

**VOLUME 11B, CHAPTER 12: “WORKING CAPITAL FUND COSTS”****SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also denoted by [blue font](#).

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

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

Hyperlinks are denoted by [\*\*\*bold, italic, blue, and underlined font\*\*\*](#).

The previous version dated [December 2021](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates in accordance with Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision

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## CHAPTER 12

**WORKING CAPITAL FUND COSTS**

## 1.0 GENERAL

## 1.1 Overview

1.1.1. Working Capital Funds are designed to create a cost-conscious environment and provide an efficient and effective means for controlling the cost of goods and services. [Department of Defense \(DoD\) Working Capital Fund \(WCF\)](#) entities must have a cost accounting system capable of collecting and recording the costs of producing outputs in the financial reports, in compliance with the Statement of Federal Financial Accounting Standards ([SFFAS](#)) 4, “Managerial Cost Accounting Standards and Concepts,” and the DoD United States Standard General Ledger (USSGL) Transaction Library.

1.1.2. Additional information relating to costs can be found in Volume 4, Chapter 17, “Expenses and Miscellaneous Items” and Chapter 19 “Managerial Cost Accounting”. For [WCF](#) entities, all costs must be recovered, unless specifically excluded by DoD policy.

## 1.2 Purpose

This chapter describes costs associated with [WCF](#) and sets forth the criteria for allocating certain costs to outputs (goods and services) in accordance with Federal accounting standards. The full costs of resources that directly or indirectly contribute to the production of outputs (goods and services) should be assigned to outputs (goods and services) through costing methodologies that are most appropriate to the operating environment and should be followed consistently. Costs must be assigned using the following methods listed in the order of preference: (a) directly tracing costs wherever feasible and economically practicable (e.g., direct costs), (b) assigning costs on a cause-and-effect basis (e.g., indirect costs), or (c) allocating costs on a reasonable and consistent basis (e.g., general and administrative (G&A) costs). Guidance related to budgeting for costs can be found in Volume 2B, Chapter 9 “Defense Working Capital Fund Budget Justification Analysis.”

## 1.3 Authoritative Guidance

[The policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:](#)

1.3.1 Title 10, United States Code, section 2208 ([10 U.S.C. § 2208](#)), “Working-capital funds”;

1.3.2. [SFFAS 3](#), “Accounting for Inventory and Related Property”;

1.3.3. [SFFAS 4](#), “Managerial Cost Accounting Standards and Concepts”;

1.3.4. [SFFAS 5](#), “Accounting for Liabilities of the Federal Government”;

1.3.5. [SFFAS 6](#), “Accounting for Property, Plant and Equipment”;

1.3.6. [SFFAS 10](#), “Accounting for Internal Use Software;” and

1.3.7. [SFFAS 55](#), “Amending Inter-entity Cost Provisions.”

## 2.0 MILITARY PERSONNEL EXPENSE

### 2.1 Military Personnel Cost

2.1.1. The cost of military personnel may involve two separate processes.

2.1.1.1. The first process involves the payment to military personnel appropriations for the budgeted amount of military personnel for an activity group regardless of the actual number of military personnel assigned.

2.1.1.2. The second process involves the assignment of costs for military personnel at the civilian equivalency rate for the number and grade of military personnel assigned to the [WCF](#) activity. In some circumstances, these costs are assigned to production orders or cost centers for services performed; other times they are assigned as overhead or G&A.

2.1.2. Rate guidance is provided in Volume 11A, Chapter 6, Appendix B.

2.1.3. See Volume 2B, Chapter 9 for additional military personnel reimbursement policy.

### 2.2 Military Personnel Services

[WCF](#) activities must price military personnel services reimbursement in support of [WCF](#) operations using the civilian equivalency rate. The respective Military Departments and [WCF](#) activities must reimburse the appropriate military appropriation every fiscal year.

### 2.3 Unresolved Disputes

In the event of an unresolved dispute between the military personnel appropriation manager and a [WCF](#) activity on the budgeted amount of the deposit, the budgeted amount requested by the military personnel appropriation manager must be provided. Upon resolution of the dispute, the military personnel appropriation manager will provide a refund to the [WCF](#) activity, if any is due, for the applicable amount.

## 3.0 DEPRECIATION EXPENSE

Depreciation is the systemic and rational allocation of the recorded cost of an asset over its estimated useful life. Refer to Volume 4, Chapters 24, 25, 26, 27, and 28 for guidance on useful lives.

### 3.1 Capital Assets

WCF activities will fully reflect the depreciation expense of capital assets owned by the activity in their operating costs, whether they were purchased with WCF budget authority or transferred to the WCF activity without reimbursement. WCF activities will recover only those costs incurred by the activity in the rates through the Capital Investment Recovery (CIR) factor. See Volume 2B, Chapter 9 for additional information regarding the CIR.

### 3.2 Capital Assets Transferred In

WCF activities will calculate the depreciation of capital assets that are transferred into a WCF business entity without reimbursement based on its net value (original acquisition cost less calculated accumulated depreciation) plus any associated costs for transportation, installation, and other related costs necessary to put the asset into operational use. Since the transfer of capital assets to the WCF activity without reimbursement does not involve an outlay, the CIR factor is not applied.

### 3.3 Imputed Costs Related to Real Property

Volume 4, Chapter 24, directs WCF activities to impute costs in accordance with SFFAS 55. WCF activities that transfer out real property to comply with DoD policy must record imputed costs for those assets meeting the criteria defined in SFFAS 55.

## 4.0 MANAGEMENT IMPROVEMENT INITIATIVES

WCF activities must expense any management improvement initiative that does not qualify for the Capital Investment Program and does not result in a capital asset subject to depreciation.

## 5.0 REAL PROPERTY MAINTENANCE AND REPAIR

WCF activities must expense real property maintenance and repairs in the period in which the maintenance and repair occurs. See Volume 4, Chapter 24 for further policy on real property maintenance and repair.

## 6.0 DoD HEADQUARTERS ACTIVITIES COSTS

Each WCF activity is under the management control of a designated DoD Component. The WCF headquarters activities costs are related to specific WCF activity operations and are separate from the general policy direction for the Department or a DoD Component. WCF activities must identify management headquarters funded by the WCF in the WCF Charter (Management Command) for each applicable activity. See Chapter 2 for guidance on WCF charter requirements. Refer to Volume 2B, Chapter 9 for the DoD guidance related to headquarters activities.

## 7.0 ACCOUNTING FOR COSTS

The [\*DoD USSGL Transaction Library\*](#) illustrates the accounting entries with related USSGL accounts.