

TOPIC	ACCOUNTING PRINCIPLES	SUB-SECTION 02.10.40
SECTION	GAAP ACCOUNTING PRINCIPLES	ISSUANCE DATE JUNE 30, 1999
SUB-SECTION	ASSET ACCOUNTING	REVISED - 2018

ASSET ACCOUNTING

Those funds, which are subject to modified accrual or accrual accounting for revenues, should recognize accounts receivable when evidence indicates that a valid receivable exists. Recognition of the receivable identifies a resource that can be used to finance operations during the fiscal year. Due consideration should be given to establishing allowances for doubtful accounts.

INVESTMENTS

Investments, should be recorded at cost unless there has been a permanent decrease in value of the investment. If this has occurred, the accounts should reflect market value. Increases in market value should not be recorded.

INVENTORIES

Inventories are defined as assets on hand which may be held for internal consumption or for resale to other units of state government and to outside parties.

For governmental funds, inventory items may be considered expenditures either when purchased (purchases method) or when used (consumption method), but significant amounts of inventory should be recorded in the balance sheet. If significant amounts of inventories are on hand at year-end, they should be disclosed in the balance sheet as an asset with a contra account "fund balance reserved for inventory of supplies" for the total amount of the inventory. This fund balance reserve account indicates that inventories reported do not represent "available spendable resources" even though they are a component of current assets.

Proprietary funds should record inventory as an asset and record the expense on the consumption method.

Inventories for proprietary and governmental funds should be recorded at the lower of cost or market. For the determination of cost, the first-in, first-out method of valuation (FIFO), or any method which approximated FIFO is recommended.