

June 7, 1999; October 4, 1999

*SSAP No. 17—Preoperating and Research and Development Costs (SSAP No. 17)*

1. EITF 97-13, *Accounting for Costs Incurred in Connection with a Consulting Contract or an Internal Project That Combines Business Process Reengineering and Information Technology Transformation* (EITF 97-13) requires business process reengineering costs to be expensed as incurred. EITF 97-13 also requires allocation of third parties costs, based upon relative fair values, that include both reengineering activities and software costs before capitalizing of the software costs are considered. For statutory purposes, reengineering costs are considered preoperating costs, as they may be seen as having the ability to change operations or production significantly. Preoperating costs are addressed in SSAP No. 17 which requires these costs to be expensed as incurred.
2. The working group reached a consensus that EITF 97-13 should be adopted to require that costs associated with business process reengineering activities, whether done internally or by third parties, be expensed as incurred.
3. The working group also reached a consensus that the total consulting contract price (or the sum of the linked contracts with the same vendor) in a business process reengineering project should be allocated to each activity based on the relative fair values when a third party is used to complete a such a project.
4. No further discussion is planned.