Statement of Statutory Accounting Principles No. 79

Depreciation of Nonoperating System Software—An Amendment to SSAP No. 16—Electronic Data Processing Equipment and Software

STATUS

Type of Issue:	Common Area
Issued:	Finalized December 4, 2000
Effective Date:	January 1, 2001
Affects:	Supersedes paragraphs 3 and 8 of SSAP No. 16
Affected by:	Paragraph 4 superseded by SSAP No. 87 Fully superseded by SSAP No. 16R
Interpreted by:	INT 01-18, INT 01-21

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SCOPE OF STATEMENT

1. This statement establishes statutory accounting principles for the depreciation of EDP equipment, operating system software and nonoperating system software.

SUMMARY CONCLUSION

2. This statement supersedes paragraphs 3 and 8 of SSAP No. 16. The guidelines outlined in paragraphs 3-5 of this statement shall be followed for depreciation of EDP equipment, operating system software and nonoperating system software.

3. EDP equipment and operating system software shall be depreciated over the lesser of its useful life or three years. Nonoperating system software shall be depreciated over the lesser of its useful life or five years. In either case, the methods detailed in *SSAP No. 19—Furniture, Fixtures and Equipment; Leasehold Improvements Paid by the Reporting Entity as Lessee; Depreciation of Property and Amortization of Leasehold Improvements* (SSAP No. 19) shall be used.

4. In accordance with the reporting entity's capitalization policy, immaterial amounts may be expensed when purchased, otherwise the assets shall be capitalized and depreciated in accordance with this statement.

Effective Date and Transition

5. This statement is effective for years beginning January 1, 2001. EDP equipment and operating system software capitalized prior to January 1, 2001 shall be depreciated over the lesser of its remaining useful life or three years. Nonoperating system software capitalized prior to January 1, 2001 shall be depreciated over the lesser of its remaining useful life or five years.

RELEVANT ISSUE PAPER

- *Issue Paper No. 109—Depreciation of Nonoperating System Software – An Amendment to SSAP No. 16—Electronic Data Processing Equipment and Software*

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