. 480100 - Undelivered Orders - Obligations, Unpaid
Cr. 490200 - Delivered Orders - Obligations, Paid

2. Proprietary

Dr. 169000 - Public-Private Partnership Investments
Cr. 101000 Fund Balance with Treasury (FBwT)

Dr. 310700 Unexpended Appropriations - Used
Cr. 570000 Expended Appropriations

(DoD invests cash in LP/LLC)

Table 7-4. Initial Investment Cash and Property

SCENARIO 2 - YEAR 1 Initial Formation of LP/LLC P3 Investment (Cash and Property)

In accordance with GAAP, a fair market value (FMV) of the non-cash assets, and the rights and obligations received by the Government, should be assigned at the inception of the LLC agreement, and for the purposes of P3 investment reporting, the FMV should be compared to the cash and book value of the property being conveyed to record a gain or loss on disposition of the asset. If information on the FMV of the property at point of contribution by the government to the LLC is not available, then value will need to be estimated.

1. Budgetary

Dr. 461000 - Allotments - Realized Resources
Cr. 480100 - Undelivered Orders - Obligations, Unpaid

Dr. 480100 - Undelivered Orders - Obligations, Unpaid
Cr. 490200 - Delivered Orders - Obligations, Paid

2. Proprietary

Dr. 169000 - Public-Private Partnership Investments
Cr. 101000 - FBwT

Dr. 310700 - Unexpended Appropriations - Used
Cr. 570000 - Expended Appropriations

(DoD invests cash as part of equity investment in LP/LLC)

AND

3. Budgetary

No Budgetary Impact

4. Proprietary

Dr. 171900 - Accumulated Depreciation on Improvements to Land
Dr. 173900 - Accumulated Depreciation on Buildings, Improvements and Renovations
Dr. 169000 – Public-Private Partnership Investments
Dr. 721000 Losses on Disposition of Assets - Other
Cr. 171100 - Land and Land Rights
Cr. 171200 - Improvements to Land
Cr. 173000 - Buildings, Improvements and Renovations
Cr. 711000 – Gains on Disposition of Assets – Other

(DoD also conveys Buildings and leases Land to LP/LLC)

Table 7-5. Recognition of Periodic/Annual Decrease/Loss

SCENARIO 3 - YEAR XX Recognition of Periodic/Annual Decrease/Loss on P3 Investment Valuation DoD recognizes the amount of equity method earnings - based on the change in the investor claim on the investee's book value each reporting period Equity Method Loss 1. Budgetary No Budgetary Impact 2. Proprietary Dr. 729000 - Other Losses Cr. 169000 - Public-Private Partnership Investments (To recognize equity method loss based on the change in the investor's claim on the investee's book value each reporting period).

Table 7-6. Recognition of Periodic/Annual Increase/Gain

SCENARIO 4 - YEAR XX Recognition of Periodic/Annual Increase/Gain on P3 Investment Valuation DoD recognizes the amount of equity method earnings - based on the change in the investor claim on the investee's book value each reporting period Equity Method Gain 1. Budgetary No Budgetary Impact 2. Proprietary Dr. 169000 - Public-Private Partnership Investments Cr. 719000 - Other Gains (To recognize equity method gain based on the change in the investor's claim on the investee's book value each reporting period).

Table 7-7. Recognition of a Net Loss Upon Dissolution of DoD's Interest in the LLC

SCENARIO 5 - YEAR XX DoD dissolves all of its interest in the LLC. Any property interest acquired or reacquired in the dissolution of the LLC must be recorded at their FMV, not the LLC book value.

1. Budgetary

Dr. 426600 - Other Actual Business-Type Collections From Non-Federal Sources
445000 - Unapportioned Authority

2. Proprietary

Dr. 101000 - FBwT
Dr. 171100 - Land and Land Rights
Dr. 171200 - Improvements to Land
Dr. 173000 - Buildings, Improvements and Renovations
Dr. 721100 - Losses on Disposition of Investments
Cr. 169000 - Public-Private Partnership Investments

Table 7-8. Recognition of a Net Gain Upon Dissolution of DoD's Interest in the LLC

SCENARIO 6 - YEAR XX DoD dissolves all of its interest in the LLC. Any property interest acquired or reacquired in the dissolution of the LLC must be recorded at their FMV, not the LLC book value.

1. Budgetary

Dr. 426600 - Other Actual Business-Type Collections From Non-Federal Sources
445000 - Unapportioned Authority

2. Proprietary

Dr. 101000 - FBwT
Dr. 171100 - Land and Land Rights
Dr. 171200 - Improvements to Land
Dr. 173000 - Buildings, Improvements and Renovations
Cr. 711100 - Gains on Disposition of Investments
Cr. 169000 - Public-Private Partnership Investments

6.0 OTHER ASSETS

Use "Other Assets" to record the value of assets not otherwise classifiable to a specific asset account. Establish applicable subsidiary accounts as necessary to meet management and reporting needs. Source documents for entries to this account include receiving reports and journal vouchers.