



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

7. SSAP No. 17, paragraph 2 states:

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

**Generally Accepted Accounting Principles**

8. SOP 98-5, paragraph 12 states:

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

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

**Drafting Notes/Comments**

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

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

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

**Generally Accepted Accounting Principles**

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

**State Regulations**

- No additional guidance obtained from state statutes or regulations.