

VA Financial Policies and Procedures  
Inventories, Supplies, and Materials

**CHAPTER 8**

|  |           |
|--|-----------|
| <b>0801 OVERVIEW.....</b>  | <b>2</b>  |
| <b>0802 POLICIES .....</b>   | <b>4</b>  |
| <b>0803 AUTHORITY AND REFERENCES .....</b>                           | <b>4</b>  |
| <b>0804 ROLES AND RESPONSIBILITIES .....</b>                         | <b>5</b>  |
| <b>0805 PROCEDURES.....</b>  | <b>6</b>  |
| <b>0806 DEFINITIONS.....</b>   | <b>10</b> |
| <b>0807 RESCISSIONS.....</b>   | <b>12</b> |
| <b>0808 QUESTIONS .....</b>  | <b>13</b> |
| <b>0809 REVISIONS.....</b>   | <b>13</b> |
| <b>APPENDIX A ACCOUNTING TREATMENT FOR STOCKPILE MATERIALS .....</b> | <b>15</b> |

## 0801 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures to be followed in accounting for inventories, operating supplies and materials, and stockpile materials held by the Agency. When accounting treatment for a specific circumstance is not discussed in this chapter, reference should be made to Statement of Federal Financial Accounting Standards (SFFAS) No. 3, *Accounting for Inventory and Related Property*, for guidance.

080101 Inventories consist of items held for sale, such as Veterans Canteen Service retail store stock, all valued at cost.

080102 VA maintains a variety of operating materials and supplies with end users<sup>1</sup>, including medical and pharmaceutical supplies. Despite expensing them upon purchase, operating materials and supplies have continuing and often significant value for some time after purchase. As a result, additional procedures are required to account for and control them until they have been consumed in operations or have otherwise been disposed of. Physical controls and accountability reduce the risk of (1) undetected theft and loss, (2) unexpected shortages of critical items, and (3) unnecessary purchases of items already on hand. These controls improve visibility and accountability over the supplies, which help ensure continuation of operations, increased productivity, and improved storage and control of excess or obsolete items.

Appropriate control techniques will vary among VA facilities and offices, depending on such factors as the quantity, dollar value and demand for these items, as well as the need for accurate cost information. In selecting appropriate techniques, VA will consider the general requirements of management for visibility, accountability and control in all financial matters. Through proper administrative management of operating materials and supplies, custodians are held accountable for the assets under their control and decision-making on the acquisition and utilization of assets can be facilitated.

080103 Stockpile materials are strategic and critical materials held, due to statutory requirements, for use in national defense, conservation or national emergencies. VA stockpile materials consist of caches of pharmaceuticals and medical supplies stored at designated VA treatment facilities and reserved for the treatment of casualties from a mass casualty event. VA will adhere to the consumption method of accounting for inventoried stockpile materials which provides that these items be expensed when used. These caches (also known as “All-Hazards Emergency Caches”<sup>2</sup>) are specifically intended to treat Veterans, staff and other victims who seek medical assistance that may present at local VA medical centers. “All-Hazards Emergency

---

<sup>1</sup>VA defines an end user as a VA medical center, regional office or cemetery.

<sup>2</sup>For additional program information on VA’s “All-Hazards Emergency Caches,” refer to VHA Directive 2008-001, dated January 15, 2008.

Caches” are designed to ensure short-term preservation of the VA health care infrastructure until other resources are available in the immediate area and to support the facility’s involvement in a local, regional or national emergency.

The primary public laws and authorities governing VA implementation and maintenance of emergency stockpiles are outlined below.

VA/Department of Defense (DOD) Contingency Hospital System, Public Law 97-174, May 1982, implemented in accordance with [38 C.F.R. 17.230](#), requires VA to serve as the primary contingency back-up to DOD medical services.

The National Disaster Medical System (NDMS) was established in 1984 by agreement between DOD, the Department of Health and Human Services (HHS), the Federal Emergency Management Agency (FEMA) and VA. NDMS provides the capability to treat large numbers of patients who are injured in a major peacetime disaster within the continental United States or to treat casualties resulting from a conventional military conflict overseas.

A Federal Response Plan (FRP), required by [Public Law 93-288, the Robert T. Stafford Act as amended, April 1992](#), established the architecture for a systematic, coordinated and effective Federal response, in which VA plays a vital role, to a disaster or emergency situation.

[Executive Order 12656, Assignment of Emergency Preparedness Responsibilities, November 1988](#), charged VA to plan for emergency health care services for Veterans, active duty personnel and, as resources permit, for civilians in communities affected by national security emergencies.

[Presidential Decision Directive - 62, Combating Terrorism, May 1998](#), tasked the U.S. Public Health Service (USPHS), working with VA, with the responsibility for ensuring that adequate stockpiles of antidotes and other necessary pharmaceuticals are maintained nationwide, and for training medical personnel in NDMS hospitals.

Under the provisions of the FRP, VA is involved in the planning for and response to, catastrophic disasters that require Federal assistance. Under Presidential Decision Directive 62 (PDD 62), VA has an agreement with USPHS to maintain caches of pharmaceuticals at strategic locations throughout the United States that might be needed for treatment of victims of an event involving weapons of mass destruction (WMD). If an event occurred, these caches would be deployed to the site of the incident to augment the capability of the National Medical Response Teams (NMRTs) that are maintained and directed by the USPHS. In addition, these pharmaceuticals would provide supplemental capability to local medical caregivers and facilities to treat WMD victims.

VA also functions as a partner with HHS’ Office of Emergency Preparedness (OEP) in the procurement, inventory, storage, maintenance and delivery of medical supplies that

might be needed by NMRTs to treat victims where WMD might have been used. The development and maintenance of these stockpiles are integral parts of the nation's ability to provide needed health care following an emergency. OEP officials determine the content of the inventories; provide funding for the procurement, maintenance and deployment of the medical supplies; and determine the locations of the stockpiles at sites across the United States.

## **0802 POLICIES**

080201 VA will ensure that the recognition of tangible personal property that is held for sale (including raw materials and work in process), is in the process of production for sale or is to be consumed in the production of goods for sale, or is in the provision of services for a fee complies with the requirements of SFFAS No. 3.

080202 VA will ensure that the valuation of its inventories is accomplished as prescribed by SFFAS No. 3.

080203 VA will ensure that the reporting of its inventories complies with the reporting requirements contained within Office of Management and Budget (OMB) Circular A-136.

080204 VA will utilize the purchase method of accounting for operating materials and supplies, recording an expense immediately upon purchase.

080205 VA will ensure that operating materials and supplies are properly controlled and accounted for to ensure compliance with Federal requirements, such as OMB Circular A-123, Management's Responsibility for Internal Control, December 21, 2004, and to prevent the waste, fraud and mismanagement of VA financial resources.

080206 VA will ensure that adequate financial controls are in place and financial records and reports accurately reflect the status of the stockpile materials.

080207 VA will ensure that stockpile materials are recorded using the consumption method of accounting for the recognition of expense in compliance with SFFAS No. 3.

## **0803 AUTHORITY AND REFERENCES**

080301 [Public Law 97-174, "Veterans Administration and Department of Defense Health Resources Sharing and Emergency Operations Act," 1982. Implemented at 38 C.F.R. 17.230.](#)

080302 [FEMA 592, June 2007 presentation - Public Law 93-288, the Robert T. Stafford Act as amended, April 1992](#)

080303 [Executive Order 12656, Assignment of Emergency Preparedness Responsibilities, November 1988](#)

- 080304 [Presidential Decision Directive - 62, Combating Terrorism, May 1998](#)
- 080305 [Statement of Federal Financial Accounting Standards \(SFFAS\) No. 3, Accounting for Inventory and Related Property](#)
- 080306 [Government Accountability Office \(GAO\), Government Auditing Standards](#)
- 080307 [OMB Circular A-123, Management's Responsibility for Internal Control, December 21, 2004](#)
- 080308 [OMB Circular A-136, Financial Reporting Requirements - Revised](#)
- 080309 [VA Directive 7002 Logistics Management Procedures, July 10, 2009](#)
- 080310 [VA Handbook 7002/1 Logistics Management Procedures, April 14 2011](#)
- 080311 [VA Handbook 7348, Utilization And Disposal Of Personal Property, March 30, 2012](#)

#### **0804 ROLES AND RESPONSIBILITIES**

080401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and [38 U.S.C. 309](#). Responsibilities include the direction, management, and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems, and operating procedures for all VA financial entities and provides guidance on all aspects of financial management. The VA CFO has responsibility for identifying, reviewing and accounting for inventory, supplies, materials, stockpiles, and related property and for ensuring that each transaction is accompanied with sufficient supporting and auditable documentation to comply with this chapter.

080402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chief Accountants, and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter. The requirements of this chapter are applicable to VA contractors, to the extent of any asset reporting requirement incorporated in contracts.

080403 The Office of Financial Policy (OFP), under the CFO's direction, provides VA-wide financial policy and guidance. Among its responsibilities, OFP develops, coordinates, issues, evaluates, and reviews VA financial policies, including those that impact financial systems and procedures for compliance with all financial laws and regulations.

080404 VA's Office of Acquisition and Logistics (OAL) is responsible for supporting VA's vast array of diverse programs and functions involving expenditures for supplies and services. OAL has a Governmentwide role in the supply management of medical supplies and non-perishable subsistence. Because of its Departmentwide and Governmentwide mission, as well as its role in protecting the integrity of the procurement and supply system, OAL is organizationally independent of the activities it serves. As a principal VA staff office, OAL reports to the Secretary and provides goods and services needed by client activities. All OAL operations are funded through the self-sustaining VA Supply Fund.

## **0805 PROCEDURES**

### 080501 Recognition of Inventories

A. VA will recognize inventory in VA accounting records when title passes or when the goods are delivered to VA. Inventory is tangible personal property that is 1) held for sale, 2) in the process of production for sale, or 3) to be used in the provision of services for a fee. VA will remove the inventory from inventory for sale (when title passes or the goods are delivered) or upon use when a service is provided and the related expense is recognized.

B. Delivery or constructive delivery shall be based on the terms of the contract regarding shipping and/or delivery.

### 080502 Valuation of Inventories

A. VA will record inventory held for sale at cost and will include appropriate purchase, transportation and production costs incurred to obtain the inventory item.

B. VA will use the weighted-average cost method to determine ending inventory values and the cost of inventory sold.

C. VA will value donated inventory at its fair value at the time of donation.

D. Inventory acquired through exchange of non-monetary assets (e.g., barter) shall be valued at the fair value of the asset received at the time of the exchange. Any difference between the recorded amount of the asset surrendered and the fair value of the asset received shall be recognized as a gain or a loss.

E. VA will carry inventory that is excess, obsolete or unserviceable at its estimated net realizable value. Upon disposal, any difference between the inventory's recorded amount and the value received for the inventory will be recognized as a gain or loss.

080503 Reporting Requirements of Inventories (See guidance prescribed by OMB Circular A-136.)

- A. VA will disclose the general composition of inventory.
- B. VA will disclose the basis for determining inventory values, including the valuation method and any cost flow assumptions.
- C. VA will disclose changes from prior years' accounting methods, if any.
- D. VA will disclose the difference between the carrying amount of the inventory before identification as excess, obsolete or unserviceable inventory and its expected net realizable value.
- E. VA will disclose any restriction on the sale of inventory.
- F. VA will disclose the decision criteria for identifying the category to which inventory is assigned.
- G. VA will disclose any changes in the criteria for identifying the category to which inventory is assigned.

#### 080504 Identification of Operating Materials and Supplies

VA, through OAL, will maintain effective internal control and accountability of operating materials and supplies.<sup>3</sup>

#### 080505 Recognition of Operating Materials and Supplies

The purchase method of accounting will be applied when recording operating materials and supplies (i.e., expensed when purchased.)

#### 080506 Accounting and Valuation of Operating Materials and Supplies

- A. Although operating materials and supplies are immediately expensed on purchase, there is continuing need for adequate internal controls and proper accountability over such stock.
  - 1. VA will adhere to a series of existing internal VA material management policies and procedures to ensure adequate protection and accountability. VA Directive 7002 and related Handbooks provide guidance to implement or supplement the Federal Property Management Regulations in areas of material management.
  - 2. Guidance is available in key areas such as classification of property, accounting requirements, physical inventories, supply fund management and inventory accounting.

---

<sup>3</sup> For additional information refer to [VHA Handbook 1761.02, VHA Inventory Management](#), dated October 20, 2009.

3. Source documents, such as contracts, invoices, receiving reports and payment vouchers should be used to assist in determining the value of operating materials and supplies for control and accountability purposes.

4. VA will use operating replacement value (current purchase cost) approach in assigning a value to operating materials and supplies, unless some other method would provide a more reasonable assessment of the value.

#### 080507 Reporting and Disclosure Requirements of Operating Materials and Supplies

VA will identify the purchase method of accounting for operating materials and supplies in notes to the annual consolidated financial statements required by Treasury.

#### 080508 Identification of Stockpile Materials

VA's Office of Public Health is responsible for the policy governing the All-Hazards Emergency Caches. Emergency Pharmacy Services, under Pharmacy Benefits Management, is responsible for central purchasing, inventory control of what is stored in the central cache, and logistics required to replenish facility caches/stockpile materials.

A. VA will classify all strategic and critical operating materials and supplies held in reserve for future use as stockpile materials.<sup>4</sup>

1. Stockpile materials are held in reserve, as authorized under statutory requirements, to respond to national defense, conservation or national emergencies.

2. Stockpile materials are not held with the intent of selling in the ordinary course of business.

B. The following items are specifically excluded from VA stockpile materials:

1. Items that are held by an agency for sale or use in normal operations;

2. Items that are held for use in the event of an agency-specific internal operating emergency or contingency;<sup>5</sup> and

3. Materials acquired to support market prices.

#### 080509 Recognition of Stockpile Materials

A. The consumption method of accounting for the recognition of expenses will apply to VA stockpile materials.

---

<sup>4</sup>Also referred to as Stand-By-Stock.

<sup>5</sup>These are events within VA itself involving operating emergencies or contingencies.

- B. Stockpile materials will be recognized as assets and reported when produced or purchased (that is, the date that title passes to VA).
- C. If the contract between the buyer and the seller is silent regarding the passage of title, title is assumed to pass upon delivery of the goods.
- D. The cost of stockpile materials will be removed from stockpile materials and reported as an operating expense when issued.

#### 080510 Valuation of Stockpile Materials

- A. Stockpile materials will be valued on the basis of historical cost. Historical cost will include all appropriate purchase, transportation and production costs incurred to bring the items to their current condition and location.
- B. Any abnormal costs, such as excessive handling or rework costs, will be charged as a normal operating expense of the period to Standard General Ledger account 6100 – Operating Expenses/Program Costs.
- C. The weighted average cost method will be applied in arriving at the historical cost of stockpile materials.

#### D. Exception to Valuation

- 1. The carrying amount of VA materials that have suffered: (a) a permanent decline in value to an amount less than their cost; or (b) damage or decay, will be reduced to the expected net realizable value of the materials.
- 2. The decline in value will be recognized as an expense in the period in which it occurs.

#### 080511 Reporting and Disclosure Requirements of Stockpile Materials (See Appendix A for Accounting Treatment of Stockpile Materials.)

- A. Stockpile materials are to be included in “Inventory and Related Property” of the financial statement balance sheet, as prescribed by OMB Circular A-136.
- B. Additional information about stockpile materials will be disclosed in the notes accompanying financial statements (Note 9, “Inventory and Related Property, Net”).
- C. Disclosure requirements for stockpile materials, as prescribed under SFFAS No. 3 and OMB Circular A-136, are as follows:
  - 1. General composition of stockpile materials.

2. Basis for valuing stockpile materials, including valuation method and any cost flow assumptions.
  3. Changes from prior year's accounting methods, if any.
  4. Restriction on the use of material.
  5. Balances of stockpile materials in each of the following categories: stockpile materials and stockpile materials held for sale.
  6. Decision criteria for categorizing stockpile materials as held for sale.
  7. Changes in the criteria for categorizing stockpile materials as held for sale.
- D. The provisions of this statement need not be applied to immaterial items.

#### 080512 Disposition of Stockpile Materials

VA will take appropriate disposition action on stockpile materials that have deteriorated or have been subjected to physical damage beyond usefulness to (1) respond to national defense, conservation or national emergencies; and/or (2) undergo reclassification as "held for sale."

### **0806 DEFINITIONS**

080601 Antidote. A remedy or other agent used to neutralize or counteract the effects of a poison; an agent that relieves or counteracts.

080602 Asset. A resource that embodies economic benefits or services that the Federal Government controls.

080603 Consumption Method of Accounting. The method under which purchases are initially recorded as assets. When used, they are subsequently recorded as expenditures or expenses. The consumption method is a process for recognizing an expense, in the sense that the eventual use (consumption) results in the recognition in the expenditure account. For example, under the consumption method, the acquisition of stockpile materials is viewed as the conversion of resources (from cash to stockpile materials), not the use of resources. Therefore, the entity still has resources to use.

080604 Cost. The monetary value of resources used or sacrificed or liabilities incurred to achieve an objective, such as to acquire or produce goods or to perform an activity or service.

080605 Disposition. When assets of an entity are removed either by sale, trade or appropriate disposal.

080606 Excess Inventory. Inventory that exceeds expected demand in the normal course of operations.

080607 Excess, Obsolete and Unserviceable Operating Materials and Supplies.

A. "Excess operating materials and supplies" are stocks of operating materials and supplies that exceed the amount expected to be used in normal operations in the foreseeable future and that do not meet management's criteria to be held in reserve for future use.

B. "Obsolete operating materials and supplies" are operating materials and supplies that are no longer needed due to changes in technology, laws, customs or operations.

C. "Unserviceable operating materials and supplies" are operating materials and supplies that are physically damaged and cannot be consumed in operations.

080608 Expense. An outflow of or other decrease in assets, an increase in liabilities or a combination of both that results in a decrease in the Government's net position during the reporting period.

080609 Held for Sale. Items for sale or transfer to entities outside the Federal Government or 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.

080610 Inventory. Tangible personal property that is held for sale, is in the process of production for sale or is to be used to provide services for a fee. Excluded are day-to-day operating materials and supplies.

080611 Obsolete Inventory. Inventory that is no longer needed due to changes in technology, laws, customs or operations.

080612 Operating Materials and Supplies. An inventory category that is composed of tangible personal property to be consumed in normal business operations.

080613 Operating Materials and Supplies - Held for Use, (Store Stock). Material which is held and repetitively procured, stored and issued on the basis of recurring demand; considered "operating materials and supplies" under SFFAS No. 3.

080614 Operating Materials and Supplies - Held in Reserve. Stocks of operating materials and supplies may be 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. These stocks shall be classified as operating materials and supplies held in reserve for future use.

080615 Purchase Date. The date that title passes to the purchasing entity.

080616 Purchase Method. Under this method of accounting for operating materials and supplies, inventory purchases are immediately expensed, debiting an expense and crediting cash or accounts payable. The purchase method may be used for operating materials and supplies that are not significant in dollar amount and are in the hands of end users for use in normal operations.

080617 Recognition. The process of formally recording or incorporating an item into the financial statements of an entity as an asset, liability, revenue, expense, or the like. A recognized item is depicted in both words and numbers, with the amount included in the statement totals. Recognition comprehends both initial recognition of an item and recognition of subsequent changes in or removal of a previously recognized item.

080618 Replacement Value. Refers to an amount that an entity would have to pay, at the present time, to replace any one of its assets.

080619 Stockpile Materials. Strategic and critical operating 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: (a) items that are held by an agency for sale for use in normal operations, (b) items that are held for use in the event of an agency's operating emergency or contingency, and (c) materials acquired to support market prices (that is, commodities specifically acquired, held, sold or otherwise disposed of to satisfy or help satisfy economic goals).

080620 Stockpile Materials Held in Reserve for Future Use (Stand-By Stock). Materials held for emergencies are deemed "stockpile materials" under SFFAS No. 3.

080621 Useful Life. The normal operating life in terms of utility to the owner.

080622 Unserviceable Inventory. Inventory that is more economical to dispose of than to repair.

080623 Valuation. A process for calculating the monetary value of an asset or liability.

080624 Weighted Average Cost Method. An inventory costing method used in conjunction with a perpetual inventory system. An average cost per unit (determined by dividing the total cost of all units available for sale by the number of units) is computed at the end of an accounting period and then extended to all units in the ending inventory. The cost of the goods sold is recorded at the most recent average cost.

## **0807 RESCISSIONS**

080701 OFP Volume V, Chapter 8, Assets: Inventories, dated August 2009

080702 OFP Volume V, Chapter 8a, Assets: Operating Materials and Supplies, dated August 2009

080703 OFP Volume V, Chapter 8b, Assets: Stockpile Materials, dated August 2009

**0808 QUESTIONS**

Questions concerning these financial policies and procedure should be directed as shown below:

|            |   |
|------------|---|
| VHA        | VHA CFO Accounting Policy (10A3A) (Outlook) |
| VBA        | VAVBAWAS/CO/FINREP (Outlook)                |
| All Others | OFP Accounting Policy (Outlook)             |

**0809 REVISIONS**

| <b>Section</b>                  | <b>Revision</b>  | <b>Office</b>  | <b>Date</b>     |
|---------------------------------|--|----------------|-----------------|
| Overall                         | Merged Volume V, Chapters 8,8a,8b into one Chapter 8, Inventories, Supplies, and Materials   | APS<br>(047GA) | October<br>2014 |
| 0801 Overview                   | Added paragraph on controls of operating supplies. Where necessary added headers for the three being discussed.  | APS<br>(047GA) | October<br>2014 |
| 0801 Overview                   | Updated footnote with VHA policy reference to cache procedures.  | APS<br>(047GA) | October<br>2014 |
| 0803 Authority and References   | Updated references and hyperlinks.   | APS<br>(047GA) | October<br>2014 |
| 0804 Roles and Responsibilities | Updated sections for VA CFO and OAL  | APS<br>(047GA) | October<br>2014 |
| 080501                          | Changed wording for clarity when items are sold or services provided.  | APS<br>(047GA) | October<br>2014 |
| 080504                          | Added "VA will rely on OAL for managing operating supplies and removed the detail procedures for categorizing operating materials." Added footnote referencing VHA Handbook 1761.02. | APS<br>(047GA) | October<br>2014 |

| Section           | Revision   | Office         | Date            |
|-------------------|--|----------------|-----------------|
| 080506            | Removed reference to old policy. Added parenthetical (current costs) for clarity in A4.  | APS<br>(047GA) | October<br>2014 |
| 080508            | Added a reference to VA Office of Public Health for stockpile policy and Emergency Pharmacy Service for inventory control of stockpile materials.                        | APS<br>(047GA) | October<br>2014 |
| 080511 and 080512 | Moved detailed procedures for stockpile held for sale and transactions to Appendix A, and renumbered remaining paragraphs. In new 080511, added reference to Appendix A. | APS<br>(047GA) | October<br>2014 |
| 080605            | Replaced discard with appropriate dispose in definition.   | APS<br>(047GA) | October<br>2014 |
| 0807 Recessions   | Updated rescissions section  | APS<br>(047GA) | October<br>2014 |
| 0808 Questions    | Updated VHA address  | APS<br>(047GA) | October<br>2014 |
| 0809 Revisions    | Section added  | APS<br>(047GA) | October<br>2014 |
| Appendix A        | Added Appendix for Accounting for Stockpiles and updated policy reference for accounting for declared emergencies.   | APS<br>(047GA) | October<br>2014 |

## Appendix A Accounting Treatment for Stockpile Materials

Detailed posting transactions are outlined in [USSGL Treasury Financial Manual, Section III](#).

### A. Accounting for Stockpile Materials<sup>6</sup> held in Reserve

#### 1. Stockpile Materials Held in Reserve (United States General Ledger (USSGL) Account 1571)

a. "Stockpile Materials Held in Reserve" is used to account for the value of stockpile materials, as stockpile materials are not held with the intent of selling in the ordinary course of business.

b. Table 1 illustrates the most common entries used for this account.

| <b>TABLE 1</b>  |   |
|---|---|
| <b>ACCOUNTING ENTRIES FOR ACCOUNT 1571-<br/>STOCKPILE MATERIALS HELD IN RESERVE</b> |   |
| 1. Dr 157100<br>Cr 211000   | Stockpile Materials Held in Reserve<br>Accounts Payable                 |
| To record receipt of stockpile material.  |   |
| 2. Dr 610000<br>Cr 157100   | Operating Expenses/Program Costs<br>Stockpile Materials Held in Reserve |
| To record stockpile materials issued for use under the consumption method.          |   |

### B. Stockpile Materials Held for Sale

Although stockpile materials are not held with the intent of selling in the ordinary course of business, circumstances or unforeseen events may necessitate the materials being reclassified as "held for sale."

1. When stockpile materials are authorized to be sold, those materials will be disclosed as stockpile materials held for sale.

---

<sup>6</sup>[OFP VA Volume XIII, Chapter 6, Accounting During Declared Emergencies](#), established procedures to account for incremental costs incurred in connection with "declared emergencies."

2. The materials authorized for sale will be valued using the same basis used before they were authorized for sale.
3. Any difference between the carrying amount of the stockpile materials held for sale and their estimated selling price will be disclosed.
4. The cost of stockpile materials will be removed from stockpile materials and reported as cost of goods sold when sold.
5. Any gain (or loss) upon disposal will be recognized as a gain (or loss) at that time.
6. Stockpile Materials Held For Sale (USSGL Account 157200)
  - a. "Stockpile Materials Held For Sale" is used to account for stockpile materials that have been authorized for sale. The materials authorized for sale will be valued using the same basis used before they were authorized for sale. Any gain (or loss) upon sale shall be recognized as a gain (or loss) at that time.
  - b. Table 2 illustrates the most common entries used for this account.

| TABLE 2   |  |
|---|--|
| <b>ACCOUNTING ENTRIES FOR ACCOUNT 1572-<br/>STOCKPILE MATERIALS HELD FOR SALE</b> |  |
| 1. Dr 157200<br>Cr 157100   | Stockpile Materials Held For Sale<br>Stockpile Materials Held in Reserve                                   |
| Entry to reclassify stockpiles from "Held in Reserve" to "Held for Sale."         |  |
| 2. Dr 101000<br>Dr 721000<br>Cr 157200  | Fund Balance With Treasury<br>Losses on Disposition of Assets - Other<br>Stockpile Materials Held For Sale |
| Entry to recognize sale of stockpile materials when a loss on its sale results.   |  |
| 3. Dr 101000<br>Cr 157200<br>Cr 711000  | Fund Balance With Treasury<br>Stockpile Materials Held For Sale<br>Gains on Disposition of Assets - Other  |
| Entry to recognize sale of stockpile materials when a gain on its sale results.   |  |