

SDP 2009 TRAINING

DEPRECIATION BASICS

The **Depreciation Basics** course covers the fundamentals of plant and depreciation accounting, life and salvage analysis, and depreciation models. The course also walks you through the data required for a depreciation study and provides hands-on experience in performing the calculations that underpin a depreciation study. Additionally, ample opportunity is provided during class and at informal evening receptions to ask questions of the expert instructors as well as network with fellow attendees from utilities, State and Federal commissions, and consulting firms. You will receive up to **22 CPE credits** for this course.

DEPRECIATION BASICS

Plant & Depreciation Accounting; Introduction to IFRS

- Plant Assets
- Plant Accounting Units
- Work Orders
- Components of Construction Costs
- Accounting for Retirements
- Software
- Capital Leases
- Depreciation Accounting
- Accumulated Provision for Depreciation
- Journal Entries
- Asset Retirement Obligations (SFAS 143)
 - Definition & Implementation
 - Reserve Calculations for AROs
- Pending Accounting Pronouncements
- Introduction to IFRS (International Financial Reporting Standards)

Data Requirements and Collection

- Requirements and Sources
 - Reconciliation
- Accounting Considerations
 - Transfers, Adjustments, Purchases, and Sales
 - Influence of Accounting Practices
- Life Analysis
 - Actuarial Method
 - Turnover Methods
- Salvage and Cost of Removal Analysis
- Evaluation
- Calculation

SDP DEPRECIATION BASICS - cont'd

Simulation Life Analysis

Turnover Models

Data Required and Adjustments

SPR Model

- Balances and Retirements Methods
- Data Simulation
- Conformance Index, Retirement Experience Index
- Application, Interpreting Results, Pitfalls

Statistical Aging (STAGE) Model

Computed Mortality Model

Actuarial Life Analysis

Retirement and Survivor Curves

Average Service Life, Average Remaining Life, Probable Life

Original Group Method v. Multiple Original Group Method

Understanding the Data Matrix

Retirement Rate Method

Selection of Experience and Placement Bands

Curve Fitting

Forecasting Service Life

Salvage and Cost of Removal Analysis

Influence of Accounting Practices

Use in Developing Depreciation Rate

Location v. Mass Property

Data and Treatment of Third-Party Reimbursements

Material Mix

Sensitivity to Age of Retirements

Impact of SFAS 143

Depreciation Models

Depreciation Concepts

Time v. Units of Production

Unit v. Group Depreciation

Depreciation Methods

Group Depreciation Procedures

Average Life Procedure

Equal Life Group (ELG) Procedure

Broad Group v. Vintage Group Model

Whole Life v. Remaining Life Techniques

Theoretical Reserve (Calculated Accumulated Depreciation)

SDP DEPRECIATION BASICS - cont'd

Life Cycle Analysis

Understanding the Forces of Depreciation

- Physical, Functional/Technological, External/Economic
- Ordinary vs. Abnormal Obsolescence
- Depreciation's Impact on Value

Modeling Forces of Depreciation Using Life Cycle Models

- Life Cycle Concepts
- Modeling Physical Depreciation & Ordinary Obsolescence
- Modeling Abnormal Obsolescence

Technological Substitution Analysis

Technology Forecasting

Technology Forecasting: Substitution Models (Fisher-Pry, Gompertz, Multiple)

- Forecasting Technology Advancement
- Forecasting Technology Substitutions
- Modeling the Life-Cycle of Technologies