

VOLUME 4, CHAPTER 1: “FINANCIAL CONTROL OF ASSETS”**SUMMARY OF MAJOR CHANGES**

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

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

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

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

The previous version dated [January 2016](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates were completed in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
1.2	Updated the Authoritative Guidance section. Removed the reference to Statement of Federal Financial Accounting Standards (SFFAS) 8 which was rescinded by SFFAS 57. Also, added references to SFFAS 54 and 57 that were issued since the previous version.	Deletion/ Addition
2.4	Clarified Nonentity versus Entity Asset language.	Revision
3.0	Clarified Fund Balance with Treasury policy language.	Revision
7.0	Clarified Stewardship Land language and revised Financial Management Regulation references for General Property, Plant, and Equipment.	Revision

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CHAPTER 1

FINANCIAL CONTROL OF ASSETS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the Department of Defense (DoD) accounting policy for the financial control of assets. The DoD establishes financial control, from acquisition to disposal, over all DoD assets based on statutory or other legal authority and asset type. Properly documented authorizations record acquisitions, placed in service dates, transfers, write-downs or offs, and dispositions. The Department accounts for all DoD tangible assets, including assets in transit and the hands of contractors, private parties, and other government agencies.

1.2 Authoritative Guidance

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

1.2.1. Financial Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Concepts (SFFAC 6, “Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information;”

1.2.2. FASAB Statement of Federal Financial Accounting Standard (SFFAS) 1, “Accounting for Selected Assets and Liabilities;”

1.2.3. FASAB SFFAS 3, “Accounting for Inventory and Related Property;”

1.2.4. FASAB SFFAS 6, “Accounting for Property, Plant, and Equipment;”

1.2.5. FASAB SFFAS 31, “Accounting for Fiduciary Activities;”

* 1.2.6. FASAB SFFAS 54, “Leases;”

* 1.2.7. FASAB SFFAS 57, “Omnibus Amendments 2019;”

1.2.8. Office of Management and Budget (OMB) Circular A-136, “Financial Reporting Requirements;”

1.2.9. The United States Department of the Treasury (Treasury) Bureau of the Fiscal Service Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 3200, “Foreign Currency Accounting and Reporting;”

1.2.10. TFM Volume 1, Part 2, Chapter 3400, “Accounting for and Reporting on Cash and Investments Held Outside of the United States (U.S.) Treasury;”

1.2.11. TFM Volume 1, Part 2, [Chapter 5100](#), “Reconciling Fund Balance with Treasury Accounts;” and

1.2.12. Department of Defense Instruction [\(DoDI\) 5000.64](#), “Accountability and Management of DoD Equipment and Other Accountable Property.”

2.0 ACCOUNTING REQUIREMENTS

2.1 Accounting Requirements Overview

Sections [3.0](#) through [8.0](#) provide specific accounting policies for various categories of assets. The general requirements prescribed in this section apply to all assets.

2.2 Definition of Asset

An asset has two essential characteristics:

2.2.1. It embodies [probable \(more likely than not\)](#) economic benefits or services that can be used in the future; and

2.2.2. The DoD [owns or](#) controls access to the economic benefits or services and, therefore, can obtain them, deny, or regulate the access of other entities.

2.3 Noncash Assets

Noncash assets [are](#) valued promptly, once [DoD](#) [acquires](#), [takes](#) possession, or [exercises](#) accounting control. For purposes of this paragraph, promptly means [by](#) the entity’s fiscal year-end.

*2.4 Entity Versus Nonentity Assets

2.4.1. DoD Components report entity assets separately from nonentity assets in [the financial statements, Note 2](#).

2.4.2. [DoD Components use entity assets in their operations](#). The DoD Component [decides](#) how the asset is used or [must](#) use the asset to meet statutory obligations.

2.4.3. [DoD Components may hold, but not use](#) nonentity assets in its operations. A DoD Component may [be a fiduciary](#), maintaining nonentity assets for the Treasury, other government agencies, or non-federal entities. DoD Components must report both entity and [custodial or managed](#) nonentity assets in the financial statements. However, DoD Components [must not recognize fiduciary](#) nonentity assets on the Balance Sheet, [according to](#) SFFAS 31. [The Federal Government must uphold the non-Federal individuals’ or entities’ ownership interest in the fiduciary assets](#). Disclose in [the financial statement](#), Note 2, the nonentity assets [reported on an entity’s Balance Sheet](#) [according to](#) OMB Circular A-136, Assets section; see also Volume 6B, Chapter 10. Recognize [a liability](#) equal to nonentity assets (due to Treasury or other entities) on the Balance Sheet.

2.5 Intragovernmental Versus Public Transactions

2.5.1. DoD Components create intragovernmental assets from transactions with Non-DoD Federal Agencies and other DoD Components.

2.5.2. DoD Components create public assets from transactions with non-federal entities. Non-federal entities include domestic and foreign persons and organizations outside the U.S. Government. The term “public” can represent non-federal entities.

2.6 Accounting Events

The accounting events discussed in Chapters 2 through 7 require accounting entries simultaneously in both the proprietary accounts and the budgetary accounts. Additional information on budgetary accounts is in Volume 3.

*3.0 FUND BALANCE WITH TREASURY (FBWT) AND CASH

3.1 FBWT Policy

FBWT includes the available funds with Treasury authorizing the entity to make expenditures and pay liabilities. Collections and disbursements increase or decrease the account balance. All federal agencies must reconcile their FBWT accounts on a regular and recurring basis to ensure integrity and accuracy. Research and resolve differences identified during the reconciliation process. Reconciliation documentation (including support for any adjustments required) must be prepared and retained. Reconciliation, review, and approval of evidence must be documented. FBWT balances must be accurate for the Treasury, Department, and Government-wide financial position. Comprehensive guidance on FBWT and Cash is in Chapter 2.

3.2 Cash Held Outside of Treasury

DoD consolidation entities may hold cash outside of the Treasury to provide check-cashing services in accordance with Volume 5. Cash includes all monetary resources on hand or deposit with financial institutions, including coins, currency, and readily negotiable instruments (such as checks and money orders).

3.3 Restricted Cash

Laws, regulations, or agreements impose cash deposit restrictions. Nonentity cash is always restricted cash. Entity cash may be restricted for specific purposes. Financial reports must disclose the restriction reasons and nature.

3.4 FBWT and Cash Accounting Requirements

3.4.1. FBWT and cash accounting will:

3.4.1.1. Be complete, accurate, and timely.

3.4.1.2. Cover cash receipts, cash disbursements, and cash balances.

3.4.1.3. Comply with applicable laws and regulations.

3.4.1.4. Disclose errors, losses, and gains. DoD Components must identify, resolve, and correct errors on a timely basis as detailed in Chapter 2.

3.4.2. Record cash receipts immediately upon collection, and control and deposit cash as soon as practicable. Disbursing Officers and their cash agents may hold cash collections for operating requirements within their authority.

3.4.3. Make cash disbursements only after receiving an approved voucher package containing performance evidence (i.e., receipt of goods and/or services via DD Form 250, Material Inspection and Receiving Report), a valid purchase order, and a valid invoice. Cash disbursements can also be made after receiving an authorized advance payment request. Record cash disbursements and collections promptly in the applicable DoD accounting system and report the same in the Statement of Transactions.

3.4.4. Reconcile cash receipts and disbursements with appropriate documents and accounting records, within each accounting period. Document the reconciliation and verify that all supporting documentation amounts agree with the postings to the U.S. Standard General Ledger account 101000, Fund Balance with Treasury, and 109000, Fund Balance with Treasury Under a Continuing Resolution. Research and resolve any differences identified during the reconciliation process. Prepare and retain reconciliation documentation (including support for any adjustments required). Review and approval of the reconciliations and adjustments must be documented.

3.4.5. Account for foreign currencies in subsidiary accounts separate from U.S. currency. Report foreign currencies at the U.S. dollar equivalent using the exchange rates prescribed by the Secretary of the Treasury. Disclose in the financial statement notes that foreign currency is not freely exchangeable. Accounting entities may prepare financial statements for their use. These entity-level statements will be translated into U.S. dollars when used to prepare departmental financial statements. See Volume 6A, Chapter 7 for additional foreign currency information.

3.4.6. Cash management requirements guidance is in Chapter 2.

4.0 RECEIVABLES

4.1 Receivables Overview

[Record](#) amounts due the DoD accurately in the appropriate receivable account [when](#) the transaction or event occurs. [Claims](#) to assets include accounts receivable, interest receivable, and loans receivable. [Detailed Receivables](#) guidance is in Chapter 3.

4.2 [Receivable](#) Recognition

SFFAS 1 requires receivable recognition [when](#) a federal entity establishes a claim to assets against other entities, either based on legal provisions, such as a payment not received by the invoice due date, or goods or services provided. [Unknown amounts must](#) be [estimated](#).

5.0 INVENTORY AND RELATED PROPERTY

5.1 Definition of Inventory and Related Property

5.1.1. Inventory is tangible personal property that is (1) held for sale, (2) in the process of production for sale, or (3) consumed in producing goods or providing services for a fee. Inventory includes items for sale or transfer to [the federal government](#) or non-federal entities.

5.1.2. Inventory [is](#) recognized when [the](#) title passes or when the goods are [received by](#) the purchasing entity. [The terms of the contract dictate](#) delivery or constructive delivery.

5.1.3. Inventory [is](#) valued at historical cost, using the moving average cost assumption unless an exception is specifically authorized.

5.1.4. [Comprehensive Inventory](#) guidance is in Chapter 4.

5.2 Operating Materials and Supplies and Stockpile Materials

Related property includes operating materials and supplies and stockpile materials. [Additional guidance is in Chapter 4.](#)

6.0 ADVANCES AND PREPAYMENTS

6.1 Advances

[A DoD Component may](#) advance cash to its employees, contractors, grantees, or others to cover the recipients' anticipated expenses or as advance payments for the cost of goods and services the entity acquires. Common examples include travel advances disbursed to employees prior to business trips, and assets disbursed under a contract, grant, or cooperative agreement before [the contractor or grantee provides](#) services or goods. [Reduce](#) advances when related goods or services are received, contract terms are met, progress is made under a contract, or anticipated

expenses are realized. Advances are the paying entity's assets. Additional advance guidance is discussed in Chapter 5.

6.2 Prepayments

A DoD Component may make prepayments to cover periodic expenses before those expenses are incurred. Typical prepaid expenses are rents paid to a lessor at the beginning of a rental period. Reduce prepayments when the DoD Component receives goods or services, or the prepaid expenses expire. Prepayments are the paying entity assets. Detailed prepayment guidance is in Chapter 5.

6.3 Reporting Intragovernmental Transactions

Intragovernmental advances and prepayments must be accounted for and reported separately from those made to non-federal entities.

*7.0 PROPERTY, PLANT, AND EQUIPMENT (PP&E)

7.1 Definition of PP&E

7.1.1. PP&E includes General PP&E, Heritage Assets, Multi-Use Heritage Assets, and Stewardship Land. SFFAS 6 defines PP&E as tangible assets, with estimated useful lives of two years or more, are not intended for sale in operations, and are acquired or constructed to be used. PP&E includes Internal Use Software, Lease assets, leasehold improvements, property owned in the hands of others (e.g., state governments, colleges and universities, or Federal contractors), and land rights.

7.1.2. Heritage Assets are of historical, natural, cultural, educational, artistic, or aesthetic significance, or with significant architectural characteristics. Regardless of its use, all land from the public domain provided to the Department at no cost is classified as Stewardship Land.

7.1.3. The government must account for PP&E because public funds are invested. Account and control property in the accountable property systems of record. The DoD must safeguard its property from theft, abuse, waste, and unauthorized use and manage the property efficiently and effectively.

7.1.4. Consistent with the DoDI 5000.64, DoD is accountable for all property acquired, leased, or otherwise obtained: from initial acquisition and receipt; through accountability and custody; until formally relieved of accountability, including disposition; or through a completed evaluation and investigation for lost, damaged, destroyed, or stolen property. Additional PP&E guidance is in Chapter 24 for Real Property, Chapter 25 for General Equipment, Chapter 26 for Leases, Chapter 27 for Internal Use Software and Chapter 28 for Heritage Assets, Multi-Use Heritage Assets and Stewardship Land.

7.2 Recording General PP&E Assets

Record all General PP&E assets in accounting records at cost. [Include](#) all costs incurred to bring the PP&E to a form and location suitable for its intended use. Stewardship [Land and Heritage Asset](#) PP&E (except for Multi-Use Heritage Assets) [costs are](#) expensed [when](#) incurred.

8.0 OTHER ASSETS

Other assets include investments, and other miscellaneous assets not otherwise classified in a specific category identified in sections [2.0](#) through [7.0](#). The basic purpose is to ensure financial control over these assets and the recording of expenses or dispositions in the appropriate accounting periods. [Other assets guidance](#) is in Chapter 7.