

NAF Accounting Working Group

Use of Amortization and Depreciation

Position Paper #3

Issue

Inconsistent use among the services of depreciation and amortization regarding fixed assets.

Research

Below outlines the use of amortization and depreciation, how each service complies and what the regulations, accounting guidance and industry standards are for this area.

Policy	Air Force	Army	Navy	Marines
Services' classification of tangible fixed assets	Depreciation	Amortization	Depreciation	Depreciation
DoDI 1015.15: 6.4.2.6. <u>Depreciation and Amortization.</u> Tangible fixed assets, except construction in progress, shall be depreciated over their expected useful lives.	Compliant	Non-compliant	Compliant	Compliant
FMR Volume 13, Chapter 3, 030306.A.10. <u>Depreciation:</u> Depreciation accounting distributes the cost or other basic value of tangible capital assets over the estimated useful life of such assets in a systematic and rational manner. The straight-line method of depreciation is used for determining the monthly depreciation expense.	Compliant	Non-compliant	Compliant	Compliant
GAAP: Amortization and Depreciation Expense is a line on a company's balance sheet which includes both amortization and depreciation. Amortization is the decrease in value of an intangible asset or assets over time while depreciation is the decrease in value of a tangible assets or assets over time. Thus, amortization and depreciation expense is the net decrease in assets, both tangible and intangible.	Compliant	Non-compliant	Compliant	Compliant
FASAB Handbook version 16: SFFAS 4 (102) General property, plant, and equipment are used in the production of goods and services. Their consumption is recognized as depreciation expense.	Compliant	Non-compliant	Compliant	Compliant
Industry Practice: Depreciation is used for tangible fixed assets whereas amortization is used for intangible assets.	Compliant	Non-compliant	Compliant	Compliant

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Discussion

In reference to tangible fixed assets, DoDI 1015.15, FMR and GAAP associate depreciation for tangible fixed assets and amortization for intangible fixed assets.

Working Group Recommendation

All Services should use depreciation in relation to tangible fixed assets and amortization in relation to intangible assets. No change to DoD1015.15, DoD1015.10, or FMR is required.

Service Concurrence

Service	Concurrence	Reason for Non-concurrence
Air Force	Concurrence on 4/1/2014. Re-concurred 8/23/2018.	
Army	Concurrence on 4/1/2014. Re-concurred 8/23/2018.	
Marines	Concurrence on 4/1/2014. Re-concurred 8/23/2018.	
Navy	Concurrence on 4/1/2014. Re-concurred 8/23/2018.	

USD(P&R)/MC&FP Disposition

No further action.

DFAS Disposition

No further action.

Forward to DoDIG?

No DoDIG equities.
