

Accounting Principles and Standards Handbook

Chapter 8: Assets

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### Section 1.0 - General

The accounting system shall recognize and record assets at full cost. The full cost of assets acquired shall include the amounts paid to acquire them, including transportation, installation, and related costs of obtaining the assets in their current form and place. Seized property should be recorded at its fair market value or some other reasonable estimate, with an offsetting liability until a determination about its disposition has been made.

### Section 2.0 - Authority

The policies and procedures contained in this chapter are issued pursuant to generally accepted accounting principles for federal agencies:

***Generally Accepted Accounting Principles (GAAP)***

The Department of Commerce follows guidance issued by the Federal Accounting Standards Advisory Board (FASAB), which is the authoritative source of GAAP for federal entities. The [*FASAB Handbook of Accounting Standards and Other Pronouncements, as Amended (Current Handbook)*](https://fasab.gov/accounting-standards/document-by-chapter/)is updated annually by FASAB to incorporate the most recent pronouncements and guidance.

The Department of Commerce follows the guidance in [SFFAS 34, *The Hierarchy of GAAP, Including the Application of Standards Issued by the Financial Accounting Standards Board*](https://files.fasab.gov/pdffiles/handbook_sffas_34.pdf), which sets forth the hierarchy of GAAP in paragraphs 5 through 7.

### Section 3.0 - Definition and Classification

Appendix E, *Glossary* of the FASAB Handbook defines an asset as: “A resource that embodies economic benefits or services that the federal government controls.”

An asset can be classified as an entity or non-entity asset. Entity assets are assets which are available for use by the reporting entity. Non-entity assetsare assets that are held and managed by the reporting entity but are not available for use in its operations.

Intra-governmental assets arising from claims of Federal entity against other Federal entities are reported separately from assets that arise from transactions between the Federal Government and non-Federalentities. The term “non-Federal entities” encompasses the Federal Reserve and Government-Sponsored Enterprises. Non-Federal entities also include domestic and foreign persons or organizations.

### Section 4.0 - Requirements

The general ledger and subsidiary ledger accounts should be sufficiently detailed to provide the categories of assets needed for reports. Asset accounts must be reviewed and verified as prescribed in the schedule of reconciliations located in Chapter 6 of this Handbook, Section 6.04.

### Section 5.0 - Basis for Recording

All assets acquired shall be recorded at full cost. Full cost includes the following:

1. Amounts paid to vendors;

1. Transportation charges;

1. Handling and storage costs;

1. Labor and other direct or indirect production costs;

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

1. Acquisition and preparation costs of land, buildings, and other facilities;

1. Labor, materials, supplies, and other direct charges;

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

1. Fixed and movable equipment and related installation costs required for activities in a building or facility;

1. Inspection, supervision, and administration of construction contracts and construction work;

1. Legal and recording fees and damage claims;

1. Fair value of land, facilities, utilities, labor, materials, supplies, services, and equipment donated to the Government; and

1. Material amounts of interest costs paid.

Full cost is to be recorded net of purchase discounts taken. Purchase discounts lost and late payment penalties should not be included as cost of assets but should be recognized as operating expenses.

Section 6.0 Standards

 .01 Fund Balance with Treasury and Cash

Balances must include amounts of available expenditure authorizations as shown by the reporting entity’s accounts with Treasury and as reported on the Treasury Government Wide Accounting system (GWA), Undisbursed Appropriation Accounts. Cash represents all other cash, currency, bank, and other financial institution account balances, as well as imprest funds.

* 1. Fund Balance with Treasury:

A federal entity’s Fund Balance with the Treasury is the aggregate amount of funds in the entity’s accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. A federal entity’s Fund Balance with Treasury includes clearing account balances and the dollar equivalent of foreign currency account balances.

Foreign currency account balances with Treasury should be reported in U.S. dollars at exchange rates determined by the Treasury and effective at the financial reporting date. A federal entity’s Fund Balance with Treasury also includes balances for direct loan and loan guarantee activities held in the credit reform program, financing, and liquidating accounts. An entity’s Fund Balance with Treasury does not include contract authority or unused authority to borrow.

* 1. Cash:

Cash, including imprest funds, should be recognized as an asset. Cash consists of the following:

* + 1. Coins, paper currency and readily negotiable instruments on hand or in transit for deposit;

* + 1. Amounts on demand deposit with banks or other financial institutions.

* + 1. Foreign currencies, which, for accounting purposes, should be translated into U.S. dollars at the exchange rate on the financial statement date.

For more details, refer to SFFAS No. 1, [*Accounting for Selected Assets and Liabilities*](https://files.fasab.gov/pdffiles/handbook_sffas_1.pdf), Sections 27-39.

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|     | .02    | Accounts Receivable Accounts receivable represent amounts due from others, generally within the 12 months following the reporting period, and are accounted for as assets from the time the events giving rise to such claims are completed or until funds are collected or determined to be uncollectible. 1. Due From Federal Agencies: Current and non-current receivables due from other Government agencies, exclusive of advances.

 1. Due From the Public: Current and non-current accounts receivables arising from the sale of goods or services and other receivables owed the Government from current operations involving the public.
2. Allowances: The amount in the account titled Allowance for Doubtful Accounts. An allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value. The allowance for uncollectible amounts should be reestimated on each annual financial reporting date and when information indicates that the latest estimate is no longer correct.

The factors and criteria that may be considered by the Department regarding both intragovernmental receivables and receivables from non-federal entities for recognition of losses due to uncollectible accounts; and measurement of losses may include, as appropriate/applicable, those factors and criteria discussed in paragraphs 44-51 of SFFAS No. 1 and any other relevant specific factors or criteria identified by a bureau.Refer to SFFAS No. 1, *Accounting for Selected Assets and Liabilities*, paragraphs 40-52 and Technical Bulletin No. 2020-1, *Loss Allowance for Intragovernmental Receivables*, located at <http://fasab.gov/accounting-standards/>.  Technical Bulletin No. 2020-1 paragraphs 10 and 11 clarify that FASAB guidance regarding recognition of losses provided in paragraphs 40-52 of SFFAS 1 applies to both intragovernmental receivables and receivables from non-federal entities. |
|   | .03   | Interest Receivable Interest receivable should be recognized for the amount of interest income earned but not received for an accounting period. Interest income should be recognized when earned on interest-bearing securities, outstanding accounts receivable, and other U.S. Government claims against persons and entities in accordance with 31 U.S.C. Sec. 3717, Interest and Penalty Claims.  No interest should be recognized on accounts receivable or investments deemed uncollectible unless it is actually collected.  For more details, refer to SFFAS No. 1, *Accounting for Selected Assets and Liabilities*, Sections 53-56[.](http://fasab.gov/accounting-standards/) |
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| .04    | Advances and Prepayments Advances and prepayments represent all payments made in advance of the receipt of goods or services. Advances to others are recorded as asset accounts representing expenditures in contemplation of goods, services, or other assets. When goods or services have been received or contract terms met, the expense incurred or asset received is recognized and the advances or prepayments reduced. Advances and prepayments to others must be distinguished from advances and prepayments (deferred credits) from others which are liability accounts recorded in the general ledger for monies received but not yet earned.  For more details, refer to SFFAS No. 1, *Accounting for Selected Assets and Liabilities*, Sections 57-61.  For advance payments to grant recipients, see the Department’s [Cash Management Policies and Procedures Handbook, Chapter 5, *Cash* *Advances*](http://www.osec.doc.gov/ofm/FM_Handbooks.html)  |
| .05   | Inventory and Related Property Inventory and related property consist of several types of tangible property, other than long term fixed assets, held by the Department of Commerce. In normal practice, these assets are “inventoried” for use or sale in an accounting period other than the period in which they are purchased, or otherwise acquired. The seven categories represent the different types of inventory and related property to be accounted for and reported upon in the reporting entity’s financial statements. They consist of the following:  * Inventory
* Operating materials and supplies
* Stockpile materials
* Seized and forfeited property
* Foreclosed property
* Goods held under price support and stabilization program
* Items held for remanufacture
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a. Inventory (i.e., items held for sale):

Inventory is tangible personal property that is (1) held for sale, (2) in the process of production for sale, or (3) to be consumed in the production of goods for sale or in the provision of services for a fee. The term “held for sale” shall be interpreted to include items for sale or transfer to entities outside the Federal Government, or other Federal entities. The principal objective of the sale or transfer of inventory is to provide a product or service for a fee that generally recovers full cost or an identified portion of the cost. “Other Federal entities” may include entities within the same organization/agency.

Inventory shall be categorized as (1) inventory held for sale, (2) inventory held in reserve for future sale, (3) excess, obsolete and unserviceable inventory, or (4) inventory held for repair.

* + 1. Inventory held for sale: Inventory held for sale shall be valued at historical cost (the latest acquisition cost method should not be used) and shall be recognized when title passes to the purchasing entity or when the goods are delivered to the purchasing entity. Upon sale (when the title passes or the goods are delivered) or upon use in the provision of a service, the related expense shall be recognized, and the cost of those goods shall be removed from inventory.

Delivery or constructive delivery shall be based on the terms of the contract regarding shipping and/or delivery. Cost of inventories includes all amounts paid or payable, except interest, to bring the goods to their present condition and location. Any abnormal costs, such as excessive handling or rework costs, shall be charged to operations of the period. Donated inventory and inventory acquired through exchange of nonmonetary assets shall be valued at the fair value of the asset received at the time of receipt. Any differences between the recorded amount of the asset surrendered and the fair value of the asset received shall be recognized as a gain or a loss.

The first-in, first-out (FIFO), weighted average, or moving average cost flow assumptions may be applied in arriving at the historical cost of ending inventory and cost of goods sold. In addition, any other valuation method may be used if the results reasonably approximate those of one of the above historical cost methods (e.g., a standard cost system).

* + 1. Inventory held in reserve for future sale: Inventory held in reserve for future sale consists of inventory stocks maintained because they are not readily available in the market or because there is more than a remote chance that they will eventually be needed. Inventory held in reserve for future sale shall be valued at historical cost.

* + 1. Excess, obsolete and unserviceable inventory:

* + - * Excess inventory is inventory that exceeds expected demand in the normal course of operations, but which does not meet management’s criteria to be held in reserve for future sales.

* + - * Obsolete inventory is inventory which is no longer needed due to changes in technology, laws, customs, or operations.

* + - * Unserviceable inventory is damaged inventory that is more economical to dispose of than to repair. Excess, obsolete and unserviceable inventory shall be valued at its expected net realizable value.

The difference between the carrying amount of the inventory and its expected net realizable value shall be recognized as a loss (or gain).

* + 1. Inventory held for repair: Inventory held for repair shall be valued using the allowance method. Under the allowance method, inventory held for repair is valued at the same value as a serviceable item. However, an allowance for the expected repairs shall be established. The annual (or other period) credit(s) required to bring the repair allowance to the current estimated cost of repairs shall be recognized as current period operating expenses. As the repairs are made the cost of repairs shall be charged (debited) to the allowance for repairs account.

b. Operating Materials and Supplies:

Operating materials and supplies consist of tangible personal property to be consumed in normal operations. Operating materials and supplies shall be categorized as (1) operating materials and supplies held for use, (2) operating materials and supplies held in reserve for future use, or (3) excess, obsolete and unserviceable operating materials and supplies.

The consumption method of accounting for the recognition of expenses shall be applied for operating materials and supplies. Operating materials and supplies shall be recognized and reported as assets when produced or purchased.

Purchased is defined as when title passes to the purchasing entity. The cost of goods shall be removed from operating materials and supplies and reported as an operating expense in the period they are issued to an end user for consumption in normal operations. If (1) operating materials and supplies are not significant amounts, (2) they are in the hands of the end user, or (3) it is not cost-beneficial to apply the consumption method, then operating materials and supplies may be expensed when purchased.

* + 1. Operating materials and supplies held for use: Operating materials and supplies held for use shall be valued at historical cost, which includes all appropriate purchase and production costs incurred to bring the items to their current condition and location. Any abnormal costs, such as excessive handling or rework costs, shall be charged to operations of the period.

Operating materials and supplies either donated or acquired through exchange of nonmonetary assets shall be valued at the fair value of the asset received at the time of receipt. Any difference between an asset surrendered and the fair value of the asset received shall be recognized as a gain or a loss.

* + 1. Operating materials and supplies held in reserve for future use: Operating materials and supplies held in reserve for future use consists of operating materials and supplies maintained because they are not readily available in the market or because there is more than a remote chance that they will eventually be needed. The allowance method, direct method or historical production cost method can be used to account for operating materials and supplies held for repair or remanufacture.

* + 1. Excess, obsolete and unserviceable operating materials and supplies:

* + - * Excess operating materials and supplies are operating materials and supplies which exceed expected demand in the normal course of operations, but which do not meet the criteria to be held in reserve for future use.

* + - * Obsolete operating materials and supplies are operating materials and supplies which are no longer needed due to changes in technology, laws, customs, or operations.

* + - * Unserviceable operating materials and supplies are operating materials and supplies that are physically damaged and cannot be consumed in operations.

Such operating materials and supplies shall be valued at their estimated net realizable value. The difference between the carrying amount of the operating materials and supplies and their estimated net realizable value shall be recognized as a loss (or gain).

* 1. Stockpile Materials:

Stockpile materials are strategic and critical materials held due to statutory requirements for use in national defense, conservation, or national emergencies. They are not held with the intent of selling in the ordinary course of business. If stockpile materials are authorized to be sold, those materials shall be disclosed as stockpile materials held for sale. Any difference between the carrying amount of the stockpile materials held for sale and their estimated selling price shall be disclosed.

The consumption method of accounting for the recognition of expense shall be used. Stockpile materials shall be valued on the basis of historical cost. An exception to this valuation method occurs when the carrying amount of materials that have suffered (1) a permanent decline in value to an amount less than their cost or (2) damage or decay shall be reduced to the expected net realizable value of the materials.

The decline in value shall be recognized as a loss or an expense in the period in which it occurs. Historical cost shall include all appropriate purchase, transportation and production costs incurred to bring the items to their current condition and location. Any abnormal costs, such as excessive handling or rework costs, shall be charged to operations for the period. The first-in, first-out (FIFO); weighted average; or moving average cost flow assumptions shall be applied in arriving at the historical cost of stockpile materials.

In addition, any other valuation method may be used if the results reasonably approximate those of one of the above historical cost methods (e.g., a standard cost or latest acquisition cost system).

d. Seized and Forfeited Property:

As a consequence of various laws, certain property is seized by authorized law enforcement agencies. In some instances, there may be as many as three government entities involved with seized property. The first is the seizing agency. Second, the seizing agency may turn the property over to a custodial agency. Third, financial records may be maintained by a “central fund” created to support the seizure activities of multiple agencies.

Alternatively, the seizing agency may carry out one or both of the custodial agency or central fund roles. The seized assets may be subsequently forfeited to the government, where it may be sold, converted for use by the government, or transferred to other governmental entities. Since property is first seized, then forfeited, these occurrences are accounted for separately.

1. Seized property: Seized property includes monetary instruments, real property and tangible personal property of others in the actual or constructive possession of the custodial agency. Seized property shall be accounted for in the financial records of the entity that is operating as the central fund.

Only seized monetary instruments shall be recognized as seized assets when seized, and valued at their market value. In addition, a liability shall be established in an amount equal to the seized asset value. Seized property other thanmonetary instruments shall be disclosed in the footnotes. Seized property shall be valued at its market value when seized or, if market value is not readily determinable, as soon thereafter as reasonably possible. If no active market exists for the property in the general area in which it was seized, a value in the nearest principal market shall be used.

1. Forfeited property: Forfeited property consists of (1) monetary instruments, intangible property, real property, and tangible personal property acquired through forfeiture proceedings; (2) property acquired by the government to satisfy a tax liability; and (3) unclaimed and abandoned merchandise.

Monetary instruments shall be reclassified from seized monetary instruments to forfeited monetary instruments when forfeited. Monetary instruments shall be valued at their market value when a forfeiture judgment is obtained.

When the asset is recorded, revenue shall be recognized in an amount equal to the value of the monetary instrument and the associated liability shall be removed.

Intangible property, real property and tangible personal property shall be recorded with an offsetting deferred revenue when forfeiture judgment is obtained. Unclaimed and abandoned merchandise shall be recorded with an offsetting deferred revenue when statutory and/or regulatory requirements for forfeiture have been met. The property shall be valued at its fair value at the time of forfeiture. An offsetting allowance shall be established for the amount of any expected payments to third-party claimants.

Revenue from the sale of forfeited property shall be recognized when the property is sold. When a determination is made that property will not be held for sale, the property shall be reclassified as forfeited property held for donation or use. Revenue associated with property not disposed of through sale shall be recognized upon approval of distribution and the previously established deferred revenue shall be reversed.

Forfeited property that cannot be sold due to legal restrictions(i.e., guns or drugs) shall be disclosed in the Notes to the Principal Statements; however, no financial value shall be recognized for these items.

e. Foreclosed Property:

The term “foreclosed property” means any asset received in satisfaction of a loan receivable or as a result of payment of a claim under a guaranteed or insured loan. All properties included in foreclosed property are assumed to be held for sale. Separate provisions will be maintained for pre-1992 foreclosed property and post-1991 foreclosed property. “Pre-1992 foreclosed property” refers to property associated with direct loans obligated or loan guarantees committed before October 1, 1991. “Post-1991 foreclosed property” refers to property associated with direct loans obligated and loan guarantees committed after September 30, 1991. This distinction is necessary for budget purposes the cash flows associated with post-1991 direct loans and loan guarantees, including the cash flows associated with post-1991 foreclosed property, must be measured on a present value basis.

Post-1991 foreclosed property is valued at the net present value of the projected future cash flows associated with the property. Pre-1992 foreclosed property is recorded at cost and adjusted to the lower of cost or its net realizable value; any difference is carried in an allowance account.

Net Present Value:The first step in determining net present value is projecting the future cash flows associated with the property. This projection shall include estimates of (1) sales proceeds, (2) rent, management expense, and repair costs during the holding period, and (3) selling expenses. In estimating the sales proceeds, the entity’s historical experience in selling property and the nature of the sale shall be considered. For instance, market value based on sales between willing buyers and sellers may not be appropriate for properties to be disposed of in a forced or liquidation sale. If the entity has historically been unable to realize the fair value of property, this shall be considered in estimating sales proceeds.

The second step is to discount these cash flows to their present value. The discount rates used shall be the same rates that were used to discount the cash flows of the related loans or guarantees. Following foreclosure, the net present value shall be adjusted periodically to recognize both changes in the expected future cash flows and for accrual of interest due to the passage of time. Any adjustments to the carrying amounts shall be included in the presentation of “interest income” and the Reestimates of “subsidy expense.”

Net Realizable Value: The expected net realizable value shall be based on an estimate of the market value of the property adjusted for any expected losses and any other costs of the sale. If the expected net realizable value is less than the cost,[[1]](#footnote-1) a loss has occurred. This loss shall be charged to operations, and a valuation allowance shall be established. If the asset’s net realizable value subsequently increases or decreases, this amount shall be credited or charged to results of operations and the valuation allowance adjusted. However, the asset value shall not be adjusted above cost.

If foreclosed property is taken subject to claims, these claims shall be accounted for in an allowance account. For post-1991 foreclosed property, these claims shall be recorded at their net present value at the time of foreclosure. Any periodic changes in the net present value shall be offset by a charge to “interest income” and the Reestimates of “subsidy expense,” as appropriate under the standards for direct loans and loan guarantees. For pre-1992 foreclosed property, these claims shall be recorded at the expected amount of the cash required to settle the claims.

Any receipts or disbursements associated with acquiring and holding post-1991 foreclosed property shall be charged or credited to foreclosed property. This shall include rental receipts, maintenance and repair expense, advertising costs, and any other elements of the projected cash flows considered in arriving at the net present value. Upon sale, any difference between the net carrying amount of foreclosed property and the net proceeds of the sale shall be recognized as a component of operating results. For post-1991 foreclosed property, interest income shall be accrued from the previous periodic adjustment in the carrying amount up to the sale date. The difference between the adjusted carrying amount and the net sales proceeds shall be recognized as a reestimate of “subsidy expense.” For pre-1992 foreclosed property, this difference shall be recognized as a gain or a loss on the sale of foreclosed property. For more information on accounting for foreclosed property, see SFFAS No. 2, [*Accounting for Direct Loans and Loan Guarantees*](https://files.fasab.gov/pdffiles/handbook_sffas_2.pdf), Sections 5760.

1. Goods Held Under Price Support and Stabilization Programs:

Goods acquired under price support and stabilization programs are referred to as commodities. “Commodities” are items of commerce or trade having an exchange value. They are acquired, held, sold, or otherwise disposed of to help satisfy economic goals. In conducting price support operations, money is frequently disbursed in the form of nonrecourse loans. Recipients of these loans pledge specific farm commodities as collateral for the loans and have the option of repaying the loans or surrendering the commodities in exchange for the outstanding loan balance.

An entity may also acquire commodities under a purchase agreement. A purchase agreement gives the producer the option to sell commodities to the Commodity Credit Corporation (CCC) and receive full payment for the commodity at the price support rate. Because nonrecourse loans and purchase agreements are closely associated with the acquisition of the actual commodities, the three components of the price support program are addressed in this section.

* 1. Nonrecourse loans shall be recognized as assets when the loan principal is disbursed. They shall be valued at the loan amount. Losses on nonrecourse loans shall be recognized when it is more likely than not that the loans will not be totally collected. The loan amount shall be preserved in the asset account as the gross value of the loan, with an offsetting allowance set up to reduce the gross value to its expected net realizable value.

* 1. Purchase agreement settlements are executed at the option of the producer (seller). At financial statement dates a loss shall be recognized if information indicates that it is probable that a loss has been incurred, and the loss can be reasonably measured or estimated. The liability for losses on purchase agreements shall be valued at the net of the contract price and the net realizable value of the commodities described in the purchase agreement.

* 1. Commodities shall be recognized as assets upon the producer’s surrender of title to satisfy nonrecourse debts or upon purchase by the entity. All commodities shall be valued at the lower of cost or net realizable value. Revenue shall be recognized upon the sale of commodities, with the corresponding carrying amount of the commodities sold being reported under cost of goods sold. The cost of commodities acquired via a nonrecourse loan settlement is the amount of the loan principal, processing and packaging costs incurred after acquisition, plus other costs incurred in taking title to the commodities. The cost of commodities acquired via a purchase settlement is the unit price in the purchase agreement multiplied by the number of units purchased by the CCC, plus other costs incurred in taking title to the commodities.

1. Items held for remanufacture:

Items “held for remanufacture” are in the process of (or awaiting) inspection, disassembly, evaluation, cleaning, rebuilding, refurbishing and/or restoration to serviceable or technologically updated/upgraded condition. Items held for remanufacture may consist of:

* 1. Direct materials, (including repairable parts or subassemblies, also referred to as “carcasses” at the DoD) and

* 1. Work-in-process (including labor costs) related to the process of major overhaul, where products are restored to “good-as-new” condition and/or improved/upgraded condition.

“Items held for remanufacture” share characteristics with “items held for repair” and items in the process of production and may be aggregated with either class. Management should use judgment to determine a reasonable, consistent and cost-effective manner to classify processes as “repair” or “remanufacture.”

Items held for remanufacture may be intended for sale (placed in inventoryheld for sale upon completion of remanufacture) or for internal use (issued to a user within the same reporting entity upon completion of remanufacture).

For more information, see Interpretation No. 7, *Items Held for Remanufacture*.

For further details, refer to SFFAS No. 3, *Accounting for Inventory and Related Property*[.](http://fasab.gov/accounting-standards/)

 .06 Investments in Treasury Securities

Investments in Treasury securities include (a) non-marketable par value Treasury securities, (b) market-based Treasury securities expected to be held to maturity, and (c) marketable Treasury securities expected to be held to maturity.

* Non-marketable par value Treasury securities are special series debt securities that the U.S. Treasury issues to Federal entities at face value (par value). The securities are redeemed at face value on demand, thus investing entities recover the full amounts invested.

* Market-based Treasury securities are debt securities that the U.S. Treasury issues to Federal entities without statutorily determined interest rates. Although the securities are not marketable, their terms (prices and interest rates) mirror the terms of marketable Treasury securities.

o Marketable Treasury securities, including Treasury bills, notes, and bonds, are initially offered by Treasury to the marketplace and can then be bought and sold on securities exchange markets. Their bid and ask prices are publicly quoted by the marketplace.

1. Separate accounting and reporting for Federal and non-Federal securities.Investments of a Federal entity in U.S. securities (securities issued by Treasury and Federal agencies) are intra-governmental investments. These U.S. securities also represent intragovernmental liabilities of the Treasury Department of other Federal entities that issue the securities.

Investments in securities issued by the U.S. Treasury or other Federal entities should be accounted for and reported separately from investments in securities issued by non-Federal entities.

1. Initial recording.The three types of Treasury securities covered (nonmarketable par value Treasury securities, market-based Treasury securities expected to be held to maturity, and marketable Treasury securities expected to be held to maturity) should be recognized at their acquisition cost. If the acquisition is made in exchange for nonmonetary assets, the acquired securities should be recognized at the fair market value of either the securities acquired or the assets given up, whichever is more definitively determinable.

If the acquisition cost differs from the face (par) value, the security should be recorded at the acquisition cost, which equals the security’s face value plus or minus the premium or discount on the investment. A discount is the excess of the security’s face amount over its purchase price. A premium is the excess of the purchase price over the security’s face value. The balance in the valuation account is treated as a contra account to the debt security.

1. After their acquisition, investments in Treasury securities should be carried at their acquisition cost, adjusted for amortization, if appropriate, as explained below:

If an amount of premium or discount exists, the carrying amount of the investments should be adjusted in each reporting period to reflect the amortization of the premium or the discount. Premiums and discounts should be amortized over the life of the Treasury security using the interest method. Under the interest method, the effective interest rate (the actual interest yield on amounts invested) multiplied by the carrying amount of the Treasury security at the start of the accounting period equals the interest income recognized during the period (the carrying amount changes each period by the amount of the amortized discount or premium). The amount of amortization of discount or premium is the difference between the effective interest recognized for the period and the nominal interest for the period as stipulated on the Treasury security.

1. Disclosure of market value.For investments in market-based and marketable Treasury securities, the market value of the investments should be disclosed. For purposes of determining a market value, investments should be grouped by type of security, such as marketable or market-based Treasury securities. The market value of investments in a group is calculated by the market price of securities of that group at the financial reporting date multiplied by the number of notes or bonds held at the financial reporting date.

1. Investment reclassification. In rare instances, significant unforeseeable circumstances may cause a change in a bureau’s intent or ability to hold to maturity certain securities that are initially classified as expected to be held to maturity. In these circumstances, the affected securities should be reclassified as securities available for sale or early redemption. Once a security is reclassified, it is no longer subject to this standard.

For additional information regarding investments, see SFFAS No. 1, *Accounting for Selected Assets and Liabilities*, Sections 62-73.

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| .07   | Loans Receivable Loans receivable include the total of direct loans and acquired defaulted guaranteed loans due from the public for a pre-FY 1992 direct loan, and acquired defaulted guaranteed loans, as evidenced by loan or note agreements, net of allowances for uncollectible loans. For direct loans and acquired defaulted guaranteed loans made in FY 1992, and subsequent years, the total amounts due are offset by the net cost of the present value of the interest rate differential, expected delinquencies and defaults, and fees associated with these loans. The amount recorded includes interest accrued, even if loan payments are not received until the related debt is officially declared to be in default. Loans receivable also may arise from other Federal agencies and are treated as intra-governmental items.  For further information regarding Loans Receivable, see SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees*.   |
| .08   | General Property, Plant, and Equipment (PP&E)  |

For control purposes, General PP&E is separated into two types: (1) accountable General PP&E; and (2) non-accountable General PP&E. A General PP&E item is accountable property when it is formally assigned to an individual and officially recorded in the agency’s books. Policies regarding accountable and non-accountable property are established in the [*Department’s Personal Property Procedures Manual*.](http://www.osec.doc.gov/ofm/PPM_Handbooks.html)

For accounting purposes, General PP&E includes all real and personal property that has been capitalized. Proper disclosure, such as the basis of property valuation and the total amount of fully depreciated assets, is needed.

Acquisitions of General PP&E include assets purchased, or assets acquired through other means such as through a transfer in from another federal entity, donation, devise (a will or clause of a will disposing of property), judicial process, exchange between a federal entity and a non-federal entity, and forfeiture.

All General PP&E with an estimated service life of two years or greater, must be capitalized and reported in the financial statements, subject to the Department’s capitalization thresholds.

For further information regarding General PP&E, see SFFAS No. 6, *Accounting for Property, Plant, and Equipment*.

The Department has established both single-asset acquisition capitalization thresholds and personal property bulk acquisition capitalization thresholds.

**Personal Property Bulk Acquisition Definition for the Department:**

Personal property bulk acquisitions are acquisitions of a large quantity of similar personal property items, where each item individually costs less than the single-asset acquisition property capitalization threshold.

Personal property bulk acquisitions are normally determined based upon the total order amount.

The Department’s general PP&E acquisition capitalization thresholds are as follows:

1. NOAA:

* Single-asset acquisition capitalization threshold of $200 thousand.
* Personal property bulk acquisition capitalization threshold (see definition below) of $1.0 million, where individual items cost $25 thousand or more but less than $200 thousand.

2. NIST:

* Single-asset acquisition capitalization threshold of $100 thousand.
* Personal property bulk acquisition capitalization threshold of $500 thousand.

3. USPTO:

* Single-asset acquisition capitalization threshold of $50 thousand.
* Personal property bulk acquisition capitalization threshold of $250 thousand, except for furniture.
* Furniture bulk acquisition capitalization threshold of $50 thousand.

4. NTIA’s First Responder Network Authority:

* Single-asset acquisition capitalization threshold of $25 thousand.
* Personal property bulk acquisition capitalization threshold of $150 thousand.

5. All Other Bureaus:

* Single-asset acquisition capitalization threshold of $25 thousand.
* Personal property bulk acquisition capitalization threshold of $250 thousand.

**Important Note regarding Departmental Management/Gifts and Bequests (DM/G&B) Assets:**

DM/G&B assetsare capitalized, as appropriate, in accordance with the capitalization thresholds for DM/G&B—***not*** in accordance with the capitalization thresholds of the bureau that is accounting for the DM/G&B asset. DM/G&B’s capitalization thresholds are those as listed above under “All Other Bureaus.”

The Department will periodically perform a review of its capitalization thresholds.

1. Land: The amount for land.

1. Land Improvements: Permanent improvements to the land.

1. Structures, Facilities, and Leasehold Improvements: The amount for structures and facilities, including buildings, structural components (such as air conditioning and heating units and any capital improvements made thereto), monuments, statutes, and memorials. Amounts include the capitalized costs of leasehold improvements made to facilities occupied by the Federal Government as the lessee.

1. ADP Software: The capitalized amount of internally developed or commercially acquired ADP software.

SFFAS No. 10, *Accounting for Internal Use Software*, requires the capitalization of the cost of internal use software whether it is commercial off- the shelf (COTS), contractor-developed or internally developed.

1. Equipment: The amount of equipment such as machinery, automotive equipment, ADP equipment, and other non-expendable equipment and furniture that has been capitalized.

1. Other Personal Property: All other amounts pertaining to fixed assets that have been capitalized.

1. Right-to-Use Lease Assets: Please see DOC Accounting Handbook, Chapter 17: Accounting and Reporting for Lease Activity for lease activity accounting including right-to-use lease assets.

1. Construction-in-Progress: The amounts associated with construction of general PP&E. As constructed assets are placed in service, the construction-in-progress costs should be transferred to the proper asset account.

1. Allowances: The total amount of accumulated depreciation and amortization for the total PP&E categories.

Standard Useful Lives and Salvage Value are under the purview of the Office of Facilities and Environmental Quality. Standard Useful live and salvage values for the Department’s personal property assets are defined in Property Bulletin #001, FY24 – *Standardization of Useful Life and Salvage Value for Departmental Personal Property Assets.*

For further details, refer to SFFAS No. 6, [*Accounting for Property, Plant, and Equipment*](https://files.fasab.gov/pdffiles/handbook_sffas_6.pdf)[.](http://fasab.gov/accounting-standards/)

.09 Stewardship PP&E

Stewardship PP&E is assets that physically resemble those of general PP&E traditionally capitalized in financial statements. However, because of the nature of these assets and the difficulty in valuating and matching costs with specific periods, supplementary stewardship information is required to account for the Government’s oversight of these resources. Stewardship PP&E includes:

1. Heritage assets, such as Federal monuments and memorials and historically, or culturally significant property;
2. Multi-use heritage assets, whose predominant use is government operations; and
3. Stewardship land, land not acquired for or in connection with general PP&E.

For further information, refer to SFFAS No. 8, *Supplementary*

*Stewardship Reporting*, and SFFAS No. 29, *Heritage Assets and Stewardship Land*.

.10 Intangible Assets

Intangibility denotes a lack of physical or substance. Examples of intangible assets include: patents, copyrights, franchises, organization costs, data set, etc. The cost of intangible assets should be amortized over their estimated economic life, determined on a case-by-case basis.

### Section 7.0 - Transfers of Assets within the Federal Government

**7.1 Non-Monetary Exchange**

For non-cash transfers or other than normal operations of business-like activities, the transferee (gaining agency) should record the value of an asset received by increasing the asset and equity accounts by the net book value on the transferor’s (losing agency) records.

**7.2 Monetary Exchange**

Sales of assets are covered in SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*, Sections 294 – 296, located at [http://fasab.gov/accounting-standards/.](http://fasab.gov/accounting-standards/)

**7.3 Business-like Activities**

The provisions of section 7.01 through 7.02 above do not apply to sales or other transactions that occur in the normal operations of a business-like activity (e.g., revolving funds). However, it does apply to transfers of property that are not part of the normal operation of such business-like activities.

For further details refer to SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, Sections 24 – 25, located at [http://fasab.gov/accountingstandards/.](http://fasab.gov/accounting-standards/)

### Section 8.0 - Donated Assets

Donated assets are unilateral transfers of assets from parties not related to the Federal Government. Donated assets should be recorded at the fair market value plus any costs incurred to place the donated item(s) in use. See SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*, Sections 258 – 259, located at [http://fasab.gov/accountingstandards/.](http://fasab.gov/accounting-standards/)

### Section 9.0 - Assets Held by Award Recipients

When an entity holds title to assets acquired by an award recipient (usually a grantee), appropriate property records shall be established, and the capital assets should be included in the financial statements. Such assets shall be recorded at their cost to the award recipient, and the equity account shall be increased by a like amount. Normal depreciation practices are to be followed.

### Section 10.0 - Bureau Evaluations of Material or Significant Possible or Actual Unusual Accounting Transactions

Bureaus are required to evaluate material or significant possible or actual unusual accounting transactions (e.g. a possible or actual accrued receivable/revenue or accrued payable/expense or asset, a possible, anticipated, or actual transfer, a possible, anticipated, or actual budgetary resource or reduction of budgetary resources, a possible or actual contingency), regardless of whether the item has been apportioned or not apportioned on the SF 132, *Apportionment and Reapportionment Schedule,* and research if a) a proprietary accounting transaction(s) should be recorded; b) a budgetary accounting transaction should be recorded; and c) if yes to either a) or b), the appropriate accounting transactions that should be recorded and when (month/year) the accounting transactions should be recorded.

For these material or significant possible or actual unusual accounting transactions, the bureau’s evaluation is required to include consultation with a) the bureau’s CFO or equivalent, of both the underlying bureau and that bureau’s accounting service provider, if applicable, or his or her designee(s); and b) the Department’s Office of Financial Management. As appropriate, consultations should also include c) other bureau or Departmental offices; d) the U.S. Department of the Treasury, the Office of Management and Budget, and/or the Federal Accounting Standards Advisory Board; e) any other federal agencies; and f) any other relevant or applicable sources.

### Section 11.0 - Assignment of Assets of the Department of Commerce Reporting Entity to Component Reporting Entities

It is necessary that all assets owned by the Department of Commerce (Department) be assigned to a component reporting entity of the Department (a bureau, or a Departmental Management reporting entity (DM/S&E, DM/WCF, OIG, DM/G&B, and HCHB

Renovation Project)). Fund Balance with Treasury is exempt from this policy, because it is an asset that is initially assigned by the authority of the Department of the Treasury to specific main accounts, leaving no issue of assignment to be resolved.

This policy is for the implementation of Federal Accounting Standards Advisory Board’s (FASAB) Technical Bulletin (TB) 2017-2, *Assigning Assets to Component Reporting Entities* (November 1, 2017). This TB provides that assets may be assigned by a reporting entity to its component reporting entities on a rational and consistent basis.

TB 2017-2 requires reporting entities to disclose the policies used to assign significant assets. The TB allows for assets to be owned by one component of a larger reporting entity but used and/or funded by another component of the same entity. Agencies are required to have a process in place to ensure all assets within a reporting entity are assigned.

TB 2017-2 prescribes that assets be assigned by a reporting entity to its component reporting entities on a rational, consistent basis and further states, “For example, an asset may be assigned to the component reporting entity holding legal title, funding the asset, using the asset in its operations, or on another rational and consistent basis. Different bases may be used for assigning different assets.” The bureau policy should ensure that all assets within a reporting entity are assigned. In addition, assets may *only* be assigned by a component reporting entity to its own sub-component reporting entities (e.g., within the same larger reporting entity).

TB 2017-2 further indicates that in the first fiscal year of implementing this policy or in the fiscal year of any future change to the basis for asset assignment, assets re-assigned between component reporting entity should be treated as transfers of assets per SFFAS 7, *Accounting for Revenue and Other Financing Sources*.

Departmental assets are generally acquired directly by a bureau/reporting entity and have their use controlled by the same bureau/reporting entity. In these cases, the acquiring bureau/reporting entity is by default assigned the ownership of the asset, including the asset recordation and depreciation or amortization, as applicable.

In situations where an asset is not directly obtained by a bureau/reporting entity or for any situation where the assignment of the asset to the bureau(s)/reporting entity(ies) is an issue, the Department’s Office of Financial Management (OFM) will gather relevant information from all appropriate sources to perform an evaluation of the appropriate assignment of the asset to the bureau(s)/reporting entity(ies). OFM’s evaluation will include collaboration within the Department and with others as appropriate. Upon the completion of OFM’s evaluation, OFM will determine the appropriate assignment of the asset to bureau(s)/reporting entity(ies) and will communicate such results within the Department.

1. Cost is the carrying amount of the loan at the time of foreclosure or, for a loan guarantee, the amount of the claim paid. Note that the relevant “carrying amount” is the portion of the loan or loan guarantee being written-off as a result of foreclosure. In some instances (e.g., loans with recourse), the entity may seek to recover losses from other sources following foreclosure. Any portion of the loan or loan guarantee expected to be recovered in the future would not be included in the carrying amount for determining losses at the time of foreclosure. [↑](#footnote-ref-1)