14 FAH-1 H-500 PROPERTY COST ACCOUNTING

14 FAH-1 H-510 CAPITALIZED PROPERTY COST ACCOUNTING

(CT:PPM-2; 07-27-2005)
(Office of Origin: A/LM)

14 FAH-1 H-511 CAPITALIZED PERSONAL PROPERTY AND GENERAL LEDGER ACCOUNTING

(CT:PPM-2; 07-27-2005)
(Uniform State/USAID)

a. Nonexpendable personal property having an acquisition cost (as defined in *14 FAM 411.4*) of $25,000 or more per item, and an estimated service life of 2 years or longer is capitalized property and is recorded on the general ledger. All State motor vehicles are capitalized, regardless of cost. Capitalized personal property data from posts is used to update the data in State's financial systems. The capitalized property data is used to prepare financial statements. Accordingly, all posts must submit capitalized property data quarterly to the Resource Management office (RM/GFS/DFS/DFO/FO/A) in accordance with instructions provided in cables from the Bureau of Resource Management (RM).

b. **State only**: All software that meets the Department's threshold with expected useful life of two years or longer shall be capitalized. Commercial off-the-shelf software configured for State operations with a total cost of $500,000 or more is capitalized. Similarly, State software developed within the agency by direct-hire or contract employees shall be capitalized if the expected useful life is two years or longer and the cost of direct-hire or contractual services exceeds $500,000. Software maintenance costs and the cost to convert data are not capitalized and should not be considered in determining the application of the threshold. Bulk purchases of software packages with a total cost $100,000 or more shall also be reported as capitalized.

14 FAH-1 H-512 DEPRECIATION OF CAPITALIZED PERSONAL PROPERTY

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. Generally accepted accounting principles require that the cost of tangible capital assets, less any salvage value, be allocated over the estimated useful life of an asset in a systematic and rational way. For property that **is** maintained in the nonexpendable property application (NEPA), depreciation is computed by the system. For posts that have manual records, the procedures provided in this section should be followed for computing depreciation.

b. The procedures below are used to depreciate property.

14 FAH-1 H-512.1 Depreciable Cost

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

a. The first step is to determine the depreciable cost of the item. The depreciable cost is the acquisition cost less the estimated salvage or scrap value expected to remain at the end of the projected useful life period of the item (that period during which the item is expected to provide an intended service; see 14 FAH-1 Exhibit H-213). For example, if an item's invoice cost is $30,000, the only related costs were transportation charges ($1,000), and the estimated salvage or scrap value remaining at the end of the expected useful life period is $3,000, the depreciable cost is computed as follows:

Invoice Cost	**$30,000**
Transportation Charges	**+ 1,000**
Acquisition Cost	**$31,000**
Estimated Salvage/Scrap Value	**– 3,100**
Depreciable Cost	**$27,900**

b. Estimates of useful life should consider such factors as physical wear and tear and technological changes that bear on the economical usefulness of the item.

c. The 14 FAH-1 Exhibit H-213, Replacement Cycles for Personal Property, may be used for determining the useful-life period of the item. However, the cycles indicated in the exhibit are averages.

14 FAH-1 H-512.2 Computing Depreciation

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

In the nonexpendable property application (NEPA), depreciation is computed annually at the end of each fiscal year, using straight-line depreciation (i.e., the incremental reduction of an item's depreciable cost in equal segments over the years of useful life).

14 FAH-1 H-512.2-1 Annual Depreciation

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

Most nonexpendable property has a definite useful life span (see 14 FAH-1 Exhibit H-213). To arrive at annual depreciation, divide the depreciable cost (e.g., $27,900) by the estimated years of useful life. If, for example, the estimated useful life is eight years, annual depreciation is $3,487.50 (depreciable cost, $27,900, divided by eight years).

14 FAH-1 H-512.2-2 Accumulated Depreciation

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

To arrive at accumulated depreciation, multiply annual depreciation by the number of years the item has been in use. If, as in the example in 14 FAH-1 H-512.2-1, the item has been in use for three years, accumulated depreciation is $10,462.50 (annual depreciation ($3,487.50) multiplied by number of years in use (three)).

14 FAH-1 H-512.2-3 Net Value

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

The net value of the item is arrived at by subtracting the accumulated depreciation from the acquisition cost. The net value for the item in the example in 14 FAH-1 H-512.2-1 at the end of three years would be $20,537.50 (acquisition cost, $31,000, less accumulated depreciation, $10,462.50).

14 FAH-1 H-512.3 Capitalized Property File

(CT:PPM-2; 07-27-2005)
(Uniform State/USAID)

a. Establish a separate file for each capitalized item at the time that the property is picked up on the property records to maintain a running account of its depreciating value. The file shall contain the following information:

(1) Appropriation;

(2) Allotment;

(3) Acquisition cost (use estimated acquisition cost for items purchased or estimated fair-market value for items transferred or donated, at the time acquired, if actual cost is unknown);

(4) Category;

(5) Description;

(6) Date received;

(7) Estimated future salvage value;

(8) Depreciable cost;

(9) Estimated years of useful life;

(10) Date item put into use;

(11) Annual depreciation;

(12) Accumulated depreciation;

(13) Net value; and

(14) Date of disposal.

b. Activities **not** using the nonexpendable property application (NEPA) shall establish files in the same format as described below.

Data Field

[1] Appropriation

Enter the appropriation symbol under which the property was acquired. This will be part of the fiscal data on the acquisition document. If the property was acquired as a transfer from another post or U.S. Government agency, it will be necessary to get the appropriation symbol from the transferor.

[2] Allotment

Enter the allotment symbol as indicated in the fiscal data on the acquisition document.

[3] Description

Obtain from property records.

[4] Property Number

Obtain from property records.

[5] Category

Select the appropriate category.

[6] Date Received

Use the date of receipt indicated on the receiving report.

[7] Invoice Cost

This is the basic cost of the item, exclusive of any related costs (e.g., transportation or installation). This cost should be on the acquisition document.

[8] Other Costs

These are costs other than the basic cost of the item (e.g., transportation, handling and storage, installation, etc.)

[9] Acquisition Cost

Enter the total of fields **[7]** and **[8]**.

[10] Salvage/Scrap Value

Enter the estimated scrap or salvage value expected to remain at the end of the projected useful life period of the item.

[11] Depreciable Cost

Subtract field **[10]** from field **[9]** and enter here.

[12] Date Put In Use

Enter the date that the item was put in use. This date will trigger the depreciation. Depreciation begins with the first fiscal year after the item is put into use.

[13] Estimated Life-Years

The period during which the item is expected to provide the service for which it was intended.

[14] Date Disposed of

Enter the date on which the property was discarded.

[15] Date

Enter the date that the entry to the property record is being made.

[16] Current Period Depreciation

The amount that the property decreased in value each period (annual depreciation). To arrive at this figure, divide depreciable cost (field **[11]**) by the estimated years of useful life (field **[13]**).

[17] Accumulated Depreciation

The total amount that the value of the item has decreased during its time in use. Add the current period depreciation (field **[16]**) to the previous figure in this field.

[18] Net Value

The current depreciated value of the item. Subtract the accumulated depreciation (field **[16]**) from the acquisition cost (field **[9]**).

[19] Remarks

Enter any appropriate remarks. For example, you may want to enter a comment on an improvement or modification to the item.

c. For nondepreciable property, only fields **[1]** through **[9]**, need to be completed (field **[14]** should be completed when the property is discarded). Each year the same value (acquisition cost) is reported on the annual Report of Capitalized Personal Property (see *14 FAM 419.3*). For nondepreciable items, see 14 FAH-1 H-512.4, paragraph c, for nondepreciable capitalized property.

d. The Capitalized Property File may be discarded upon disposal of the property.

14 FAH-1 H-512.4 Organization of Capitalized Property Files

(CT:PPM-2; 07-27-2005)
(Uniform State/USAID)

a. Establish the capitalized property records in a central file. To facilitate compilation of data needed for the annual report, sort the files by appropriation and, within each appropriation, sort the files by the following categories:

(1) Communications Equipment;

(2) Vehicles;

(3) Medical Equipment;

(4) Security Equipment;

(5) IT Equipment;

(6) IT Software;

(7) Capitalized Leases of Personal Property;

(8) Other Depreciable Personal Property;

(9) Nondepreciable Capitalized Property, i.e., Heritage Assets; and

(10) Reproduction Equipment.

b. **Adjustments to capitalized cost**: Later improvements or modifications to a capitalized item also become part of the capitalization process. Add the costs of the improvements or modifications to the acquisition cost of the item and compute a new depreciable cost. Such changes will affect future depreciation only. Do not modify previously recorded depreciation.

c. **Nondepreciable capitalized property**:

(1) Some property items *that* have an acquisition cost of $25,000 or more per item and, therefore, are considered to be capitalized property, will not lose value over the years. Property such as heritage assets, fine art, antiques, and representational silverware will not have a defined life span and may increase in value. Although a capitalized property file is established for each of these items, they are **not** included in the depreciation process;

(2) All nondepreciable property (i.e., heritage assets), regardless of cost, is included as part of the property reporting in accordance with instructions from the Bureau of Resource Management (RM). Nondepreciable items are reported at the acquisition cost shown in the property records. If the value of the item has been adjusted during the reporting period (e.g., due to a current appraisal), the adjusted value is reported on the report of nondepreciable property;

(3) Another example of nondepreciable capitalized property is property in stock. Until capitalized property is issued and depreciation begins, the property is not depreciated and is reported to the Resource Management office (RM/DFS/DFO/FO/A) for State or to the financial management office (M/FM/CAR) for USAID at the acquisition cost.

14 FAH-1 H-513 THROUGH H-519 UNASSIGNED