**Flowchart - GASB 83 - Asset Retirement Obligation (ARO)**

**GASB 83: Asset Retirement Obligations (AROs)**

**Financial Reporting Statement:**

**Date of Issue:** January 9, 2019

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**Step 1: Determine whether there is an asset retirement obligation (ARO).**

- Is there a legally enforceable liability associated with the retirement of a tangible asset?
  - Yes: Go to Step 2.
  - No: Do steps 4 and 5.

**Step 2: Evaluate whether the retirement of the asset is reasonably estimable.**

- If the retirement of the asset is reasonably estimable, proceed with the next steps. If not, go to Step 4.

**Step 3: Adjust the effect of inflation and significant change in estimate of ARO.**

- Adjust the amount for the effect of inflation and significant change in estimate of ARO.

**Step 4: Determine whether the current value of the ARO is reasonably estimable.**

- If the current value of the ARO is reasonably estimable, proceed. If not, go to Step 5.

**Step 5: Determine whether the current value of the ARO is not reasonably estimable.**

- If the current value of the ARO is not reasonably estimable, perform the following:
  - Determine whether the current value of the ARO can be reasonably estimated. Disclose the fact and the reasons in the notes to IRM 83-1, Appendix A.
  - If the current value of the ARO cannot be reasonably estimated, adjust the net effect of inflation or deflation and significant change in estimate of ARO.

**Step 6: Determine whether there is an asset retirement obligation.**

- If there is an asset retirement obligation, proceed. If not, go to Step 7.

**Step 7: Determine whether the ARo has been subsequently retired/disposed.**

- If the ARo has been subsequently retired/disposed, the ARO has been subsequently retired/disposed. Proceed with the next steps. If not, go to Step 8.

**Step 8: Determine whether the tangible capital asset has been subsequently abandoned.**

- If the tangible capital asset has been subsequently abandoned, the ARO has been subsequently abandoned. Proceed with the next steps. If not, go to Step 9.

**Step 9: Determine whether the University of California (UC) is a minority owner in a jointly owned capital asset.**

- If UC is a minority owner in a jointly owned capital asset, proceed. If not, go to Step 10.

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**Notes and Journal Entries:**

- **Journal Entry - Adjustment of change in estimate of ARO:**
  - **Cr:** Liabilities-ARO
  - **Dr:** Other Non-operating expense-ARO

- **Journal Entry - Funding for ARO:**
  - **Cr:** Cash
  - **Dr:** Liabilities-ARO

- **Journal Entry - Retirement of an tangible capital asset due to ARO and adjustment of change in estimate of ARO:**
  - **Cr:** Liabilities-ARO
  - **Dr:** Deferred Outflows of Resources

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**Further Reading:**

- [GASB 83: Asset Retirement Obligations (AROs)](https://www.gasb.org/pdfdocs/irm83-1.pdf)