

VOLUME 4, CHAPTER 7: “INVESTMENTS AND OTHER ASSETS”**SUMMARY OF MAJOR CHANGES**

All changes are 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 **March 2013** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0701	Added General section in compliance with the Department of Defense Financial Management Regulation Standard Operating Procedures published in June, 2015.	Addition
070201	Clarified requirements for recording investment related transactions.	Revision
070202	Added clarity over the types of Treasury investments in which the Department is authorized to invest.	Addition
070203	Added definition of par value.	Addition
070204	Revised requirement to use separate accounts to record separate accounting events.	Revision
070207	Paragraph is no longer valid with the change in the reporting of contract financing payments as construction in process rather than advances and prepayments.	Deletion

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CHAPTER 7

INVESTMENTS AND OTHER ASSETS

*0701 GENERAL

070101. Purpose

This chapter prescribes the accounting requirements for recording transactions in those asset accounts not covered in Volume 4, Chapters 2 through 6. These requirements are consistent with and implement the general accounting policy for assets 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.

*070102. Authoritative Guidance

DoD is authorized to invest by specific laws, including the law establishing the Medicare-Eligible Retiree Health Care Fund (MERHCF) (Title 10 United States Code (U.S.C.) Sections 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. § 2885).

0702 ACCOUNTING POLICY FOR INVESTMENTS AND OTHER ASSETS

*070201. Account References

Accounting events shall be recorded according to the requirements set forth in the Treasury Financial Manual and Office of Management and Budget Circulars using the accounting entries specified in the DoD Standard Chart of Accounts and Standard Financial Information Structure Transaction Library, unless otherwise stated. Financial record retention requirements are in Volume 1, Chapter 9.

*070202. Investments

Investments represent 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. DoD has been authorized to invest in non-marketable, market-based, Treasury securities by the laws establishing MERHCF and MRF.

*070203. Investments in U.S. Treasury Securities

* A. DoD Components holding such securities shall record the par value of U.S. Treasury securities for non-marketable market based Treasury securities. Par value is the amount

of principal a security pays at maturity. It is the amount printed on the face of a Treasury security. It is also referred to as the face value.

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

D. 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.

E. 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 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.

F. 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.”

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

*070204. Interest and Amortization

A. 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).

* B. 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 shall be accounted for in distinct accounts.

C. 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.

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. Amortize premiums and discounts over the life of the securities using the interest method. Under the interest method of amortization, **this is the amount equal to the carrying amount of the Treasury security at the start of the accounting period (cost plus or minus amortized discount or premium)** of the investment times the effective interest rate. Thus calculated interest is the effective interest of the investment. The difference between the effective interest and the stated interest (par value times the stated interest rate) is the amount by which the discount or premium should be amortized for the accounting period. The effective interest rate (yield to maturity) may be calculated using a financial calculator or the RATE function in Excel.

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

070205. Other Investments

Use "Other Investments-MHPI-Limited Partnership" to record DoD investments in limited partnerships under the Military Housing Privatization Initiative, authorized by Public Law 104-106 and codified in 10 U.S.C. § 2885.

070206. 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.