

NAF Accounting Working Group Single Asset Capitalization Threshold Position Paper #4

Issue

Inconsistent dollar amount used for capitalization threshold among the Services.

Research

Below outlines the capitalization threshold guidance, how each Service complies and what the regulations, accounting guidance and industry standards are for this area.

Capitalization Threshold Treatment and Guidelines	Air Force	Army	Navy	Marines
Services' Implementation of Capitalization Threshold	Capitalization threshold of \$1,000 or more	Capitalization threshold of \$2,500 or more	Capitalization threshold of \$2,500 or more	Capitalization threshold of \$2,500 or more
DoDI1015.15: 6.4.2.5. <u>Tangible Fixed Assets.</u> Tangible fixed assets purchased with NAFs, or donated or transferred to a NAFI, that have a useful life expectancy of more than 2 years and an acquisition cost of \$2,500 or more, shall be capitalized in NAF accounting records.	Follows Alternative Guidance	Follows Current Guidance	Follows Current Guidance	Follows Current Guidance
FMR Volume 13, Chapter 3, 030306. A. Accounting for Fixed Assets: Fixed assets purchased with NAFs, donated, or transferred to a NAFI with a useful life expectancy of two or more years and an acquisition cost of \$2,500 or more must be capitalized.	Follows Alternative Guidance	Follows Current Guidance	Follows Current Guidance	Follows Current Guidance
GAAP: GAAP does not specify a capitalization threshold for grouped assets or assets purchased in quantity. The determination is left to the entity to determine, as the wide variance in business entities precluded developing a proper applicable standard.	N/A	N/A	N/A	N/A
FASAB Handbook version 12: SFFAS 6 (13) The Board believes that capitalization thresholds should be established by Federal entities rather than centrally by the Board. Because Federal entities are diverse in size and in uses of PP&E, entities must consider their own financial and operational conditions in establishing an appropriate capitalization threshold or thresholds. Once established, this threshold(s) should be consistently followed and disclosed in the financial reports.	Follows Current Guidance	Follows Current Guidance	Follows Current Guidance	Follows Current Guidance
Industry Practice: Wide variance between similar companies within the same industry such as hotel or resort industries. The threshold varies anywhere in between \$1,000 & \$5,000.	N/A	N/A	N/A	N/A

Discussion

All Services are currently using a two-year or more life expectancy but different acquisition costs as noted in the table above. The Air Force uses a capitalization threshold of \$1,000 or more. A stricter threshold is acceptable.

NAF Accounting Working Group Single Asset Capitalization Threshold Position Paper #4

Recommendation

All Services should set the threshold for single asset capitalization at a purchase cost equal to or greater than \$2,500 and an asset life expectancy of two years or more, in accordance with DoDI 1015.15 and DoD FMR. A stricter interpretation of the policy is acceptable.

Service Concurrence

Service	Concurrence	Reason for Non-concurrence
Air Force	Concurrence on 9/18/2014. Re-concurred 11/15/2018.	
Army	Concurrence on 9/01/2014. Re-concurred 11/2/2018.	
Marines	Concurrence on 9/01/2014. Re-concurred 10/31/2018.	
Navy	Concurrence on 9/01/2014. Re-concurred 11/2/2018.	

USD(P&R)/MC&FP Disposition

No further action.

DFAS Disposition

No further action.

Forward to DoDIG?

No DoDIG equities.
