



**Subject:** Methodology for Asset Calculations Change to Depreciation & Netbook Value

**Document Link:** <https://facilities.health.mil/repository/getFile/18646>

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**Reference:**

- Statement of Federal Financial Accounting Standards (SFFAS No. 6) <https://facilities.health.mil/Repository/GetFile/21192>
- Memo Valuation of the Department of Defense Real Property Inventory [ASD EI&E (Mr. Conger) Valuation] <https://facilities.health.mil/Repository/GetFile/21193>
- 2015-09-30 DCFO memo Accounting Policy Update for Reporting RP Assets <https://facilities.health.mil/Repository/Download/22218>
- UFC 3-701-01 DoD Pricing Guide <https://facilities.health.mil/Resource/Download/19593>
- Plant Replacement Value (PRV) Calculation <https://facilities.health.mil/repository/getFile/15430>
- Bureau of Economic Analysis National Income and Product Accounts Tables <http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&903=37>
- Financial Management Regulation (FMR) Volume 4 “Accounting Policies” See Table 6-1, page 6-36. <https://facilities.health.mil/Resource/Download/11660>

**Details:**

Following the guidance from the ASD EI&E memo for Valuation of the Department of Defense Real Property Inventory the MHS is using the following method:

*“Applying Strategy #2 (Before October 2): For assets accepted by DoD and placed in service before October 1, 2013, where business processes or systems limit full compliance with SSFAS No. 6, report estimated values in accordance with SSFAS No. 35, pages 5-6, and FASAB Technical Release 13 and undertake one of the following alternative valuation procedures.*

*As part of the alternative valuations procedures, documentation to support the alternative valuation methodology to estimate the asset’s value must be retained and be readily accessible to support the asset’s value. In cases where partial original support exists, the documentation should be utilized and maintained as a part of the alternative valuation package.”*

**Calculating Deflated PRV (X)**

**Step 1:** Calculate the PRV for each asset. (see PRV Method for details). The “PRV Current Year” is used.

**Step 2:** Calculate the deflated PRV. The deflated PRV is calculated by:

$$\frac{I^b}{I^a} = \frac{\text{Plant Replacement Value (PRV)}}{\text{Deflated PRV (X)}}$$



- A. The “Placed in Service Date” is taken from the DMLSS-FM Source of Truth (SOT) data set. DMLSS SOT pull must exclusively consist of:
  - 1. Those assets where DHA provides Asset Allocation Sustainment Program Funds and;
  - 2. Those assets where DHA utilizes 90% or more of the physical capacity of the facility to conduct its operations and carry out its programs and mission.
  
- B. Once the PRV and the “Placed in Service date” are established, the values for  $I^a$  and  $I^b$  are determined using the Department of Commerce, Bureau of Economic Analysis (BEA) price index.
  - 1. *To determine “Non-Residential, Structures these steps were followed: Goto “Section 1 – Domestic Product and Income” □ “Table 1.6.4. Price Indexes for Gross Domestic Purchases” □ Line “27 – Structures”*
  - 2. Determine  $I^b$  and  $I^a$ . The steps defined in the “Memo Valuation of the Department of Defense Real Property Inventory” are used to determine the value for  $I^a$  and  $I^b$ .
  
- C. Deflated PRV is determined using the above equation in accordance with “Memo Valuation of the Department of Defense Real Property Inventory.”

### Calculating Depreciations

**Step 1:** Using the FMR directed 40-year depreciation.

$$\text{Current Period Depreciation Amount} = \frac{\text{Deflated PRV}}{40}$$



**Step 2:** Determine “Total Accumulated Depreciation Amount” *Note: Expended Useful Life = Facility Age (Current)*

$$\text{Total Accumulated Depreciation Amount} = \text{Current Period Depreciation Amount} \times \text{Expended Useful Life}$$

### Calculating Net Book Values

**Step 1:** Calculate the Net Book value.

$$\text{Net Book Value} = \text{Deflated PRV} - \text{Total Accumulated Depreciation Amount}$$

*Note: For assets who have an expended useful life of 40 years or greater the Net Book Value will be zero. So no assets will have a negative value.*

### Error Handling:

1. PRV calculation follows the error handling described in the PRV Methodology document.
2. If the asset has no placed in service year the asset is ignored.
3. No assets can have a negative Net Book Value.