CHAPTER 4

PERSONAL PROPERTY CAPITALIZATION

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CHAPTER 4 – PERSONAL PROPERTY CAPITALIZATION

4-1. **PURPOSE**. This chapter provides accounting guidance for the proper identification and accounting treatment of personal property.[1] Personal property assets are assets that do not meet real property criteria.

4-2. INSTALLED FACILITY EQUIPMENT.

General Ledger Account 17506030 - Facility Equipment

a. Installed Facility Equipment.

1. Installed facility equipment includes electronic, electrical, or mechanical equipment, installed at air traffic control and other air navigation and operating facilities in the NAS. Its includes:

(a) Cost of the equipment itself, together with any transportation charges to the installation site (if not already included in the purchase cost of the equipment).

(b) Installation charges, including labor, travel, overhead and other costs incurred to place the equipment in service. Examples of "other costs" included within installation charges would be initial testing of the equipment and flight checking the equipment.

(c) The initial issue of field spares. These are now classified as part of PP&E, rather than an inventory item, and as such they will be charged to the project asset task to which they apply. Previously, the field spares compliment was carried as OM&S inventory and expensed at closeout. Under the new policy, field spares will be

[1] Refer to Appendix A "Financial Accounting Treatment of Typical FAA Costs Incurred in the Acquisition of Fixed Assets," for a comprehensive list of costs eligible for capitalization.

capitalized as part of their associated asset. This reclassification was as a result of the FY 2002 financial statement audit, and includes all Exchange and Repair (E&R) site spares and reparable Contractor Depot Logistics Support (CDLS) parts. It does not apply to spare parts located at the FAALC (including project materiel and spare parts not yet issued), nor does it apply to test equipment.

2. The costs of installed facilities equipment do not include any normal resources required for operation and maintenance of the equipment after it is put into use (e.g., replacement of spare parts, repair costs, contractor maintenance, etc.). These costs are expensed as they occur.

3. Installation charges pertaining to the relocation of previously installed facility equipment are expensed. The value of the original asset will move to the new location along with its accumulated depreciation and its original installation costs.

b. Unit of Capitalization. Capitalize all eligible costs incurred for installed facilities equipment and its associated installation costs if the total of eligible costs for a given facility meet or exceed $25,000 and the equipment has an expected service life of two years or greater.

Example: *FAA incurred the following costs to construct an ASR-9 radar system:*

Facility Equipment: Radar Dish	*$15.000*
Installation charges:	
Regional labor incurred to install the radar dish	*$15,000*
Total Cost	*$30,000*

The total cost of $30,000 exceeds the $25,000 capitalization threshold. Therefore, $30,000 will be capitalized and recorded in the FA module.

The FA module will post GL account # 17506030, "Facility Equipment," in the amount of $30,000.

The asset will also be posted in PPIMS.

4-3. LINE ITEM ACCOUNTABLE PROPERTY.

General Ledger Account 17506040 – Accountable Equipment

a. Line Item Accountable Property. This category includes stand-alone equipment owned by the FAA. It does not include installed facilities equipment (see paragraph 4-2 on page 4-3). Listed below are line item accountable property categories and their associated dollar thresholds.

Line Item Accountable Property	Dollar Threshold
Sensitive:	
Ammunition and Firearms	At Any Cost
Audio Visual Equipment	$500 or Above
Automated Data Processing Equipment (ADPE)	
Photographic Equipment	
Telecommunications Equipment (i.e., Telephones, Beepers)	
Recording Equipment	
Test Equipment, Portable and Rack Mounted	
Selectively Managed:	$1,000 or Above
Appliances	
Athletic Equipment	
Avionics Equipment	
Capital Leased, Borrowed, or Loaned Equipment	
Commissary Equipment	
Emergency Readiness Equipment	
Fire, Rescue, and Safety Equipment	
Food Preparation and Serving Equipment	
Laboratory and Medical Equipment	
Landscaping/Lawn Equipment	
Maintenance, Repair Shop, Electrical and Hand Tools	
Metal-Working Machinery	
Office Machines (Including Fax/Copier/Printer Combinations)	
Ship and Marine Equipment	
Training Equipment	
Vehicles, Special Purposes	
All Other Personal Property, Including IRM Software	$2,500 or Above

b. Unit of Capitalization. Line item accountable property is capitalized if the cost of the item meets or exceeds $25,000 and has an expected service life of two years or greater.

c. Line item accountable items acquired as part of a capital project within the DELPHI Projects module must be charged under the "AE" task (as opposed to an asset task).

Example: *FAA incurred the following costs for line item accountable items:*

Computer	*$10,000*
Computer	*$15,000*
Firearm	*$ 500*
Printer	*$ 1,000*
Truck	*$30,000*
Beepers (150 units @ $250 each)	*$37,500*
Total Cost	*$99,000*

Each item of line item accountable property must be evaluated against the capitalization threshold separately. Therefore, only the truck is capitalized because its cost exceeds the $25,000 capitalization threshold.

NOTE: Although the total (aggregate) cost of all the beepers exceeds the capitalization threshold, individually, each does not.

While the remaining items do not meet the criteria of a capital asset, all but the beepers meet the criteria of an "accountable" asset. As such, they will be recorded in PPIMS. Since the cost of the beepers is below the dollar threshold for accountable property, their cost will be expensed and will not be recorded in PPIMS.

The FA module will post the $99,000 value of the line item accountable items as follows:

GL account # 17506040, "Accountable Equipment" (the value of the truck)	*30,000*
GL account # 61006600, "Operating Expense" (the value of the non-capitalizable property)	*69,000*

4-4. AIRCRAFT.

General Ledger Account 17506020 – Aircraft

a. This asset category includes FAA's fleet of aircraft (airframes) and its supply of aircraft engines.

b. Unit of Capitalization. Capitalize all eligible costs incurred for an aircraft, if the total of these costs meet or exceeds $25,000, and the aircraft has an expected service life of two years or greater.

4-5. ADMINISTRATIVE INFORMATION SYSTEMS.

General Ledger Account 18306000 – Internal Use Software

a. In accordance with FASAB No. 10, this asset category includes software costs for non-NAS information systems used by FAA personnel to perform their work, including purchased software, internally-developed software, and contractor-developed software, as long as it is for internal (FAA) use (not for sale or licensing). Associated hardware costs are considered for capitalization separately, as line item accountable property. Examples of administrative information systems include:

- PPIMS.
- RTP.
- Cost Accounting System (CAS).
- DELPHI.

b. Unit of Capitalization. Capitalize all costs incurred to design and develop administrative information systems if the total cost meets or exceeds $200,000 and the system has an expected service life of three years or greater. Such costs are capitalized at the organizational level in which they are incurred. Costs incurred at FAA headquarters for the acquisition of administrative information systems such as DELPHI, would be capitalized at that level.[1]

Example: *FAA incurred the following costs for a cost accounting system:*

Operating system COTS module	*$ 40,000*
Cost accounting COTS module	*$100,000*
Contractor labor incurred to design[2], customize, implement, and test the system	*$500,000*
Total cost	*$640,000*

All costs incurred to develop the administrative information system are applied to the capitalization threshold. Therefore, the $640,000 total cost is capitalized because this amount exceeds $200,000.

The FA module will post GL account # 18306000, "Internal Use Software," in the amount of $640,000.

The asset will also be posted in PPIMS.

4-6. **IMPROVEMENTS TO PERSONAL PROPERTY**. The same policies as discussed in Paragraph 3-4 for real property also apply to personal property improvements. Improvements (1) extend the useful life of an existing personal property asset or (2) enlarge or improve its capacity, and (3) exceed the $25,000 capitalization threshold, are capitalized and depreciated over the remaining useful life of the associated parent asset.

4-7. **COMMON COSTS - CAPITALIZATION CRITERIA**.

a. Common costs are defined as those overall headquarters contract costs, including, but not limited to, development, systems engineering, technical direction, configuration management, design, technical direction, etc., that are part of a major systems development but are not site specific. The upfront development, engineering, and other

[1] This is a different set of capitalization criteria from the general PP&E criteria of $25,000 and an expected service life of greater than 2 years. It is the same level as the DOT default capitalization threshold.

[2] Design costs in this example were incurred after technological feasibility of the project had been determined. See paragraph 2-3.c on page 2-5 for clarification of this topic.

common program costs are just as much a part of the asset as the final equipment that is shipped and installed. They are capitalizable charges incurred for services that will be assigned to assets through a uniform and automated process which replaces the manual "Top Down" process that was used because of the limitations of the prior FAA accounting system, DAFIS.

b. Common cost can precede an actual delivery by several years and continue until one year after the final system is deployed. This type of cost only exists in headquarters centrally procured contracts and cannot be used for any regional field construction in process without permission from the Director of Financial Management (AFM).

c. Unlike the physical shipment of a piece of equipment, common costs are not identified to a specific site. They are recorded and captured through the DELPHI project/task set up of a common cost "CC" task, as part of the establishment of an overall project work breakdown structure in headquarters. [1]

d. As obligation and payment transactions are recorded, the costs are tracked in these CC tasks for future distribution. They will be distributed from headquarters directly as part of the DELPHI close out process as assets are placed in service. No entries will be required by regional accounting offices.

4-8. **ASSETS UNDER CAPITAL LEASE**. Refer to paragraph 3-7 for a information on capital leases of personal property assets.

[1] This is an even distribution among tasks under a specific program (e.g., STARS, ASR-11)

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