

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***](#).

The previous version dated [May 2019](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
1.1	Updated purpose with Standard Financial Information Structure website and Department of Defense (DoD) Standard Reporting Chart of Accounts references. Removed specific U.S. Standard General Ledger accounts (previously paragraph 2.2).	Revision
2.2.2.1.4	Added language to support use of electronic receiving reports to support valuation of property at the time of delivery.	Addition
2.3, 2.3.4, 2.3.7.5, 2.3.7.6	Incorporated Alternate Valuation Methods for Establishing Opening Balances (previously Annex 2) into paragraph 2.3. Added disclosure requirements, subparagraph 2.3.4, engineering document based estimates, subparagraph 2.3.7.5 and cost estimator based estimates, subparagraph 2.3.7.6.	Revision/ Addition
2.4.4	Clarified language to ensure recognition of equipment aligns with corresponding revenue recognition.	Revision
2.6.2.2.2	Removed requirement for Office of the Under Secretary of Defense (Comptroller) approval to use other than DoD standard useful lives for depreciation.	Deletion/ Revision
Annex 1	Moved detailed Construction In Progress (CIP) process from Recognition Section (previously subparagraph 2.4.7) to a separate Annex. Moved CIP-related tables and figures to Annex.	Revision

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CHAPTER 25

GENERAL EQUIPMENT

1.0 GENERAL

*1.1 Purpose

1.1.1. This chapter establishes the accounting policy for financial control over Department of Defense (DoD) general equipment.

1.1.2. General Equipment is a subset of general Property, Plant, and Equipment (PP&E). DoD Components record general PP&E transactions to general ledger accounts in the financial statements required by the Treasury and other reporting requirements mandated by Congress and the Office of Management and Budget (OMB).

1.1.3. The Standard Financial Information Structure ([SFIS](#)) website hosts the DoD Standard Reporting Chart of Accounts, which provides account descriptions and posting guidance for the general ledger accounts referenced in this chapter. The DoD Standard Chart of Accounts was developed from the U.S. Standard General Ledger ([USSGL](#)) Transaction Library.

1.1.4. Refer to [Volume 6B, Chapter 10](#), “Notes to the Financial Statements” for detailed requirements on preparing and presenting notes to the financial statements for general equipment.

1.2 Authoritative Guidance

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

1.2.1. [Title 40, United States Code \(U.S.C.\), Section 571](#), “General rules for deposit and use of proceeds”;

1.2.2. [Title 40 U.S.C. Section 574](#), “Other rules regarding proceeds”;

1.2.3. 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”;

1.2.4. FASAB [SFFAC](#) [7](#), “Measurement of the Elements of Accrual-Basis Financial Statements in Periods after Initial Recording”;

1.2.5. FASAB [Statement of Federal Financial Accounting Standards \(SFFAS\)](#) [1](#), “Accounting for Selected Assets and Liabilities”;

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

- 1.2.7. FASAB [SFFAS 6](#), “Accounting for Property, Plant, and Equipment”;
- 1.2.8. FASAB [SFFAS 23](#), “Eliminating the Category National Defense Property, Plant, and Equipment”;
- 1.2.9. 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”;
- 1.2.10. FASAB [SFFAS 42](#), “Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32”;
- 1.2.11. FASAB [SFFAS 44](#), “Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use”;
- 1.2.12. FASAB [SFFAS 50](#), “Establishing Opening Balances for General Property, Plant and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35”;
- 1.2.13. FASAB [SFFAS 55](#), “Amending Inter-entity Cost Provisions”;
- 1.2.14. FASAB [Technical Bulletin 2017-2](#), Assigning Assets to Component Reporting Entities”;
- 1.2.15. FASAB Technical Release [\(TR\) 13](#), “Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment”;
- 1.2.16. FASAB [TR 14](#), “Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment”;
- 1.2.17. FASAB [TR 15](#), “Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation”;
- 1.2.18. FASAB [TR 17](#), “Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment”;
- 1.2.19. FASAB [TR 18](#), “Implementation Guidance for Establishing Opening Balances”;
- 1.2.20. FASAB [Staff Implementation Guidance 6.1](#), “Clarification of Paragraphs 40-41 of SFFAS 6, Accounting for Property, Plant, and Equipment, as Amended”;
- 1.2.21. 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”;
- 1.2.22. Federal Acquisition Regulation [\(FAR\)](#);

1.2.23. Defense FAR Supplement ([DFARS](#));

1.2.24. DFARS and Procedures, Guidance, and Information ([PGI](#));

1.2.25. United States Department of the Treasury Financial Manual ([TFM Volume 1, Part 2, Chapter 4700](#), “Agency Reporting Requirements for the Financial Report of the United States Government”;

1.2.26. TFM USSGL;

1.2.27. OMB [Circular A-136](#), “Financial Reporting Requirements”;

1.2.28. DoD Instruction ([DoDI 5000.02](#), “Operation of the [Adaptive Acquisition Framework](#) System”;

1.2.29. [DoDI 5010.40](#), “DoD Enterprise Risk Management and Risk Management and Internal Control Program”;

1.2.30. [DoDI 5000.64](#), “Accountability and Management of DoD Equipment and Other Accountable Property”; and

1.2.31. DoD Manual ([DoDM 4160.21](#), Volume 1, CH-4 “Defense Materiel Disposition: Disposal Guidance and Procedures.”

2.0 ACCOUNTING FOR GENERAL EQUIPMENT

2.1 Description

2.1.1. General equipment consists of tangible assets that:

2.1.1.1. Have an estimated useful life ([normal operating life in terms of utility to the owner](#)) of two years or more;

2.1.1.2. Are not intended for sale in the ordinary course of operations [and not held in anticipation of physical consumption](#);

2.1.1.3. Are acquired or constructed to be used or available for use by the entity;

2.1.2. General equipment items are characterized as providing goods or services, or supporting the mission of the entity, [and](#) typically have one or more of these characteristics:

2.1.2.1. The item could be used by other DoD or federal programs, state or local governments, or nongovernmental entities, but is used to produce goods or services, or support the mission of the entity;

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

2.1.2.3. 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).

2.1.2.4. The item is functionally complete and does not ordinarily lose its identity or become a component part of another asset when used.

2.1.3. General Equipment excludes:

2.1.3.1. Inventory and Related Property (I&RP). Tangible items that do not meet the criteria in subparagraph 2.1.1 and long-range ballistic missiles are I&RP. I&RP is discussed in Chapter 4.

2.1.3.2. Real Property. Facilities, land, and land rights. Installed equipment that facilitates the use of and is inclusive and intrinsic to the facility itself, such as landscaping; heating, ventilation, and air conditioning equipment; utility connections; installed overhead bridge cranes; and elevators. These items are real property and are discussed in Chapter 24.

2.1.3.3. Internal Use Software (IUS). IUS includes the application and operating system programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system or program. IUS is discussed in Chapter 27.

2.1.4. General Equipment may include:

2.1.4.1. Contractor-Acquired Property (CAP). Property acquired, fabricated, or otherwise provided by the contractor for performing a contract and to which the Government has title.

2.1.4.2. Government Furnished Property (GFP). Property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract. GFP includes equipment, material, special tools, special test equipment, spares, and property furnished for repair, maintenance, overhaul, or modification.

2.1.4.3. CAP and GFP items that do not meet the criteria in subparagraph 2.1.1 are not general equipment and generally fall under the category of I&RP.

2.1.5. Examples of General Equipment are:

2.1.5.1. Weapon systems used by the Armed Forces to carry out battlefield, intelligence, or surveillance missions, including combat aircraft, pods, combat ships, support ships, satellites, and combat vehicles.

2.1.5.2. Specialized support equipment; information technology infrastructure, specialized training devices, specialized vehicles (not combat), and facilities support equipment.

2.1.5.3. Computer software that is integrated into (embedded) and necessary to operate weapon systems (rather than perform an application). This software is considered part of the PP&E of which is an integral part.

2.2 Valuation

2.2.1. Acquisition Cost. The acquisition cost includes all amounts paid for the original purchase, construction, or development, to bring the equipment to its form and location suitable for its intended use, costs for embedded items and/or integral software, and ancillary costs, net of (less) any purchase discounts. Although the measurement basis for valuing general equipment remains historical (acquisition) cost, reasonable estimates may be used to establish the acquisition cost for general equipment as described in SFFAS 6 as amended by SFFAS 50.

2.2.1.1. Net Book Value. The cost of general equipment, less its accumulated depreciation (reduced for any impairments, if applicable).

2.2.1.2. Fair Value. The amount exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

2.2.1.3. Ancillary Cost. Identifiable costs necessary to bring the asset to its form and location suitable for its intended use, including other direct and indirect costs. Table 25-1 provides examples of ancillary costs.

2.2.2. Method of Acquisition or Transfer Determines Recorded Cost

2.2.2.1. Purchased Equipment. The cost for general equipment acquired from a third party (private, commercial, or state or local government) is its purchase contract cost plus applicable ancillary costs. Purchase contract cost includes procurements by cash, check, or installment, or progress payments on contracts. Value purchase contract costs (when equipment is delivered and accepted by the government) in accordance with the contractual arrangement used to acquire the item as follows:

2.2.2.1.1. For fixed price type line, subline, or exhibit line items, when property is identified as a deliverable end item, the value of the property is the unit price identified in the contract at the time of delivery;

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

2.2.2.1.3. 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.

* 2.2.2.1.4. Electronic receiving reports support the valuation of property at the time of delivery. The Defense Federal Acquisition Regulation Supplement (DFARS) requires formal receiving reports to be filed and processed electronically in the Wide Area Workflow (WAWF) system. Further, DFARS makes WAWF the formal system to store electronic receiving reports.

2.2.2.2. Constructed Equipment. The cost 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 its intended use, including labor, materials, and overhead costs. Table A1-1 in Annex 1 describes the types of costs accumulated for construction items.

2.2.2.3. Donated Equipment. The cost 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.

2.2.2.4. Exchanged Equipment. The cost for general equipment acquired through exchange between the DoD and a non-federal entity (NFE) 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.

2.2.2.4.1. A gain or loss is recognized for the difference between the net recorded amount of the consideration surrendered and the cost of the equipment acquired.

2.2.2.4.2. If 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.

2.2.2.4.3. If the fair value of the equipment acquired is less than that of the consideration surrendered, recognize the equipment acquired at the amount of the consideration surrendered, as described previously, and subsequently reduce it 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.

2.2.2.4.4. This guidance on exchanges applies only to exchanges between a DoD Component and an NFE. Exchanges between a DoD Component and another DoD Component or a Federal agency must be accounted for as a transfer.

2.2.2.5. 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.

2.2.2.6. Transferred Equipment. Transfers of equipment must adhere to the cost recorded for general equipment transferred from another DoD Component or Federal agency as the cost recorded on the transferring entity's books for the general equipment, net of any

accumulated depreciation (i.e., net book value). To prevent intergovernmental transaction elimination issues, the DoD component must ensure record the transfer-in amount in aligns with the transfer document received from the transferring agency. 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 transferred between entities must be in accordance with DoDI 5000.64. Refer to DoDI 1225.06 for other than DoD entities and Reserve Components equipment transfers.

2.2.2.7. Equipment Acquired by Trade-In. The cost for general equipment acquired when trading for 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 acquisition cost of a general equipment asset, less its accumulated depreciation (reduced for any impairments, if applicable).

Table 25-1 Examples of Ancillary Cost

Examples of Ancillary Costs	
GFP installed in end items, such as engines installed in aircraft	Fair value of equipment donated to the DoD
Acquisition and preparation costs of equipment	Labor and other direct or indirect production costs (for assets produced or constructed)
Direct costs of inspection, supervision, and administration of construction contracts and construction work	Allowable direct cost of maintaining the Program Management Office, if material
An appropriate share of the cost of Government-furnished materials used in the production of end items	An appropriate share of the cost of the equipment and facilities used in construction work
Transportation charges to the point of initial use	Cost of handling and storage
Engineering and other outside services for designs, plans, specifications, and surveys	Legal and recording fees and damage claims
Interest paid directly to providers of goods or services related to the acquisition or construction (not including late payment interest penalties).	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 Alternate Valuation Methods for Establishing Opening Balances.

2.3.1. The alternative valuation methods for establishing opening balances for general PP&E are available only once to each reporting entity. Therefore, prior to the establishment of opening balances for general equipment, DoD Components must validate that they 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 by SFFAS 50. Components must prepare and retain documentation to support compliance with the recognition, measurement, presentation, and disclosure requirements to meet audit requirements. When a Component cannot apply historical cost as outlined in SFFAS 6, **Deemed Cost** is acceptable to estimate the initial amounts (historical cost) to establish the opening balances for general equipment.

2.3.2. When evaluating general equipment for the purpose of establishing opening balances, DoD Components must apply the applicable capitalization threshold to their entire population of general equipment retroactively.

2.3.3. DoD Components must calculate a gross value and an accumulated depreciation value for General Equipment assets **when establishing opening balances using Deemed Cost**.

2.3.3.1. Both the gross value Deemed Cost and the 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.

2.3.3.2. This prior period adjustment represents a change in accounting principle in accordance with FASAB **SFFAS 21**, “Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources”. Adjustments 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.

* 2.3.4. DoD component reporting entities applying deemed cost in establishing opening balances for general PP&E must disclose in the notes to their financial statements that they used an alternative valuation method and describe the methods 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. Financial statements or, as applicable, reports on line items of subsequent periods need not repeat this disclosure, unless the financial statements for which deemed cost was applied in establishing opening balances are presented for comparative purposes. No disclosure of the distinction or breakout of the amount of deemed cost of general PP&E included in the opening balance is required.

2.3.5. Deemed Cost estimates must be based on one or a combination of the following allowable valuation methods:

2.3.5.1. **Replacement Cost**. The amount required for an entity to replace the remaining service potential of an existing asset in a current transaction at the reporting date,

including the amount that the entity would receive from disposing of the asset at the end of its useful life.

2.3.5.2. Estimated Historical Cost (initial amount). A reasonable estimate of historical (acquisition) cost. See subparagraph 2.3.7 for reasonable estimating methods.

2.3.5.3. Fair Value. 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.

2.3.6. 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) (OUSD(C))/Office of the Deputy Chief Financial Officer (ODCFO) and the Office of the Deputy Assistant Secretary of Defense for Logistics prior to committing significant resources to these methods.

2.3.7. Estimated historical cost may be based on:

2.3.7.1. Cost of Similar Assets at the Time of Acquisition. This alternate 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:

2.3.7.1.1. 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;

2.3.7.1.2. 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

2.3.7.1.3. 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.

2.3.7.2. Current cost of similar assets discounted for inflation. Deflating current costs to costs at the time of acquisition by the general price index; or

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

2.3.7.3.1. Reviewing the relevant President's Procurement Budget documentation for the general equipment acquisition program and determine whether the budget has adequate detail to support the budget valuation methodology.

2.3.7.3.2. Identifying costs and determining which costs must be included in the capitalized costs of the general equipment;

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

2.3.7.3.4. Documenting the process and results.

2.3.7.4. 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 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 capitalized versus expensed (e.g., research and development costs, factory training). DoD Components must also consider the complexity of multiple contracts used to develop or acquire the general equipment assets. Steps for performing contract-based estimates include:

2.3.7.4.1. 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;

2.3.7.4.2. Working with Financial Managers, Procurement Contracting Officers, and PMOs to review all line items in the contract to identify costs to include in the capitalized acquisition costs and to identify the costs to exclude;

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

2.3.7.4.4. Documenting the process and results.

* 2.3.7.5. Engineering Document-Based Estimates. Technical and engineering documents lay out the assumptions, materials, and estimated cost to produce an asset. In these instances, the engineering documents can provide a sufficient basis for estimating deemed cost for opening balances. Examples of acceptable supporting documentation include technical specifications and estimates, maintenance delivery schedule, bill of materials, invoices, vendor quotes on material costs/sale rates, time compliance, and technical orders, industry estimates, and Federal Logistics Data (FED LOG) published by the Defense Logistics Agency.

* 2.3.7.6. Expert Cost Estimator Estimates. An informed opinion of an expert cost estimator may be used to support reasonable estimates. Informed opinion refers to the judgment of others who make estimates based on programmatic knowledge and/or experience based on

limited information and, in some cases, without using an econometric or other statistical model. If an expert cost estimator is used, document the expert's credentials or qualifications in sufficient detail to allow review and validation by independent sources, including independent auditors. Maintain other relevant communications describing the basis for any assumptions or changes in assumptions in support of the expert's opinion. Other relevant communications may include:

2.3.7.6.1. Reports and studies.

2.3.7.6.2. Memos with outside experts and minutes from internal meetings describing the basis for any assumptions or changes in assumptions.

2.3.7.6.3. Previous studies conducted by the expert, including industry studies, journal articles, and third-party studies.

2.4 Recognition

2.4.1. Recognition requires appropriate accounting treatment (expense or capitalization with depreciation) and reporting of capitalized amounts and accumulated depreciation on the DoD Component's financial statements.

2.4.2. Recognition Responsibility. The entity that has accountability for a general equipment asset, defined in DoDI 5000.64, has financial reporting responsibility for that asset from purchase or construction, upon transfer of title (receipt, delivery, or acceptance) to disposal or when another entity takes physical accountability for the asset. See Annex 2 for illustrative examples of financial reporting responsibilities for general equipment and related journal entries.

2.4.2.1. The base asset and all related capital improvements are reported by the same reporting entity to maintain consistency between the financial reporting and the physical assets.

2.4.2.1.1. Software developed separately and installed on several assets at different times may be treated as a separate IUS asset, rather than integrated or embedded software.

2.4.2.1.2. When software is treated as a separate IUS asset, improvements to the software are capitalized to the separate IUS asset, not the general equipment asset.

2.4.2.2. Financial reporting responsibility for asset transfers with the accountability of the asset in cases where accountability changes from one entity to another. Documentation for transferring assets must be maintained to support audit requirements in accordance with DoD FMR Volume 1, Chapter 9: "Financial Records Retention."

2.4.2.3. Financial reporting responsibility for assets includes all aspects of financial reporting and disclosures, including, but not limited to, footnote disclosures, deferred

maintenance and repair (DM&R), and other required supplemental information (RSI) as detailed in the Additional Considerations section.

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

2.4.2.5 DoD Components responsible for the financial reporting of an asset **must** be prepared to support the financial statement assertions, including existence and completeness, rights and obligations, accuracy and valuation, occurrence, and presentation and disclosure.

2.4.2.6 DoD Components funding CAP recognize the item as general equipment **upon delivery** and **acceptance** by the DoD Component or an authorized representative in accordance with the terms and conditions of the contract **and** in accordance with **DFARS PGI 245.402-71**. Constructive Delivery is **when the title** transfers to another **entity**, even if the physical delivery did not take place. Constructive delivery **is** based on the terms of the contract regarding shipping and/or delivery. **Recognize** constructive delivery of a CAP item in the **Construction in Progress (CIP)** account until acceptance.

2.4.2.7. If a local DoD Component identifies a DoD general equipment asset on site that is not recorded in its APSR, it must determine who is accountable for the asset. The accountable entity must perform **a property** inventory in accordance with DoDI 5000.64 and establish proper internal controls to support Property Management in accordance with DoDI 5010.40. If the local DoD Component is not accountable for certain general equipment assets, the Component must **prepare and maintain supporting documentation** for those assets **to provide to** their respective accountable DoD Components for audit purposes **in accordance with DoD FMR Volume 1, Chapter 9: “Financial Records Retention.”**

2.4.2.8. Entities that have assets on loan or under temporary or stewardship control do not transfer accountability or financial reporting. The entity with stewardship control must maintain supporting documentation that identifies its physical control while clarifying that it does not hold financial reporting responsibility. **Custodial entities** provide this documentation to the accountable entity **and** support any audit requests from the accountable entity related to the property in its control.

2.4.3. **Recognition Uncertainty**. The DoD and the Federal Government must ensure that the accounting records are not duplicative.

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

2.4.3.2. 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.

* 2.4.4. Recognition Timing. Recognition of general equipment for financial reporting purposes must occur upon delivery to the acquiring DoD Component. Delivery occurs when the title passes to the customer. Delivery or constructive delivery shall be based on the terms of the contract.

2.4.4.1. Upon delivery or constructive delivery of finished goods, the cost of general equipment items must be capitalized in the appropriate equipment account.

2.4.4.2. Deliveries of unfinished goods must be accumulated in the CIP account by the funding DoD Component, assuming the estimated total costs will reach the capitalization threshold.

2.4.4.2.1. In cases where there are multiple DoD funding entities, the entity with accountability according to DoDI 5000.64 will act as the financial reporting entity and record the completed asset at full cost in their APSR.

2.4.4.2.2. DoD Components record transfers of in-service assets in the same month that the asset was removed from CIP and placed in service. Refer to Annex 2 for illustrative examples and journal entries.

2.4.4.3. When a contractor acquires general equipment on behalf of a DoD Component (i.e., CAP), the component must recognize the asset upon delivery or constructive delivery and acceptance. The contract determines the terms of delivery, receipt, and acceptance in accordance with DFAR PGI 245.402-71.

2.4.4.3.1. Record contract financing payments for work performed (e.g., progress payments, performance-based payments, and commercial interim payments) or interim payments under a cost reimbursable contract for supplies made to a contractor prior to delivery or constructive delivery in the CIP account until you receive the goods, assuming estimated total costs will reach the capitalization threshold.

2.4.4.3.2. Upon completion and contractual delivery of general equipment to the Government, the DoD Component must either capitalize the equipment in the appropriate USSGL account (relieving CIP) or, if below the capitalization threshold, record such items 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, they must document and expense costs as they construct it.

2.4.4.4. When a DoD component acquires general equipment from another federal entity, the DoD component must ensure the timing of asset recognition aligns with the removal of the asset from the providing entity's property accountability and financial reporting records. This is especially important in environments of joint asset management, such as integrated Defense Health Program (DoD) and Veterans Affairs (Non-DoD) facilities.

2.4.5. Capitalization Thresholds. The DoD capitalization threshold for general equipment is \$250,000, except for the following deviations. The capitalization threshold is

\$1 million for the Department of Air Force General Fund, the Department of Navy General Fund, and select DoD Intelligence Agencies. The capitalization threshold is \$100,000 for the Marine Corps General Fund.

2.4.5.1. Capitalize general equipment with a recorded cost that equals or exceeds the applicable capitalization threshold and has a useful life of at least two years as an asset, and depreciate the cost over its useful life.

2.4.5.2. Expense general equipment with a recorded cost below the applicable capitalization threshold or has a useful life of less than two years, except for general equipment items that are acquired as part of a qualifying bulk purchase.

2.4.6. DoD Components must capitalize special tooling, special test equipment, and other similar equipment items that meet or exceed the appropriate capitalization threshold with a useful life of at least two years at the time of delivery. Per SFFAS 6, general equipment must be recognized when title passes to the acquiring entity or when the general equipment is delivered to the entity or an agent of the entity. The component must recognize the general equipment acquired by the contractor on behalf of the DoD Component, for which the Government will ultimately hold title.

2.4.7. Bulk Purchases.

2.4.7.1. Each DoD Component must establish guidance on applying DoD capitalization thresholds to its bulk purchases. DoD Components must document their rationale regarding accounting treatment for bulk purchases and retain the documentation for audit purposes in accordance with DoD FMR Volume 1, Chapter 9: “Financial Records Retention.”

2.4.7.2. For financial accounting, 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, DoD Components must consider aggregate purchases on a fiscal year basis.

2.4.7.3. The DoD Component must 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. SFFAS 1 defines materiality as 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. To determine materiality, the DoD Component must exercise appropriate and reasonable professional judgment.

2.4.7.4. In the instance where more than one DoD Component has the authority to place orders under the same contractual/purchase arrangement, the component must consider only those orders it funds for purposes of bulk purchase evaluation and not those funded by other DoD Components.

2.4.8. CIP. Funding DoD Components must report and record constructed general equipment in the CIP account (when expected to meet capitalization criteria of the component that will own the asset) until they complete and place it in service, at which time they must transfer the balance to the general equipment USSGL account. The CIP account accumulates costs of new construction of general PP&E 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.

2.4.8.1. Expense planning costs prior to design authorization (Milestone C in the Adaptive Acquisition Framework).

2.4.8.2. Capitalize expenditures or financing payments paid to contractors, for general equipment being manufactured or constructed in a CIP account. Reporting entities must capture and accumulate capital costs separately for each acquisition program or contract.

2.4.8.3. 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.

2.4.8.4. 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 must 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.

2.4.8.4.1. DoD components must include appropriate contract data requirement provisions in their contracts to enable CIP reconciliation and accurate reporting.

2.4.8.4.2. DoD components performing work on behalf of other components must periodically provide appropriate data to enable CIP reconciliation and accurate reporting.

2.4.8.5. See Annex 1 for a detailed discussion of recognition throughout the CIP Process.

2.4.9. Accounting for General Equipment Outside of the United States. As used in this chapter, the “United States” is defined as the 50 States of the United States, the District of Columbia, and the commonwealths, territories, and possessions 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:

2.4.9.1. DoD Components must recognize a general equipment asset on their 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.

2.4.9.2. DoD Components must evaluate any foreign legal restrictions or terms of any agreement with the host nation/foreign government to determine the accounting treatment if a DoD Component both purchases and uses the general equipment in the foreign country as follows:

2.4.9.2.1. 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.

2.4.9.2.2. If there are foreign legal restrictions, terms of agreement with the host nation/foreign government, or other restrictions that prevent the DoD from owning the general equipment imposed by the host nation/foreign government, the DoD Component must 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, the general equipment must be capitalized and depreciated over a shorter period of use in the foreign country or the useful life.

2.4.9.3. If a general equipment acquisition is not funded/purchased by DoD but instead 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 criteria in Chapter 26.

2.4.9.4. SFFAS 4 and SFFAS 55 address imputed costs between Federal agencies. 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.

2.4.9.5. 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.

2.4.9.5.1. Expense general equipment items that do not meet the criteria for capitalization in the period acquired or built.

2.4.9.5.2. If the host nation/foreign government does not receive payment from the DoD Component for the use of general equipment provided to the DoD Component, the DoD Component **must** not reflect this general equipment in financial statements (other than through note disclosure).

2.4.9.5.3. Enter and maintain all other property attributes and data elements in the APSR for all general equipment regardless of the dollar value assigned to the asset.

2.4.9.6. The DoD Component must record an expense for any maintenance and sustainment costs that they incur or will incur relating to the general equipment paid. Maintenance and sustainment costs refer to costs that do not meet the criteria for capitalization of an improvement as described in section 2.5.2.

2.5 Capital Improvements

2.5.1. Referred to as modifications, modernizations, upgrades, remanufacture, and enhancements.

2.5.2. Capital improvements to general equipment must be capitalized when the improvement increases the asset's useful life by two or more years, or increases the asset's capability, or increases its capacity or size, and when the cost of the improvement equals or exceeds the capitalization threshold. If capital improvements do not meet these two criteria, they must be expensed. If the capital improvement extends the useful life of the underlying general equipment asset by two years or more, the DoD Component must capitalize and depreciate the improvement alongside the original general equipment over the revised estimated useful life. If the costs of capital improvements do not extend the useful life of an existing general equipment asset but enhance its capacity and have a useful life of two years or more, the DoD Component must capitalize and depreciate these costs over the lesser of the estimated useful life of the improvement or the remaining economic estimated useful life of the underlying general equipment asset.

2.5.2.1. A capital improvement funded by the same entity that reports the base asset must first accumulate the costs of the improvement in a CIP account and then transfer those costs to the same account as the base asset when the improvement goes into service.

2.5.2.2. If the entity that funds the improvement is different than the entity that reports the base asset, 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. The funding organization relieves the CIP as a transfer out, and the entity that reports the base asset recognizes the improvement as a transfer in when the improvement is placed in service. See Annex 2 for illustrative examples and journal entries.

2.5.2.3. DoD Components report the base asset and all capital improvements made to the base asset on the same financial statements.

2.5.3. 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 cannot be specifically identified by asset, must 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 a single item undergoes more than one improvement and these improvements are part of one overall effort to increase the item's capability, size, and/or useful life, the DoD Component must capitalize the sum of the costs of the improvements if the summed costs equal or exceed the applicable capitalization threshold. Once the DoD

Component determines that it will capitalize the aggregate costs of the improvements, it must capitalize and depreciate each improvement upon placing it in service.

2.5.4. Maintenance and repair costs are not considered capital improvements, regardless of whether the cost equals or exceeds the applicable capitalization threshold. Per SFFAS 42, maintenance and repairs are defined by the FASAB as activities that people direct toward keeping fixed assets in an acceptable condition, such as preventative maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain assets. Maintenance and repairs exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.

2.5.5. DoD Components generally expense maintenance and repairs in the period incurred. However, certain replacements of parts, systems, or components may or may not be an improvement for accounting purposes. The intent behind the replacement determines whether the DoD Components recognize a replacement as a repair or an improvement. Repair by replacement occurs when parts, systems, or components have failed or are no longer performing the functions for which they were designated and must be expensed. If the replacement was undertaken to improve or extend the life of an item [beyond that of its originally designed service life](#), then the replacement must be recognized as an improvement.

2.6 Depreciation

2.6.1. 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. The recorded cost of general equipment and capital improvements, which have been capitalized, must be depreciated.

2.6.2 Capitalized amounts, as well as associated amounts of accumulated depreciation and depreciation expense, must be reflected in DoD financial statements. The depreciable basis of an asset is the recorded cost reduced by the asset's salvage value (if applicable).

2.6.2.1 The salvage value, also known as the residual or scrap value, is the amount 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. If the asset is to be traded in on a new asset, the salvage value is the expected trade-in value.

2.6.2.2. DoD policy specifies using the straight-line method of depreciation only. However, [in certain circumstances](#), the DoD may permit alternate depreciation methods. DoD Components that would like to implement a method of depreciation different from straight line must submit [a written request from the DoD Component's Accounting Policy Office to the OUSD\(C\)/ODCFO for approval to proceed. One of the alternate depreciation methods used within DoD is](#) activity-based depreciation, referred to as Operational Tempo (OPTEMPO). OPTEMPO recognizes changes in expected utilization rates and fatigue caused by [the operating environment and mission](#).

2.6.2.2.1. 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.

* 2.6.2.2.2. Table 25-2 shows the [standard](#) useful lives DoD uses for general equipment. [This list is not all-inclusive](#). DoD Components may elect to depreciate assets over a useful life that more accurately reflects [their](#) useful life. The DoD Component making this election must document and [maintain](#) the basis for that decision, [including appropriate evidentiary matter \(e.g., an engineering estimate\) to support the decision](#). Documentation to support useful life determination, other than DoD standard useful lives, must be maintained and made available to auditors in accordance with DoD FMR Volume 1, Chapter 9: "Financial Records Retention."

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.

2.6.4. 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.

2.6.5. WCF activities must depreciate general equipment assets in accordance with the guidance in this chapter [for financial reporting purposes](#) without regard to whether 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.

2.6.5.1. The recognition of general equipment assets and depreciation of such assets by WCF activities may differ for financial statement reporting purposes [from](#) amounts used for WCF rate development and budget presentation.

2.6.5.2. Defense WCF rates charged to customers are based on guidance in [Volume 2B](#) and [Volume 11B](#).

Table 25-2 DoD Useful Lives for Depreciable General Equipment

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 in paragraph 2.5		

2.7 Impairment

2.7.1. Impairment means a significant and permanent decline in the service utility of general equipment or expected service utility for CIP resulting from events or changes in circumstances that are not considered normal and ordinary.

2.7.1.1. A decline is permanent when management has no reasonable expectation that the lost service utility will be replaced or restored.

2.7.1.2. The expected 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:

2.7.1.2.1. Due to the normal or expected decline in useful life or

2.7.1.2.2. Due to impairing events or changes in circumstances, including 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, including standard maintenance and repair requirements.

2.7.1.4. Events or circumstances that are not considered normal and ordinary are unexpected, at the time of acquisition, or if expected, were 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. Document potential impairment indicators, tests for impairment performed, analysis of materiality, and significance. Retain documentation to support audit remediation efforts in accordance with DoD FMR Volume 1, Chapter 9: "Financial Records Retention."

2.7.3. Determining the Appropriate Measurement Approach. DoD Components must estimate impairment losses on general equipment that will continue to be used by using a measurement approach that reasonably estimates the portion of net book value associated with the diminished service utility of the general equipment. DoD Components must limit the recognition of impairment loss to the asset's net book value at the time of impairment. Widely recognized methods for measuring impairment are identified in SFFAS 44, paragraph 18, including:

2.7.3.1. Replacement Approach. DoD Components can generally measure the impairment of general equipment with physical damage using a replacement approach. This approach uses the estimated cost to replace the lost service utility of the general equipment at today's standards to identify the portion of the historical cost of general equipment that must 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 identifies the portion of the historical cost of the general equipment that the DoD Component must write off by using the estimated cost to restore the diminished service utility of the general equipment. The estimated restoration cost can be converted to historical cost by restating 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. DoD Components can generally measure the impairment of general equipment affected by the enactment or approval of laws or regulations, other changes in environmental factors, or subject to technological changes or obsolescence, using a service unit approach. This approach isolates the historical cost of the service utility that the impairment prevents from being used by comparing the service units provided by the general equipment before and after the impairment to determine the impairment amount.

2.7.3.4. Deflated Depreciated Current Cost Approach. DoD Components can generally measure impairment of general equipment that is subject to a change in manner or duration of use using a deflated, depreciated current cost approach. Under this approach, the current cost for 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. A cash flow approach recognizes an impairment loss only if the net book value (1) is not recoverable and (2) exceeds the higher of its net realizable value (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 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, must be reported at their recoverable amount; the lower of (1) the general equipment's net book value or (2) the higher of its NRV or value-in-use estimated.

2.7.4. Recognizing and Reporting Impairment Losses. Per SFFAS 44, the losses must be reasonably estimated by determining the portion of the decline in the net book value of the G-PP&E attributable to the lost service utility. The loss from impairment, if any, must be recognized and reported in the Statement of Net Cost when 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. 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) must be considered and adjusted as appropriate.

2.7.6. General Equipment that No Longer Provides Service or CIP. Where there is no expectation of future service by the entity, general equipment that no longer provides service must be accounted for in accordance with [SFFAS 6](#), and [TR 14](#), Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment.

2.7.7. 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).

2.7.8. 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 sources, as appropriate. The amount and financial statement classification of recoveries must be disclosed in the notes to the financial statements.

2.8 Removal/Disposal

2.8.1. FASAB [TR 14](#) paragraph 8 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, a change in technology, or obsolescence, damage by natural disaster or by use in operations, or identification as excess to mission needs. 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.

2.8.2. Removals from service must be considered other than permanent unless:

2.8.2.1. The asset's use is terminated and

2.8.2.2. There is documented evidence of the DoD Component's decision to permanently remove the asset from service.

2.8.2.3. If only one of the two business events has occurred, permanent removal from service has not occurred.

2.8.3. 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.

2.8.3.1. 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 the operation is ceased, whichever comes later. For natural disasters, this represents the actual date of the incident if the asset is a complete loss.

2.8.3.2. 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. Refer to Table 25-3, which lists examples of supporting documentation for disposals and retirements.

2.8.4. Plant clearance officers follow the direction of the [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 credited 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 per 40 U.S.C. § 571 and § 574, FAR 45.604-3.

3.0 ADDITIONAL CONSIDERATIONS

3.1 Use of Cancelled Treasury Account Symbol

Capitalized assets are required to be reported and remain in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) after the original purchasing Treasury Account Symbol (TAS) has expired and been cancelled. Refer to the TFM Volume 1,

Part 2, Chapter 4700 for additional information. The GTAS is the primary means for DoD Components to report their trial balance data to the Treasury. Capitalized assets are required to be reported in GTAS [even](#) 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, 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 has three components: the three-digit agency identifier, availability type "C", and a four-digit main account. 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.

3.2 Documentation Requirements

3.2.1. Financial transactions in [the](#) accounting system, general ledger accounts, the [APSR](#), and/or [other](#) systems must be supported by source documents affecting the Component’s investment in the [general equipment](#).

3.2.2. 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.

3.2.3. Items must be assigned a dollar value (i.e., [acquisition](#) cost) when recording the general equipment item in the APSR and/or accounting system. The dollar value must be supported by appropriate documentation [describing the reasons for](#) changes in asset value or physical attributes as a result of new acquisition or capital improvement, where applicable. [Table 25-3 lists examples of supporting documentation.](#)

3.2.4. DoD Components must retain supporting documents for the cost of general equipment assets in accordance with [Volume 1, Chapter 9](#) or otherwise stated. Documentation (original documents and/or hard and electronic copies of original documentation) must be maintained in a [specific](#) location during the applicable retention period to [support audit compliance](#).

3.2.5. The [APSR and/or other systems must](#) be designed to [support](#) 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. [APSR and/or other systems must:](#)

3.2.5.1. Enable periodic, independent verification of the accuracy of the accounting and [APSR and/or other systems](#) through periodic physical counts/inventories of [general equipment](#). Periodic inventory [counts](#) include reconciling the [APSR](#) and/or [other](#) systems with the general ledger accounts and physical [counts](#).

3.2.5.2. Identify and classify [general equipment](#) that was capitalized, recorded in the APSR [and](#) accounting system, and reported in the financial statements.

3.2.5.3. [Validate](#) that entries to the [financial](#) accounting/[reporting](#) and APSR are the same to support [APSR integration and reconciliation with the financial](#) accounting system.

3.2.5.4. 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.

3.2.5.5. 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.

3.2.5.6. Provide information to identify and account for leased [general equipment](#). [Refer to DoDI 5000.64 for accountability requirements for general equipment.](#)

3.2.5.7. Provide information to identify and account for capitalized improvements to [general equipment](#).

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

Evidence	Examples
Unique Identification	Assignment of a unique identifier
Project Approval	Work Order
Obligation on Behalf of the Government	<ol style="list-style-type: none"> 1. Contracts, contract modifications, or change orders: <ul style="list-style-type: none"> • 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	<ol style="list-style-type: none"> 1. Approved the 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)	<ol style="list-style-type: none"> 1. <u>DD Form 250</u>, Material Inspection and Receiving Report; 2. General Services Administration (<u>GSA</u>) <u>1334</u>, 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 <u>DD Form 1348-1A</u>, Issue Release/Receipt Document, and equivalent Electronic Turn-In Document; 7. Receiving report, e.g., iRAPT receiving report; 8. <u>DD Form 1149</u>, Requisition and Invoice/Shipping Document; 9. <u>DD Form 1150</u>, Request for Issue/Transfer/Turn-In; 10. <u>DD Form 1155</u>, Order for Supplies or Services.
Project Closeout	Final DD Form 1354 with associated source documentation retained by the responsible party.
Disposals or Retirements	<ol style="list-style-type: none"> 1. Declaration of excess' document; 2. Approval documentation; 3. Original acquisition documents; 4. Legal instruments (such as a contract) to indicate a legal obligation to dispose of an asset; 5. Document showing the disposal start date and disposal end date; 6. Receipt documentation; 7. Transfer documents for transferred assets or as stated.

3.3 Physical Inventories of General Equipment

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

3.3.2. 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.

3.3.3. While conducting physical inventories, DoD components should consider if any general equipment shows potential evidence of impairment and if any general equipment does not appear to be in use, where it has not been used for a significant period of time.

3.4 Deferred Maintenance and Repairs (DM&R)

3.4.1. DM&R are 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.

3.4.2. 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. 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.

3.4.3. Amounts for DM&R may be measured using condition assessment surveys, life-cycle cost forecasts, or other similar methods.

3.4.3.1. Condition assessment surveys are periodic physical inspections of general equipment to determine their current condition and estimated cost to correct any deficiencies. DoD Components must 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 costs 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.

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

3.4.4. DoD Components must 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.

3.4.5. 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.

3.4.6. 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:

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

3.4.6.2. 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);

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

3.4.6.4. Factors the DoD Components consider in determining acceptable condition standards;

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

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

3.4.6.7. If applicable, explanation of any significant changes to DM&R amounts from the prior year, and policies and factors subject to the reporting requirements established in subparagraphs 3.2 and 3.5.

3.4.7. 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 must 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 must be updated and documented on an annual basis. Material amounts of weapon systems field-level DM&R should be reported in the financial statements.

3.4.7.1. 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 Congress in the President's Budget submission and 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.

3.4.7.2. Field-level maintenance and repair comprises maintenance and repair activities at lower organizational levels than depot levels. 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.

3.4.7.3. 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.

3.4.7.4. 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 Disclosure Requirements

3.5.1. DoD Components with general equipment **must** reference a note on the Balance Sheet that discloses information about the reported general equipment assets. Note 1 of the financial statements must include a disclosure related to the DoD Component's general equipment reporting accounting policy. DoD Components must state that they are financially reporting property that they have accountability for according to DoDI 5000.64. Additionally, DoD Components must disclose that they may use assets to complete their mission **that** are financially reported by another DoD Component. See Volume 6B, Chapter 10, for the specific **disclosure** 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 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 is not intended or recommended to disclose the geographic location of the foreign government/host nation.

*Annex 1 Construction in Progress (CIP) Process

A1.1 Cost of Constructed Equipment

The costs of constructed equipment are all the costs incurred to bring the item(s) to a form and condition suitable for its intended use, including labor, materials, and indirect costs. Table A1-1 describes the types of costs accumulated for construction items.

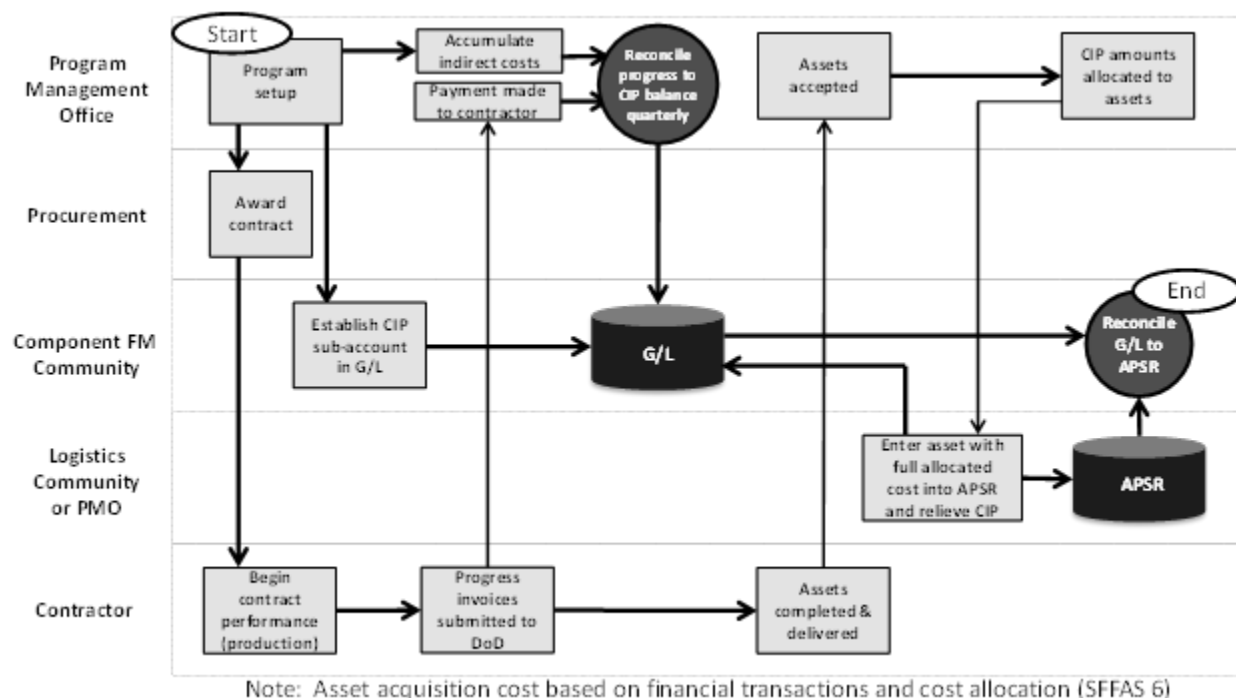
Table A1-1 Construction-in-Progress Costs
(Costs accumulated for construction items)

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 are 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 special legislation, in connection with the construction project.

A1.2 Recognition throughout the CIP Process

DoD funding components report and record the costs of constructed general equipment in the CIP account after project design authorization ([Milestone C in the Middle Tier of Acquisition and Major Capability Acquisition pathways of the Adaptive Acquisition Framework](#)), until the general equipment is complete and placed into service, at which time they transfer the balance to the general equipment account. See Figure A1-1 for the typical steps involved in the CIP process for construction to completion of the asset.

Figure A1-1 CIP Process Flow



A1.2.1. Advance Payments, as defined in [FAR 32.202-2](#), are recorded in an advance account (USSGL 141000, “Advances and Prepayments”) until the end items are delivered. All other contract financing payments must be recorded as CIP. DoD Components must perform a periodic reconciliation (at least quarterly) between amounts recorded in CIP and the actual progress on the contract. Generally, the DoD Contracting Officer’s Representative performs the reconciliation, [but](#) may require working with the contractor to [complete](#) the reconciliation. DoD Components must report costs incurred that exceed finance payments as a liability. Advances and Prepayments are discussed in [Chapter 5](#), “Advances and Prepayments”.

A1.2.2. DoD Components must write acquisition programs or acquisition contracts to reflect the general equipment items being manufactured or constructed. To effectively trace commitments, obligations, and expenditures to the general equipment recorded in the DoD Component’s accounting records, the contract must align its level of detail with the level at which items will be delivered, recorded in the accounting records, and managed. As defined in [DFARS Subpart 204.71](#), the 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 ensure funding citations are appropriately designated for items and services being acquired. Examples of cost types that may be included in a contract and whether those costs would be capitalized or expensed are provided in Table A1-2.

Table A1-2 Examples of Cost Types and Accounting Treatment

Cost Type	Accounting Treatment
Air Vehicle	<input type="checkbox"/> Capitalize the cost if the full cost is greater than the capitalization threshold and has a useful life of two years or more <input type="checkbox"/> Expense the cost if the full cost is less than the capitalization threshold
Research, Development, Test and Evaluation (RDT&E)	<input type="checkbox"/> Expense costs*
Acquired Data	<input type="checkbox"/> Expense costs
Support Equipment	<input type="checkbox"/> Capitalize the cost if the full cost is greater than the capitalization threshold and has a useful life of two years or more <input type="checkbox"/> Expense the cost if the full cost is less than the capitalization threshold
Initial Spares and Repair Parts	<input type="checkbox"/> Report as Inventory for WCF activities or Operating Materials and Supplies 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.	

A1.2.3. 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.

A1.2.4. Each approved acquisition project must receive a service unique project number assigned by DoD Components when they create the CIP account to accumulate costs. When multiple entities perform portions of CIP for the same construction project, all phases of the construction project must use the same project number regardless of the performing entity.

A1.2.5. The funding entity will accumulate all costs for capitalizing a construction project in the CIP account. A reasonable allocation methodology must assign project costs (including non-recurring costs) to the end items that the DoD Component receives, accepts, and places into service. **Indirect project costs include construction administration, legal fees, and various office costs that relate to projects under development or construction. DoD Components must allocate any indirect project costs across CIP accounts periodically as incurred, and no later**

than the date they place the items 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, [DoD Components](#) can adequately capture and report the full cost of constructed items. [Chapter 19](#) addresses allocation and cost identification.

[A1.2.6.](#) The DoD entity constructing the item must continue to report CIP on [its](#) financial statements until the accountable DoD Component or its agent accepts the constructed item. 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. Upon acceptance of constructed items, the accountable property officer must receive the legible copies of auditable supporting documentation along with their location from the Government's project construction agent and the DoD constructing entity. The accountable property officer must ensure that they retain the documentation in accordance with applicable laws, regulations, and instructions.

[A1.2.7.](#) When the DoD Component accepts constructed items, it must relieve the costs accumulated in the CIP account. To ensure that [DoD Components](#) record constructed items at full cost, they must make the recorded cost of the item(s) accepted 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, including labor, materials, and overhead costs. Refer to Annex 1 for a list and description of cost types that they should accumulate for constructed items.

[A1.2.8.](#) If a construction project is cancelled, the DoD Component must expense each cost that it has accumulated in the associated CIP account. When the DoD Component cancels or decreases the scope of a portion of a project, the [DoD Component](#) must expense the cost directly associated with that portion of the project and an allocated portion of the common cost in the CIP. All [DoD Components](#) must review all projects deferred for more than two years for continuance or cancellation during the review cycle.

Annex 2 Illustrative Examples and Journal Entries Relating to Financial Reporting Responsibilities for General Equipment

A2.1 Construction-In-Progress (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 **its** portion of CIP in **its** 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.

Table A2-1 Liquidation of CIP

Table A2-1 illustrates the general ledger (G/L) entries that are required to liquidate CIP and recognize a depreciable asset.

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

A2.2 In-Service Assets (including weapon systems and Government-Furnished Property)

The following are three illustrative examples of In-Service Assets:

A2.2.1. The Army is conducting an inventory of capital assets and **has** identified a Humvee that was not previously reported on **its** 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.

A2.2.2. 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 **Veterans Affairs (VA)** 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 **VA** or DHP on the MRI machine, the **VA** 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.

A2.2.3. 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 must be provided to the Army to support its financial reporting.

Table A2-2 Transfer of In-Service General Equipment Reporting Responsibility

Table A2-2 illustrates the G/L entries to be recorded if a transfer is required to implement or if a transfer is needed after an asset is placed in service.

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

A2.3 In-Service Capital Improvements

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). The following are two illustrative examples of capital improvements:

A2.3.1. 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.

A2.3.2. 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.