

**From:** Fowler, Lisa **On Behalf Of** Krabbe, Carla  
**Sent:** Friday, May 18, 2012 9:34 AM  
**To:** FASAB  
**Subject:** FW: SSA Comments on Proposed Asset Impairment Accounting Standard

**From:** Fowler, Lisa  
**Sent:** Friday, May 18, 2012 9:33 AM  
**To:** [fasab@fasab.gov](mailto:fasab@fasab.gov)  
**Cc:** Krabbe, Carla; Molander, Chris; Dushel, Annette; Lilly, Christina; Nesmith, Maceo  
**Subject:** SSA Comments on Proposed Asset Impairment Accounting Standard

Wendy,

Attached are SSA's comments on the *Statement of Federal Financial Accounting Standards (SFFAS) Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use* exposure draft. Staff questions can be directed to Annette Dushel at 410-965-0073.

Carla

SSA Comments on *of Federal Financial Accounting Standards (SFFAS) Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use* Exposure Draft

**Q1.** The Board proposes to establish a requirement to recognize impairment losses when there is a *significant and permanent* decline, whether gradual or sudden, in the service utility of G-PP&E. Refer to paragraphs 8 and 10 of the proposed standards and paragraphs A3 through A5 in Appendix A - Basis for Conclusions for a discussion and related explanation.

**Do you agree or disagree with the Board’s proposal to recognize impairment losses when there is a significant and permanent decline, whether gradual or sudden, in the service utility of G-PP&E? Please provide the rationale for your answer.**

SSA agrees with the Board’s proposal.

**Q2.** The Board proposes that this Statement should not require entities to review their G-PP&E portfolios solely for potential impairments. Entities are not expected to alter existing assessment methods as a direct consequence of the proposed standards. Refer to paragraphs 7, 13, and 14 of the proposed standards and paragraphs A3b, and A4 through A9 in Appendix A - Basis for Conclusions for a discussion and related explanation.

**Do you agree or disagree with the Board’s proposal that this Statement should not require entities to review their G-PP&E portfolios solely for potential impairments? Please provide the rationale for your answer.**

SSA agrees. To alter existing assessment methodologies or implement new reviews solely for this purpose would not be cost beneficial.

**Q3.** The Board has identified the following as indicators of G-PP&E impairments: evidence of physical damage, enactment or approval of laws or regulations which limit or restrict G-PP&E usage, changes in environmental or economic factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of G-PP&E, and construction stoppage or contract termination, and G-PP&E scheduled or awaiting disposal (i.e., idled or unserviceable), retirement, or removal for excessively long periods. Refer to paragraph 12 of the proposed standards and paragraphs A4 through A9 and A11 through A16 in Appendix A – Basis for Conclusions for a discussion and related explanation.

**Do you agree or disagree with each of the indicators of G-PP&E impairment? Please provide the rationale for your answer.**

We believe that more information should be provided on the “Changes in environmental or economic factors” criteria. Would these changes include changes to the value of buildings depending on the real estate market or other environmental or economic factors? If so, these criteria would be difficult to review and measure.

**Q4.** The Board believes that impairment losses should be estimated using a measurement method that reasonably reflects the diminished or lost service utility of the G-PP&E. The Board has identified the following methods for use in the federal environment to measure diminished service utility: replacement approach; restoration approach; service units approach; deflated depreciated current cost approach; cash flow approach; and for construction stoppages/contract terminations the lower of (1) net book value or (2) the higher of its net realizable value or value in-use estimate approach. Refer to paragraph 17 of the proposed standards and paragraphs A11 through A19 in Appendix A - Basis for Conclusions for a discussion and related explanation.

**Do you agree or disagree that the measurement method selected should reasonably reflect the diminished service utility of the G-PP&E? Do you agree or disagree with the use of the measurement methods identified? Please provide the rationale for your answer.**

SSA agrees with the methods identified.

**Q5.** The Board believes that the benefits of implementing this Statement outweigh its administrative costs of implementation. Benefits include: specific impairment guidance for federal G-PP&E, eliminating the need to rely on other accounting literature<sup>2</sup> to determine appropriate treatment, reporting impairments when they occur rather than through depreciation expense or disposal, providing management with information useful for decisions regarding GPP&E investments, discerning the cost of impairments and impact on the entity and the cost of services provided following the impairment, and lastly, enhancing comparability between entities. Refer to paragraph A21 in Appendix A - Basis for Conclusions for a discussion and related explanation.

**a. Are there other costs or benefits in addition to those identified by the Board that should be considered in determining whether benefits outweigh costs? Please provide the rationale for your answer.**

SSA believes the Board considered the major costs and benefits. As there are no special reviews required, there are no additional costs to consider.

**b. Are there G-PP&E categories, classes, or base units<sup>3</sup> to which the provisions of this proposed Statement should not apply? Please provide the rationale for your answer.**

For consistency, this Statement should apply to all categories, classes, and base units of GPP&E.

**c. Do you agree or disagree that the benefits of implementing this Statement outweigh its costs? Please provide the rationale for your answer.**

Due to materiality and other issues, we do not believe this Statement will cause any changes to our current reporting for GPP&E. Since our impairment activity will be immaterial, we do not anticipate incurring any new costs related to the implementation of the Statement.