

Statutory Issue Paper No. 19

Furniture, Fixtures and Equipment

STATUS

Finalized March 16, 1998

Original SSAP and Current Authoritative Guidance: SSAP No. 19

Type of Issue:

Common Area

SUMMARY OF ISSUE

1. The current statutory accounting guidance allows reporting entities to record furniture and equipment as assets, depreciate those assets, and nonadmit the undepreciated balance in the statutory financial statements. Alternatively, reporting entities may expense furniture and equipment when purchased. Guidance found in state statutes varies widely on the treatment of furniture, fixtures and equipment. GAAP requires purchases of furniture, fixture and equipment to be capitalized and depreciated over the expected useful lives of the assets. This issue paper establishes a framework for the accounting and reporting of furniture and equipment that is consistent with the Statutory Accounting Principles Statement of Concepts and Statutory Hierarchy (Statement of Concepts).

SUMMARY CONCLUSION

2. Furniture, fixtures and equipment generally meet the definition of assets established in *Issue Paper No. 4—Definition of Assets and Nonadmitted Assets* (Issue Paper No. 4). Within that definition, such items also meet the criteria defining nonadmitted assets. As such, the undepreciated portion of these assets shall be reported as nonadmitted assets and charged against surplus. These nonadmitted assets shall be depreciated against net income as the estimated economic benefit expires. This conclusion is a change from current statutory guidance because an acquisition which meets the definition of an asset established in Issue Paper No. 4 may no longer be expensed. This change will promote uniformity in the accounting for furniture, fixtures and equipment.

3. In accordance with the reporting entity's capitalization policy, immaterial amounts of furniture, fixtures, and equipment, or supplies, can be expensed when purchased.

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