

**SUMMARY OF MAJOR CHANGES TO  
DOD 7000.14-R, VOLUME 4, CHAPTER 1  
“FINANCIAL CONTROL OF ASSETS”**

All changes are denoted by blue font.

Substantive revisions are denoted by a **H** preceding the section, paragraph, table, or figure that includes revision

Hyperlinks are denoted by *underlined, bold italic, blue font*.

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
	Added Table of Contents.	Add
Multiple	Revised for clarity and readability. Added hyperlinks.	Update
010202	Updated definition of an asset.	Update
010301	Updated definition of Fund Balance with Treasury.	Update
010501.B	Updated to reflect current policy on method for valuing inventory.	Update
010602	Updated definition of prepayments.	Update
010701	Added statement on property accountability for consistency with DoDI 5000.64.	Add

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## CHAPTER 1

FINANCIAL CONTROL OF ASSETS0101 GENERAL

010101. Purpose. This chapter sets forth overall standards to be followed in accounting for assets. One of the objectives of Department of Defense (DoD) accounting is establishing financial control, from time of acquisition to time of disposal, over all assets provided to, or acquired by, the DoD. Such control ensures proper and authorized use as well as adequate care and preservation, since no asset can be acquired, put into use, transferred, written down, written off, or disposed of, without the proper authorization necessary to document and record the transaction. All tangible assets provided to the DoD shall be accounted for, including assets in transit and assets in the hands of contractors, private parties, and other government agencies.

010102. Overview. A DoD asset is any item of economic value owned by a DoD Component or held in a fiduciary capacity under the control of a DoD Component. The item may be physical in nature (tangible) or a DoD Component may have a right to control the item (intangible).

★ 010103. Entity vs. Nonentity Assets. Entity cash and assets should be reported separately from nonentity cash and assets.

A. Entity assets are assets that the reporting DoD Component has authority to use in its operations, that is to say the DoD Component has the authority to decide how the asset is used, or is legally obligated to use the asset to meet statutory obligations.

B. Nonentity assets are assets held by a DoD Component but not available for the Component to use in its operations. In some circumstances, a DoD Component may maintain cash or other nonentity assets in a fiduciary capacity for the U.S. Treasury, other government agencies or nonfederal entities.

★ 010104. Intragovernmental vs. Public Transactions

A. Intragovernmental assets arise from transactions among federal agencies and represent claims of a Military Department or Defense Agency against other DoD Components and other federal agencies.

B. Public assets arise from transactions between DoD Components and nonfederal entities, which include domestic and foreign persons and organizations outside the U.S. Government.

010105. The accounting events discussed in chapters 2 through 7 of this volume frequently will require compound accounting entries; that is, accounting entries must be made simultaneously in both the proprietary accounts and the budgetary accounts. Additional

information on budgetary accounts not covered in this chapter are included in [Volume 3](#) of this Regulation.

## 0102 ACCOUNTING STANDARDS

010201. The specific accounting standards for each category of assets are discussed in the sections that concern those assets. The following general standards apply to all assets.

★ 010202. An asset is a [resource that embodies economic benefits or services that DoD controls](#). An asset has two essential characteristics:

- A. [it embodies economic benefits or services that can be used in the future; and](#)
- B. [the DoD controls access to the economic benefits or services and, therefore, can obtain them or deny or regulate the access of other entities.](#)

010203. Noncash assets shall be valued promptly, once acquired by or taken into possession by the DoD, and subjected to [financial](#) accounting control.

## 0103 FUND BALANCE WITH TREASURY AND CASH

★ 010301. [Fund Balance with Treasury \(FBWT\) is an asset account that reflects the available funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. Collections and disbursements by the Department increase or decrease the balance of the account. Treasury requires all federal agencies to reconcile their FBWT accounts on a regular and recurring basis to assure the integrity and accuracy of their internal and Governmentwide financial data. Unresolved differences compromise the reliability of FBWT balances and Treasury's published financial reports. This, in turn, compromises the overall integrity and status of the Department's and Governmentwide financial position. More detailed information on accounting for cash and FBWT can be found in \[Chapter 2\]\(#\) of this volume.](#)

★ 010302. [In limited circumstances, in addition to "Fund Balance With Treasury," DoD reporting entities may be authorized to hold cash outside of Treasury to provide check cashing services in accordance with \[Volume 5\]\(#\) of this Regulation.](#) Cash includes all monetary resources on hand or on deposit with banks and other financial institutions, including coins, currency, and readily negotiable instruments (such as checks and money orders).

010303. [Restricted Cash.](#) Restrictions are usually imposed on cash deposits by law, regulation, or agreement. Nonentity cash is always restricted cash. Entity cash may be restricted for specific purposes. Such cash may be in escrow or other special accounts. Financial reports should disclose the reasons and nature of restrictions.

010304. The following standards apply to accounting for cash.

- A. Cash accounting shall:

1. Be complete, accurate and timely.
2. Cover cash receipts, cash disbursements, and cash balances.
3. Comply with applicable laws and regulations.
4. Disclose errors, losses, and gains.

B. Cash receipts shall be recorded immediately upon collection, kept under control, and deposited intact as soon as practicable. Cash collections shall not be held by the disbursing officer to cover cash disbursements.

★ C. Disbursements shall be made only after [receiving an approved voucher package containing](#) evidence of performance, [a valid purchase order](#), and [a valid invoice or an authorized advance payment](#). Disbursements [and collections](#) shall be recorded promptly in the applicable DoD accounting system and reported in the Statement of Transactions.

D. Cash receipts and disbursements are to be reconciled with appropriate documents and accounting records, as applicable within each accounting period.

E. Foreign currencies shall be accounted for in subsidiary accounts separate from U.S. currency. Foreign currencies shall be reported at the U.S. dollar equivalent using the exchange rates prescribed by the Secretary of the Treasury. The fact that a foreign currency is not freely exchangeable shall be footnoted on reports. Accounting entities may prepare financial statements for their own use, which may or may not be in U.S. dollars. These lower level statements shall be translated into U.S. dollars when used to prepare departmental financial statements.

F. Guidance relating to cash management procedures prescribed by the Treasury Department is in [Chapter 2](#) of this volume.

#### 0104 RECEIVABLES

010401. Amounts due the DoD shall be recorded accurately in the appropriate receivable account in the accounting period during which the transaction or event giving rise to the receivable occurs. Receivables arise from claims to cash or other assets and include accounts receivable, interest receivable, and loans receivable.

010402. [Statement of Federal Financial Accounting Standards No. 1](#) requires [that](#) a receivable be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date (e.g., taxes not received by the due date), or goods or services provided. If the exact amount is unknown, then a reasonable estimate should be made.

010403. Guidance relating to receivables is contained in [Chapter 3](#) of this volume.

0105 INVENTORY AND RELATED PROPERTY

010501. 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. Inventory includes items for sale or transfer to (1) entities outside the federal government, or (2) other federal entities.

A. Inventory shall be recognized as an asset when title passes to the purchasing entity or when the goods are delivered to the purchasing entity. Delivery or constructive delivery shall be based on the terms of the contract regarding shipping and/or delivery.

★ B. Inventory shall be valued at historical cost, [using the moving average cost assumption unless an exception is specifically authorized](#).

010502. Guidance relating to inventories is contained in [Chapter 4](#) of this volume.

010503. Related property [for purposes of this volume](#) includes operating materials and supplies [and](#) stockpile materials. Guidance on such related properties is [also](#) contained in [Chapter 4](#) of this volume.

0106 ADVANCES AND PREPAYMENTS

010601. Advances. Advances are cash outlays made by a federal entity to its employees, contractors, grantees, or others to cover a part or all of the recipients' anticipated expenses or as advance payments for the cost of goods and services the entity acquires. Common examples are travel advances which are made in contemplation of future travel expenses or advances to contractors which are made in contemplation of future receipt of inventory or fixed assets. Advances are reduced when related goods or services are received, contract terms are met, or progress is made under a contract, or prepaid expenses expire.

★ 010602. Prepayments. Prepayments are payments made by a federal entity to cover certain periodic expenses before those expenses are incurred. Typical prepaid expenses are rents paid to a lessor at the beginning of a rental period [and contract financing payments made to contractors prior to acceptance of supplies or services by the Government](#). Prepayments are reduced when goods or services are received [or](#) contract terms are met.

010603. Advances and prepayments are assets of the paying entity.

010604. Advances and prepayments made from one federal entity to another federal entity are intragovernmental transactions and should be accounted for and reported separately from those made to nonfederal entities.

010605. Guidance relating to advances and prepayments is contained in [Chapter 5](#) of this volume.

0107 PROPERTY, PLANT AND EQUIPMENT

★ 010701. Property, plant and equipment (PP&E) is composed of General PP&E and Stewardship PP&E. Accounting for property, plant and equipment in which the government has an ownership interest is important because public funds are invested. Property is accounted for in accounting systems and controlled in [the accountable property systems of record](#). The DoD has an obligation to safeguard its property from theft, abuse, waste, and unauthorized use and otherwise manage the property efficiently and effectively. [Consistent with the DoD Instruction 5000.64](#), DoD is accountable for all property acquired, leased, or otherwise obtained throughout an asset's lifecycle: from initial acquisition and receipt; through accountability and custody; until formally relieved of accountability by authorized means, including disposition; or through a completed evaluation and investigation for lost, damaged, destroyed, or stolen property.

010702. All General PP&E assets are to be recorded in accounting records at cost. Such costs shall include all costs incurred to bring the PP&E to a form and location suitable for its intended use in operations. The cost of Stewardship PP&E ([except for Multi-Use Heritage Assets](#)) shall be expensed in the accounting period in which incurred. The acquisition cost and related expenses for property shall be recorded as specified in [Chapter 6](#) of this volume.

010703. Guidance relating to PP&E is contained in [Chapter 6](#) of this volume.

0108 OTHER ASSETS

010801. [Other assets include investments, and other miscellaneous assets not otherwise classified, that cannot be classified in a specific category identified in sections 0101 through 0107.](#)

010802. [Guidance related to these assets is included in Chapter 7](#) of this volume. The basic purpose is to ensure financial control over these assets and the recording of expenses or dispositions in the appropriate accounting periods.