

# **Statutory Issue Paper No. 105**

## **Reporting on the Costs of Start-Up Activities**

### **STATUS**

**Finalized September 12, 2000**

**Original SSAP and Current Authoritative Guidance: SSAP No. 76**

**Type of Issue:**

**Common Area**

### **SUMMARY OF ISSUE**

1. This issue paper addresses start-up costs. In practice, various terms are used to refer to start-up costs, such as preopening, preoperating, and organization costs. For purpose of this issue paper, these costs are referred to as start-up costs. Current statutory accounting guidance is provided in *SSAP No. 17—Preoperating and Research and Development Costs* (SSAP No. 17). American Institute of Certified

**RELEVANT STATUTORY ACCOUNTING AND GAAP GUIDANCE****Statutory Accounting**

7. SSAP No. 17, paragraph 2 states:

Preoperating, including organization and start up costs, and research and development costs shall be expensed as incurred. Preoperating and research and development costs are incurred for such new projects as: (a) arranging operations for a new company (e.g., legal, actuarial and accounting costs associated with regulatory approval and licensing and issuance of stock); (b) establishing production, sales or service facilities at a new site; (c) changing operations or production significantly; or (d) developing and producing a new product, adopting a new process or offering a new service.

**Generally Accepted Accounting Principles**

8. SOP 98-5, paragraph 12 states:

**Conclusions****Accounting for Start-Up Costs**

.12 Costs of start-up activities, including organization costs, should be expensed as incurred.

**Drafting Notes/Comments**

- SOP 98-5 contains illustrations that provide examples. These illustrations should not be interpreted to be all-inclusive.

**RELEVANT LITERATURE****Statutory Accounting**

- Statutory Accounting Principles Statement of Concepts and Statutory Hierarchy
- *SSAP No. 17—Preoperating and Research and Development Costs*
- *SSAP No. 4—Assets and Nonadmitted Assets*

**Generally Accepted Accounting Principles**

- *AICPA Statement of Position 98-5, Reporting on the Costs of Start-Up Activities*

**State Regulations**

- No additional guidance obtained from state statutes or regulations.