*VOLUME 4, CHAPTER 25: "GENERAL EQUIPMENT"

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*****.**

This is the initial publication.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter contains updated policy for general equipment and supersedes policy contained in Volume 4, Chapter 6 dated June 2009 related to general equipment.	New Chapter
Policy Memo	The Deputy Chief Financial Officer (DCFO) policy memorandum, "Application of Capitalization Thresholds for General Property, Plant, and Equipment," dated March 5, 2019, was incorporated into this chapter as applicable.	*
Policy Memo	The DCFO policy memorandum, "General Equipment Financial Reporting Responsibilities," dated July 2, 2018, was incorporated into this chapter and cancelled.	Cancellation
Policy Memo	The DCFO policy memorandum, "Strategy and Implementation Guidance for General Equipment Valuation," dated March 14, 2016, was incorporated into this chapter and cancelled.	Cancellation
Policy Memo	The DCFO policy memorandum, "Requests to Increase Capitalization Thresholds," dated March 14, 2014, was incorporated into the chapter as applicable.	*
Policy Memo	The DCFO and Director, Acquisition Resources and Analysis, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics policy memorandum, "Elimination of Military Equipment Definition and Increase to Capitalization Thresholds for General Property, Plant and Equipment," dated September 20, 2013, was incorporated into this chapter as applicable.	*

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Policy Memo	The DCFO policy memorandum, "Financial Statement Responsibility for Reporting Military Equipment under the Operational Control of Another Entity," dated March 6, 2012, was incorporated into this chapter and cancelled.	Cancellation

* Cancellation of the policy memo is not applicable with this publication.

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*CHAPTER 25

GENERAL EQUIPMENT

1.0 GENERAL (2501)

1.1 Overview (250101)

This chapter prescribes Department of Defense (DoD) accounting policy for general equipment including Government-Furnished Property (GFP) and Contractor-Acquired Property (CAP) that fall under the category of general equipment, all of which are subsets of general Property, Plant, and Equipment (PP&E).

1.1.1. Description. General equipment, such as Military Equipment (weapon systems), consists of tangible assets that:

1.1.1.1. Have an estimated useful life of two years or more;

1.1.1.2. Are not intended for sale in the ordinary course of operations; and

1.1.1.3. Are acquired or constructed with the intention of being used or being available for use by the entity.

1.1.1.4. Were previously defined as Military Equipment, and before that as National Defense Property, Plant and Equipment (weapon systems).

1.1.2. Characteristics of General Equipment. General equipment items are used in providing goods or services, or support the mission of the entity, and typically have one or more of these characteristics:

1.1.2.1. The item could be used for alternative purposes (e.g., by other DoD or federal programs, state or local governments, or nongovernmental entities), but it is used to produce goods or services, or to support the mission of the entity;

1.1.2.2. The item is used in business-type activities which are defined as a significantly self-sustaining activity which finances its continuing cycle of operations through collection of exchange revenue; and/or

1.1.2.3. The item is used by entities in activities whose costs can be compared to those of other entities performing similar activities (e.g., federal hospital services in comparison to commercial hospitals).

1.2 Purpose (250102)

This chapter prescribes DoD accounting policy for general equipment including GFP and CAP that fall under the category of general equipment, all of which are subsets of general PP&E. The applicable general ledger accounts are listed in the United States Standard General Ledger (USSGL) contained in Volume 1, Chapter 7, and the accounting entries for these accounts are specified in the ***DoD USSGL Transaction Library***. Unless otherwise stated, this chapter is applicable to all DoD Components, both General Fund and Working Capital Fund (WCF) activities.

1.3 Authoritative Guidance (250103)

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

1.3.1. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Concepts ***(SFFAC) 5***, "Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements";

1.3.2. FASAB ***SFFAC 7***, "Measurement of the Elements of Accrual-Basis Financial Statements in Periods after Initial Recording";

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

1.3.4. FASAB ***SFFAS 4***, "Managerial Cost Accounting Standards and Concepts";

1.3.5. FASAB ***SFFAS 6***, "Accounting for Property, Plant, and Equipment";

1.3.6. FASAB ***SFFAS 23***, "Eliminating the Category National Defense Property, Plant, and Equipment";

1.3.7. FASAB ***SFFAS 40***, "Definitional Changes Related to Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards 6, Accounting for Property, Plant, and Equipment";

1.3.8. FASAB ***SFFAS 42***, "Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32";

1.3.9. FASAB ***SFFAS 44***, "Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use";

1.3.10. FASAB ***SFFAS 50***, "Establishing Opening Balances for General Property, Plant and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35";

1.3.11. FASAB ***SFFAS 55***, "Amending Inter-entity Cost Provisions";

1.3.12. FASAB ***Technical Bulletin 2017-2***, "Assigning Assets to Component Reporting Entities";

1.3.13. FASAB Technical Release ***(TR) 13***, "Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment";

1.3.14. FASAB ***TR 14***, "Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment";

1.3.15. FASAB ***TR 15***, "Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation";

1.3.16. FASAB ***TR 17***, "Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment";

1.3.17. FASAB ***TR 18***, "Implementation Guidance for Establishing Opening Balances";

1.3.18. FASAB ***Staff Implementation Guidance 23.1***, "Guidance for Implementation of SFFAS 23, Eliminating the Category National Defense Property, Plant, and Equipment: Classification of Items Formerly Considered National Defense PP&E";

1.3.19. FASAB ***Staff Implementation Guidance 6.1***, "Clarification of Paragraphs 40-41 of SFFAS 6, Accounting for Property, Plant, and Equipment, as Amended";

1.3.20. Office of Management and Budget ***Circular A-136***, "Financial Reporting Requirements";

1.3.21. Federal Acquisition Regulation ***(FAR)***;

1.3.22. Defense FAR Supplement ***(DFARS)***;

1.3.23. DFARS Procedures, Guidance, and Information ***(PGI)***;

1.3.24. DoD Instruction ***(DoDI) 5000.02***, "Operation of the Defense Acquisition System";

1.3.25. ***DoDI 5010.40*** "Managers' Internal Control Program Procedures";

1.3.26. ***DoDI 5000.64***, "Accountability and Management of DoD Equipment and Other Accountable Property";

1.3.27. DoD Manual ***(DoDM) 4160.21***, "Defense Materiel Disposition: Disposal Guidance and Procedures";

1.3.28. Title 40, United States Code, section 571 (***40 U.S.C. § 571***) – Public Buildings, Property, and Works; Subtitle 571 – General Rules for Deposit and Use of Proceeds; and

1.3.29. United States Department of the Treasury (Treasury) Financial Manual ***(TFM) Volume 1, Part 2, Chapter 4700*** "Agency Reporting Requirements for the Financial Report of the United States Government."

2.0 ACCOUNTING FOR GENERAL EQUIPMENT (2502)

2.1 Definitions (250201)

2.1.1. CAP. CAP is property acquired, fabricated, or otherwise provided by the contractor for performing a contract and to which the Government has title. CAP may be equipment, material, special tools, and special test equipment.

2.1.2. Constructive Delivery. Delivery that is inferred to have taken place from the conduct of the parties (such as when one transfers a title to another) involved in a transaction, even if the physical delivery did not take place. Constructive delivery must be based on the terms of the contract regarding shipping and/or delivery.

2.1.3. General Equipment. General equipment refers to tangible items that are used by DoD in providing goods and services.

2.1.3.1. General equipment items are those items that:

2.1.3.1.1. Are durable and have a useful life of two years or more;

2.1.3.1.2. Are not intended for sale in the ordinary course of operations;

2.1.3.1.3. Are not held in anticipation of physical consumption;

2.1.3.1.4. Are functionally complete and ready to use for their intended purpose; and

2.1.3.1.5. Do not ordinarily lose their identity or become a component part of another asset when put into use.

2.1.3.2. GFP and CAP that meet the criteria of subparagraphs 250201.A.1.a through 250201.A.1.e are general equipment.

2.1.3.3. General equipment excludes internal use software. However, any computer software that is integrated into (embedded) and necessary to operate equipment (rather than perform an application) will be considered part of the general equipment item of which it is an integral part. Embedded software is not classified as internal use software. Guidance relating to software that is not integrated, i.e., internal use software is contained in Chapter 27.

2.1.3.3.1. An Automated Data Processing (ADP) system, including Information Technology Systems, for accounting and financial statement reporting purposes consists of dedicated equipment or components linked together and used in the performance of a service or function in support of a mission of a DoD Component, command, or installation. This definition should not be confused with budgetary or property accountability policy and/or regulations which may be different. ADP systems for the purpose of this definition and the requisite accounting treatment are typically referred to as mainframe or minicomputer systems and generally, do not include personal computers (PCs) linked to a central server and used in an office environment. ADP systems must be capitalized and depreciated when the total cost of the system (considering the individual components as a whole system) equals or exceeds the applicable DoD capitalization threshold (see subparagraph 250204.D) and has an expected useful life of two years or more.

2.1.3.3.2. PCs that are not organic to an ADP system (attached PCs and used solely for the operation of the ADP system) are excluded from the accounting and financial statement reporting definition of an ADP system. The cost of such PCs, therefore, is not included in the capitalized cost of an ADP system. Such nonorganic PCs must be recognized in accordance with the guidance prescribed in paragraph 250204.

2.1.3.4. Items that had previously been classified as Military Equipment, i.e., weapon systems and related support equipment, are now classified as general equipment. Weapon systems are those items that are intended to be used by the Armed Forces to carry out battlefield, intelligence, or surveillance missions; examples include combat aircraft, pods, combat ships, support ships, satellites, and combat vehicles.

2.1.3.4.1. Weapon systems do not ordinarily lose their identity or become component parts of another article; and are available for the use of the reporting entity for their intended purpose.

2.1.3.4.2. Intangible items, such as software, are not considered weapon systems; however, computer software that is integrated into (embedded) and necessary to operate weapon systems (rather than perform an application) must be considered part of the weapon system of which it is an integral part.

2.1.3.4.3. Weapon systems are generally functionally complete and must be valued based on the cost of the final assembly, including the cost of embedded items.

2.1.4. GFP. GFP is property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract. GFP includes, but is not limited to equipment, material, special tools, special test equipment, spares and property furnished for repair, maintenance, overhaul, or modification.

2.1.5. Indirect Project Costs. Costs incurred, such as construction administration, legal fees, and various office costs, that clearly relate to projects under development or construction.

2.1.6. Material. Material is property that may be consumed or expended during the performance of a contract, component parts of a higher assembly, or items that lose their individual identity through incorporation into an end item. Material does not include equipment, special tooling, or special test equipment.

2.1.7. Materiality. Materiality, as defined by the SFFAS 1, is the degree to which an item's omission or misstatement in a financial statement makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

2.2 Relevant USSGL Accounts (250202)

2.2.1. Construction-in-Progress (USSGL 172000). The Construction-in-Progress (CIP) account is used to accumulate the costs of new construction of general PP&E (except for internal use software for which capitalized development costs are accumulated in USSGL 183200 - Internal Use Software in Development Account) and capital improvements while the asset is under construction. CIP accounts include all costs (i.e., direct labor, direct material, supervision, inspection and overhead) incurred in construction. Upon completion, these costs will be transferred to the appropriate general PP&E account. See subparagraph 250204.G for a discussion of the CIP process.

2.2.2. Equipment (USSGL 175000). The Equipment account is used to record the capitalized cost of tangible equipment items of a durable nature that are used by DoD in providing goods and services. This account excludes internal use software but includes the cost of computer software that is integrated into (embedded) and necessary to operate the equipment of which it is an integral part.

2.2.3. Accumulated Depreciation on Equipment (USSGL 175900). The Accumulated Depreciation on Equipment account is used to record the amount of accumulated depreciation charged to expense for assets recorded in the Equipment account (USSGL 175000). See paragraph 250206 for guidance on calculating and recording depreciation.

2.3.4. General Property, Plant, and Equipment Permanently Removed but Not Yet Disposed (USSGL 199500). The General Property, Plant, and Equipment Permanently Removed but Not Yet Disposed account is used to record the value of general PP&E assets which have been permanently removed from service. Upon permanent removal from service, general PP&E assets must be recorded at their expected net realizable value (NRV) and must cease to be depreciated. See paragraph 250208 for guidance on reporting general PP&E assets which have been permanently removed from service.

2.3.5. Depreciation, Amortization and Depletion (USSGL 671000). The expense recognized by the process of allocating costs of an asset (tangible or intangible) over the period of time benefited or the asset's useful life is recorded in this account.

2.3 Acquisition/Valuation (250203)

2.3.1. Recorded Cost. When acquiring a general equipment item, the recorded cost must be recognized in accordance with paragraph 250204. The recorded cost of general equipment items is the basis for computing depreciation. The recorded cost must include all amounts paid to bring the equipment to its form and location suitable for its intended use, including the costs of any embedded items and/or integral software plus ancillary costs. This subparagraph defines and prescribes the use of acquisition cost, net book value, fair value, and recorded cost when recording the cost of newly acquired general equipment assets. The funding source (e.g., appropriation and WCFs) is not a factor in determining whether or not an item should be capitalized.

2.3.1.1. Acquisition Cost. For the purposes of this chapter, acquisition cost refers to the original purchase, construction, or development cost; net of (less) any purchase discounts. Purchase discounts lost and late payment interest expenses must not be included as a cost of the asset; rather, such costs must be recognized as operating expenses. Although the measurement basis for valuing general equipment remains historical cost, reasonable estimates maybe used to establish the historical acquisition cost for general equipment as described in SFFAS 6 as amended by SFFAS 50.

2.3.1.2. Net Book Value. Net Book value is the recorded cost of a general equipment asset, less its accumulated depreciation.

2.3.1.3. Fair Value. Fair value is the amount at which an asset or liability could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

2.3.1.4. Ancillary Cost. Ancillary costs are included in the recorded cost in addition to the acquisition cost of the asset. These costs are identifiable and necessary to bring the asset to its form and location suitable for its intended use including other direct and indirect costs. Examples include:

2.3.1.4.1. GFP installed in end items (e.g., engines installed in aircraft);

2.3.1.4.2. An appropriate share of the cost of Government-furnished materials used in the production of end items;

2.3.1.4.3. Transportation charges to the point of initial use;

2.3.1.4.4. Handling and storage costs;

2.3.1.4.5. Labor and other direct or indirect production costs (for assets produced or constructed);

2.3.1.4.6. Engineering and other outside services for designs, plans, specifications, and surveys;

2.3.1.4.7. An appropriate share of the cost of the equipment and facilities used in construction work;

2.3.1.4.8. Acquisition and preparation costs of equipment;

2.3.1.4.9. Direct costs of inspection, supervision, and administration of construction contracts and construction work;

2.3.1.4.10. Allowable direct cost of maintaining the Program Management Office, if material;

2.3.1.4.11. Legal and recording fees and damage claims;

2.3.1.4.12. Fair value of equipment donated to the DoD;

2.3.1.4.13. Interest paid directly to providers of goods or services related to the acquisition or construction (not including late payment interest penalties); and

2.3.1.4.14. A prorated share of non-recurring cost associated with the production of the equipment. A non-recurring cost is an unusual charge, expense, or loss that is unlikely to occur again in the normal course of business. Non-recurring costs include write-offs, fire or theft losses, and losses on sales of assets.

2.3.2. Method of Acquisition or Transfer Determines Recorded Cost

2.3.2.1. Purchased Equipment. The cost to be recorded for general equipment items acquired by purchase from a third party (private, commercial, or state or local government) is its purchase contract cost plus applicable ancillary costs. Examples of ancillary costs are included in the listing in subparagraph 250203.A.4. For purposes of this guidance, purchase includes procurements of general equipment by cash, check, or installment or progress payments on contracts.

2.3.2.2. Constructed Equipment. The cost to be recorded for constructed general equipment items is the sum of all the costs incurred to bring the item(s) to a form and condition suitable for their intended use. These include costs incurred after project design authorization for actual construction such as labor, materials, and overhead costs (see Annex 1 for a list and description of the costs to be accumulated for constructed items). Note that preliminary planning costs accumulated prior to design authorization must be expensed and not be captured as part of the recorded cost of constructed items. The cost of general equipment under construction must be recognized in accordance with the CIP guidance prescribed in subparagraph 250204.G.

2.3.2.3. Donated Equipment. The cost to be recorded for general equipment acquired through donation, execution of a will, or judicial process excluding forfeiture must be its estimated fair value at the time acquired by the DoD.

2.3.2.4. Exchanged Equipment. The cost to be recorded for general equipment acquired through exchange between the DoD and a nonfederal entity is the fair value of the consideration surrendered at the time of exchange. If the fair value of the equipment acquired is more readily determinable than that of the consideration surrendered, the cost will be the fair value of the equipment acquired. If neither fair value can be determined, the cost of the equipment acquired will be the cost recorded for the consideration surrendered, net of any accumulated depreciation. Any difference between the net recorded amount of the consideration surrendered and the cost of the equipment acquired must be recognized as a gain or loss. In the event that cash consideration is included in the exchange, the cost of general equipment acquired will be increased by the amount of cash consideration surrendered or decreased by the amount of cash consideration received. If the DoD Component enters into an exchange in which the fair value of the equipment acquired is less than that of the consideration surrendered, the equipment acquired will be recognized at the amount of the consideration surrendered, as described previously and subsequently reduced to its fair value. A loss must be recognized in an amount equal to the difference between the amount of the consideration surrendered for the equipment acquired and its fair value. This guidance on exchanges applies only to exchanges between a DoD Component and a nonfederal entity. Exchanges between a DoD Component and another DoD Component or Federal agency must be accounted for as a transfer.

2.3.2.5. Capital Leases. The recorded cost of general equipment acquired under a capital lease is the present value of the rental and other minimum lease payments during the lease term, excluding that portion of the payments representing executory cost (e.g., insurance, maintenance and taxes) to be paid by the lessor. The present value is the value of future cash flows (e.g., lease payments) discounted to the present at a certain interest rate (such as the reporting entity's cost of capital), assuming compound interest. However, if the amount so determined exceeds the fair value of the leased property at the inception of the lease, the amount recorded will be the fair value. If the portion of minimum lease payments representing executory cost is not determinable from the lease provisions, the amount should be estimated.

2.3.2.6. Seized and Forfeited Equipment. The cost recorded for general equipment acquired through seizure or forfeiture is its fair value, less an allowance for any liens or claims from a third party.

2.3.2.7. Vested and Seized Property During Contingency Operations. See Volume 12, Chapter 29, for discussion of vested and seized property during times of contingency operations.

2.3.2.8. Transferred Equipment. Transfers of equipment must adhere to the following:

2.3.2.8.1. Generally, the cost recorded for general equipment transferred from another DoD Component or Federal agency is the cost recorded on the transferring entity's books for the general equipment, net of any accumulated depreciation (i.e., net book value). If the receiving DoD Component cannot reasonably ascertain those amounts, the cost of the asset will be its fair value at the time of transfer. Accountability for general equipment can be transferred between entities in accordance with DoDI 5000.64 and financial reporting responsibilities will follow. Both parties must agree to the transfer and the agreement must be documented using the appropriate documentation (e.g., DoD (DD) Form 1348-1A, DLMS 856S, or DD Form 1149). Each DoD Component has execution responsibility to ensure that requisite tasks are being completed in a timely manner for all transfers.

2.3.2.8.2. When completing a transfer, the transferring DoD Component, is required to provide financial reporting information to the receiving DoD Component whenever the asset is transferred throughout the asset lifecycle. When transfers are implemented, supporting documentation which includes financial reporting information, trading partner information, and associated data elements must be provided. These data elements include, but are not limited to, Name, Unique Identifier, Status, General Ledger Classification, Value, Estimated Useful Life, Date Placed in Service, and Transaction Date. If this information is not available, the receiving and transferring entities must develop and document an estimate to support the financial transfer of the asset. See Volume 12, Chapter 14, for further policy on transfers of DoD general equipment between Military Departments.

2.3.2.8.3. Within DoD Components, there are different capitalization thresholds. For transferred equipment between DoD Components if an asset was capitalized at acquisition, it will continue to be capitalized and depreciated after transfer regardless of the new financial reporting entity's capitalization threshold. If an asset was expensed at acquisition, it will not be capitalized and depreciated after transfer to the new financial reporting entity, even if the new financial reporting entity has a lower capitalization threshold than the original entity that acquired the asset. The transferring DoD Component will remove the transferred general equipment from its Accountable Property System of Record (APSR) and the receiving DoD Component will include the item in its APSR as accountable general equipment.

2.3.2.9. Equipment Acquired by Trade-In. The cost to be recorded for general equipment acquired when trading in another general equipment asset is the sum of the net book value of the asset(s) traded plus (minus) any cash paid (received) or liabilities assumed (relinquished) for the new asset. The net book value is the recorded cost of a general equipment asset, less its accumulated depreciation.

2.3.2.10. CAP. The recorded cost for general equipment acquired as CAP will be in accordance with the contractual arrangement used to acquire the item as follows:

2.3.2.10.1. For fixed price type line, subline, or exhibit line items, the unit price identified in the contract at the time of delivery;

2.3.2.10.2. For cost type or undefinitized line, subline, or exhibit line items, the contractor's estimated fully burdened unit cost to the Government at the time of delivery; and

2.3.2.10.3. For items delivered under a time and materials contract, the contractor's estimated fully burdened unit cost to the Government at the time of delivery.

2.3.3. Documentation. When recording the acquisition of a general equipment item in the APSR and/or accounting system, the item must be assigned a dollar value (i.e., recorded cost) as detailed in this chapter. The dollar value must be supported by appropriate documentation. A complete discussion of supporting documentation can be found at paragraph 250302.

2.4 Recognition (250204)

All general equipment items acquired by DoD Components must be recognized for accountability in accordance with DoDI 5000.64 and financially reported as required by this guidance. Recognition requires the appropriate accounting treatment (expense or capitalization with depreciation) and the reporting of capitalized amounts and accumulated depreciation on the appropriate DoD Component's financial statements.

2.4.1. Recognition Responsibility. Financial reporting responsibility for a given general equipment asset will reside with the same entity that has accountability for that asset as defined in DoDI 5000.64, including the responsibility for recording the asset in the DoD Component's APSR. In most cases, the entity with accountability and financial reporting responsibility for in-service general equipment will be the funding entity acquiring the asset for use in its operations. While financial reporting begins while the asset is under construction, physical accountability for the asset begins at the point of receipt, delivery, or acceptance. See Annex 3 for illustrative examples of financial reporting responsibilities for general equipment and related journal entries.

2.4.1.1. The base asset and all capital improvements to the base asset will be reported by the same reporting entity in order to maintain consistency between the financial reporting and the physical assets.

2.4.1.2. In cases where accountability changes from one entity to another, the financial reporting of the asset will transfer with the accountability of the asset. When transferring financial reporting responsibility for assets, supporting documentation for assets is required as described in subparagraph 250203.B.8.

2.4.1.3. Financial reporting responsibility for the asset also includes all aspects of financial reporting and disclosures such as, but not limited to, footnote disclosures, deferred maintenance and repair (DM&R), and other required supplemental information (RSI).

2.4.1.4. DoD Components must follow existing DoDIs for establishing and maintaining accountability for general equipment assets using their APSRs.

2.4.1.5. All DoD Components who are responsible for the financial reporting of an asset should be prepared to support the financial statement assertions. These assertions include: existence and completeness, rights and obligations, accuracy and valuation, occurrence, and presentation and disclosure.

2.4.1.6. CAP must be recognized by the funding DoD Component as general equipment when the item is delivered and accepted by the DoD Component or an authorized representative thereof in accordance with the terms and conditions of the contract. Until acceptance, constructive delivery of the CAP item and its cost will be recognized in the CIP account. Delivery and acceptance of CAP will be in accordance with ***DFARS PGI 245.402-71***.

2.4.1.7. A capital improvement that is funded by the same entity that reports the base asset will also be reported by that same entity by first accumulating the costs of the improvement in a CIP account and then transferring those costs to the same account as the base asset when the improvement goes into service. However, if the entity that funds the improvement is different than the entity that reports the base asset the following applies:

2.4.1.7.1. The entity or entities funding the improvement will accumulate the cost of the improvement in their CIP account(s) until the implementation of the improvement is complete.

2.4.1.7.2. When the improvement is placed in service, the CIP will be relieved by the funding organization(s) and the improvement will be recognized as a general equipment asset by the funding organization(s). The cost of the improvement will then be transferred and reported by the entity that has reporting responsibility for the base asset (see Annex 3, subparagraph A30103 for illustrative examples and journal entries).

2.4.1.7.3. The accounting objective is that the base asset and all capital improvements made to the base asset are reported by the same entity. The rationale for maintaining the base asset with the cost of the improvement is to maintain assets and their improvements on the same financial statements.

2.4.1.8. If a DoD general equipment asset is identified on site that is not recorded in the APSR of the local DoD Component, it is the local DoD Component's responsibility to identify who has accountability for the asset. In this instance, the local DoD Component is defined as the DoD Component that the general equipment asset in question is residing closest in distance. For example, if the general equipment was in a building operated by the Defense Logistics Agency (DLA), then DLA would be the local DoD Component. Another example would be, if the general equipment were located on a yard maintained by the Navy, then the Navy would be the local DoD Component. It should be noted that it will not be uncommon for certain types of assets to be under the accountability of a DoD Component that is not the local DoD Component. When this situation occurs it will be critical for the local DoD Component and the accountable DoD Component to have a clear understanding of accountability of the general equipment asset, and ensure that the general equipment asset is recorded in the appropriate APSR. The accountable entity is required to inventory property in accordance with DoDI 5000.64 as well as have the proper internal controls in place to support Property Management in accordance with DoDI 5010.40. These elements will assist the accountable DoD Component with maintaining accountability of assets in their APSR. For audit purposes, if there are general equipment assets for which the local DoD Component is not accountable, it may be beneficial to maintain a listing of those assets and their respective accountable DoD Components.

2.4.1.9. Assets on loan or assets under temporary or stewardship control of another entity will not result in a transfer of accountability or financial reporting. The entity with stewardship control must maintain supporting documentation (e.g., hand receipt, Memorandum of Understanding) that identifies them as having physical control, but not financial reporting responsibility, and provide it to the accountable entity. Additionally, the custodial entity must support any audit requests from the accountable entity related to property in their control.

2.4.2. Recognition Uncertainty. It is important that the overall accounting records of the DoD and the Federal Government are not duplicative.

2.4.2.1. In situations where doubt exists as to which DoD Component should recognize an item, DoD Components involved must reach agreement with the other applicable DoD Components or Federal agencies as to which entity will record the item for financial reporting purposes.

2.4.2.2. Disputes between DoD Components regarding accountability for an asset under DoDI 5000.64 guidelines may be resolved by contacting the Office of the Deputy Assistant Secretary of Defense for Logistics.

2.4.3. Recognition Timing. Recognition of general equipment for financial reporting purposes must occur upon delivery and acceptance to the acquiring DoD Component even though title passage can occur either at the time of delivery or at an earlier contractually specified date. For weapon systems the recognition date will normally be the date source shown on the Invoicing, Receipt, Acceptance, and Property Transfer (iRAPT) receiving report.

2.4.3.1. Upon delivery or constructive delivery, the cost of general equipment items must be capitalized in the appropriate USSGL equipment account if the delivery is for finished goods; if the delivery is not for finished goods, the costs must be accumulated in the CIP USSGL account by the funding DoD Component, assuming the estimated total costs will reach the capitalization threshold. DoD Components must estimate whether the total cost will reach the capitalization threshold and if not, document and expense costs as they are incurred. Upon the date the asset is placed in service, the CIP will be relieved by the funding entity, and a depreciable asset will be recognized. In cases where there are multiple DoD funding entities, the entity with accountability according to DoDI 5000.64 will become the financial reporting entity and record the completed asset at full cost in their APSR. See subparagraph 250203.B.8 for details on transfers of in-service assets. Such transfers must be recorded in the same month that the asset was removed from CIP and placed in service (see Annex 3 for illustrative examples and journal entries). The property must be accounted for in the APSR regardless of whether it is capitalized or expensed subject to the accountability requirements set out in DoDI 5000.64.

2.4.3.2. For general equipment acquired by a contractor on behalf of a DoD Component (i.e., CAP), the assets must be recognized upon delivery or constructive delivery, whether to the contractor for use in performing the service or to the DoD Component. Delivery or constructive delivery will be based on the terms of the contract regarding delivery, receipt, and acceptance in accordance with DFARS PGI 245.402-71. Contract financing payments for work performed (e.g., progress payments, performance-based payments, and commercial interim payments) made to a contractor prior to delivery or constructive delivery must be recorded in the CIP account until the goods are received, assuming estimated total costs will reach the capitalization threshold. Upon completion and contractual delivery of general equipment CAP to the Government, the CAP should either be capitalized in the appropriate USSGL account or, if the CAP does not meet the capitalization threshold, such item should be recorded in the appropriate expense account. DoD Components must estimate whether the total costs of the item under construction will reach the capitalization threshold and if not, document and expense costs as they are constructed. See subparagraph 250204.G for guidance on the use of the CIP account.

2.4.4. Capitalization Thresholds. The current capitalization threshold for general equipment is $1 million for the Department of Air Force and the Department of Navy general funds; $1 million for the National Security Agency and the Office of the Director of National Intelligence reporting entities; and $250,000 for all other DoD Component general funds and WCFs. A general equipment item with a recorded cost that equals or exceeds the applicable capitalization threshold and has a useful life of at least two years must be capitalized as an asset in the appropriate DoD Component's accounting records and depreciated over its useful life. A general equipment item with a recorded cost below the applicable capitalization threshold or which has a useful life of less than two years must be expensed, with the exception of general equipment items acquired as part of a qualifying bulk purchase. See subparagraph 250204.F for guidance on bulk purchases.

2.4.5. CAP. All special tooling, special test equipment or equipment items meeting or exceeding the appropriate capitalization threshold with a useful life of at least two years must be capitalized at the time of delivery. Per SFFAS 6, general equipment should be recognized when title passes to the acquiring entity or when the general equipment is delivered to the entity or to an agent of the entity. Delivery or constructive delivery should be based on the terms of the contract regarding shipping and/or delivery. For general equipment acquired by a contractor on behalf of the DoD Component where the Government will ultimately hold title to the equipment, the equipment should be recognized upon delivery or constructive delivery whether to the contractor for use in performing services or to the entity. In the case of constructed equipment, the costs should be accumulated in the CIP USSGL account until the item is delivered, at which time the costs should be transferred from the CIP account to the appropriate equipment USSGL account. An accountable property record in the appropriate APSR for CAP should be established upon its delivery and acceptance. Valuation of the delivered item should be at the contractor provided fully burdened cost, (i.e., normal or provisional burdens to the direct costs in accordance with the applicable disclosed accounting practices; including an appropriate amount for fee or profit (as reflected in the contract under which the estimate is prepared)) in addition to the direct and indirect costs. Placed in service dates for equipment (e.g., special tooling or special test equipment) will be the date of acquisition by the contractor or date of completed manufacture, if a contractor fabricated the asset.

2.4.6. Bulk Purchases.

2.4.6.1. For accounting consideration purposes, a bulk purchase is a single contractual/purchase arrangement of multiple like general equipment items within a fiscal year. For bulk purchases made on a single multiple year contractual/purchase arrangement, purchases should be aggregated and evaluated on an individual fiscal year basis. Each DoD Component should evaluate whether the amounts of bulk purchases are considered material. This evaluation should be documented in writing. Each DoD Component should establish guidance on applying DoD capitalization thresholds to their bulk purchases.

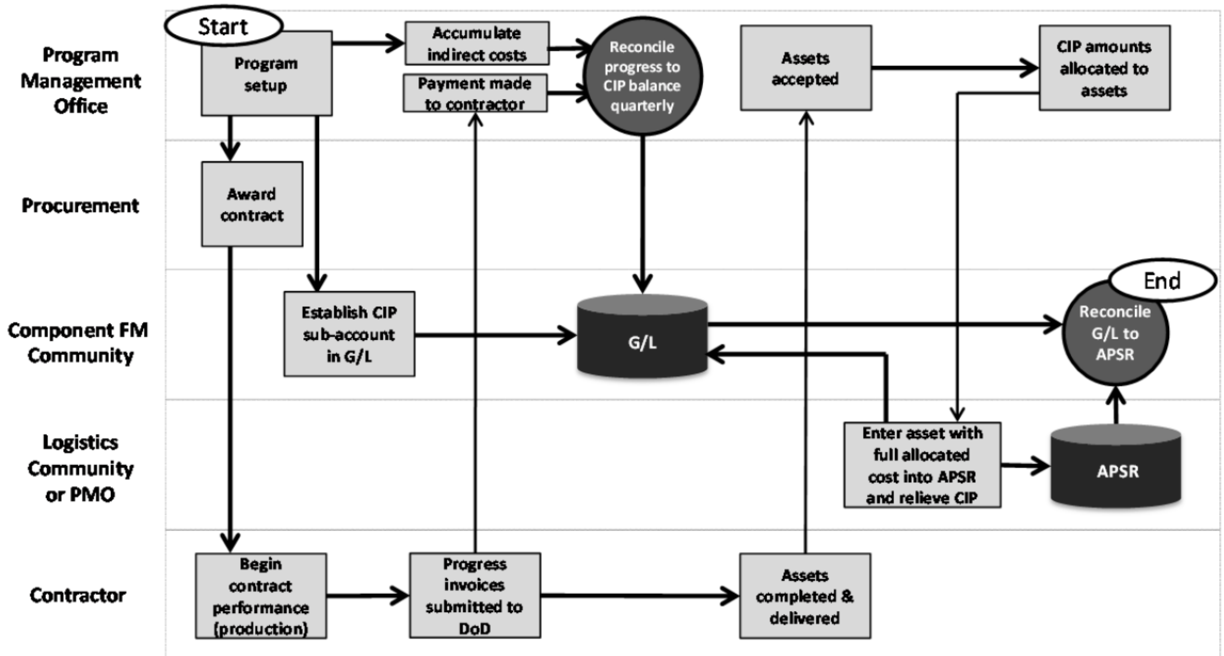
2.4.6.2. The DoD Component evaluation should consider whether period costs on the Statement of Net Costs would be materially overstated and/or asset values on the Balance Sheet would be materially understated by expensing bulk purchases. Determining materiality requires appropriate and reasonable professional judgment. In making such a judgment, the DoD Component may review, for example, recent fiscal year bulk purchases, and consider if such purchases are likely to trend in a similar buying pattern in the current and subsequent years based on their understanding of the DoD Component's specific operational and mission needs. Based on a quantitative analysis aggregating bulk purchases from prior fiscal years, the DoD Component may compare these amounts to recorded amounts on the Balance Sheet and expenditures in the Statement of Net Costs to determine whether such amounts will or will not be considered material in the current fiscal year.

2.4.6.3. In the instance where more than one DoD Component has the authority to place orders under the same contractual/purchase arrangement, they should evaluate only those orders they fund for purposes of the bulk purchase evaluation and not those funded by other DoD Components.

2.4.7. CIP Process.

2.4.7.1. Constructed general equipment must be recorded in the CIP USSGL account until it is placed in service at which time the balance must be transferred to the general equipment USSGL account. Capital expenditures or progress payments paid to contractors, for general equipment being manufactured or constructed, are to be recorded in a CIP account. Reporting entities must be able to capture and accumulate capital costs separately for each acquisition program or acquisition contract. As completed assets are delivered and accepted by DoD or constructive delivery occurs, capital costs will be relieved from the CIP account and transferred to the general equipment asset account. See Figure 25-1 for the typical steps involved in the CIP process for construction to completion of the asset.

Figure 25-1. CIP Process Flow



Note: Asset acquisition cost based on financial transactions and cost allocation (SFFAS 6)

2.4.7.2. Advance Payments, as defined in ***FAR 32.202-2***, are to be recorded in an advance account until the end items are delivered. Advances should be recorded to USSGL 141000, "Advances and Prepayments." All other contract financing payments must be recorded as CIP. CIP must reflect actual progress on the contract. To ensure that CIP amounts reflect actual progress on the contract, DoD Components must perform a periodic reconciliation (at least quarterly) between amounts recorded in CIP and the actual progress on the contract. Generally, the reconciliation should be performed by the DoD Contracting Officer's Representative. This may require working with the contractor to perform the reconciliation. Costs incurred in excess of finance payments should be reported as a liability.

2.4.7.3. For acquisition programs or acquisition contracts, the contract(s) must be written to reflect the general equipment items being manufactured or constructed. In order to trace commitments, obligations, and expenditures to the general equipment recorded in the DoD Component's accounting records, it is essential that the level of detail in the contract be aligned to the level at which items will be delivered, recorded in the accounting records, and managed. ***DFARS Subpart 204.71*** – Uniform Contract Line Item Numbering System provides specific instructions for the composition of the contract line item numbers (CLINs) and accounting classification reference numbers, which ensures funding citations are appropriately designated for items and services being acquired. Based on the terms of the contract and nature of the item or service being acquired, each CLIN will be determined to be either capital or noncapital. Table 25-1 provides examples of cost types that may be included in a contract and whether those costs would be capitalized or expensed.

Table 25-1. Examples of Cost Types and Accounting Treatment

Acquisition Deliverable	Accounting Treatment
Air Vehicle	Capitalize the cost, if the full cost is greater than the capitalization threshold and a useful life of two years or more Expense the cost, if the full cost is less than the capitalization threshold
Research, Development, Test and Evaluation (RDT&E)*	Expense costs*
Acquired Data	Expense costs
Support Equipment	Capitalize the cost, if the full cost is greater than the capitalization threshold and a useful life of two years or more Expense the cost, if the full cost is less than the capitalization threshold
Initial Spares and Repair Parts	Report as Inventory for WCF activities or Operating Materials and Supply for general fund activities in accordance with Chapter 4
* RDT&E costs, which are typically expensed, will be capitalized if they are associated with the production of functional end items that will be placed in service or have alternative future uses.	

2.4.7.4. A CIP account will be created following the decision to proceed with an acquisition program granted at Milestone C (design authorization) as described in DoDI 5000.02 and the successful completion of the funding authorization document. When a DoD entity is constructing an item for another DoD entity on a cost reimbursable basis, the constructing entity must accumulate all costs since project inception in a CIP account until the costs are billed to the funding entity. The billed costs in such a scenario must be removed from the CIP account of the DoD constructing entity when billed to the funding entity and the funding entity must record such billed amounts in their appropriate CIP account.

2.4.7.5. DoD Components must assign a service unique project number to each approved acquisition project when the CIP account is created to accumulate costs. When portions of CIP for the same construction project are performed by multiple entities, the same project number must be used for all phases of the construction project regardless of the performing entity.

2.4.7.6. All costs to be capitalized for a construction project will be accumulated in the CIP account of the funding entity. A reasonable allocation methodology should be established to assign project costs (including non-recurring costs as described in 250203.A.4.m) to the end items received and accepted by the DoD Component and placed into service. Any indirect project costs must be allocated across CIP accounts periodically as they are incurred, and no later than the date the items are placed in service based on the direct cost of each constructed item as a percentage of the total direct cost of all constructed items in the project. Thus, the full cost of constructed items can be adequately captured and reported. Allocation and cost identification are addressed in Chapter 19.

2.4.7.7. The DoD entity constructing the item must continue to report CIP on their financial statements until the constructed item is accepted by the accountable DoD Component or its agent. The minimum information associated with the CIP amount reported for financial statement preparation purposes must include the DoD Component's project number, project fund code(s), project detail cost, project detail organization code(s), and programmed amount. For a specified project and for the purpose of an audit trail of the CIP account, the Government's project construction agent and the DoD constructing entity must retain the supporting documentation for their respective portion(s) of the project to which they have fiscal accountability. For additional information regarding representative documentation for a construction project, refer to paragraph 250302. Upon acceptance of constructed items, the Government's project construction agent and the DoD constructing entity must provide the accountable property officer with the legible copies of auditable supporting documentation that must be provided, along with their location. The accountable property officer, in turn, must ensure the documentation is retained in accordance with applicable laws, regulations, and instructions.

2.4.7.8. When constructed items are accepted, the costs accumulated in the CIP account must be relieved (i.e., transferred to the appropriate general PP&E account). To ensure constructed items are recorded at full cost, the recorded cost of the item(s) accepted must equal the sum of all the costs incurred to bring the item(s) to a form and condition suitable for their intended use. These include costs incurred after project design authorization for actual construction such as labor, materials, and overhead costs (see Annex 1 for a list and description of the costs to be accumulated for constructed 090385items). In addition, the funding entity of a construction project must ensure that all costs incurred by the funding entity are provided to its construction agent on a formal document for inclusion in the full cost of the item(s).

2.4.7.9. If a construction project is cancelled, each cost accumulated in the associated CIP account must be expensed. When a portion of a project is cancelled or decreased in scope, the cost directly associated to that portion of the project, and an allocated portion of the common cost in the CIP, must be expensed. All projects deferred for more than two years must be reviewed for continuance or cancellation during the review cycle.

2.4.8. Accounting for General Equipment Outside of the United States. As used in this chapter, "United States" means the 50 States of the United States, the District of Columbia, and the commonwealths, territories, and possessions of the United States. In carrying out their mission, operations and objectives, there are circumstances in which DoD Components use general equipment outside of the United States. DoD's rights to general equipment outside of the United States may be different from those within the United States. For financial reporting purposes, a DoD Component that uses general equipment outside of the United States must adhere to the following guidance:

2.4.8.1. A DoD Component will recognize a general equipment asset on its financial statements in accordance with the guidance provided throughout the other provisions of this chapter if the DoD Component purchases the general equipment asset outside of the host nation/foreign country to which it is bringing the general equipment.

2.4.8.2. If a DoD Component both purchases and uses the general equipment in the foreign country then the DoD Component must evaluate any foreign legal restrictions, or terms of any agreements with the host nation/foreign government to determine the accounting treatment for the general equipment asset as follows:

2.4.8.2.1. If there are no foreign legal restrictions, terms of agreement with the host nation/foreign government or similar barriers for owning general equipment purchased within the foreign country, the DoD Component will account for such general equipment in accordance with the other provisions of this chapter.

2.4.8.2.2. If there are foreign legal restrictions, terms of agreement with the host nation/foreign government or other restrictions that preclude the DoD's ownership of the general equipment imposed by the host nation/foreign government, the DoD Component should estimate the period of time it will use the general equipment in the foreign country. If the estimated period of use is two years or greater and the cost of the general equipment equals or exceeds the capitalization threshold (see subparagraph 250204.D), the general equipment should be capitalized and depreciated over the lesser of the estimated period of use in the foreign country or the useful life in Table 25-2 for the particular type of general equipment.

2.4.8.3. If a general equipment acquisition is not funded/purchased by DoD but instead the general equipment is provided by the host nation/foreign government and the terms and use of the general equipment are set out in an agreement between the DoD Component and the host nation/foreign government, the DoD Component will recognize the general equipment as an asset under capital lease if it meets the lease criteria in Chapter 26.

2.4.8.4. SFFAS 4 and SFFAS 55 address imputed costs between Federal agencies but do not extend to entities outside of the federal context. The concept of imputed costs does not apply to activities between a DoD Component and a host nation/foreign government. Therefore, a DoD Component will not record imputed costs for the use of general equipment, for which it does not pay directly or pay through reimbursement, provided by international organizations (e.g., North Atlantic Treaty Organization) or host nations/foreign governments.

2.4.8.5. The DoD Component must record accountable general equipment it uses in an APSR, including those that have not been capitalized for accounting and financial reporting purposes in accordance with DoDI 5000.64.

2.4.8.5.1. General equipment which do not meet the criteria for capitalization in accordance with subparagraphs 250204.H.1, 250204.H.2 or 250204.H.3 will be expensed in the period acquired or built.

2.4.8.5.2. If the DoD Component does not pay the host nation/foreign government for use of general equipment provided to the DoD Component, then this general equipment will not be reflected in financial statements (other than through note disclosure as described in subparagraph 250305.B).

2.4.8.5.3. All other property attributes and data elements must be entered and maintained in the APSR for all general equipment regardless of the dollar value assigned to the asset.

2.4.8.6. The DoD Component must record an expense for any maintenance and sustainment costs relating to the general equipment paid, or to be paid by them in the period incurred.

2.4.8.7. See also the reporting requirements for disclosure at subparagraph 250305.B.

2.4.9. Accounting Treatment for Long Range Ballistic Missiles.

2.4.9.1. DoD defines the mission of the nuclear arsenal solely as one of deterrence. Under this mission, the useful life of nuclear assets is expected to exceed two years. Therefore, nuclear long range ballistic missiles (including, but not necessarily limited to, Intercontinental Ballistic Missiles and Submarine Launched Ballistic Missiles) which are fully configured and armed in support of this mission should be classified/recorded as general equipment.

2.4.9.2. Long range ballistic missiles which are not a part of a fully configured nuclear armed long range ballistic missile should be classified/recorded as operating materials and supplies, see Chapter 4.

2.5 Capital Improvements/Enhancements (250205)

Capital improvements/enhancements for general equipment are often referred to as modifications, modernizations, upgrades and improvements.

2.5.1. Capital improvements to general equipment must be capitalized when (1) the improvement increases the asset's useful life by two or more years, or increases the assets capability, or increases its capacity or size, and (2) the cost of the improvement equals or exceeds the capitalization threshold (see subparagraph 250204.D). If capital improvements do not meet these two criteria they should be expensed. Funding source (e.g., appropriation and WCFs) is not a factor in determining whether or not an improvement will be capitalized. If the capital improvement increases the underlying general equipment asset's useful life by two years or more, the DoD Component must capitalize and depreciate the improvement with the original general equipment over the revised estimated useful life. Costs of capital improvements that do not extend the useful life of an existing general equipment asset but enlarge or improve its capacity and have a useful life of two years or more must be capitalized and depreciated over the lesser of the estimated useful life of the improvement or the remaining economic estimated useful life of the underlying general equipment asset. Note that the economic life of the asset, in certain instances, may prove to be different than the original estimated accounting useful life. The remaining economic life reflects the remaining period of utility for the equipment.

2.5.2. The cost of improvements to more than one general equipment item as identified by a unique identifier when performed under a single contract or work order, and that cannot be specifically identified by asset, should be capitalized only when the allocated cost per general equipment item equals or exceeds the applicable capitalization threshold and the estimated useful life is two or more years. When more than one improvement is made to a single item and the improvements are part of one overall effort to increase the item's capability, size, and/or useful life, the sum of the costs of the improvements must be capitalized, if the summed costs equal or exceed the applicable capitalization threshold. This is required even when the improvements are funded separately. Once a determination has been made that the aggregate costs of the improvements will be capitalized, each improvement should be capitalized and depreciated upon being placed in service as described in subparagraph 250205.A.

2.5.3. Maintenance and repair costs are not considered capital improvements, regardless of whether the cost equals or exceeds the applicable capitalization threshold. In SFFAS 42, the FASAB defines maintenance and repairs as activities directed toward keeping fixed assets in an acceptable condition. Maintenance and repair activities include preventative maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain assets. Maintenance and repair activities also include cyclic work done to prevent damage that would be more costly to restore than to prevent (e.g., painting). For example, for a wheeled vehicle or an aircraft that has a new engine installed due to the existing engine failing, the cost of the new engine and installation must be expensed even if the new engine provides improved performance and/or longer use.

2.5.4. Although maintenance and repairs are generally expensed in the period incurred, certain replacements of parts, systems, or components may or may not be an improvement for accounting purposes. Crucial to the determination of whether a replacement must be recognized as a repair or an improvement is the intent behind the replacement. Repair by replacement occurs when parts, systems, or components have failed, are in the incipient stages of failing, or are no longer performing the functions for which they were designated. Replacements falling into this category must be expensed. If the replacement was undertaken to improve or extend the life of an item that was in good working order, then the replacement must be recognized as an improvement.

2.6 Depreciation (250206)

2.6.1. The recorded cost of general equipment and capital improvements which have been capitalized in accordance with the guidance prescribed by paragraphs 250204 and 250205 must be depreciated. Such capitalized amounts, as well as associated amounts of accumulated depreciation and depreciation expense, must be reflected in DoD financial statements.

2.6.2. Depreciation is the systematic and rational allocation of the recorded cost of an asset, less its estimated salvage or residual value, over its estimated useful life. Estimates of useful life for general equipment assets must consider factors such as usage, physical wear and tear, and technological change.

2.6.2.1. The salvage value, also known as the residual or scrap value, is the amount that would be expected to be obtained from selling an asset at the end of its useful life, but only when such proceeds (from recycle, resale, or salvage) are permitted to be retained and used by the DoD Component. Typically, general equipment will not have a salvage value. If the asset is to be traded in on a new asset, the salvage value is the expected trade-in value. For purposes of computing depreciation, weapon systems do not have salvage values.

2.6.2.2. The depreciable basis of an asset is the recorded cost reduced by the asset's salvage value (if applicable).

2.6.2.3. For purposes of computing depreciation on DoD general equipment assets, specific useful lives are prescribed. Table 25-2 reflects the useful lives to be used for DoD general equipment, except for certain weapon systems and general equipment assets with a useful life of less than five years.

2.6.2.3.1. DoD policy specifies using the straight line method of depreciation only. However, alternate depreciation methods such as activity based depreciation may be permitted. DoD Components that would like to implement a method of deprecation different from straight line must submit an approved written request from the DoD Component's Accounting Policy Office to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C))/Office of the Deputy Chief Financial Officer (ODCFO) for approval to proceed.

2.6.2.3.2. If a DoD Component determines that a newly acquired general equipment asset costing more than the applicable DoD capitalization threshold has a useful life of at least two years, but less than five years, the DoD Component may elect to depreciate the asset over a useful life that more accurately reflects its useful life (two to four years, as appropriate). The DoD Component making this election must document the basis for that decision.

2.6.2.3.3. If a DoD Component acquires a general equipment asset costing more than the applicable DoD capitalization threshold which has a useful life of at least five years for which the DoD Component determines that a different useful life than that stated in Table 25-2 is justified, they must receive written approval from the DoD Component's Accounting Policy Office prior to deviating from the standards in Table 25-2. The justification must be supported by sufficient evidentiary matter (e.g., an engineering estimate). OUSD(C)/ODCFO is the approving office for the DoD Components other than the Military Departments, unless delegated by the DCFO to the DoD Component.

Table 25-2. DoD Useful Lives for Depreciable General Equipment Including GFP and CAP

Categories	Sub-Categories	Useful Life
GENERAL EQUIPMENT ASSETS (EXCLUDING WEAPON SYSTEMS)		
General Purpose Vehicles		
	Heavy-duty Trucks and Buses	5
ADP Systems and Hardware		
	Computers and Peripherals	5
Communication and Medical Equipment		
	High Tech Medical Equipment	5
	Radio and Television Broadcasting Equipment	5
All Other Equipment and Machinery		
	All Other Equipment and Machinery	10
	Equipment used in Research, Development, Test, and Evaluation (RDT&E)	5
Vessels		
	Tugs	20
	Barges	20
	Similar Water Transportation Equipment	20
Generation Equipment		
	Steam Generation Equipment (12.5K pounds per hour or more)	20
	Electric Generation Equipment (500 Kilowatt or more)	20
Capital Improvements *		
GENERAL EQUIPMENT WEAPON SYSTEMS		
Ground Systems		
	Armored/Assault Vehicle	15
	Cargo Vehicle	15
	Tracked Vehicle	20
Fixed Wing Aircraft		
	Combat Fixed Wing	20
	Cargo Fixed Wing	25
	Utility Fixed Wing	20
Rotary Wing		
	Combat Rotary Wing	25
	Cargo Rotary Wing	25
	Utility Rotary Wing	30
Ships		
	Combat Ship	35
	Cargo Ship	40
	Aircraft Carrier	50
Submarines		
	Submarine	33
Unmanned Aerial Vehicle Systems (UAVS)		
	UAVS	15
Combat Support Systems		
	Combat Support System	15
	Missile Defense System	20
*See Capital Improvements/Enhancements in paragraph 250205.		

2.6.3. The event that triggers the calculation of depreciation is the date of receipt shown on the asset receiving document in cases where no installation is required; the date installed (if required); or the date the asset is available for use, also known as the acceptance date (regardless of whether it is actually used). Generally, the actual commencement of depreciation will be based on the Month Available for Service method. Under this method, the month the asset was accepted, installed, or available for use as applicable, is the month used to commence the calculation of depreciation expense for the first year.

2.6.4. DoD policy permits only the use of the straight line method of depreciation. In some cases, exceptions can be made to using the straight line method. Straight line depreciation expense is calculated as the depreciable basis (recorded cost less salvage value, if applicable) divided equally among accounting periods during the asset's useful life based on useful lives in Table 25-2. DoD Components may desire to depreciate certain weapon systems using an activity based or usage based method of depreciation. Activity based depreciation, referred to in DoD as Operational Tempo (OPTEMPO) recognizes changes in expected utilization rates and fatigue caused by operating environment and mission as set forth in the OPTEMPO methodology. DoD Components wanting to implement the OPTEMPO methodology for a certain weapon system should submit an approved written request from the DoD Component's Accounting Policy Office to the OUSD(C)/ODCFO for approval to proceed.

2.6.5. If an asset remains in use longer than its estimated useful life, it must be retained in the APSR, as well as the accounting records, and reflect both its recorded cost and accumulated depreciation until disposition of the asset.

2.6.6. WCF activities are required to depreciate general equipment assets in accordance with the guidance in this chapter without regard to whether such assets are procured through a WCF activity's Capital Purchase/Investment Program budget or whether depreciation for such assets is included in rates charged to customers. The recognition of general equipment assets and the depreciation of such assets by WCF activities therefore may be different for financial statement reporting purposes than the depreciation amounts used for WCF rate development and budget presentation. All general equipment depreciation of WCF activities must be recognized as an expense on the Statement of Net Cost, included in accumulated depreciation amounts on the Balance Sheet, and reported in the "Defense Working Capital Fund Accounting Report [Accounting Report (Monthly) 1307] (AR(M)1307)." Depreciation recorded on general equipment that was not acquired nor will be replaced through use of Defense WCF resources must be classified as non-recoverable for rate setting purposes and reported appropriately on the AR (M) 1307. Defense WCF rates charged to customers are based on guidance in Volume 2B and Volume 11B.

2.7 Impairment (250207)

2.7.1. Description. SFFAS 44 defines impairment as a significant and permanent decline in the service utility of general equipment (which includes general equipment assets) or expected service utility of CIP that results from events or changes in circumstances that are not considered normal and ordinary.

2.7.1.1. See subparagraph 250207.B.2 for a discussion of determining the significance and permanence of a service utility decline.

2.7.1.2. The service utility of general equipment is the usable capacity that, at acquisition, was expected to be used to provide service. The current usable capacity of general equipment may be less than its original usable capacity due to the normal or expected decline in useful life or to impairing events or changes in circumstances, such as physical damage, obsolescence, enactment or approval of laws or regulations or other changes in environmental or economic factors, or changes in the manner or duration of use.

2.7.1.3. Normal and ordinary events or circumstances are those that fall within the expected useful life of the general equipment such as standard maintenance and repair requirements. Events or circumstances that are not considered normal are those that, at the time the general equipment was acquired, the event or change in circumstance would not have been expected to occur during the useful life of the general equipment or, if expected, was not sufficiently predictable to be considered in estimating the general equipment's useful life.

2.7.2. Identification of Potential Impairment Loss. The determination of whether general equipment remaining in use is impaired is a two-step process which includes (1) identifying potential impairment indicators and (2) testing for impairment.

2.7.2.1. Step 1 - Identify Indicators of Potential Impairment. Indicators of potential impairment can be identified and brought to DoD Component's attention in a variety of ways, such as procedures related to DM&R. Although DoD Components are not required to establish additional or separate procedures beyond those that may already exist, they should evaluate existing processes and internal controls to determine if they are sufficient to reasonably assure the identification of potential impairment indicators and implement appropriate additional processes and internal controls if necessary. Once identified, indicators are not conclusive evidence that a measurable or reportable impairment exists; DoD Components should carefully consider the surrounding circumstances to determine whether a test of potential impairment is necessary given the circumstances. Some common indicators of potential impairment include:

2.7.2.1.1. Evidence of physical damage;

2.7.2.1.2. Enactment or approval of laws or regulations which limit or restrict general equipment usage;

2.7.2.1.3. Changes in environmental or economic factors;

2.7.2.1.4. Technological changes or evidence of obsolescence (however, if obsolete general equipment continues to be used, the service utility expected at acquisition may not be diminished);

2.7.2.1.5. Changes in the manner or duration of use of general equipment;

2.7.2.1.6. Construction stoppage or contract termination; and

2.7.2.1.7. General equipment idled or unserviceable for excessively long periods.

2.7.2.2. Step 2 - Impairment Test. Identified general equipment should be tested for impairment by determining whether these two factors are present: (i) the magnitude of the decline in service utility is significant and (ii) the decline in service utility is expected to be permanent.

2.7.2.2.1. Significant declines in service utility are those that cause costs (including operational and maintenance costs) to be disproportionate to the new expected service utility. The determination of whether or not an item is significant is a matter of professional judgement and is distinct from materiality considerations. Such judgements may be based on the relative costs of providing the service before and after the decline, the percentage decline in service utility, or other considerations.

2.7.2.2.2. The decline in service utility is considered permanent when the DoD Component has no reasonable expectation that the lost service utility will be replaced or restored; that is, the DoD Component expects that the general equipment will remain in service so that its remaining service utility will be utilized. In contrast, reasonable expectation that the lost service utility will be replaced or restored may exist when the DoD Component has:

2.7.2.2.2.1. Specific plans to replace or restore the lost service utility of the general equipment,

2.7.2.2.2.2. Committed or obligated funding for remediation efforts, or

2.7.2.2.2.3. A history of remediating lost service utility in similar cases or for similar general equipment.

2.7.2.3. For CIP, the testing of impairment in subparagraph 250207.B.2 should be performed over the period of expected future service utility rather than current service utility.

2.7.3. Determining the Appropriate Measurement Approach. Impairment losses on general equipment that will continue to be used by the entity should be estimated using a measurement approach that reasonably estimates the portion of net book value associated with the diminished service utility of the general equipment. A measurement method would not be considered appropriate if it would result in an unreasonable net book value associated with the remaining service utility of the general equipment. Conversely, a reasonable measurement method may result in no impairment loss to be recorded. Regardless of the method used, recognition of impairment loss should be limited to the asset's net book value at the time of impairment. Widely recognized methods for measuring impairment include:

2.7.3.1. Replacement Approach. Impairment of general equipment with physical damage generally may be measured using a replacement approach. This approach uses the estimated cost to replace the lost service utility of the general equipment at today's standards (i.e., at current market prices and in compliance with current statutory, regulatory, or industry standards) to identify the portion of the historical cost of general equipment that should be written off due to impairment. It may be appropriate to apply the ratio of estimated cost to replace the diminished service utility over total estimated cost to replace the general equipment, to the net book value of general equipment to determine the impairment amount.

2.7.3.2. Restoration Approach. This approach uses the estimated cost to restore the diminished service utility of the general equipment to identify the portion of the historical cost of the general equipment that should be written off. This approach does not include any amounts attributable to improvements and additions to meet today's standards. The estimated restoration cost can be converted to historical cost by restating (i.e., deflating) the estimated restoration cost using an appropriate cost index. Alternatively, it may be appropriate to apply the ratio of estimated restoration cost to restore the diminished service utility over total estimated restoration cost to the net book value of the general equipment to determine the impairment amount.

2.7.3.3. Service Unit Approach. Impairment of general equipment that are affected by enactment or approval of laws or regulations or other changes in environmental factors or are subject to technological changes or obsolescence generally may be measured using a service unit approach. This approach compares the service units provided by the general equipment before and after the impairment to isolate the historical cost of the service utility that cannot be used due to the impairment to determine the impairment amount.

2.7.3.4. Deflated Depreciated Current Cost Approach. Impairment of general equipment that are subject to a change in manner or duration of use generally may be measured using a deflated depreciated current cost approach. Under this approach, a current cost for a general equipment to replace the current level of service is estimated. This estimated current cost is then depreciated to reflect the fact that the general equipment is not new, and is then subsequently deflated to convert it to historical cost dollars. A potential impairment loss results if the net book value of the general equipment exceeds the estimated historical cost of the current service utility (i.e., deflated depreciated current cost).

2.7.3.5. Cash Flow Approach. Recognizes an impairment loss only if the net book value (i) is not recoverable and (ii) exceeds the higher of its NRV or value-in-use estimate.

2.7.3.5.1. The net book value of general equipment is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the general equipment.

2.7.3.5.2. NRV is the estimated amount that can be recovered from selling, or any other method of disposing, of an item less estimated costs of completion, holding, and disposal. SFFAC 7 describes value-in-use as the benefit to be obtained by an entity from the continuing use of an asset and from its disposal at the end of its useful life.

2.7.3.5.3. If the net book value is not recoverable, the impairment loss is the amount by which the net book value of the general equipment exceeds the higher of its NRV or value-in-use estimate. No impairment loss exists if the net book value is less than the higher of the general equipment's NRV or value-in-use estimate.

2.7.3.6. Lower of (a) Net Book Value or (b) Higher of NRV or Value-in-Use Approach. General equipment impaired from either construction stoppages or contract terminations, which are expected to provide service, should be reported at their recoverable amount; the lower of (i) the general equipment's net book value or (ii) the higher of its NRV or value-in-use estimated. Impaired general equipment, which are not expected to provide service, should be accounted for in accordance with paragraph 250208.

2.7.4. Recognizing and Reporting Impairment Losses. The loss from impairment, if any, should be recognized and reported in the Statement of Net Cost in the period in which the DoD Component concludes that the impairment is both (1) a significant decline in service utility and (2) expected to be permanent. Such losses may be included in program costs or costs not assigned to programs. A general description of the general equipment for which an impairment loss is recognized, the nature (e.g., damage or obsolescence) and amount of the impairment and the financial statement classification of the impairment loss must be disclosed in the notes to the financial statements in the period the impairment loss is recognized.

2.7.5. Recoveries. The impairment loss must be reported net of any associated recovery when the recovery and loss occur in the same fiscal year. Recoveries reported in subsequent fiscal years must be reported as revenue or other financing source as appropriate. The amount and financial statement classification of recoveries should be disclosed in the notes to the financial statements.

2.7.6. Remediating Previously Reported Impairments. The costs incurred to replace or restore the lost service utility of impaired general equipment remaining in use must be accounted for in accordance with applicable standards (i.e., recognized according to the nature of the costs incurred and the appropriate capitalization threshold).

2.7.7. Diminished Service Utility Without Recognized Impairment Loss. If the future service utility has been adversely affected but the impairment test determines that a loss does not need to be recognized, a change to the estimates used in depreciation calculations (such as estimated useful life and salvage value, if applicable) should be considered and adjusted as appropriate.

2.8 Removal/Disposal (250208)

2.8.1. FASAB TR 14 defines removal from service as an event that terminates the use of a general equipment asset. Removal from service may occur because of a change in the manner or duration of use, change in technology or obsolescence, damage by natural disaster, or identification as excess to mission needs. Removals from service should be considered other than permanent unless (1) the asset's use is terminated and (2) there is documented evidence of the DoD Component's decision to permanently remove the asset from service (e.g. by selling, donating, or demolishing the asset). If only one of the two business events has occurred, permanent removal from service has not occurred (i.e., the removal is considered other than permanent).

2.8.2. If an asset's normal use is terminated (i.e., it no longer provides service in the operations of the entity) but the DoD Component has not yet decided to permanently remove the asset from service, the removal from service must be accounted for as other than permanent. Other than permanent removal from service is evidenced by activities such as continuing low-level maintenance to sustain the asset in a recoverable status or until reutilization efforts are exhausted. For example, assets that have been removed from service and sent to a depot for temporary storage with the intent to use the assets again in the future and other assets taken out of service on a temporary basis are considered other than permanently removed from service. There is no change in the reported value for assets that have been other than permanently removed from service and the assets must continue to be depreciated.

2.8.3. If (1) an asset's use is terminated and (2) the DoD Component has documented its decision to permanently remove the asset from service, the removal from service must be accounted for as permanent. Permanent removal from service is evident from the DoD Component's documented decision to dispose of an asset by selling, scrapping, recycling, donating, or demolishing the asset. For example, assets that are part of a Base Realignment and Closure or are declared as excess under a special legislation are considered permanently removed from service. The recorded cost as well as the accumulated depreciation of an asset permanently removed from service must be removed from the accounts in which they are reported, and the asset must be recorded at its NRV in general PP&E Permanently Removed But not Yet Disposed (USSGL Account 199500). USSGL Account 199500 is defined therein as the NRV of general PP&E that is permanently removed from service but not yet disposed and is reclassified in accordance with FASAB TR 14, paragraphs 10 and 12. NRV is the estimated amount that can be recovered from disposing of the asset less estimated costs of completion, holding, and disposal. Any difference between the net book value of the asset and its expected NRV must be recognized as a gain or loss. The expected NRV should be evaluated at the end of each fiscal year and any change in NRV should be recognized as a gain or loss. Assets permanently removed from service are no longer depreciated.

2.8.4. When an asset is disposed of (e.g., by selling, scrapping, recycling, donating, or demolishing the asset) the asset must be written off and the difference between any disposal proceeds and the asset's net book value must be recognized as a gain or loss. Disposals of general equipment will be conducted in accordance with DoDM 4160.21. The disposal start date is the calendar date of a legally enforceable and recognizable obligation to complete the disposal action. For demolitions, this represents the demolition contract's start date. For transfers to a non-DoD entity and sales, this represents the date on which the instrument is endorsed or operation is ceased, whichever comes later. For natural disasters, this represents the actual date of the incident if the asset is a complete loss.

2.8.5. Absent separate contract terms and conditions for GFP and CAP disposition, and provided the property was not reutilized, transferred, or otherwise disposed of, the contractor, as directed by the Plant Clearance Officer or authorizing official, must use ***Standard Form 1428***, Inventory Disposal Schedule or electronic equivalent, to identify and report:

2.8.5.1. GFP that is no longer required for performance of the contract;

2.8.5.2. CAP, which is no longer required for performance of the contract; and

2.8.5.3. Termination Inventory.

2.8.6. Plant clearance officers follow the direction of ***FAR Subpart 45.6***, DFARS ***Subpart-245.6***, and ***DFARS PGI 245.602-70***. Following the plant clearance officer's acceptance of an inventory disposal schedule, the property must be screened for reutilization DoD-wide. Surplus personal property with commercial value that is processed through the reutilization screening process without success may be sold. Proceeds of any sale of surplus property are to be creddited to the Treasury as miscellaneous receipts, unless otherwise provided by statute or the contract or any subcontract thereunder authorizing the proceeds to be credited to the price or cost of the work (40 U.S.C. § 571 and § 574, FAR 45.604-3).

3.0 ADDITIONAL CONSIDERATIONS (2503)

3.1 Use of Cancelled Treasury Account Symbol (250301)

3.1.1. The Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) is a data collection system that replaced the reporting functionalities of Federal Agencies Centralized Trial-Balance System I and II, Intragovernmental Fiduciary Confirmation System, and Intragovernmental Reporting and Analysis System as the primary means for DoD Components to report their trial balance data to the Treasury. Capitalized assets are required to be reported and remain in GTAS after the original purchasing Treasury Account Symbol (TAS) has expired and been cancelled. If a capitalized asset has not been moved to a cancelled ("C") TAS as described in 250301.B; GTAS will provide a "C" TAS on the GTAS Super Master Account File (SMAF) for each fund family represented on the SMAF. The system generated "C" TAS will have three components: the three-digit agency identifier, availability type "C", and a four-digit main account.

3.1.2. All DoD Components must use the "C" availability type TAS to report capitalized assets. Assets may be moved to a "C" TAS at any time from the purchase date to the date the original purchasing fund cancels. (Refer to the TFM Volume 1, Part 2, Chapter 4700 for additional information.)

3.1.3. To transfer an asset to a "C" TAS:

3.1.3.1. Use USSGL account transaction E510 to transfer out the asset from the purchasing fund account.

3.1.3.2. Use USSGL account transaction E606 to transfer in the asset into the appropriate "C" TAS.

3.2 Supporting Documentation (250302)

Entries to record financial transactions in accounting system general ledger accounts and/or the APSR and/or other systems must:

3.2.1. Be supported by source documents that reflect all transactions affecting the Component's investment in the general equipment.

3.2.1.1. All general equipment acquisitions, whether by purchase, transfer from other agencies, donation, or other means, must be supported as of the date of delivery and acceptance (including acceptance where constructive receipt has occurred) by the DoD Component. The documents listed in Table 25-3, where applicable, must be readily available to support the changes in asset value or physical attributes as a result of new acquisition or capital improvement.

Table 25-3. Examples of Supporting Documentation for General Equipment Acquisition (Note: These examples may not be all inclusive for all circumstances.)

Evidence	Examples
Unique Identification	Assignment of unique identifier
Project Approval	Such as, but not limited to a Work Order
Obligation on Behalf of the Government	Such as, but not limited to: 1. For contracts, contract modifications, or change orders: • Statement of Work; • Dollar Amount of Contract; • Location; • Source of Funds; • Parties to the Contract; and • Signature Page [Signature of All Parties]. 2. Documentation of troop labor hours; 3. Approved Work Order; or Purchase Order; or Reimbursable Agreement; or Military Interdepartmental Purchase Requests
Payment Submitted	Such as, but not limited to: 1. Approved last invoice reflecting the total amount submitted for payment and received to date; 2. Evidence of in-house construction costs, including labor; 3. Indirect Costs incurred internally by the gaining activity that relate to the new acquisition or capital improvement.
Acceptance/Receipt (Acceptance of New Acquisitions and receipt or requisition of equipment items)	Such as, but not limited to: 1. ***DD Form 250***, Material Inspection and Receiving Report; 2. General Services Administration ***(GSA) 1334***, Request for Transfer of Excess Real and Related Personal Property; 3. Executed acquisition document and appraisal results for the donated assets; 4. Signed lease for leased property; 5. Executed reversionary document; 6. Transfer letter and documents for transferred assets to include ***DD Form 1348-1A***, Issue Release/Receipt Document; and equivalent Electronic Turn-In Document; 7. Receiving report, e.g., iRAPT receiving report; 8. ***DD Form 1149***, Requisition and Invoice/Shipping Document; 9. ***DD Form 1150***, Request for Issue/Transfer/Turn-In; 10. ***DD Form 1155***, Order for Supplies or Services.
Project Closeout	Such as, but not limited to a final DD 1354 with associated source documentation retained by the responsible party.

3.2.1.2. All disposals or retirements must be supported as of the date the general equipment leaves the custody of the DoD Component to provide an adequate audit trail for the disposal of the asset. The execution of certain disposal events will generate financial or administrative accountability transactions. These documents, where applicable, must be readily available to support disposals:

3.2.1.2.1. 'Declaration of excess' document;

3.2.1.2.2. Approval documentation;

3.2.1.2.3. Original acquisition documents;

3.2.1.2.4. Legal instruments (such as a contract) to indicate legal obligation to dispose of an asset;

3.2.1.2.5. Document showing the disposal start date and disposal end date;

3.2.1.2.6. Receipt documentation; and

3.2.1.2.7. Transfer documents for transferred assets or as otherwise stated.

3.2.1.3. Documents that support the recorded cost of general equipment assets must be retained by the DoD Component in accordance with the requirements contained in Volume 1, Chapter 9 or as otherwise stated. Documentation (original documents and/or hard and electronic copies of original documentation) must be maintained in a readily available location during the applicable retention period to permit the validation of information pertaining to the asset such as the purchase cost, purchase date, and cost of improvements. The documentation must also be linked to the appropriate unique identifier(s). Supporting documentation may include, but is not limited to, the documentation as outlined in this subparagraph.

3.2.2. Include sufficient information indicating the physical quantity, location, and unit cost of the general equipment. The APSR and/or other systems must be designed to be of maximum assistance in making procurement and utilization decisions, including decisions related to identifying potential excess general equipment that may be available for reuse, transfer to other DoD Components, or made available for disposal in accordance with current DoD regulations and other regulatory requirements.

3.2.3. Enable periodic, independent verification of the accuracy of the accounting and APSR and/or other systems through periodic physical counts/inventories of general equipment (existence and completeness--"book to floor and floor to book"). Such periodic inventories also must include reconciling the APSR and/or other systems with the general ledger accounts and physical counts. Personal hand receipt self-validations are not acceptable for meeting the independent verification of physical inventory requirements (see DoDI 5000.64).

3.2.4. Identify and classify general equipment that was capitalized, recorded in the APSR and accounting system, and reported in the financial statements.

3.2.4.1. All DoD Components (i.e., Military Departments, Washington Headquarters Service and Other Defense Organizations) must reconcile their APSR to their financial statements (or to their trial balance if financial statements are not required to be prepared) on a quarterly basis.

3.2.4.2. All DoD Components funding CIP must reconcile their recorded CIP balances on a quarterly basis with any service provider/contractor working on the CIP. CIP should reflect the value associated with the actual progress of work completed which may be more or less than amounts invoiced to the DoD Component as of the quarter end.

3.2.5. Be based on the same documents, to ensure that entries to the financial accounting/reporting and APSR are the same. This will ensure that the APSR is integrated and subsidiary to the financial accounting system and that such records can be reconciled with the accounting system.

3.2.6. Include documents used to accumulate the cost of construction or developmental projects. Each document must link to the appropriate asset unique identifier. For a listing of those costs that may be incurred during the construction, see Annex 1.

3.2.7. Include all general equipment possessed by the DoD (to include property held by others) and general equipment of others held by DoD through seizure, forfeiture, loss, or abandonment.

3.2.8. Provide information to identify and account for leased general equipment, regardless of whether the general equipment was acquired by a capital lease or operating lease or whether the value of the general equipment exceeds DoD capitalization thresholds. Refer to DoDI 5000.64 for accountability requirements for general equipment.

3.2.9. Provide information to identify and account for capitalized improvements to general equipment.

3.3 Physical Inventories of General Equipment (250303)

DoD Components must perform periodic physical inventories of general equipment in accordance with DoDI 5000.64.

3.4 DM&R (250304)

3.4.1. Description

3.4.1.1. Per SFFAS 42, DM&R is defined as maintenance and repairs that were not performed when they should have been or were scheduled to be and which are put off or delayed to a future period.

3.4.1.2. Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Maintenance and repairs include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset.

3.4.1.3. Maintenance and repairs exclude activities aimed at expanding the capacity or capability of an asset or otherwise upgrading it to serve needs different from, or significantly greater than its current use.

3.4.2. Measurement

3.4.2.1. Amounts for DM&R may be measured using condition assessment surveys, life-cycle cost forecasts, or other methods that are similar to the condition assessment survey or life-cycle costing methods.

3.4.2.1.1. Condition assessment surveys are periodic physical inspections of general equipment to determine their current condition and estimated cost to correct any deficiencies. DoD Components should assess the condition of general equipment assets as a function of their day-to-day operations and document condition through periodic assertion/assessment statements provided by their field office managers. DoD Components also need to evaluate the cost and benefits of doing condition assessment surveys. Such things as cycling the assessments on a rotating basis, the frequency of assessments (i.e., every three or five years) and the criteria and methodology used for making such assessments need to be considered.

3.4.2.1.2. Life-cycle costing is an acquisition or procurement technique, which considers operating, maintenance, and other costs in addition to the acquisition cost of assets. Since it results in forecasts of maintenance and repairs expense, these forecasts may serve as a basis against which to compare actual maintenance and repairs expense to arrive at an estimate of DM&R.

3.4.2.2. DoD Components should determine what condition standards are acceptable and which DM&R measurement methods to apply. Once determined, condition standards and measurement methods must be consistently applied unless the DoD Component determines that changes are necessary. Changes deemed necessary by the DoD Component must be accompanied by an explanation documenting the rationale for the change(s) and any related impact the change(s) will have on the DM&R estimates.

3.4.2.3. DM&R must be measured for capitalized and non-capitalized general equipment and fully depreciated general equipment. In addition, DM&R must be measured for inactive and/or excess general equipment to the extent that it is required to maintain the general equipment in acceptable condition (e.g., to comply with existing laws and regulations or to preserve value pending disposal). In addition, DM&R must measure funded maintenance and repairs that have been delayed for a future period as well as unfunded maintenance and repairs.

3.4.3. RSI

DoD Components who report general equipment must report material amounts of DM&R as RSI to the financial statements (see Volume 6B, Chapter 12). At a minimum, this information must be presented as RSI for all general equipment:

3.4.3.1. Estimates of the beginning and ending balances of DM&R for each major category of equipment;

3.4.3.2. A summary of the DoD Component's maintenance and repairs policies and a brief description of how they are applied (i.e., method of measuring DM&R);

3.4.3.3. Policies for ranking and prioritizing maintenance and repair activities;

3.4.3.4. Factors the Components consider in determining acceptable condition standards;

3.4.3.5. Whether DM&R relates solely to capitalized general equipment or also to amounts relating to non-capitalized or fully depreciated general equipment;

3.4.3.6. Capitalized general equipment for which the DoD Component does not measure and/or report DM&R and the rationale for the exclusion; and

3.4.3.7. If applicable, explanation of any significant changes to

3.4.3.7.1. DM&R amounts from the prior year; and

3.4.3.7.2. The policies and factors subject to the reporting requirements established in subparagraphs 250304.E.2 through 250304.E.6.

3.4.4. Weapon Systems

Maintenance and repair of weapon systems is accomplished by two different, yet complementary components—depot level maintenance and repair activities and field level maintenance and repair activities. The term "field level maintenance and repair" includes all non-depot level maintenance and repair activities (e.g., organizational, intermediate, and regional). DoD Components should determine whether the year-end amounts of field level DM&R on weapon systems are material when compared to their component depot level amounts of DM&R. This determination should be updated and documented on an annual basis. Material amounts of weapon systems field level DM&R should be reported in the financial statements. Materiality is defined in subparagraph 250201.G.

3.4.4.1. Depot level maintenance and repair includes: major repair, overhaul, or complete rebuilding of weapon systems, end items, parts, assemblies, and subassemblies; manufacture of parts; technical assistance; and testing. Material amounts of depot level deferred maintenance due to the unavailability of funding and/or capacity constraints have been historically reported through the DoD's budget process by the Military Departments. Such amounts are provided annually to the Congress in the President's Budget submission and also satisfy the intent of the federal accounting standard definition. The same budget submission amounts must be reported in the financial statements of the Military Departments.

3.4.4.2. Field level maintenance and repair comprises maintenance and repair activities at lower organizational levels than depot level. The Military Departments may or may not separate this level of maintenance and repair into intermediate and organizational maintenance and repair activities when describing the field level maintenance and repair structure and capability.

3.4.4.2.1. Intermediate field level maintenance and repair includes limited repair of commodity oriented components and end items; job shop, bay and production line operations for special mission requirements; repair of printed circuit boards; software maintenance; and fabrication or manufacture of repair parts, assemblies, and components. The intermediate maintenance and repair mission is to sustain the combat readiness and mission capability of supported activities by providing quality and timely materiel support at the nearest location with the lowest practical resource expenditure.

3.4.4.2.2. Organizational field level maintenance and repair is normally performed by an operating unit on a day-to-day basis in support of its own operations. The organizational maintenance and repair mission is to maintain assigned equipment by performing functions such as inspections, servicing, preventive maintenance, and corrective maintenance.

3.5 Reporting Requirements (250305)

3.5.1. DoD Components with general equipment should reference a note on the Balance Sheet that discloses information about the reported general equipment assets. Note 1 of the financial statements should include a disclosure related to the DoD Component's general equipment reporting accounting policy. DoD Components should state that they are financially reporting property that they have accountability for according to DoDI 5000.64. Additionally, DoD Components should disclose that they may use assets to complete their mission which are financially reported by another DoD Component. See Volume 6B, Chapter 10 for the specific reporting requirements.

3.5.2. DoD Components must disclose in the notes to the financial statements those instances where they are using general equipment provided by a host nation/foreign government without reimbursement by DoD to the host nation/foreign government, as applicable, that:

3.5.2.1. The DoD Component is utilizing general equipment provided by and owned by a host nation/foreign government in its operations outside of the United States without reimbursement by DoD to the host nation/foreign government and that there are no amounts recorded in the financial statements related to these assets.

3.5.2.2. The general nature of the agreement with the host nation/foreign government. It is not intended or recommended that the geographic location of the foreign government/host nation be disclosed.

3.6 Environmental Liabilities/Cleanup Costs (250306)

The accounting policy for environmental liabilities/cleanup costs pertaining to general equipment is contained in Chapter 13.

Annex 1. Construction-in-Progress Cost Matrix
(Costs to be accumulated for construction items)

Cost Type	Description
Cost of contract work	Amounts paid for work performed under contract, as well as any incentive fees paid to contractors to reward performance goals.
Direct cost of labor	The direct cost of labor and all associated fringe benefits in connection with the construction project. Includes both military and civilian labor costs.
Direct cost of materials and supplies	The purchase price, the cost of inspection, and loading assumed by the carrier.
Cost of Supervision, Inspection, and Overhead	Support associated with the administration of contracts for facility projects. May include contract award, payments, inspections, material testing, and other actions taken during contract execution.
Cost of transportation	Amounts paid for transportation of workers, materials, and supplies in connection with the construction project.
Cost of handling and storage	Amount paid for packaging and storing the materials and supplies and equipment used in the construction project.
Cost of legal and recording fees	Legal fees incurred to bring the asset to its intended use (e.g., title or recording fees).
Cost of architecture and engineering studies	Amounts paid for engineering, architectural, and other outside services for designs, plans, specifications, and surveys.
Cost of government-furnished property	An appropriate share of the cost of the government-furnished equipment and material and facilities used in construction work.
Cost of donated assets	The fair value of facilities and equipment donated to the government, as authorized by a special legislation, in connection with the construction project.

Annex 2. Alternative Valuation Methodologies for Establishing Opening Balances for General Equipment

1.0 Establishing Opening Balances for General Equipment (A20101)

The alternative valuation methodologies for establishing opening balances for general equipment including Government-Furnished Property (GFP), Contractor-Acquired Property (CAP) and Construction-in-Progress (CIP) for Equipment are:

1.1 The alternative valuation methods for establishing opening balances for Property, Plant and Equipment described in Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 50, “Establishing Opening Balances for General Property, Plant and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35” is available only once to each reporting entity. Therefore, prior to the establishment of opening balances for general equipment, including GFP, CAP and CIP for equipment (general equipment), Department of Defense (DoD) Components must validate that they are prepared to account for and comply with the recognition, measurement, presentation and disclosure requirements for general equipment at historical cost in accordance with FASAB SFFAS 6, as amended, “Accounting for Property, Plant and Equipment.”

1.2 If historical cost, as described in SFFAS 6 has not already been recorded and included in financial statements that have been audited by an Independent Public Accountant and received an unmodified (“clean”) opinion, deemed cost will be used as a surrogate to establish opening balances for general equipment. In this context, deemed cost is an amount used as a surrogate for initial amounts that otherwise would be required by SFFAS 6 to establish opening balances. Deemed cost may be based on any one of, or a combination of, allowable valuation methods such as cost of similar assets at the time of acquisition, contract based estimates and budget based estimates. Once established using deemed cost, opening balances will be used as a surrogate for the initial amounts that would have existed had an SFFAS 6 compliant valuation method been used.

1.3 When evaluating general equipment for the purpose of establishing opening balances, DoD Components should apply the applicable capitalization threshold to their entire population of general equipment retroactively, irrespective of the capitalization thresholds in effect for years prior to October 1, 2013. When doing so, DoD Components need to take the appropriate steps to ensure all relevant prior period adjustments and note disclosures are included in their annual financial statements in accordance with SFFAS 50. As part of their evaluation, DoD Components should not simply value assets already recorded above the capitalization threshold. DoD Components should perform additional analytical procedures to identify any assets that have been improperly capitalized or expensed. Examples of this type of review can include searching for equipment with values of $0 or $1 which are indications of erroneous values. An additional example can include equipment for which an additional zero was added in error, incorrectly placing the asset above the capitalization threshold.

1.4 When establishing opening balances using Deemed Cost:

1.4.1. DoD Components will calculate a gross value and an accumulated depreciation value for General Equipment assets. Both the gross value Deemed Cost and accumulated depreciation Deemed Cost will be recorded in the accounting records. The difference between the Net Book Value (NBV) of the Deemed Cost on the opening Balance Sheet of the current fiscal year presented and the existing/historical NBV of the general equipment as of the ending Balance Sheet of the previous fiscal year, is considered a prior period adjustment. This prior period adjustment represents a change in accounting principle in accordance with paragraph 13 of FASAB SFFAS 21, "Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources." If any depreciation based on the original historical equipment value has been recorded in the year in which the prior period adjustment for Deemed Cost is recorded, that depreciation expense should be reversed and depreciation for the Deemed Cost value should be recorded.

1.4.2. Any adjustment must be properly documented and supported to assist ongoing audit efforts including retaining documentation of the existing/historical equipment value in the Accountable Property System of Record (APSR) and documentation supporting the Deemed Cost value. The existing/historical gross value and accumulated depreciation of the general equipment will need to be removed from the APSR and be replaced with the new gross value and accumulated depreciation for Deemed Cost.

2.0 Financial Statement Disclosure Requirements (A20102)

DoD Components who apply the deemed cost methodology to adjust their opening general equipment balances, must disclose in their financial statements that an alternative valuation method was applied in establishing their opening balances and describe the method used in the first reporting period in which the reporting entity makes an unreserved assertion that its financial statements, or one or more line items, are presented fairly in accordance with Generally Accepted Accounting Principles. An unreserved assertion is an unconditional statement. No disclosure of the distinction or breakout of the amount of deemed cost of general equipment included in the opening balances is required.

3.0 Deemed Cost Methodology (A20103)

3.1 When a Component cannot apply the initial amount measurement approach (historical cost) outlined in SFFAS 6, it is acceptable to estimate the initial amounts (historical cost) to establish the opening balances for general equipment. Estimates should be based on any one or a combination of the following allowable valuation methods:

3.1.1. Replacement Cost;

3.1.2. Fair Value;

3.1.3. Cost of similar assets at the time of acquisition;

3.1.4. Contract based estimates; or

3.1.5. Budget based estimates.

3.2 DoD Components must estimate the historical cost for establishing opening balances of general equipment based on a deemed cost method if historical costs cannot be adequately supported with appropriate documentation as described in paragraph A20104. The DoD Components must consider the deemed cost methods described in subparagraph A20103.B.1 through A20103.B.3 and select the approach that will be most efficient in producing an auditable value. DoD Components that anticipate substantial use of replacement cost or fair value methodologies for equipment valuation must contact the Office of the Under Secretary of Defense (Comptroller)/Office of the Deputy Chief Financial Officer and the Office of the Deputy Assistant Secretary of Defense for Logistics prior to committing significant resources to these methods.

3.2.1. Cost of Similar Assets at the Time of Acquisition. This method is frequently used for commercial off-the-shelf general equipment, but may also be used for other general equipment, such as weapon systems when appropriate. When using this method, DoD Components must:

3.2.1.1. Work closely with other organizations to gather the information needed to support the valuation when using general equipment from another organization as a comparable asset;

3.2.1.2. Exercise due care to ensure that the source value is supported. If the comparable asset is not properly supported, the subject general equipment is also not properly supported; and

3.2.1.3. Apply appropriate price indices to estimate the cost of the general equipment in the period when it was placed into service if the comparable general equipment has a different in-service date. See FASAB Federal Financial Accounting and Auditing Technical Release 13, "Implementation Guide for Estimating the Historical Cost of General Property, Plant & Equipment," for additional details for using indices to inflate or deflate costs.

3.2.2. Contract Based Estimates. This methodology involves valuing general equipment using the pricing data included in contracts. A complete understanding of the acquisition program, including the structure of all related contracts is required to implement this methodology. DoD Components must align activities and costs of general equipment with relevant accounting standards to isolate the costs that are to be capitalized versus those that are to be expensed (e.g., research and development costs, factory training). When using this methodology, DoD Components must consider the complexity of multiple contracts used to develop or acquire the general equipment assets. Steps for performing contract based estimates include:

3.2.2.1. Identification by Program Management Offices (PMOs) of all contracts for the acquisition or modification of the general equipment. Relevant contracts include those that have a financial impact on the value of the asset and/or establish its placed-in-service date;

3.2.2.2. Working with Financial Managers, Procurement Contracting Officers, and PMOs will review all line items in the contract to identify costs that will be included in the capitalized acquisition costs and the costs that will be excluded;

3.2.2.3. Compiling documentation supporting the valuation including copies of relevant contract documents; and

3.2.2.4. Documenting the process and results.

3.2.3. Budget Based Estimates. This methodology utilizes information included in DoD Component budget exhibits to estimate the value of the general equipment. The key requirement is that the available procurement budget detail must allow DoD Components to clearly associate budgeted amounts with the general equipment end items. When using this methodology DoD Components must consider that acquisition programs can span many years; and, not all costs associated with the budgeted amount should be capitalized. Steps for performing budget based estimates include:

3.2.3.1. Reviewing the relevant President's Procurement Budget documentation for the general equipment acquisition program to determine whether the budget has adequate detail to support the budget valuation methodology. Specifically, determining whether the budget detail provides visibility of the various cost estimates comprising the general equipment acquisition program (e.g., end items versus spares);

3.2.3.2. Identifying costs and determining which costs should be included in the capitalized costs of the general equipment;

3.2.3.3. Compiling documentation supporting the valuation including copies of the referenced budget exhibits; and

3.2.3.4. Documenting the process and results.

4.0 Historical Cost for Commercial Off-the-Shelf General Equipment (A20104)

4.1 Some general equipment is acquired "off-the-shelf" and not developed as part of a program. This includes commercially available items acquired via Simplified Acquisition Procedures (see Federal Acquisition Regulation ***(FAR) Part 13***); Sealed Billing (see ***FAR Part 14***); or Contracting by Negotiation (see ***FAR Part 15***). Examples of general equipment in this category include:

4.1.1. Commercial vehicles;

4.1.2. Heavy-duty construction equipment;

4.1.3. Railroad engines;

4.1.4. Dockside Cranes;

4.1.5. Depot machinery (e.g., computer driven lathes);

4.1.6. Computer hardware; and

4.1.7. Medical equipment.

4.2 The procurement of general equipment following these existing acquisition processes, require obtaining an approved purchase request, following the acquisition procedures in accordance with either FAR Part 13, FAR Part 14, or FAR Part 15, receiving and accepting the general equipment, receiving a vendor invoice, and submitting payment for the invoice. The acquisition cost for these assets is determined from the invoice amount and may also be shown on the receiving report. If this supporting documentation is readily available, valuing these assets based on actual historical cost is encouraged but not required to establish opening balances. The DoD Component must determine the most efficient and cost effective approach to assign and support auditable values for general equipment opening balances.

5.0 CIP for Equipment (A20105)

5.1 Capital expenditures or progress payments paid to contractors, coinciding with the portion of the work completed for general equipment being manufactured or constructed, should be recorded in a CIP account. The CIP balance is included in the notes to the financial statements (generally Note 10) and is included in the general equipment line of the Balance Sheet, and must therefore be included in the general equipment opening balance. As a result, each DoD Component's Financial Management Community, working with their Acquisition Community, must establish a CIP balance for each existing/ongoing acquisition program with outstanding general equipment deliverables at the date for which the opening balance is established. To create the CIP balances, DoD Components must determine capital versus non-capital costs (if the expected value of the completed general equipment asset will be equal to or greater than the applicable capitalization threshold and it will have a useful life of two years or more then it is a capital cost and should be accumulated in CIP). Where possible, transaction detail should be evaluated to identify costs that need to be capitalized. The opening balance for CIP should represent the amount disbursed to contractors (capital costs only) from program inception less the acquisition cost of general equipment delivered and capitalized. The difference between the two amounts should be the CIP opening balance. The CIP opening balance formula is:

$$\textbf{CIP Opening Balance} = \textbf{Total Capital Costs Paid to Contractor} - \textbf{Total Amount of General Equipment Capitalized based on Deemed Cost}$$

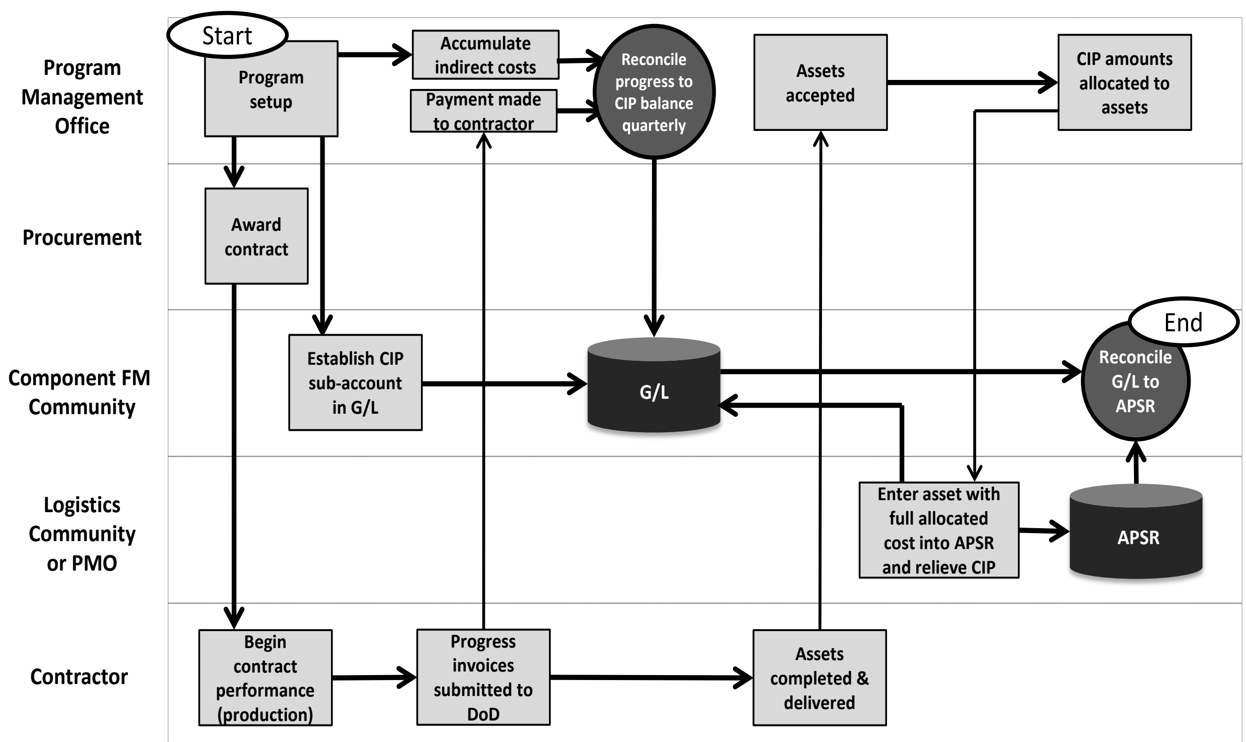
5.2 For some contract types that include contract finance payments, the Component must reconcile the payments to actual progress completed by the Contractor. If the CIP balance based on the formula in this subparagraph surpasses progress on the contract and is material, the DoD Component must move the appropriate amount from CIP into the Advances account (USSGL 141000).

5.3 CIP Go Forward Process – End State Target Environment

5.3.1. DoD Components must be able to capture capital costs paid to contractors and accumulate them (where they meet the criteria for capitalization) in CIP. DoD Components must maintain reasonable estimates of per unit costs which will be used to relieve CIP and capitalize the resulting general equipment asset. Costs which should be capitalized include other direct and indirect costs such as program management costs. These costs need to be captured as incurred, recorded in CIP, and allocated to the end item value. DoD Components need to determine how they will capture actual program management costs as well as other costs and the method for how they will allocate these costs.

5.3.2. Advance Payments, as defined in FAR 32.202-2, are to be recorded in an advance account until the end items are delivered. All other contract financing payments must be recorded as CIP. CIP must reflect actual progress on the contract. To ensure that CIP amounts reflect actual progress on the contract, DoD Components must perform a periodic reconciliation (at least quarterly) between amounts recorded in CIP and the actual progress on the contract. This may require working with the contractor to perform the reconciliation. Costs incurred in excess of finance payments should be reported as a liability. Figure A2-1 illustrates the CIP go forward process.

Figure A2-1. CIP Go Forward Process

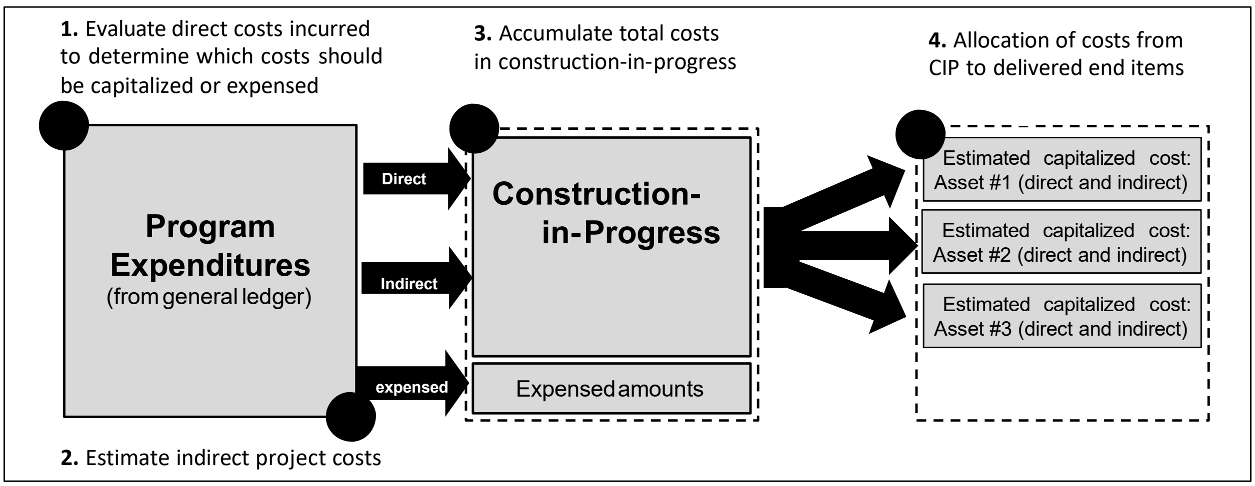


Note: Asset acquisition cost based on financial transactions and cost allocation (SFFAS 6)

5.4. Programs and Contracts in Effect as of the Opening Balance

5.4.1. Figure A2-2 illustrates the process for capturing actual capital costs paid to a contractor and accumulating them in a CIP account for existing programs with remaining deliverable equipment end items. Capital costs will be relieved from CIP as the assets are delivered. The value of an asset constructed after the opening balance can be based upon a reasonable estimate of the per unit cost in accordance with SFFAS 6 and SFFAS 4, "Managerial Cost Accounting Standards and Concepts." Reasonable estimates may be based on established methods that will approximate historical cost such as contracts, budget documents, engineering and acquisition documents, or reports reflecting amounts to be expended. Figure A2-2 also illustrates the allocation of estimates based on expenditures.

Figure A2-2. Allocation of Estimates Based on Expenditures



5.4.2. Some assets will be under construction at the time the opening balance is established. The value assigned to these assets will consist of two parts. One part will be the portion of the asset under construction as of the opening balance. The value of this portion will be based on how it was estimated when initially calculated and recorded as a Deemed Cost. The second part of the value will be the portion of the asset constructed after the opening balance. The value of this portion of the asset will be recorded in accordance with SFFAS 4 and SFFAS 6 as described in subparagraph A20105.C. The resulting value of the asset that will be debited to the general equipment account and credited to the CIP account, upon completion of the construction when the asset is available for use, will be the sum of both parts.

Annex 3. Illustrative Examples and Journal Entries Relating to Financial Reporting Responsibilities for General Equipment

1.0 Construction-In-Progress (CIP) (A30101)

1.1 CIP Example: The Air Force, Missile Defense Agency (MDA), and National Geospatial-Intelligence Agency (NGA), fund the construction of a satellite to be launched into space. Each entity will report their portion of CIP in their CIP accounts until a depreciable asset is recognized. The Air Force is the accountable entity under DoD Instruction (DoDI) 5000.64 once the asset is placed in service. When the satellite is placed into service all funding entities will recognize the capitalized costs of the satellite and transfer the capitalized costs to their Equipment account. MDA and NGA will then transfer the costs in their Equipment account to the Air Force's Equipment account. The Air Force will subsequently record depreciation for the full cost of the asset.

1.2 Table A3-1 illustrates the general ledger (G/L) entries that are required to liquidate CIP and recognize a depreciable asset.

Table A3-1. Liquidation of CIP

Funding Entity	G/L Entry – Liquidation of CIP by the Entity Funding Construction to Place the Asset in Service (Transaction Code D510)
	Debit 175000 Equipment Credit 172000 Construction-in-Progress

2.0 In-Service Assets (including weapon systems and Government-Furnished Property) (A30102)

2.1 Following are three illustrative examples for In-Service Assets:

2.1.1. The Army is conducting an inventory of capital assets and identifies a Humvee that was not previously reported on their Accountable Property System of Record (APSR). They are unable to locate any procurement documentation for the asset, but the Army has been using and maintaining the asset and will assume accountability for the asset in accordance with DoDI 5000.64. Because the Army has accountability for the asset it will also be responsible for the financial reporting of the asset.

2.1.2. The Defense Health Program (DHP) funds the acquisition of a magnetic resonance imaging (MRI) machine, and records it in its APSR as the accountable entity in accordance with DoDI 5000.64. The MRI machine will be located at a Navy hospital, but will remain in DHP's APSR. DHP will have financial reporting responsibility for the asset. To facilitate an information request from an auditor of the Navy or DHP on the MRI machine, the Navy and DHP must have processes in place that will allow them to easily demonstrate the designation of the responsible reporting entity based on the policy in Chapter 25.

2.1.3. The US Special Operations Command (USSOCOM) funds the acquisition of a mine resistant ambush protected (MRAP) vehicle and records it in its APSR as the accountable entity in accordance with DoDI 5000.64. The MRAP is later issued to an Army special operations unit, where it is added to the Army's APSR. USSOCOM transfers accountability and financial reporting responsibility to the Army at the time of issuance. All required financial information and supporting documentation should be provided to the Army to support their financial reporting.

2.2 Table A3-2 illustrates the G/L entries to be recorded if a transfer is required to implement the policy in Chapter 25 or if a transfer is needed after an asset is placed in service.

Table A3-2. Transfer of In-Service General Equipment Reporting Responsibility

Entity Transferring Out	G/L Entry Upon Transfer Out to New Reporting Entity (Transaction Code E510)
	Debit 573000 Financing Sources Transferred Out Without Reimbursement Debit 175900 Accumulated Depreciation on Equipment Credit 175000 Equipment
Entity Transferring In	G/L Entry for New Reporting Entity Upon Transfer In (Transaction Code E606)
	Debit 175000 Equipment Credit 175900 Accumulated Depreciation on Equipment Credit 572000 Financing Sources Transferred In Without Reimbursement

3.0 In-Service Capital Improvements (A30103)

3.1 Once capital improvements are placed in service they become a part of the total recorded value of the depreciable asset (regardless of whether or not the asset is tracked or depreciated separately from the base asset). Following are two illustrative examples for capital improvements:

3.1.1. The Air Force provides USSOCOM a C-130 for use in its operations. USSOCOM makes an improvement to convert it to an AC-130 aircraft. Because the Air Force is responsible for the financial reporting of the base asset, it is also responsible for the financial reporting of any capital improvements to the base asset.

3.1.2. An F-18E Super Hornet (i.e., the base asset) that was the financial reporting responsibility of the Navy received a capital improvement package that significantly increased its capacity to perform its mission. The improvement package was added to a Navy asset so the Navy is responsible for the financial reporting of the capital improvement.

3.2 Table A3-3 illustrates the G/L entries to be recorded if a transfer is required to implement the policy in Chapter 25. If the transfer is not completed during the month the improvement was placed in service and depreciation has been incurred, the accumulated depreciation will transfer with the asset.

Table A3-3. Transfer of In-Service Capital Improvements

Funding Entity of Capital Improvement	G/L Entry Upon Transfer Out from Funding Entity (Transaction Code E510)
	Debit 573000 Financing Sources Transferred Out Without Reimbursement Debit 175900 Accumulated Depreciation on Equipment Credit 175000 Equipment
Funding Entity of Base Asset	G/L Entry for Base Asset Funding Entity upon Transfer In (Transaction Code E606)
	Debit 175000 Equipment Credit 175900 Accumulated Depreciation on Equipment Credit 572000 Financing Sources Transferred In Without Reimbursement