

NAF Accounting Working Group

Classification of Exchange Dividend Income

Position Paper #9

Issue

Inconsistency in the classification of Exchange Dividend Income among the Services are currently classifying dividends as operating or non-operating.

Research

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

Policy	Air Force	Army	Marines	Navy
Services' Classification of Dividend Income	Non-operating	Operating	Operating	Non-operating
DoDI 1015.15 E8.A3. Attachment 3 To Enclosure 8, Dividend Income is classified as Non-operating Income	Compliant	Non- Compliant	Non- Compliant	Compliant
FMR Volume 13, Chapter 2, 020405.B. Non-Operating Income: Account for non-operating income in the 600 series of accounts. Examples of non-operating income include interest income, rebates income, subsidy income, exchange dividend income, extraordinary income, and other non-operating income.	Compliant	Non- Compliant	Non- Compliant	Compliant
GAAP: The portion of an organization's income that is derived from activities not related to its core operations. Non-operating income would include such items as dividend income, profits (and losses) from investments, gains (or losses) incurred due to foreign exchange, asset write-downs and other non-operating revenues and expenses.	Compliant	Non- Compliant	Non- Compliant	Compliant
FASAB Handbook version 16: Silent on treatment	N/A	N/A	N/A	N/A
Industry Practice: Treat as non-operating when not related to the core operations of the business.	Compliant	Non- Compliant	Non- Compliant	Compliant

Discussion

Dividend income is not gained through the day to day operations of MWR programs. DoDI 1015.15, FMR, GAAP, and industry practice classify dividend income as non-operating income.

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Recommendation

In accordance with DoDI 1015.15, FMR, GAAP, and industry practice all Services should treat the dividend income received from the AAFES, NEXCOM, and MCX as non-operating income.

Service Concurrence:

Service	Concurrence	Reason for Non-concurrence
Air Force	Concurrence on 4/1/14. Re-concurred 8/23/18.	
Army	Concurrence on 4/1/14. Re-concurred 8/23/18.	
Marines	Concurrence 4/1/14. Re-concurred 8/23/18.	
Navy	Concurrence 4/1/14. Re-concurred 8/23/18.	

USD(P&R)/MC&FP Disposition

No further action.

DFAS Disposition

No further action.

Forward to DoDIG?

No DoDIG equities.
