

Statement of Statutory Accounting Principles No. 82

Accounting for the Costs of Computer Software Developed or Obtained for Internal Use and Web Site Development Costs

STATUS

Type of Issue: Common Area
Issued: Finalized March 26, 2001
Effective Date: January 1, 2002
Affects: No other pronouncements
Affected by: Paragraph 4 superseded by SSAP No. 87
Fully superseded by SSAP No. 16R
Interpreted by: INT 08-04

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SCOPE OF STATEMENT

1. This statement establishes statutory accounting principles for the costs of computer software developed or obtained for internal use and web site development costs.

SUMMARY CONCLUSION

2. This statement adopts *AICPA Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (SOP 98-1) paragraphs 11-42 and paragraph 93 with certain modifications. This statement adopts *FASB Emerging Issue Task Force 00-2, Accounting for Web Site Development Costs* in its entirety.

3. The modifications to SOP 98-1 are as follows:

- a. Paragraph 11 states that the accounting for costs of reengineering activities, which often are associated with new or upgraded software applications, is not included within the scope of this SOP. This statement expands upon that paragraph to require that such costs shall be expensed as incurred;
- b. Paragraph 32 is amended to require that entities who license internal-use computer software follow the operating lease provisions outlined in *SSAP No. 22—Leases*;
- c. Paragraph 36 is amended to require that entities follow the amortization guidelines as established in paragraph 9 of *SSAP No. 19—Furniture, Fixtures and Equipment; Leasehold Improvements Paid by the Reporting Entity as Lessee; Depreciation of Property and Amortization of Leasehold Improvements*;
- d. Paragraph 37 is amended to require that capitalized operating system software shall be depreciated for a period not to exceed three years. Capitalized nonoperating system software shall be depreciated for a period not to exceed five years. This treatment is consistent with the guidelines of *SSAP No. 16—Electronic Data Processing Equipment and Software* (SSAP No. 16) and *SSAP No. 79—Depreciation of Nonoperating System Software—An Amendment to SSAP No. 16, Electronic Data Processing Equipment and Software*;
- e. Paragraph 40 is amended to require that if during the development of internal-use software, an entity decides to market the software to others, the entity shall immediately expense any amounts previously capitalized;
- f. Paragraph 41 is amended to require entities to follow the disclosure provisions outlined in paragraph 5 of *SSAP No. 16* and paragraph 4 of *SSAP No. 17—Preoperating and Research and Development Costs*;
- g. Paragraph 42 is amended to require an effective date of January 1, 2002; and
- h. Any software costs capitalized in accordance with this SSAP shall be deemed either operating or nonoperating system software costs. Entities shall make this determination in accordance with the definitions of operating and nonoperating system software

contained in the Glossary. Nonoperating system software is a nonadmitted asset in accordance with SSAP No. 16.

4. In accordance with the reporting entity's capitalization policy, immaterial amounts of such costs can be expensed when incurred.

Effective Date and Transition

5. This statement is effective for years beginning January 1, 2002. Early adoption is encouraged but not required. Any change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*.

AUTHORITATIVE LITERATURE

- *AICPA Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*
- *FASB Emerging Issue Task Force 00-2, Accounting for Web Site Development Costs*

RELEVANT ISSUE PAPER

- *Issue Paper No. 112—Accounting for the Costs of Computer Software Developed or Obtained for Internal Use and Web Site Development Costs*