

CHAPTER 9

ACCOUNTING FOR INVENTORY AND RELATED PROPERTY

1. INTRODUCTION.

- a. **Purpose.** This chapter establishes the DOE inventory and related property managerial accounting policies and general procedures defined by statutory requirements, FASAB, and other Federal guidance as required.
- b. **Background.** In the Department of Energy (DOE), the term “inventory” has been used broadly to cover inventory, materials, and other related property. In this chapter the term is used as defined in the Statement of Federal Financial Accounting Standards No. 3 (SFFAS No. 3), “Accounting for Inventory and Related Property,” promulgated by the Office of Management and Budget (OMB) on October 27, 1993. In this context, inventory includes tangible personal property that is for sale or in production for sale. The primary elements of related property include crude oil held in the Strategic Petroleum Reserve and the Northeast Home Heating Oil Reserve, nuclear materials, operating materials and supplies. These categories include work-in-process, finished goods, production materials, raw materials, stock held for sale or use, and other subcategories. Excluded from inventory and related property are plant and capital equipment. When it is necessary to distinguish inventory for sale, operating materials, or stockpile materials and so forth, these terms have been used. The term “materials” is used when referring to operating materials and supplies, stockpile materials, or both. The financial inventory management and control procedures include those established by the Federal Accounting Standards Advisory Board (FASAB), the Comptroller General, OMB, and Federal statutes. The standards to be used in accounting for inventory and related property are contained in SFFAS No. 3. Attachment 9-1 contains a list of definitions relating to inventory.
- c. **Applicability.** The applicability of this chapter is specified in Chapter 1, “Accounting Overview,” of the *DOE Accounting Handbook*.
- d. **Policy.**
 - (1) All DOE inventory and related property shall be controlled to ensure compliance with Federal requirements for prevention of waste, fraud, and mismanagement of resources.

- (2) Inventory and related property under financial control shall be recorded as assets in standard general ledger (SGL) accounts from the time of acquisition until issued for use, sold, consumed, or disposed of in the normal course of operations.
- (3) Inventory and related property controls shall include completion of physical counts at prescribed intervals and, when appropriate, control by use of perpetual records. Physical counts and quantity records shall be reconciled and adjusting entries prepared to bring physical and financial records into agreement. If products are too hazardous or inaccessible for a physical count, alternative means (such as perpetual records and measuring techniques) shall be used to establish quantities.
- (4) Inventory and related property records (both quantity and financial) shall be controlled by reconciliation of subsidiary and control accounts with the standard general ledger financial control accounts at least annually.
- (5) Records shall be maintained that disclose the reconciliation of costs and quantities. Inventory and related property shall be reconciled with the quantitative reports of the appropriate quantity accountability system.

2. REFERENCES.

- a. **Department of Energy Property Management Regulations (DOE-PMR)**, under Title 41, Chapter 109, of the Code of Federal Regulations (41 CFR 109).
 - b. **DOE Orders 410, 470, and 5660 Series**, which provide for control, accountability and management of nuclear materials.
 - c. **Office of Management and Budget statement of Federal Financial Accounting Standards Number 3, "Accounting for Inventory and Related Property."**
 - d. **National Nuclear Security Administration (NNSA), *Production Accounting Handbook*.**
- ## 3. REVIEW AND IMPLEMENTATION OF PROCEDURES.
- Heads of Organizations shall be responsible for the following:
- a. Reviewing inventory and related property procedures established by each organization under their cognizance to ensure that procedures provide adequate controls and are in accordance with prescribed policies;

- b. Reviewing and approving detailed procedures for the taking of physical counts and any authorized procedures permitting test-check verification;
- c. Maintaining a workable interface between quantity and financial records for inventory or related property;
- d. For nuclear material processing and recovery, ensuring that facilities establish salvage values consistent with these regulations for each type of recoverable nuclear material. These salvage values shall be used consistently to calculate net realizable values for salvageable materials to be recorded in financial systems. When changed economic conditions require a change in the established salvage values, the new values will be provided to those offices that need the information for use in decision-making;
- e. Encouraging the use of performance measures to assist in the management of inventory and related property;
- f. Requiring that sub-tier organizations (subcontractors, etc.) report to DOE or its major site/facility operating contractors on the status of DOE-owned inventory and related property held by the sub-tier organizations.

4. ACCOUNTING FOR INVENTORY AND MATERIALS.

- a. **Acquisition.** Generally, inventory or materials acquired shall be recorded at the actual cost of acquisition, which includes the net purchase price (gross billing less discounts) plus packing, transportation, docking, and related charges required to place the inventory or material in storage ready for issue. Nuclear materials produced are recorded at the actual cost of production. Inventory or materials transferred will be recorded at actual cost, or standard transfer value (STV) when an STV has been established. Oil produced from the Naval Petroleum Reserve (NPR) qualifies under a valuation exception in SFFAS No. 3 and is carried at expected net realizable value.
- b. **Inventory and Materials Valuation.** Inventory and materials shall be valued at historical cost. Historical cost includes all appropriate purchase and production costs incurred to bring an item to its current condition and location. The cost flow assumptions used will be moving average, weighted average, or first-in, first-out (FIFO). Moving average is a costing method under which an average unit cost is computed after each acquisition. Weighted average is a costing method under which an average unit cost is computed periodically. It is acceptable to value inventory for sale at expected net realizable value if three criteria are met:

(1) there is an inability to determine approximate cost; (2) the items have immediate marketability at quoted prices; and (3) there is unit interchangeability of the items. Perpetual records will reflect these cost flow assumptions. Valuation methods are shown in Attachment 9-2.

- c. Operating Materials and Supplies.** Operating materials and supplies consist of tangible personal property to be consumed in normal operations and should be valued using the consumption method. However, the purchases method allows operating materials and supplies to be expensed when purchased. The purchases method of valuation may be used if (1) the operating materials and supplies are not significant dollar amounts; (2) they are in the hands of the end user for use in normal operations; or (3) it is not beneficial to apply the consumption method of accounting.
- d. Goods Manufactured or Produced in DOE Facilities.**
- (1) The cost of items manufactured or produced includes applicable direct and indirect costs, including depreciation, that are incurred in converting or fabricating inventory or materials into usable forms. Costs that relate to selling and administration are not inventory or related material costs. Applicable Cost Accounting Standards (CAS) and FASAB SFFAS No. 4, "Managerial Cost Accounting Concepts and Standards," provisions will be followed in accumulating and allocating costs to products produced or manufactured.
 - (2) Usable byproducts should be assigned some cost. If actual cost cannot be determined, a portion of the total cost of the products produced may be assigned to the byproducts based on a recognized accounting practice such as relative market values. If market values cannot be determined, realistic market value estimates or engineering cost estimates may be used. The methods used for arriving at cost must be in accordance with CAS, or SFFAS No. 4, as supported by Generally Accepted Accounting Principles (GAAP).
- e. Return of Previously Issued Items to Stock.**
- (1) **New Items.** Items previously issued from stock that are returned to stock in new condition shall be valued at the current unit cost for like items at the time of return.
 - (2) **Used Items.** For items returned to stock in used condition, if the returned items can be used without being reworked, the returned items shall be valued at their fair value at the time of return. If they are reworked, value them as new items and expense any

excess rework cost. The Power Marketing Administrations shall follow procedures provided by Federal Energy Regulatory Commission guidelines in Title 18, Chapter 1, Subchapter C, Part 101, of the Code of Federal Regulations for reusable material in utility operations.

- f. Cost Recognition.** Inventory or materials to be expended (costed) will be removed from the capital account at the carrying value (book value) of the item. Losses should be recognized on the accounting records as soon as they are known or estimable. At the time that title passes to a purchaser, the goods are delivered to the purchaser, or the goods are used in the provision of a service, the related expense shall be recognized and the cost of the goods shall be removed from the inventory or materials account. Expense recognition is also necessary when there is no future benefit to be derived by the entity from an asset. As inventory or material is sold, the cost must be charged to the cost of goods sold in order to achieve a matching of cost and revenue. Inventory or material is to be reported as an operating expense in the period in which it is issued to an end-user for consumption in normal operations.
- g. Inventory or Material Gains/Losses.** Gains (when the actual count of the number of items in stock is greater than the number of items shown on the perpetual records) shall be valued at the unit value shown on the inventory records at the time the gain is recognized. Losses (when the count is less than shown on the records) will be expended at the value shown on the inventory records at the time the loss is recognized.
- h. Donations.** Inventory donations received shall be capitalized, but when the item donated requires reworking, it will be valued at the current unit value of like items in stock less the cost of reworking the item. If like items are not in stock, the donation will be valued at the estimated net realizable value to approximate “fair value” required by SFFAS No. 3
- i. Repairs.** SFFAS No. 3 specifies how inventory held for repair may be treated. DOE has provided account codes for use of the direct method. Under the direct method, inventory held for repair shall be valued at the same value as a serviceable item less the estimated repair costs. To avoid overstating repair expenses for the first period that the repair expenses are accrued, prior-period repair expenses are to be separately identified or estimated. The estimated amount applicable to prior periods shall be credited to the inventory account and reported as an adjustment to equity. When the repair is actually made, the cost of the repair shall be capitalized in the inventory account up to the value of a serviceable item. Any difference between the initial estimated repair costs shall either be debited or credited to the repair expense account. The provisions of this statement need not be applied to immaterial items.

- 5. INVENTORY AND RELATED PROPERTY COSTS.** Inventory and related property costs shall be classified in accordance with appropriate Federal Standards, CAS, and GAAP requirements. Costs are often classified as product costs or period costs. Product costs are capitalized into the inventory or product account while period costs are expensed and should be considered in pricing products. Inventory and material costs will include costs that are incurred to acquire the inventory or material and bring it to the initial desired status and location.
- a. Manufacturing and Production Costs.** All manufacturing and production costs, direct and indirect, are product costs. These include manufacturing material and labor, factory rent, factory machinery depreciation, factory taxes, and factory insurance; that is, costs that directly benefit the product. Product costs include (1) direct material, (2) direct labor, and (3) indirect manufacturing costs. Indirect manufacturing costs include manufacturing or production facility costs for the items listed below. If more than one product or cost center is benefited, a proportionate share of the expense should be allocated to each benefiting product or cost center.
- (1) Indirect Manufacturing (Production) Costs.**
- (a)** Indirect material or factory supplies, such as grease, oil, cleaning supplies, polishing compounds, and factory office supplies;
 - (b)** Indirect labor, such as foremen, inspectors, watchmen, supervisors, clerks, janitors, elevator operators, storekeepers, and timekeepers;
 - (c)** Building occupancy costs, such as rent, taxes, insurance, depreciation, heat, light, and maintenance;
 - (d)** Depreciation of machinery and factory equipment (when depreciation relates to selling or administration functions, it is not inventoried);
 - (e)** Cost of small tools used in factory departments;
 - (f)** Power;
 - (g)** Federal Insurance Contribution Act (FICA) taxes on factory payrolls;

- (h) Payroll fringe benefits, such as holiday pay, insurance, and pension fund payments; and
 - (i) Workers' compensation insurance premiums (when insurance relates to selling or administration functions, it is not included).
- (2) **Selling Expenses.** Selling expenses are period costs. They are not allocated to inventory or material capitalized cost. Selling expenses are usually not known until after the product is sold. Selling expenses would include insurance and depreciation relating to the sales operation.
- (3) **Warehousing or Storage Expenses.** Warehousing or storage expenses are period costs. They typically occur after the inventory or material is received. These expenses are computed or estimated when determining holding cost.
- (4) **Administrative Expenses.** Administrative expenses are period costs. They cover a wide range of indirect activities not directly related to factory or production activities. They include depreciation on central administration building and office equipment and clerical salaries for site administration.
- (5) **Other Period Costs.** Other period costs include casualty and theft losses, research and experimental cost, and engineering and design cost.
- (6) **Optional Costs.** Some costs may be treated as period costs or product costs, but they must be treated consistently. These are (1) employee benefits for factory or production direct and indirect labor (for current service); (2) rework labor, scrap, and spoilage; and (3) factory or production administration.
- (7) **Government Mission Costs.** Some government mission costs are always period costs. These are costs incurred in carrying out government missions that are not related to the administration, manufacturing, or production of the product. These costs include social program costs, security costs related to government missions and not related to production or production administration, security costs in excess of normal industrial security, and inspections and quality reviews for governmental (as opposed to production or production administration) purposes.

- b. Strategic Petroleum Reserve (SPR) Material Costs.** For SPR mission activities, terminology differs, but the basic principles and activities remain the same. In terms of SPR activities, the following applies:
- (1) Crude Oil Material Cost.** Production costs include (1) direct material, (2) direct labor, and (3) indirect costs of transportation and terminal costs. To be a product cost, the cost must be a prime cost (direct material and direct labor) or specifically related to moving the stockpile material into the initial location (cavern) for storage. Costs that relate to selling or administration are not product costs. Costs that relate to movement of crude oil product from location to location, after initial positioning, and costs to position product for sale are not product costs; they are selling and inefficiency costs.
 - (2) Indirect Transportation and Terminal Costs.** These are costs incurred in getting the product to its initial desired status in storage. They include the following:
 - (a)** Terminal materials or supplies such as grease, oil, cleaning supplies, chemicals, and terminating office supplies;
 - (b)** Terminal labor such as foremen, inspectors, workmen, supervisors, clerks, janitors, elevator operators, storekeepers, timekeepers, and product testers;
 - (c)** Terminal building occupancy costs such as rents, taxes, insurance, depreciation, heat, electricity, and maintenance;
 - (d)** Depreciation of machinery, pipelines, vessels, and other terminal equipment;
 - (e)** Cost of small tools used in terminal departments;
 - (f)** FICA taxes on terminal payrolls;
 - (g)** Terminal payroll fringe benefits, such as holiday pay, insurance, and pension fund payments;
 - (h)** Terminal workers' compensation insurance premiums;
 - (i)** Transportation to port-of-entry or SPR docking facility;
 - (j)** Charges, including lab tests, for inspection of product delivered to determine quality, quantity, and acceptability;

- (k) Charges for delivery vessel docking, mooring, unmooring, and unloading of product;
 - (l) Pipeline usage charges for initial acquisition of product;
 - (m) Costs for landing of cargo, including temporary barge demurrage, cleaning, repairs, and rental; and
 - (n) Custom fees and Superfund taxes for product.
- (3) **Nonproduct Costs or Period Costs.** Costs, such as advertising and sales salaries, that are generally not related to production and are not attached to the product (such as material and labor costs) are considered period costs. The following period costs are not allocated to inventory or materials:
- (a) General and administrative expenses;
 - (b) Design, research, and experimental costs;
 - (c) Casualty and theft losses;
 - (d) Distribution, handling, and warehousing charges; and
 - (e) Marketing, advertising, and selling expenses.
- (4) **Optional Costs.** Some costs are optional costs and may be treated either as product or period costs; however, they must be treated consistently. That is, once a method of treatment is selected, it is a permanent decision. Optional costs are:
- (a) Employee benefits for current services;
 - (b) Rework labor, scrap, and spoilage; and
 - (c) Administration performed for inventory or material production, moving, and location activities.

6. INVENTORY AND RELATED PROPERTY CONTROL GUIDELINES.

- a. **Data Requirements.** Perpetual records shall be maintained for all DOE-owned inventory and materials under financial control. SGL accounting codes are established for inventory and material cost entries in the DOE Standard Accounting and Reporting System (STARS). Whenever specific codes are provided, the specific code shall be used rather than a general code.

- b. Identification of Inventory, Operating, and Stockpile Materials.**
- (1) SFFAS No. 3 defines the terms “Inventory,” “Operating Materials and Supplies,” and “Stockpile Materials.” Use of those categories is required. The following subcategories are also required by SFFAS No. 3:
 - (a) Inventory held in reserve for future sale;
 - (b) Excess items;
 - (c) Obsolete and unserviceable items;
 - (d) Inventory held for repair;
 - (e) Stockpile materials currently for sale; and
 - (f) Operating materials and supplies held for future use.
 - (2) Inventory and materials are further classified by the type of inventory or materials. These types are identified by SGL subaccounts. The appropriate SGL subaccounts are defined in the STARS/SGL Chart of Accounts and Related Codes.
 - (3) Inventory and materials are further classified and identified by Asset Type (AT), which can all be found in the STARS/SGL Chart of Accounts and Related Codes.
 - (4) For financial statement purposes, reporting must meet the requirements of SGL and SFFAS No. 3, Attachment 9-3 shows a crosswalk between the inventory types and reporting categories required by SFFAS No. 3. Attachment 9-4 lists the financial statement disclosure requirements for DOE inventory and materials.
- c. Physical Counts.** Physical counts of inventory and related property shall be conducted at all DOE and contractor locations, consistent with GAAP and 41 CFR 109-1.5110. Detailed procedures for taking physical counts shall be developed for each DOE organization and contractor. Procedures limited to check-off on a listing of recorded items will not meet the requirements. Following are some guidelines for physical counts:
- (1) Physical counting may be performed by using either (a) a physical count of all items within a classification or (b) statistical sampling techniques that analyze a representative sample of the total population of items. Statistical sampling is preferable to 100

percent physical count for items with low unit cost, insignificant dollar value, or items that are unlikely to be stolen or misused; and

- (2) Inventory and related property shall be counted or statistically sampled at least annually, including sensitive and stored items. Physical counts may be completed more frequently when the nature of the items require it, such as some nuclear materials. Each DOE organization shall have representatives with an interest in the material participate in or witness the actual counting of items to ensure that the results are accurate.
- d. **Perpetual Inventory/Material Records.** For all inventory or material, records shall include location of items, dollar values, item descriptions, and quantity for the items being controlled. Where applicable, the records will also include element weight, isotopic weight, metal content, quality or grade, organizational units authorized to handle or receive items, current unit cost, and date of last physical count.
 - e. **Reconciliation Requirements.** The accounting and physical records shall be reconciled and adjusted to physical quantities annually by DOE field elements and contractors. This is best accomplished when a physical count is completed. Any adjustments to perpetual records as a result of reconciliation shall be recorded as a gain or a loss, and inventory or material records should be adjusted.
 - f. **Adjusting Perpetual Inventory and Related Property Records.** If the gain or loss is a difference between perpetual records and the results of a physical count of materials, the difference should be corrected in the quantity records, with adjusting entries to financial records to reflect the correct values. The adjusting entries must be flowed through all appropriate accounts in the accounting and quantity control systems so that both quantity and dollar value accounts are corrected.
 - g. **Consumption or Disposition.** Transactions reflecting the consumption or disposition of inventory or related property must be supported by adequate documentation and promptly posted in the accounting system.
 - (1) **Issues for Consumption.** Issues from stock will be recorded at the unit cost of the items at the time of issue.
 - (2) **Sales.** Asset accounts for items sold will be reduced by the unit value at the time of the sale.
 - (3) **Variiances.** Variiances resulting from field element standard cost system production activities will be accounted for through SGL 1571.28 and disposed of as production variiances after appropriate

analysis of the variances and their causes are determined. Differences that are created as a result of transferring nuclear products from production cost accounts to standard transfer value accounts will be accounted for through SGL 1571.29. These amounts will be accounted for as determined by the Headquarters Chief Financial Officer (CFO) after appropriate analysis of the variances.

- (4) **Consumption for Other Reasons.** The value of an inventory or related property account is reduced due to losses, obsolescence, spoilage, decay, and so forth. If inventory or related property that is no longer needed has any value, it shall be reclassified as scrap, excess materials, and the like, and be revalued as appropriate for the property. Reductions in the value of the inventory or related property are to be charged as a cost during the period in which it is determined the material is of a lesser value.

h. Establishing an Inventory or Related Property Asset Account or Asset Type.

- (1) If an inventory or related property account does not already exist, it may be established with financial or stock controls when usage of an item is frequent enough that it becomes cost beneficial to stock quantities of the item rather than purchase it for direct turnover. This should be based on cost-benefit studies of requirements or statutory or oversight agency requirements. SFFAS No. 3 requires both disclosure of decision criteria for identifying categories to which inventory and materials are assigned as well as disclosure of changes in those criteria. Categorizing by criteria begins with initial acquisition and runs through the entire process until final disposition of inventory or related property. Inventory and material managers are a part of the criteria decision making process, since they must monitor usage data and other factors to determine when an inventory account should be established or an asset added to an established inventory and convey this information to appropriate financial staff. If inventory poses a danger to the environment or is subject to pilferage, misuse, or destruction, inventory stock level should be established for management and control purposes even though usage may be low. Whether a physical inventory is established with or without financial inventory control will depend on cost-benefit, risk, and other factors.
- (2) If an inventory or related property SGL subaccount should be established or an AT added to an existing account, a written request shall be forwarded to the Headquarters CFO. The CFO will review the financial implications and appropriately interface

the changes with the relevant organizations and systems. No financial account or AT addition to financially controlled inventory or related property shall be established without Headquarters CFO review and concurrence. Appropriate codes and funding must be established for inventory or related property financial accounts to interface with all relevant systems.

- (3) For an inventory or related property account or AT to be closed, coordination with relevant organizations such as the Office of CFO, program managers, funding sponsors, and customer organizations is required. Closed shall require many of the same considerations as establishing an inventory or asset account. Closed will require development of alternate funding and supply sources by all customers and the closing out of reporting and control elements.

- i. **Accounting Accuracy and Timeliness.** The use of decentralized accounting and the summarization of that data into STARS at Headquarters requires accuracy and timeliness for all accounting transactions. Accuracy includes the use of detailed SGL subaccounts. Timeliness includes not only posting all transactions within the same accounting period in which the transactions occur, but also the prompt recognition and recording of changes in item value due to gains or losses, spoilage, obsolescence, etc. All such accounting entries should be made during the same accounting period in which the change in the item value is realized.
- j. **Funding.** DOE inventory is funded from a specific appropriation established to support missions specified for that appropriation. Appropriated funds are accounted for through fund accounting systems using designated fund codes. Fund accounting requirements shall be used to avoid violations of statutory provisions regarding the use of Government appropriated funds. Program Segment Codes are used to control individual expenditures within appropriation and fund limitation constraints.

7. ITEMS REQUIRING SPECIAL CONSIDERATION.

- a. **Precious Metals.** Precious metals are carried in SGL accounts 1511, 1512 and 1513, "Operating Material and Other Special Materials." 41 CFR 109-27.51, "Management of Precious Metals," requires each DOE organization and contractor holding precious metals to conduct, at a minimum, annual physical inventories, an annual review of precious metal holdings to determine excess quantities, and to prepare/submit to the DOE Business Center for Precious Metals Sales and Recovery (DOE BCPMSR), the annual forecast of anticipated withdrawals from, and returns to, the DOE precious metals pool. Precious metals are to be valued at historical cost. The DOE

BCPMSR is responsible for maintenance, and accountability of inventories, issuance to users, recycling/recovery of precious metals, and sale of precious metals inventories that are excess to the Department's needs. When metals are sent to DOE BCPMSR, the issuer should write-off the value based on historical cost and the DOE BCPMSR shall record the inventory at historical cost. If the historical cost is not identified by the issuer, the materials will be valued at the DOE BCPMSR historical cost in effect on the date that the metals were received.

- b. Excess, Obsolete, and Unserviceable Inventory or Material.** Inventory or operating materials and supplies in these categories shall be valued at expected net realizable value. The difference between the carrying amount of the inventory or operating material before identification as excess, obsolete, or unserviceable, and its expected net realizable value shall be recognized as a gain or loss and separately reported or disclosed. Any subsequent adjustments to the net realizable value or any gain or loss upon disposal shall also be recognized as a gain or loss. Stockpile materials that are excess, obsolete, or unserviceable will be valued at historical cost unless the materials have permanently declined in value below cost or are damaged or decayed. In such cases, valuation at expected net realizable value is required. For inventory or materials, the valuation at expected net realizable value may be accomplished by a credit to an allowance for loss or valuation account.
- c. Spoiled Work, Units Lost, Defective Units, and Scraps.**

 - (1) Spoiled Work, Units Lost, and Defective Units.**

 - (a)** In materials production and crude oil transportation activities, the costs assigned to each process are divided by production in terms of completed products after eliminating units lost, spoiled, and defective. Therefore, units in-process and completed have to bear the loss as an added element of cost.
 - (b)** If abnormal conditions exist because of inefficiency of labor or from inferior materials, the units in question should be included with units finished and in-process in computing the average unit cost for the process. Those units lost, spoiled, and defective because of abnormal conditions should be multiplied by the cost per unit in the process, and the resulting amount should be charged to a lost, spoiled, and defective work account and credited to the process through a journal entry. These losses should be charged to cost of operations for the current period so that the inventory or material account will not be improperly

inflated. The normal cost of spoiled and lost units is absorbed as an additional cost of units in process.

- (2) **Scrap.** Material residue from manufacturing or other activities may have measurable but minor recovery value. If it is cost beneficial to recover the value of these items, they should be entered into a scrap material account using an accounting code for scrap. Scrap should be recorded at its net realizable value. Net realizable value is the expected sale price less the cost of disposing of the scrap material. If items in inventory or material accounts are damaged to the extent that they have to be scrapped, the loss should be accounted for through the allowance account if one is established for the inventory or material; otherwise, account for such a loss through a loss adjustment account. The loss in value will be charged to the landlord program segment.
- d. **Radioactive Material.** For non-production material accounts, the amount of material lost through radioactive decay shall be written off based on the unit value of the material at the end of the period in which the decay occurred. The recording of decay is the recognition of a cost incurred and does not increase the value of the remaining material. For production material accounts, the cost of radioactive decay is a normal cost of business and is a part of product cost.
- e. **Nuclear Fuel Operating Material.**
 - (1) **Fuel Fabrication Operating Material.** Fuel fabrication operating material is to be costed over the life of the fuel as the nuclear fuel is used in reactors. As fuel is used, the value for the fabrication of that fuel in use must be reduced on a periodic basis to account for consumption of utility during reactor operating cycles. The consumption adjustment for the fabrication cost used should be based on reactor run-time if that best matches cost with benefits. The offsetting charge for fuel fabrication consumption will be to the reactor cost of operations account. By the time a fuel cylinder is no longer usable, all fabrication costs for it should have been charged to reactor operations.
 - (2) **Nuclear Fuel Operating Material.** Costs of nuclear fuel lost in fuel burn-up, degradation, or production must be recorded on a periodic basis. The material account for nuclear fuel will be reduced with an offsetting charge to an appropriate cost of operations account. Consumption costs shall be transferred on a basis to the program office using the DOE nuclear material. Costs transferred from one field element to another are described in Chapter 12, "Inter-Entity Transactions."

- f. Allowance for Loss or Valuation Accounts.** Allowance accounts have been established for isotopes inventory, stores operating materials and supplies, and nuclear stockpile materials. These negative balance accounts should be used to recognize reasonably anticipated financial losses in inventory and materials. The inventory and operating materials and supplies allowance accounts are separately reported on financial statements; the stockpile materials allowance account is not. Stockpile materials are reported net on financial statements.
- (1) **Estimating Loss Allowances.** Losses that may occur include reduction in value as a result of shrinkage, deterioration, damage, obsolescence, or loss of utility. Analysis of allowance account balances, products, missions, and markets will be necessary to adjust allowance account balances. Normal decay of nuclear materials is not reported through the allowance account. Adjustments to the allowance account must be documented.
- (2) **Losses Incurred.** If the balance in an allowance account is not adequate to absorb anticipated losses, the account is increased by a charge to operations to increase the allowance amount. The allowance account should be reviewed periodically, and at least annually, to ensure that adequate provision has been made to cover anticipated losses. When inventory or material for which an allowance exists is used or disposed, both the asset account and the allowance account must be cleared for those units. If the gain or loss on use or disposition does not match the allowance account amount then an additional gain or loss must be recognized at that time.
- g. Bench Stocks.** These are quantities of items that have been drawn from inventory or materials stocks and are held at workbenches or locations outside of normal inventory storage locations. Such inventory materials should only be held if they will be consumed within a reasonable period of time, not to exceed 90 days. Quantities in excess of a 90-day supply should be returned to inventory.
- h. Inventory or Operating Materials and Supplies Held for Future Sale or Use.** Inventory or materials or supplies held for future sale or use must be separately classified in financial records and reported or disclosed in the financial statements.
- i. Stockpile Materials Held for Sale.** When stockpile materials are authorized to be sold, those materials shall be reclassified as stockpile materials held for sale. These materials shall be valued at the same basis as used prior to being authorized for sale. The cost of stockpile material shall be removed from the stockpile material account and reported as cost

of goods sold when sold. Any gain or loss on disposal shall be recognized accordingly. Any difference between the carrying amount of stockpile material held for sale and its estimated selling price shall be disclosed in the financial statements.

- j. Write-Down/Write-up.** Significant write-downs of inventory or materials should only be accomplished by an independent team. The need for the write-down and value must be supportable by objectively verifiable facts. Factors to consider include recent sales prices for comparable material, world market prices, scrap value, sales attempts, damage reports and appraisals by technical experts, investigation reports, future need for the material, alternative uses, and cost-benefit evaluations. Write-downs must be appropriately documented, including justification, facts relied upon, documentation supporting the facts and conclusions, and must be signed by authorizing persons with the owner's consent. All write-down approvals and documentation should be held for future audit. Write-down documentation may include correspondence regarding the material. Write-downs must be cleared through material and financial records. Write-downs of nuclear materials with a standard transfer value must be approved by the appropriate Headquarters program office and coordinated with the Headquarters Office of Financial Policy (CF-50). Prior to requesting the program approval for write-down of excess nuclear, the material should be reported in the annual Nuclear Materials Inventory Assessment, as inactive other material, that is more likely than not to be dispositioned by the Department. In addition, an Inactive Materials Bulletin should be issued as required in DOE Order 5660.1B, "Management of Nuclear Materials," to notify potential users of the availability of usable inactive nuclear materials. Significant write-ups should be treated in a similar manner. Less significant write-ups or write-downs may require less formality, but must still be adequately documented, properly flowed through both property and financial records, and be approved by appropriately authorized persons. An example of this last category would be normal shipper/receiver differences.

8. ISOTOPES INVENTORY.

- a. Valuation and Allowance.** Isotopes and related associated products or services are under the direction of the Isotope Program. Isotope Program inventories consist of two major categories, radioisotopes and stable isotopes. All inventories are valued based on average cost, except as otherwise provided for in SFFAS No. 3. With the exception of electromagnetic stable isotopes at Oak Ridge National Laboratory (ORNL), inventory quantities that exceed the total quantity sold during the preceding five years are included in the allowance for excessive inventory quantities. Quantities of electromagnetic stable isotopes at ORNL that exceed the total quantity sold during the preceding five years are written off.

- b. **Isotope Physical Counts.** All isotopes produced by the Isotope Program will be inventoried unless the isotope has a 75 day half-life or less. At the end of a fiscal year, any isotope with a value greater than \$35,000 will be written back into inventory at fiscal year-end. When isotope radioactivity levels or assaying and measurement costs are too high, counting or sampling is unnecessary. For isotopes not counted or sampled, use standard decay rates to compute radioactivity decay losses at least once a year, and verify quantities by other measurement means.

9. NUCLEAR MATERIAL STOCKPILE.

- a. **Accounting Records.** The field elements and major site/facilities management contractors that have physical control of DOE-owned nuclear material should maintain accounting records for that material. When a major site/facilities management contractor uses nuclear materials only in research, the Head of a field elements may find it more appropriate to maintain the nuclear material accounting records. A Directory of Reporting Identification Symbols is maintained by material control and accountability personnel to coordinate financial reporting organization codes, names, addresses, and other information. Reported changes to the directory are reported by all field elements to the Nuclear Material Management & Safeguards System (NMMSS) to ensure proper distribution of transaction data.
- b. **Quantitative Records.** The NMMSS and local accountability systems provide reports showing quantities of nuclear materials. Accounting records contain financial data that should be reconcilable to quantities held by custodians. NMMSS financial module reporting may be used where appropriate to ensure required correlation. A classification crosswalk from NMMSS to financial SGL accounts must be used to determine the SGL for recording nuclear material. DOE nuclear material custodians and NMMSS system managers will maintain this crosswalk in an up-to-date status.
- c. **Account Classifications.** Nuclear Material financial account classifications are identified in the STARS/SGL Chart of Accounts and Related Codes. Nuclear Material quantity account classifications are contained in NMMSS reports and program orders.
- d. **Reporting.** All offices shall report nuclear materials into the financial systems. This is accomplished through the Department Inventory Management System (DIMS), which is a classified subsidiary ledger. Both NMMSS and financial codes are followed in this reporting. DIMS is monitored and reconciled by the NNSA Service Center, Headquarters, field financial and materials management staff.

10. RELATED PROPERTY.

- a. Seized and Forfeited Property.** Such property shall be recorded at its fair market value. When seized property is forfeited, it will be reclassified as forfeited property. For additional guidance, refer to SFFAS No. 3 on seized and forfeited property.

- b. Foreclosed Property.**
 - (1) Any asset received in satisfaction of a loan receivable or as a result of payment of a claim under a guaranteed or insured loan is considered foreclosed property. This property is valued according to SFFAS No. 3 on foreclosed property. Such property is valued at the net present value of projected future cash flows.

 - (2) Assets subject to the claims of other parties shall have the claim recognized in a valuation allowance. These claims shall be recorded at their net present value at the time of foreclosure. Receipts and disbursements during the holding period associated with holding the property will be charged or credited to the foreclosed property. Adjustments at the time of sale will be included in operating results. These shall be recognized as components of interest income and default expense. The number of properties held, average holding period, and number of properties under foreclosure proceedings will be included with other foreclosure disclosures required at year-end.

- c. Goods Held under Price Support and Stabilization Programs.**
 - (1) These are commodities acquired, held, or sold to satisfy economic goals. They ordinarily will be held under statutory provisions, and the specific statutory requirements as well as SFFAS No. 3 will govern their handling.

 - (2) Such commodities are recognized in the accounting records upon surrender of title or upon purchase. If acquired on a non-recourse loan, the valuation basis shall be cost. If purchased, the valuation for recording shall be the amount of the purchase plus other costs to bring the commodities to their current condition and location.

 - (3) Revenue shall be recognized upon sale, and the carrying amount of the commodities sold shall be removed from the commodity account and reported as cost of goods sold. Commodities held for other than sale shall be removed from the commodity account and expensed upon transfer or use.

- (4) For financial statement purposes, commodities shall be valued at the lower of cost or net realizable value. Adjustments necessary to arrive at net realizable value shall be accumulated in an allowance account (contra-asset valuation allowance). Any adjustments for valuation losses should be recognized and reported in the current period.
- (5) Allowable cost flow assumptions include first-in, first-out (FIFO), weighted average, moving average, and specific identification. Commodities shall be reclassified when they shift to a different category, such as held-for-sale, donation, stockpile, or disaster assistance.

ATTACHMENT 9-1

DEFINITIONS

Consumable property. Tangible property that is expected to be consumed in the ordinary course of operations and that does not meet the criteria to be classified as Plant or Capital Equipment (P&CE). Consumable property includes non-P&CE property intended for sale in the ordinary course of business. It also includes the DOE categories of Inventory; Materials and Supplies; Stockpile Materials; Seized, Forfeited, and Foreclosed Property; and Goods Held Under Price Support and Stabilization Programs. Such property could be transferred out of these categories into some other category. Some foreclosed property could be transferred to a P&CE category if the Department decided to use the foreclosed property as P&CE as in its own operations.

Consumption method. A method of accounting for goods, such as materials and supplies, where the goods are recognized as assets upon acquisition and are expensed as they are consumed.

Direct turnover items. Items requisitioned or purchased for immediate use.

End-user. Any component of a reporting entity that obtains goods for direct use in the normal operations of the component. Any component of a reporting entity, including contractors, that maintains or stocks operating materials and supplies for future issuance shall not be considered an end-user.

An example of an end-user may be an operating room in a hospital. Although the hospital may have purchased medical supplies and materials from a warehouse, the hospital may then store the materials and supplies at a central location within the hospital. Then, when a component of the hospital has a need for items for its use in normal operations, the component is issued the item from the central storage location. This issuance then places the operating materials and supplies in the possession of the end-user. Before this issuance (for example, when the items are still in the hospital's central storage location), the operating materials and supplies are to be accounted for as not in the hands of an end-user.

Excess inventory or material. Inventory or material stocks that exceed the demand expected in the normal course of operations because the amount in stock is more than can be sold or used in the foreseeable future, that do not meet management's criteria to be held in reserve for future sale or use, and that are not required as a safety or insurance margin shall be classified as excess. Excess items are those items that are more cost-effective to dispose of than to hold.

First-in, first-out. The first-in, first-out (FIFO) costflow assumption assumes that the first (oldest) items received into the inventory or material system are issued first so that the items in stock always consist of the newest purchases. Issues from stock are valued at the oldest unit price in the records until the quantity of the earliest purchase is exhausted, at which point the next oldest unit price is used.

Foreclosed property. Any asset received in satisfaction of a loan receivable or as a result of payment of a claim under a guaranteed or insured loan (excluding commodities under price support). All such properties are assumed to be held for sale.

Forfeited property. (1) Monetary instruments and real and tangible personal property acquired through forfeiture proceedings; (2) property acquired by the Government to satisfy a tax liability; and (3) unclaimed and abandoned merchandise.

Fuel fabrication cost materials SGL 1511, 1512, 1513. Fuel fabrication cost materials include costs incurred for fabrication of fuel elements for DOE research and test reactors. Nuclear material is not included in this category; only fabrication costs are included.

Goods held under price support and stabilization programs. (Referred to as commodities). Commodities are items of commerce or trade having an exchange value. Commodities are acquired, held, sold, or otherwise disposed of to satisfy or help satisfy economic goals through support of market prices. This can include products, short-term loans with commodities pledged as collateral, and agreements to purchase commodities at given prices at the option of sellers.

Head of Field Organization. The head of an operations office, service center, site office, area office, regional office of a Federally staffed laboratory.

Historical cost. Historical cost includes all appropriate purchase and production costs incurred to bring an item to its current condition and location. Any abnormal costs, such as excessive handling or rework costs shall be charged to operations of the period. The first-in, first-out (FIFO), weighted-average or moving-average costflow assumptions may be applied in arriving at the historical cost of ending balances and cost of goods. In addition, a standard cost system may be used if the results reasonably approximate those of one of the above methods. Historical cost of inventory excludes any (1) abnormal costs (wasted material, labor, or other excessive costs); (2) storage costs once the production process is complete; (3) overhead that is unrelated to production; and (4) selling expense. These costs are not capitalized because they are not related to the acquisition or production of inventory.

Holding cost. All relevant costs (including storage and handling) associated with holding inventory or materials in lieu of sale or use.

Inventory. Tangible personal property that is (1) held for sale; (2) in the process of production for sale; (3) to be consumed in the production of goods for sale or in the provision of services for a fee. The term “held for sale” shall be interpreted to include items for sale or transfer (1) to entities outside the Federal government or (2) to other Federal entities. The principal objective of the sale or transfer of inventory is to provide a product or service for a fee that generally recovers full cost or an identified portion of the cost. Other Federal entities may include entities within the same organization/agency. Payment for items purchased from inventory in both cash and noncash forms (for example, transfer of funds between agencies) is considered a sale transaction. Inventory excludes some other assets held for sale, such as (1) stockpile materials, (2) seized and forfeited property, (3) foreclosed property, and (4) goods held under price support and stabilization programs. These items may be sold, however, the purpose of acquiring them is not to provide a product or a service for a fee.

Inventory held for current sale. Any inventory held for sale under normal operations. Normal operations include the program activities that are planned for and performed during the fiscal year. Normal operations do not include any unforeseen events to which the entity might be called on to respond.

Inventory held for repair. Inventory that has suffered a loss of utility but that is to be restored to useful condition and that is being held for restoration.

Inventory held in reserve for future sale. Inventory exceeding the volume needed to meet normal operating requirements yet not identified for disposal. These are inventory stocks that are maintained because they are not readily available in the market or because there is more than a remote chance that they will eventually be needed (although not necessarily in the normal course of operations).

Isotopes inventory (SGL 1527-01). Isotopes inventory consists of naturally occurring or man-made forms of chemical elements that have differing atomic structures and weight than other species of the chemical element with the same atomic number and position in the periodic table. Isotopes inventory includes stable isotopes and radioisotopes with half-lives in excess of 75 days. Any isotope with a 75-day half-life or less and carrying a value greater than \$35,000 will be written back into inventory at fiscal year-end.

Latest acquisition cost valuation. Valuation by latest acquisition cost (LAC) means that the last invoice price would be applied to all like units held. Under this method, (1) the values to be assigned are easily obtained by management; (2) the values are verifiable; and (3) the values approximate the replacement cost if purchases are made frequently. The method has certain disadvantages in the large variances it creates, the difficulties involved in achieving reasonable accuracy, and control problems.

Long supply items. Long supply items refers to the increment inventory of an item that exceeds the stock level criteria established for an item by the inventory or material manager, but excludes quantities to be declared excess.

Major facilities management contractor. A DOE contractor whose financial accounting results are reported as a subsidiary organization into the financial accounts of DOE. This permits DOE to prepare integrated financial statements for use in reporting financial results to oversight agencies.

Materiality. Determination of whether an item is material depends on the degree to which omitting or misstating information about this item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. This concept includes both qualitative and quantitative considerations. This definition is extended to apply to all information that will impact financial information included in annual financial reports and applies to all items that would influence or change the users' judgments of the efficiency and the effectiveness of the entity.

Material held in reserve for future use. Materials that are maintained because they are not readily available in the market, or because there is a more-than-remote chance that they will eventually be needed, although not necessarily in the normal course of operations.

Moving average cost. An inventory or material costing method under which an average unit cost is computed after each acquisition by adding the cost of the newly acquired units to the cost of the units on-hand and dividing this figure by the new total number of units.

National emergency. A general declaration of emergency with respect to the National defense made by the President or Congress.

NPR inventory (SGL 1527-02). NPR inventory includes crude oil produced from NPR and held in holding tanks for sale or delivery to buyers. It does not include known geological reserves. This oil is produced in support of the objective to optimize total output from the geological reserves over the estimated life of these reserves. The inventory is valued at expected net realizable value.

Net realizable value. The estimated amount that can be recovered from selling, or any other method of disposing of an item, less estimated costs of completion, holding, and disposal.

Nonproduction nuclear materials. These include all nuclear materials other than those accounted for in SGL 1571-01.

Not in stock (NIS). Items for which a formal inventory or stocking requirement has been established, but no items are available for issue.

Not stocked items. Items for which no formal inventory or stocking requirements has been established by the inventory, material or financial manager.

Nuclear materials stockpile items (NM). For purposes of maintaining financial control and compliance with SFFAS No. 3, NM consists of the following items held by DOE: uranium, plutonium, americium, curium, berkelium, californium, lithium, neptunium, deuterium, tritium, and thorium in production, research, or weapons and weapons components. They also include weapons or weapons components that are under presidential directive or with the Department of Defense. These materials are carried under SGL 1571-01 and are further subdivided by status codes and assets types. Except for transferred costs and reclassifications from other nuclear material stockpile materials accounts, the cost of obtaining, producing, or fabricating these items is first recorded in SGL 8030, Program Costs Capitalized - Inventory, and is then capitalized in stockpile materials accounts on a nonfund basis.

Obsolete inventory or material. Those items that are no longer usable because of changes in technology, laws, customs, or operations.

Operating material and supplies. Tangible personal property to be consumed in normal operations. Excluded are (1) goods that have been acquired for use in constructing real property or in assembling equipment to be used by the entity; (2) stockpile materials; (3) goods held under price stabilization programs; (4) foreclosed property; (5) seized and forfeited property; and (6) inventory.

Other special materials (SGL's 1511, 1512, 1513). Other special materials are specified materials and supplies that do not fit other DOE inventory and material categories. Other special materials include only the precious metals, rare materials with high monetary value in relation to volume or weight, special barrier materials, and special research isotopes. Only ATs 041 through 058 are includable in this material type. These materials are valued at historical cost.

Purchases method. A method of accounting for goods, such as materials and supplies, in which the acquisition cost is recognized as an expense upon purchase of the goods rather than upon their use.

Replacement cost. The cost to reproduce an inventory or material item by purchase or manufacture.

Sales. Business transactions involving delivery of a commodity, an item of merchandise or property, a right, or a service, in exchange for cash, a promise to pay, or money equivalent, or any combination of these items. Sales of inventory include cash transactions with an intent to transfer title in the ordinary course of business in exchange for assets or services. Government sales to other agencies or components of the same agency are not necessarily an exchange for cash. A competitive environment is not required.

Scrap materials. Property that has no value except for the recoverable value of its basic material content.

Seized property. Monetary instruments, real property, and tangible property of others in the actual or constructive possession of the agency that takes possession.

Special reactor materials (SGL 1511). Special reactor materials include special materials approved for research and development and for use in reactors. The initial loading of heavy-water moderator in DOE-owned reactors is excluded from special reactor materials. Items may be added to this category only when authorized by the DOE Headquarters Chief Financial Officer. Items in this account are valued at average historical cost.

Standard costs. Predetermined expected unit costs, which are acceptable for financial reporting purposes if adjusted periodically to reflect actual results.

Standard Transfer Value. Predetermined values based on actual cost of production, established by the Department's Office of Financial Policy.

Status of the SFFASs. SFFASs shall be considered GAAP for Federal agencies. Agencies shall apply the SFFAS in preparing financial statements in accordance with the requirements of the CFO ACT of 1990. Auditors shall consider SFFASs as authoritative references when auditing financial records.

Stockpile materials. Strategic and critical materials held due to statutory requirements for use in National defense, conservation, or National emergencies. They are not held with the intent of selling in the ordinary course of business. The following items are specifically excluded from stockpile materials: (1) items that are held by an agency for sale or use in normal operations (see definitions for Inventory and Operating Materials and Supplies), (2) items that are held for use in the event of an agency's operating emergency or contingency (see definition for Operating Materials and Supplies), and (3) materials acquired to support market prices (see definition for goods held under price support and stabilization programs).

Stores materials and supplies (SGL 1511-1513). Materials, supplies, and parts on-hand that are normally used or consumed in operations, maintenance, and general use. Items in this account are valued at average historical cost.

Strategic and critical materials. Materials that would be needed to supply the military, industrial, and essential civilian needs of the United States during a National emergency, and that are not found or produced in the United States in sufficient quantities to meet such need.
SPR Petroleum (SGL 1571). SPR petroleum consists of crude oil stored in caverns at SPR sites. This oil is stored for sale during National emergencies. Items are valued at moving average cost. Initial procurement and freight costs for petroleum reserves are charged to a current-year operational account. The costs are subsequently capitalized and recorded into SGL 1571. The offsetting credit entry for capitalization of these materials is to SGL 8030 (Program Costs Capitalized – Inventories).

Surplus personal property. Any excess personal property not required for the needs and the discharge of the responsibilities of all Federal agencies, as determined by the Administrator of General Services, or a DOE program manager or organization legally delegated this authority for management of nuclear or fossil materials.

Unserviceable inventory or material. Damaged inventory that is more economical to dispose of than to repair.

Variance. The difference between a preestablished measure and an actual measure.

Variations retained by field elements (SGL 1571). Used to record cost variations temporarily retained by field offices and certain integrated contractors when authorized by the CFO. These variations consist of the following:

1. **Standard production cost variations** result from differences between standard and actual production or recovery costs by production contractors and are cleared annually through revision of standard rates; and
2. **Materials adjustment variations** result from authorized stockpile materials adjustments arising from unusual circumstances such as production costs (receiving and storage) incurred in advance of starting fuel recovery services. These costs must be cleared on a regular basis.

Variations transferred to Headquarters (SGL 1571). Used by the field to temporarily record the difference between required standard transfer values and the cost of production. Variance balances in this account must be transferred to DOE Headquarters with prior approval from Office of Financial Policy, before the close of each fiscal year. In turn the Office of Financial Policy will analyze the variations for each nuclear material, allocate such to the appropriate inventory, material, or expense at fiscal year-end and revise standard transfer values as appropriate. The two variations initially accumulated in this account by the field and to be separately identified in transfers to DOE Headquarters include the following:

1. **Type A - materials adjustment variance** is the variance to be used for nonproduction operations and is generated when standard transfer values are initially established or subsequently revised;
2. **Type B - standard materials cost variance** is the variance to be used for production operations and is generated when standard or actual costs of materials shipped for use in other-than-production operations vary from the standard transfer value.

Weighted average cost. An inventory or material costing method under which an average unit cost is computed periodically by dividing the sum of the cost of beginning inventory or materials, plus the cost of acquisitions, by the total number of units included in these two categories.

ATTACHMENT 9-2**VALUATION METHOD**

Category	SGL	Valuation Method
Nuclear Materials Control Acct	1571-01	Historical Cost
Nuclear Materials Stockpile	1571-01	Average Cost (In Production) Historical Cost (Non- Production)
SPR Oil Stockpile	1571	Moving Average Cost
NPR Oil Inventory	1527	Net Realizable Value
Isotopes Inventory	1527	Average Cost
Special Reactor Materials	1511	Average Cost
Other Special Materials	1511-1513	Historical Cost
Fuel Fabrication Cost Materials	1511-1513	Average Cost Less Burn-up
Stores Materials and Supplies	1511-1513	Average Cost
Field Standard Variance Account	1571.01	Average Cost
Nuclear Materials Variance Acct.	1571.01	Average Cost
Allowance for Loss on Stockpile Inventory	1571.01	Historical Cost

*All valuation methods are historical cost methods except NPR oil inventory, which is estimated net realizable value. Certain surplus items are at net realizable value. Latest Acquisition Cost is not authorized for DOE. Costflow assumptions are FIFO, weighted average or moving average.

ATTACHMENT 9-3**INVENTORY AND MATERIALS CROSSWALK**

Inventory Type	Standard No. 3 Category
Nuclear Materials	Stockpile Materials
SPR Oil	Stockpile Materials
NPR Oil	Inventory
SPR Oil	Stockpile Materials
Isotopes	Inventory
Special Reactor Materials	Operating Materials
Other Special Materials	Operating Materials
Fuel Fabrication Cost Materials	Operating Materials
Stores Materials and Supplies	Operating Materials
Field Standard Variance Account	Stockpile Materials
Nuclear Materials Variance Account	Stockpile Materials
Allowance for Loss on Stockpile Inventory	Stockpile Materials

ATTACHMENT 9-4**FINANCIAL STATEMENT DISCLOSURE REQUIREMENTS FOR
DEPARTMENT OF ENERGY (DOE) INVENTORY AND MATERIALS**

The following Statement of Federal Financial Accounting Standards No. 3 (SFFAS No. 3) disclosure requirements are applicable to Inventory, Operating Materials and Supplies, and Stockpile Materials held by DOE.

1. General composition of the inventory and materials.
2. Basis for determining values (valuation method and costflow assumptions).
3. Changes from prior year's accounting methods.
4. Balances for SFFAS No. 3 specified categories (Inventory, Operating Materials and Supplies, and Stockpile Materials) and subcategories (inventory or stockpile material held for sale currently; inventory held in reserve for future sale; material held in reserve for future use; excess, obsolete, and unserviceable inventory or materials; and inventory held for repair).
5. Restrictions on the sale or use of inventory and materials.
6. Decisions criteria (and changes in these criteria) for identifying the category (or subcategory) to which inventory and materials are assigned.