**350-40-05 Overview and Background**

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| **General Note:** The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements. |

[Rel Subsections](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5805.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5805.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476314&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Subsections)

**General**

**05-1**   This Subtopic provides guidance on accounting for the cost of computer software developed or obtained for internal use and for determining whether the software is for internal use.

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5805.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5805.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476314&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **05-2**    [ Internal-use software has both of the following characteristics: [[SOP 98-1, paragraph 12](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.47)] ]

a.  [ The software is acquired, internally developed, or modified solely to meet the entity’s internal needs. [[SOP 98-1, paragraph 12](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.47)] ]

b.  [ During the software’s development or modification, no substantive plan exists or is being developed to market the software externally. [[SOP 98-1, paragraph 12](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.47)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5805.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5805.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476314&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **05-3**    [ A substantive plan to market software externally could include the selection of a marketing channel or channels with identified promotional, delivery, billing, and support activities. To be considered a substantive plan, implementation of the plan should be reasonably possible. Arrangements providing for the joint development of software for mutual internal use (for example, cost-sharing arrangements) and routine market feasibility studies are not substantive plans to market software for purposes of this Subtopic. [[SOP 98-1, paragraph 12](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.47)] ] [ Both characteristics in the preceding paragraph must be met for software to be considered for internal use. [[SOP 98-1, paragraph 13](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.48)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5805.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5805.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476314&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards)[Code Links](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5805.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5805.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476314&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) **05-4**    [ An entity’s past practices related to selling software may help determine whether the software is for internal use or is subject to a plan to be marketed externally. For example, an entity in the business of selling computer software often both uses and sells its own software products. Such a past practice of both using and selling computer software creates a rebuttable presumption that any software developed by that entity is intended for sale, lease, or other marketing, and thus is subject to the guidance in Subtopic [985-20](https://proxy01.academic.walshcollege.edu:2082/app/toc?baseTid=T0GAAPCOD:985-20). [[SOP 98-1, paragraph 14](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.50)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5805.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5805.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476314&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **05-5**    [ Computer software to be sold, leased, or otherwise marketed includes software that is part of a product or process to be sold to a customer and shall be accounted for under Subtopic [985-20](https://proxy01.academic.walshcollege.edu:2082/app/toc?baseTid=T0GAAPCOD:985-20). For example, software designed for and embedded in a semiconductor chip is included in the scope of that Subtopic because it is an integral part of the product. By contrast, software for internal use, though it may be used in developing a product, is not part of or included in the actual product or service sold. If software is used by the vendor in the production of the product or providing the service but the customer does not acquire the software or the future right to use it, the software is covered by this Subtopic. For example, for a communications entity selling telephone services, software included in a telephone switch is part of the internal equipment used to deliver a service but is not part of the product or service actually being acquired or received by the customer. [[SOP 98-1, paragraph 15](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.52)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5805.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5805.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476314&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **05-6**    [ Paragraphs [350-40-55-1 through 55-2](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:5877.1&pinpnt=GAAPCD13:5883.3) provide examples of when computer software is and is not for internal use. [[SOP 98-1, paragraph 16](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.55)] ]

**05-7**   Paragraph [350-40-55-3](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:5877.1&pinpnt=GAAPCD13:5883.28) illustrates the various stages and related processes of computer software development.

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5805.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5805.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476314&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **05-8**    [ The process of data conversion from old to new systems may include purging or cleansing of existing data, reconciliation or balancing of the old data and the data in the new system, creation of new or additional data, and conversion of old data to the new system. Data conversion often occurs during the application development stage. [[SOP 98-1, paragraph 22](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.68)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5805.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5805.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476314&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **05-9**    [ Upgrades and enhancements are defined as modifications to existing internal-use software that result in additional functionality—that is, modifications to enable the software to perform tasks that it was previously incapable of performing. Upgrades and enhancements normally require new software specifications and may also require a change to all or part of the existing software specifications.

**350-40-15 Scope and Scope Exceptions**

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| **General Note:** The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope. |

[Rel Subsections](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5815.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5815.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476430&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Subsections)

**General**

**>  Overall Guidance**

**15-1**   This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [350-10-15](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:5379.1&pinpnt=), with specific transaction qualifications and exceptions noted below.

**>  Transactions**

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5815.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5815.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476430&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **15-2**   The guidance in this Subtopic applies to the following transactions and activities:

a.  [ Internal-use software [[SOP 98-1, paragraph 6](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.31)] ]

b.  [ The proceeds of computer software developed or obtained for internal use that is marketed [[SOP 98-1, paragraph 9](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.43)] ]

c.  [ New internal-use software developed or obtained that replaces previously existing internal-use software [[SOP 98-1, paragraph 24](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.71)] ]

d.  [ Computer software that consists of more than one component or module. For example, an entity may develop an accounting software system containing three elements: a general ledger, an accounts payable subledger, and an accounts receivable subledger. In this example, each element might be viewed as a component or module of the entire accounting software system. The guidance in this Subtopic shall be applied to individual components or modules. [[SOP 98-1, paragraph 10](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.44)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5815.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5815.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476430&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **15-3**    [ This Subtopic provides guidance on when costs incurred for internal-use computer software are and are not capitalized. [[SOP 98-1, paragraph 8](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.42)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5815.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5815.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476430&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **15-4**   The guidance in this Subtopic does not apply to the following transactions and activities:

a.  [ Software to be sold, leased, or otherwise marketed as a separate product or as part of a product or process, subject to Subtopic [985-20](https://proxy01.academic.walshcollege.edu:2082/app/toc?baseTid=T0GAAPCOD:985-20) [[SOP 98-1, paragraph 6](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.31)] ]

b.  [ Software to be used in research and development, subject to Subtopic [730-10](https://proxy01.academic.walshcollege.edu:2082/app/toc?baseTid=T0GAAPCOD:730-10) [[SOP 98-1, paragraph 6](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.31)] ]

c.  [ Software developed for others under a contractual arrangement, subject to contract accounting standards [[SOP 98-1, paragraph 6](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.31)] ]

d.  [ Accounting for costs of reengineering activities, which often are associated with new or upgraded software applications. [[SOP 98-1, paragraph 11](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.45)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5815.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5815.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476430&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **15-5**    [ Costs of computer software that is sold, leased, or otherwise marketed as a separate product or as part of a product or process are within the scope of Subtopic [985-20](https://proxy01.academic.walshcollege.edu:2082/app/toc?baseTid=T0GAAPCOD:985-20). Paragraph [350-40-55-1](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:5877.1&pinpnt=GAAPCD13:5883.3) includes examples of computer software considered to be for internal use and thus not part of a product or process. Paragraph [350-40-55-2](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:5877.1&pinpnt=GAAPCD13:5883.18) includes examples of when computer software is not for internal use. [[SOP 98-1, paragraph 7](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.39)] ]

**>  Other Considerations**

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5815.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5815.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476430&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **15-6**    [ The guidance in this Subtopic does not change any of the provisions in the following Subtopics: [[SOP 98-1, paragraph 6](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.31)] ]

a.  [ Subtopic [985-20](https://proxy01.academic.walshcollege.edu:2082/app/toc?baseTid=T0GAAPCOD:985-20) [[SOP 98-1, paragraph 6](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.31)] ]

b.  [ Subtopic [720-45](https://proxy01.academic.walshcollege.edu:2082/app/toc?baseTid=T0GAAPCOD:720-45). [[SOP 98-1, paragraph 11](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.45)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5815.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5815.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476430&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards)[Code Links](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5815.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5815.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476430&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) **15-7**    [ The following costs of internal-use computer software are included in research and development and shall be accounted for in accordance with the provisions of Subtopic [730-10](https://proxy01.academic.walshcollege.edu:2082/app/toc?baseTid=T0GAAPCOD:730-10): [[SOP 98-1, paragraph 18](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.61)] ]

a.  [ Purchased or leased computer software used in research and development activities where the software does not have alternative future uses [[SOP 98-1, paragraph 18](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.61)] ]

b.  [ All internally developed internal-use computer software (including software developed by third parties, for example, programmer consultants) in either of the following circumstances: [[SOP 98-1, paragraph 18](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.61)] ]

1.  [ The software is a pilot project (that is, software of a nature similar to a pilot plant as noted in paragraph [730-10-55-1(h)](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD07:3366.1&pinpnt=GAAPCD07:3372.4)). [[SOP 98-1, paragraph 18](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.61)] ]

2.  [ The software is used in a particular research and development project, regardless of whether the software has alternative future uses.

## 350-40-20 Glossary

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| **General Note:** The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20). |

#### [Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5825.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5825.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476511&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards)[Where Ref'dRel XBRL](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5825.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5825.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476511&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) Preliminary Project Stage

[ When a computer software project is in the preliminary project stage, entities will likely do the following: [[SOP 98-1, paragraph 19](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.65)] ]

a.  [ Make strategic decisions to allocate resources between alternative projects at a given point in time. For example, should programmers develop a new payroll system or direct their efforts toward correcting existing problems in an operating payroll system? [[SOP 98-1, paragraph 19](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.65)] ]

b.  [ Determine the performance requirements (that is, what it is that they need the software to do) and systems requirements for the computer software project it has proposed to undertake. [[SOP 98-1, paragraph 19](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.65)] ]

c.  [ Invite vendors to perform demonstrations of how their software will fulfill an entity’s needs. [[SOP 98-1, paragraph 19](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.65)] ]

d.  [ Explore alternative means of achieving specified performance requirements. For example, should an entity make or buy the software? Should the software run on a mainframe or a client server system? [[SOP 98-1, paragraph 19](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.65)] ]

e.  [ Determine that the technology needed to achieve performance requirements exists. [[SOP 98-1, paragraph 19](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.65)] ]

f.  [ Select a vendor if an entity chooses to obtain software. [[SOP 98-1, paragraph 19](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.65)] ]

g.  [ Select a consultant to assist in the development or installation of the software. [[SOP 98-1, paragraph 19](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.65)] ]

#### [Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5825.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5825.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476511&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards)[Where Ref'd](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5825.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5825.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476511&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) Useful Life

[ The period over which an asset is expected to contribute directly or indirectly to future cash flows.

**350-40-25 Recognition**

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| **General Note:** The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition. |

[Rel Subsections](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Subsections)

**General**

**>  Preliminary Project Stage**

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards)[Code Links](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) **25-1**    [ Internal and external costs incurred during the **[preliminary project stage](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:5825.1&pinpnt=GAAPCD13:1000.2896)** shall be expensed as they are incurred. [[SOP 98-1, paragraph 20](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.66)] ]

**>  Application Development Stage**

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards)[Code Links](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) **25-2**    [ Internal and external costs incurred to develop internal-use computer software during the application development stage shall be capitalized. [[SOP 98-1, paragraph 21](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.67)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards)[Code Links](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) **25-3**    [ Costs to develop or obtain software that allows for access to or conversion of old data by new systems shall also be capitalized. [[SOP 98-1, paragraph 21](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.67)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **25-4**    [ Training costs are not internal-use software development costs and, if incurred during this stage, shall be expensed as incurred. [[SOP 98-1, paragraph 21](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.67)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards)[Code Links](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) **25-5**    [ Data conversion costs, except as noted in paragraph [350-40-25-3](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:5836.1&pinpnt=GAAPCD13:5842.11), shall be expensed as incurred. [[SOP 98-1, paragraph 22](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.68)] ]

**>  Postimplementation-Operation Stage**

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **25-6**    [ Internal and external training costs and maintenance costs during the postimplementation-operation stage shall be expensed as incurred. [[SOP 98-1, paragraph 23](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.70)] ]

**>  Upgrades and Enhancements**

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards)[Code Links](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) **25-7**    [ In order for costs of specified upgrades and enhancements to internal-use computer software to be capitalized in accordance with paragraphs [350-40-25-8 through 25-10](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:5836.1&pinpnt=GAAPCD13:5842.30), it must be probable that those expenditures will result in additional functionality. [[SOP 98-1, paragraph 24](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.71)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards)[Code Links](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) **25-8**    [ Internal costs incurred for upgrades and enhancements shall be expensed or capitalized in accordance with paragraphs [350-40-25-1 through 25-6](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:5836.1&pinpnt=GAAPCD13:5842.3) . [[SOP 98-1, paragraph 25](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.76)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **25-9**    [ Internal costs incurred for maintenance shall be expensed as incurred. [[SOP 98-1, paragraph 25](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.76)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards)[Code Links](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) **25-10**    [ Entities that cannot separate internal costs on a reasonably cost-effective basis between maintenance and relatively minor upgrades and enhancements shall expense such costs as incurred. [[SOP 98-1, paragraph 25](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.76)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **25-11**    [ External costs incurred under agreements related to specified upgrades and enhancements shall be expensed or capitalized in accordance with paragraphs [350-40-25-1 through 25-6](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:5836.1&pinpnt=GAAPCD13:5842.3). If maintenance is combined with specified upgrades and enhancements in a single contract, the cost shall be allocated between the elements as discussed in paragraph [350-40-30-4](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:5847.1&pinpnt=GAAPCD13:5853.21) and the maintenance costs shall be expensed over the contract period. However, external costs related to maintenance, unspecified upgrades and enhancements, and costs under agreements that combine the costs of maintenance and unspecified upgrades and enhancements shall be recognized in expense over the contract period on a straight-line basis unless another systematic and rational basis is more representative of the services received. [[SOP 98-1, paragraph 26](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.79)] ]

**>  Capitalization of Cost**

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **25-12**    [ Capitalization of costs shall begin when both of the following occur: [[SOP 98-1, paragraph 27](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.82)] ]

a.  [ Preliminary project stage is completed. [[SOP 98-1, paragraph 27](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.82)] ]

b.  [ Management, with the relevant authority, implicitly or explicitly authorizes and commits to funding a computer software project and it is probable that the project will be completed and the software will be used to perform the function intended. [[SOP 98-1, paragraph 27](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.82)] ]

[ Examples of authorization include the execution of a contract with a third party to develop the software, approval of expenditures related to internal development, or a commitment to obtain the software from a third party. [[SOP 98-1, paragraph 27](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.82)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **25-13**    [ When it is no longer probable that the computer software project will be completed and placed in service, no further costs shall be capitalized, and guidance in paragraphs [350-40-35-1 through 35-3](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:5857.1&pinpnt=GAAPCD13:5863.3) on impairment shall be applied to existing balances. [[SOP 98-1, paragraph 28](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.84)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **25-14**    [ Capitalization shall cease no later than the point at which a computer software project is substantially complete and ready for its intended use, that is, after all substantial testing is completed. [[SOP 98-1, paragraph 29](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.88)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **25-15**    [ New software development activities shall trigger consideration of remaining useful lives of software that is to be replaced. When an entity replaces existing software with new software, unamortized costs of the old software shall be expensed when the new software is ready for its intended use. [[SOP 98-1, paragraph 30](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.89)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5836.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5836.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476565&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **25-16**    [ Entities often license internal-use software from third parties. [[SOP 98-1, paragraph 32](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.93)] ] [ Though Subtopic [840-10](https://proxy01.academic.walshcollege.edu:2082/app/toc?baseTid=T0GAAPCOD:840-10) excludes licensing agreements from its scope, entities shall analogize to that Subtopic when determining the asset acquired in a software licensing arrangement.

**350-40-30 Initial Measurement**

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| **General Note:** The Initial Measurement Section provides guidance on the criteria and amounts used to measure a particular item at the date of initial recognition. |

[Rel Subsections](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5847.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5847.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476597&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Subsections)

**General**

**>  Capitalizable Cost**

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5847.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5847.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476597&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **30-1**    [ Costs of computer software developed or obtained for internal use that shall be capitalized include only the following: [[SOP 98-1, paragraph 31](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.90)] ]

a.  [ External direct costs of materials and services consumed in developing or obtaining internal-use computer software. [[SOP 98-1, paragraph 31](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.90)] ] [ Examples of those costs include but are not limited to the following: [[SOP 98-1, paragraph 31](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.90)] ]

1.  [ Fees paid to third parties for services provided to develop the software during the application development stage [[SOP 98-1, paragraph 31](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.90)] ]

2.  [ Costs incurred to obtain computer software from third parties [[SOP 98-1, paragraph 31](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.90)] ]

3.  [ Travel expenses incurred by employees in their duties directly associated with developing software. [[SOP 98-1, paragraph 31](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.90)] ]

b.  [ Payroll and payroll-related costs (for example, costs of employee benefits) for employees who are directly associated with and who devote time to the internal-use computer software project, to the extent of the time spent directly on the project. Examples of employee activities include but are not limited to coding and testing during the application development stage. [[SOP 98-1, paragraph 31](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.90)] ]

c.  [ Interest costs incurred while developing internal-use computer software. Interest shall be capitalized in accordance with the provisions of Subtopic [835-20](https://proxy01.academic.walshcollege.edu:2082/app/toc?baseTid=T0GAAPCOD:835-20).   [[SOP 98-1, paragraph 31](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.90)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5847.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5847.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476597&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **30-2**    [ If the entity suspends substantially all activities related to the software developed or obtained for internal use, interest capitalization shall cease until activities are resumed. [[SOP 98-1, paragraph 31](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.90)] ]

[PPC](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5847.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5847.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476597&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related PPC Guidance)[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5847.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5847.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476597&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) **30-3**    [ General and administrative costs and overhead costs shall not be capitalized as costs of internal-use software. [[SOP 98-1, paragraph 31](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.90)] ]

**>  Multiple-Element Arrangements Included in Purchase Price**

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5847.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5847.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476597&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards)[Code Links](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5847.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5847.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476597&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) **30-4**    [ Entities may purchase internal-use computer software from a third party. In some cases, the purchase price includes multiple elements, such as training for the software, maintenance fees for routine maintenance work to be performed by the third party, data conversion costs, reengineering costs, and rights to future upgrades and enhancements. Entities shall allocate the cost among all individual elements. The allocation shall be based on objective evidence of fair value of the elements in the contract, not necessarily separate prices stated within the contract for each element. Those elements included in the scope of this Subtopic shall be accounted for in accordance with the provisions of this Subtopic.

**350-40-35 Subsequent Measurement**

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| **General Note:** The Subsequent Measurement Section provides guidance on an entity’s subsequent measurement and subsequent recognition of an item. Situations that may result in subsequent changes to carrying amount include impairment, fair value adjustments, depreciation and amortization, and so forth. |

[Rel Subsections](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5857.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5857.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476754&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Subsections)

**General**

**>  Impairment**

[PPC](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5857.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5857.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476754&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related PPC Guidance)[StandardCode Links](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5857.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5857.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476754&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) **35-1**    [ Impairment shall be recognized and measured in accordance with the provisions of Section [360-10-35](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:6058.1&pinpnt=), [[SOP 98-1, paragraph 34](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.96)] ] [ which requires that assets be grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. [[SOP 98-1, paragraph 34](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.96)] ] [ The guidance is applicable, for example, when one of the following events or changes in circumstances occurs related to computer software being developed or currently in use indicating that the carrying amount may not be recoverable: [[SOP 98-1, paragraph 34](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.96)] ]

a.  [ Internal-use computer software is not expected to provide substantive service potential. [[SOP 98-1, paragraph 34](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.96)] ]

b.  [ A significant change occurs in the extent or manner in which the software is used or is expected to be used. [[SOP 98-1, paragraph 34](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.96)] ]

c.  [ A significant change is made or will be made to the software program. [[SOP 98-1, paragraph 34](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.96)] ]

d.  [ Costs of developing or modifying internal-use computer software significantly exceed the amount originally expected to develop or modify the software. [[SOP 98-1, paragraph 34](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.96)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5857.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5857.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476754&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **35-2**    [ Paragraphs [360-10-35-47 through 35-49](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:6058.1&pinpnt=GAAPCD13:6070.167) requires that the asset be accounted for as abandoned when it ceases to be used. [[SOP 98-1, paragraph 35](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.109)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5857.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5857.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476754&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **35-3**    [ When it is no longer probable that computer software being developed will be completed and placed in service, the asset shall be reported at the lower of the carrying amount or fair value, if any, less costs to sell. The rebuttable presumption is that such uncompleted software has a fair value of zero. Indications that the software may no longer be expected to be completed and placed in service include the following: [[SOP 98-1, paragraph 35](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.109)] ]

a.  [ A lack of expenditures budgeted or incurred for the project. [[SOP 98-1, paragraph 35](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.109)] ]

b.  [ Programming difficulties that cannot be resolved on a timely basis. [[SOP 98-1, paragraph 35](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.109)] ]

c.  [ Significant cost overruns. [[SOP 98-1, paragraph 35](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.109)] ]

d.  [ Information has been obtained indicating that the costs of internally developed software will significantly exceed the cost of comparable third-party software or software products, so that management intends to obtain the third-party software or software products instead of completing the internally developed software. [[SOP 98-1, paragraph 35](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.109)] ]

e.  [ Technologies are introduced in the marketplace, so that management intends to obtain the third-party software or software products instead of completing the internally developed software. [[SOP 98-1, paragraph 35](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.109)] ]

f.  [ Business segment or unit to which the software relates is unprofitable or has been or will be discontinued. [[SOP 98-1, paragraph 35](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.109)] ]

**>  Amortization**

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5857.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5857.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476754&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **35-4**    [ The costs of computer software developed or obtained for internal use shall be amortized on a straight-line basis unless another systematic and rational basis is more representative of the software’s use. [[SOP 98-1, paragraph 36](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.118)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5857.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5857.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476754&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **35-5**    [ In determining and periodically reassessing the estimated **[useful life](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:5825.1&pinpnt=GAAPCD13:1000.2906)** over which the costs incurred for internal-use computer software will be amortized, entities shall consider the effects of all of the following: [[SOP 98-1, paragraph 37](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.119)] ]

a.  [ Obsolescence [[SOP 98-1, paragraph 37](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.119)] ]

b.  [ Technology [[SOP 98-1, paragraph 37](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.119)] ]

c.  [ Competition [[SOP 98-1, paragraph 37](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.119)] ]

d.  [ Other economic factors [[SOP 98-1, paragraph 37](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.119)] ]

e.  [ Rapid changes that may be occurring in the development of software products, software operating systems, or computer hardware and whether management intends to replace any technologically inferior software or hardware. [[SOP 98-1, paragraph 37](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.119)] ]

[ Given the history of rapid changes in technology, software often has had a relatively short useful life. [[SOP 98-1, paragraph 37](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.119)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5857.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5857.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476754&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **35-6**    [ For each module or component of a software project, amortization shall begin when the computer software is ready for its intended use, regardless of whether the software will be placed in service in planned stages that may extend beyond a reporting period. For purposes of this Subtopic, computer software is ready for its intended use after all substantial testing is completed. If the functionality of a module is entirely dependent on the completion of other modules, amortization of that module shall begin when both that module and the other modules upon which it is functionally dependent are ready for their intended use. [[SOP 98-1, paragraph 38](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.120)] ]

**>  Internal-Use Computer Software Subsequently Marketed**

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5857.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5857.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476754&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards)[Code Links](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5857.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5857.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476754&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) **35-7**    [ If, after the development of internal-use software is completed, an entity decides to market the software, proceeds received from the license of the computer software, net of direct incremental costs of marketing, such as commissions, software reproduction costs, warranty and service obligations, and installation costs, shall be applied against the carrying amount of that software. [[SOP 98-1, paragraph 39](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.121)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5857.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5857.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476754&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **35-8**    [ No profit shall be recognized until aggregate net proceeds from licenses and amortization have reduced the carrying amount of the software to zero. Subsequent proceeds shall be recognized in revenue as earned. [[SOP 98-1, paragraph 39](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.121)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5857.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5857.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476754&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **35-9**    [ If, during the development of internal-use software, an entity decides to market the software to others, the entity shall follow the guidance in Subtopic [985-20](https://proxy01.academic.walshcollege.edu:2082/app/toc?baseTid=T0GAAPCOD:985-20). [[SOP 98-1, paragraph 40](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.122)] ] [ Amounts previously capitalized under this Subtopic shall be evaluated at each balance sheet date in accordance with paragraph [985-20-35-4](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD09:27072.1&pinpnt=GAAPCD09:27078.16). [[SOP 98-1, paragraph 40](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.122)] ] [ Capitalized software costs shall be amortized in accordance with paragraphs [985-20-35-1 through 35-2](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD09:27072.1&pinpnt=GAAPCD09:27078.3). [[SOP 98-1, paragraph 40](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.122)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5857.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5857.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476754&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **35-10**    [ A pattern of deciding to market internal-use software during its development creates a rebuttable presumption that any software developed by that entity is intended for sale, lease, or other marketing, and thus is subject to the guidance in Subtopic [985-20](https://proxy01.academic.walshcollege.edu:2082/app/toc?baseTid=T0GAAPCOD:985-20).

**350-40-50 Disclosure**

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| **General Note:** The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements. |

[Rel Subsections](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5867.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5867.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476797&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Subsections)

**General**

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5867.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5867.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476797&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **50-1**    [ This Subtopic does not require any new disclosures. [[SOP 98-1, paragraph 41](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.127)] ] [ Disclosure shall be made in accordance with existing authoritative literature [[SOP 98-1, paragraph 41](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.127)] ] [ including the following: [[SOP 98-1, paragraph 41](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.127)] ]

a.  [ Topic [275](https://proxy01.academic.walshcollege.edu:2082/app/toc?baseTid=T0GAAPCD13:2300.1) [[SOP 98-1, paragraph 41](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.127)] ]

b.  [ Subtopic [730-10](https://proxy01.academic.walshcollege.edu:2082/app/toc?baseTid=T0GAAPCOD:730-10) [[SOP 98-1, paragraph 41](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.127)] ]

c.  [ Topic [235](https://proxy01.academic.walshcollege.edu:2082/app/toc?baseTid=T0GAAPCD13:1248.1) [[SOP 98-1, paragraph 41](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.127)] ]

d.  [ Subtopic [360-10](https://proxy01.academic.walshcollege.edu:2082/app/toc?baseTid=T0GAAPCOD:360-10).

**350-40-55 Implementation Guidance and Illustrations**

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| **General Note:** The Implementation Guidance and Illustrations Section contains implementation guidance and illustrations that are an integral part of the Subtopic. The implementation guidance and illustrations do not address all possible variations. Users must consider carefully the actual facts and circumstances in relation to the requirements of the Subtopic. |

[Rel Subsections](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5877.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5877.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476893&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Subsections)

**General**

**>  Implementation Guidance**

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5877.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5877.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476893&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards)[Code Links](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5877.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5877.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476893&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) **55-1**   The following is a list of examples illustrating when computer software is for internal use:

a.  [ A manufacturing entity purchases robots and customizes the software that the robots use to function. The robots are used in a manufacturing process that results in finished goods. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

b.  [ An entity develops software that helps it improve its cash management, which may allow the entity to earn more revenue. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

c.  [ An entity purchases or develops software to process payroll, accounts payable, and accounts receivable. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

d.  [ An entity purchases software related to the installation of an online system used to keep membership data. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

e.  [ A travel agency purchases a software system to price vacation packages and obtain airfares. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

f.  [ A bank develops software that allows a customer to withdraw cash, inquire about balances, make loan payments, and execute wire transfers. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

g.  [ A mortgage loan servicing entity develops or purchases computer software to enhance the speed of services provided to customers. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

h.  [ A telecommunications entity develops software to run its switches that are necessary for various telephone services such as voice mail and call forwarding. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

i.  [ An entity is in the process of developing an accounts receivable system. The software specifications meet the entity's internal needs and the entity did not have a marketing plan before or during the development of the software. In addition, the entity has not sold any of its internal-use software in the past. Two years after completion of the project, the entity decided to market the product to recoup some or all of its costs. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

j.  [ A broker-dealer entity develops a software database and charges for financial information distributed through the database. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

k.  [ An entity develops software to be used to create components of music videos (for example, the software used to blend and change the faces of models in music videos). The entity then sells the final music videos, which do not contain the software, to another entity. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

l.  [ An entity purchases software to computerize a manual catalog and then sells the manual catalog to the public. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

m.  [ A law firm develops an intranet research tool that allows firm members to locate and search the firm’s databases for information relevant to their cases. The system provides users with the ability to print cases, search for related topics, and annotate their personal copies of the database. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5877.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5877.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476893&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards)[Code Links](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5877.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5877.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476893&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) **55-2**   The following list provides examples of computer software that is not for internal use:

a.  [ An entity sells software required to operate its products, such as robots, electronic game systems, video cassette recorders, automobiles, voice-mail systems, satellites, and cash registers. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

b.  [ A pharmaceutical entity buys machines and writes all of the software that allows the machines to function. The pharmaceutical entity then sells the machines, which help control the dispensation of medication to patients and help control inventory, to hospitals. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

c.  [ A semiconductor entity develops software embedded in a microcomputer chip used in automobile electronic systems. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

d.  [ An entity purchases software to computerize a manual catalog and then sells the computer version and the related software to the public. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

e.  [ A software entity develops an operating system for sale and for internal use. Though the specifications of the software meet the entity's internal needs, the entity had a marketing plan before the project was complete. In addition, the entity has a history of selling software that it also uses internally and the plan has a reasonable possibility of being implemented. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

f.  [ An entity is developing software for a point-of-sale system. The system is for internal use; however, a marketing plan is being developed concurrently with the software development. The plan has a reasonable possibility of being implemented. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

g.  [ A telecommunications entity purchases computer software to be used in research and development activities. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

h.  [ An entity incurs costs to develop computer software for another entity under a contract with that other entity. [[SOP 98-1, paragraph 93 Appendix](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.238)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5877.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5877.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476893&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards)[Code Links](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5877.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5877.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476893&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b) **55-3**    [ The following list illustrates the various stages and related processes of computer software development: [[SOP 98-1, paragraph 17](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.57)] ]

a.  [ **[Preliminary project stage](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:5825.1&pinpnt=GAAPCD13:1000.2896)**: [[SOP 98-1, paragraph 17](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.57)] ]

1.  [ Conceptual formulation of alternatives [[SOP 98-1, paragraph 17](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.57)] ]

2.  [ Evaluation of alternatives [[SOP 98-1, paragraph 17](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.57)] ]

3.  [ Determination of existence of needed technology [[SOP 98-1, paragraph 17](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.57)] ]

4.  [ Final selection of alternatives. [[SOP 98-1, paragraph 17](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.57)] ]

b.  [ Application development stage: [[SOP 98-1, paragraph 17](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.57)] ]

1.  [ Design of chosen path, including software configuration and software interfaces [[SOP 98-1, paragraph 17](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.57)] ]

2.  [ Coding [[SOP 98-1, paragraph 17](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.57)] ]

3.  [ Installation to hardware [[SOP 98-1, paragraph 17](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.57)] ]

4.  [ Testing, including parallel processing phase. [[SOP 98-1, paragraph 17](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.57)] ]

c.  [ Postimplementation-operation stage: [[SOP 98-1, paragraph 17](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.57)] ]

1.  [ Training [[SOP 98-1, paragraph 17](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.57)] ]

2.  [ Application maintenance. [[SOP 98-1, paragraph 17](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0TPAS:9739.1&pinpnt=TPAS:9739.57)] ]

[Standard](https://proxy01.academic.walshcollege.edu:2082/app/servlet/com.tta.checkpoint.servlet.CPDocTextServlet?usid=c52c126bbe2&DocID=T0GAAPCD13%3A5877.1&collId=T0tocfasbcod1.1&docTid=T0GAAPCD13%3A5877.1-1&feature=tcheckpoint&jsp=%2FJSP%2FdocText.jsp&lastCpReqId=10476893&lkn=docText&searchHandle=ia744d0640000012e6f7e469af834ac1b" \o "View Related Standards) **55-4**    [ This Subtopic recognizes that the development of internal-use computer software may not follow the order shown in the preceding list. For example, coding and testing are often performed simultaneously. Regardless, for costs incurred subsequent to completion of the preliminary project stage, the guidance shall be applied based on the nature of the costs incurred, not the timing of their incurrence. For example, while some training may occur in the application development stage, it should be expensed as incurred as required in paragraphs [350-40-25-2 through 25-6](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD13:5836.1&pinpnt=GAAPCD13:5842.8).

## 350-40-75 XBRL Elements

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| **General Note:** This section contains a list of XBRL elements that reference paragraphs in this Subtopic. |

### XBRL Links to Codification

**Research and Development Expense, Software (Excluding Acquired in Process Cost)**

**Element Name:** *ResearchAndDevelopmentExpenseSoftwareExcludingAcquiredInProcessCost*

**Paragraphs referenced by the above XBRL element**

* [985 Software > 20 Costs of Software to Be Sold, Leased, or Marketed > 50 Disclosure > General, 50-1 (b)](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCD09:27092.1&pinpnt=GAAPCD09:27098.2)

* [Master Glossary > Preliminary Project Stage](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCDMI:4065.1&pinpnt=)

* [Master Glossary > Research and Development](https://proxy01.academic.walshcollege.edu:2082/getDoc?DocID=T0GAAPCDMI:4769.1&pinpnt=)