



National Aeronautics and Space Administration

Headquarters

Washington, DC 20546-0001

February 3, 2016

Reply to Attn of:

Office of the Chief Financial Officer

Ms. Wendy M. Payne
Executive
Federal Accounting Standards
Advisory Board
441 G Street NW, Suite 6814
Mailstop 6H19
Washington, DC 20548

Dear Ms. Payne:

The National Aeronautics and Space Administration (NASA) appreciates the opportunity to provide comments on the exposure draft "Establishing Opening Balances for General Property, Plant, and Equipment." Enclosed you will find NASA's response to the questions for the respondents.

If you have any questions regarding NASA's response, please contact Kevin Buford, Director for Policy Division, at (202) 358-0405 or by e-mail at kevin.buford@nasa.gov

Sincerely,

A handwritten signature in blue ink that reads "Lisa M. Ziehmman".

Lisa M. Ziehmman
Deputy Chief Financial Officer
for Finance

Enclosure

Exposure Draft- Questions for Respondents due February 4, 2016

Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35

Name: Lisa M. Ziehmman, Deputy Chief Financial Officer

Organization: National Aeronautics and Space Administration

- Q1. The Board proposes a reporting entity be permitted to apply an alternative valuation method in establishing when presenting financial statements, or one or more line items addressed by this Statement, following generally accepted accounting principles (GAAP) promulgated by the Federal Accounting Standards Advisory Board (FASAB) either (1) for the first time or (2) after a period during which existing systems could not provide the information necessary for producing such GAAP-based financial statements without use of the alternative valuation method.

The proposed Statement describes the alternative valuation method and related disclosures.

- a) Do you agree or disagree with the proposal to permit opening balances of general PP&E to be valued based on deemed cost? Please provide your rationale.**

Yes. We agree with the proposal to permit opening balances for general PP&E to be valued based on deemed cost. Given the long life of many general PP&E items it is reasonable to expect in some cases the original historical cost documentation would not be available at the time a reporting entity begins reporting PP&E in accordance with SFFAS 6.

Do you agree or disagree that the related disclosures are appropriate? Please provide your rationale.

We have no disagreement with the proposed disclosures.

- Q2. The Board proposes to amend Statement of Federal Financial Accounting Standards (SFFAS) 6, *Accounting for Property, Plant, and Equipment*, so that land categorized as general PP&E may be excluded from the opening balances of general PP&E. Instead, disclosures would reveal the acres of land and changes in those acres over time. A reporting entity electing to exclude land from its general PP&E opening balance should continue to exclude future land acquisition amounts and provide the disclosures.

Some members suggested valuing existing land holdings based on a set amount per acre of land or deemed cost. For example, one study estimated the land value in the United States at roughly \$4.5 trillion in the third quarter of 2009. Since the number of acres in the United States is almost 2.3 billion, this equates to approximately \$2,000 per acre. (Land values vary greatly based on location, potential use, and availability and cost of financing.) These members are interested in receiving comments on the usefulness of a general valuation approach that could be applied government-wide.

The Board intends to begin a project on land in the near future that would review existing standards and consider a consistent approach. Based on the results of that project, the decisions made for opening balances and future acquisitions of land in this Statement may be revised. Also, some members suggested deferring any changes in the historical basis for land acquired for use in operations until the Board completes a re-examination of the appropriate basis of accounting for land.

(See par. 12.d. and 12.g. for relevant standards and par. A27-A23 for a discussion of certain members' concerns and A55Error! Reference source not found. in the Basis for Conclusions.)

- a) **Do you agree or disagree with the proposal to allow exclusion of land from the opening balances of general PP&E even though other component reporting entities will report the cost of certain land in general PP&E?**

If you disagree, do you prefer (1) to value land holdings based on existing standards requiring historical cost of land acquired in connection with other general PP&E to be capitalized, a set amount per acre of land, deemed cost, or another valuation method, (2) to defer any changes in the current requirements until the Board completes a reexamination of the appropriate basis of accounting for land, or (3) to adopt another option? Please provide your rationale.

We disagree. We believe the Board should defer any action on the reporting of land until it completes a reexamination of the appropriate basis of accounting for land. Making a change as part of this effort may well turn out to be a temporary one causing confusion and added cost for users of the financial statements, as well as added cost for the Government.

- b) **Do you agree or disagree that the related disclosures are appropriate? Please provide your rationale.**

We believe any changes in the disclosure requirements should be deferred pending the completion of the Board's reexamination of the appropriate basis of accounting for land.

- c) **Do you agree or disagree that a reporting entity electing to exclude land from its general PP&E opening balances should continue to exclude future land acquisition amounts? Please provide your rationale.**

We believe any changes in the accounting treatment of land should be deferred pending the completion of the Board's reexamination of the appropriate basis of accounting for land.

- d) **The Board anticipates a project on land to review existing standards and to consider a consistent approach for all component reporting entities. Please provide any suggestions you have for improving current reporting on land.**

Q3. The Board proposes to amend SFFAS 10, *Accounting for Internal Use Software*, to allow a reporting entity to choose among alternatives in establishing an opening balance for internal use software when presenting financial statements, or one or more line items addressed by this

Statement, following generally accepted accounting principles (GAAP) promulgated by the Federal Accounting Standards Advisory Board (FASAB) either (1) for the first time or (2) after a period during which existing systems could not provide the information necessary for producing such GAAP-based financial statements without use of the alternative valuation method. The Statement provides for selecting between (1) an alternative valuation method of deemed cost that is consistent with that provided for all general PP&E and (2) prospective capitalization of internal use software.

The proposed Statement describes the alternatives and related disclosures. (See par. 13-14 for relevant standards and par. A35-A39 and A56 in the Basis for Conclusions.)

- a) **Do you agree or disagree with the proposal to allow a reporting entity to choose among alternatives in establishing an opening balance for internal use software? Please provide your rationale.**

We have no disagreement with the proposal.

- b) **Do you agree or disagree that the related disclosures are appropriate? Please provide your rationale.**

We have no disagreement with the proposal.

- Q4. The Board proposes to rescind SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Accounting Standards 6 and 23*, because this Statement would provide comprehensive guidance for establishing opening balances. The Board has incorporated the relevant components of SFFAS 35 in the proposed guidance in this Statement. The Board did not incorporate language from SFFAS 35 that explicitly allows for reasonable estimates on a go-forward basis to identify the cost of newly-acquired or constructed general PP&E.

Instead, the Board acknowledges that reasonable estimates are permitted in the preparation of financial statements, with or without the existence of SFFAS 35, and are acceptable without guidance from the Board. (See par. 18-19 for relevant standards and par. A34-A51 in the Basis for Conclusions.)

- a) **Do you agree or disagree with the proposal to rescind SFFAS 35? Please provide your rationale.**

We agree only if it is clear in the revised SFFAS 6 that all of the permitted uses of estimates for valuing general PP&E found in the present SFFAS 23 and SFFAS 35 remain in effect. If some of these authorities will be rescinded we strongly disagree with the rescission of SFFAS 23, paragraphs 12-14, and SFFAS 35 without clarity on what is proposed and the opportunity to comment and have revisions to the proposal considered. We are concerned that a lack of clarity could once more lead to disparate treatment and unproductive disagreements between agencies and their auditors over estimation.

- b) Do you agree or disagree that reasonable estimates are permitted in the preparation of financial statements, with or without the existence of SFFAS 35? Please provide your rationale.**

That has always been our position, but not that of our external auditors absent the clarity of SFFAS 35. We believe that without some clarification, or the guidance currently provided in SFFAS 23, paragraphs 12-14 and SFFAS 35, paragraphs 9-11, FASAB could be inviting confusion concerning the permitted use of estimated historical cost to value general PP&E when the original documents are no longer available.