

# Federal Accounting Standards Advisory Board

FOR MORE INFORMATION:

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## NEWS RELEASE

### **FASAB Releases Standard on Estimating the Historical Cost of General Property, Plant, and Equipment**

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), Tom Allen, announced today that the FASAB issued Statement of Federal Financial Accounting Standards (SFFAS) 35, *Estimating the Historical Cost of General Property, Plant, and Equipment -- Amending Statements of Federal Financial Accounting Standards 6 and 23*.

SFFAS 35 amends SFFAS 6 and 23 to clarify that reasonable estimates of original transaction data historical cost may be used to value general property, plant, and equipment. Mr. Allen noted that “the Board is acting due to continuing concern that agencies may spend considerable sums to develop estimates that are precise when less precise but still reasonable estimates can be developed at a lower cost.”

This Statement permits continued application of the SFFAS 23 initial capitalization guidance that provides for estimating historical cost and accumulated depreciation consistent with SFFAS 6, but offers more detail regarding permissible documentation and methods. This Statement’s primary objective is a cost effective method for attaining compliance with SFFAS 6 as amended. Although the measurement basis for valuing general property, plant, and equipment remains historical cost, reasonable estimates may be used to establish the historical cost of general property, plant, and equipment, in accordance with the asset recognition and measurement provisions of SFFAS 6 as amended. The Board encourages those Federal entities that use estimates to approximate the historical cost values of general property, plant, and equipment to establish processes and practices (i.e., adequate systems and internal control practices) for future acquisitions that will capture and sustain transaction based data that meet the general property, plant, and equipment historical cost valuation requirements.

#### **ABOUT FASAB**

Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus,

federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to assess (1) the government's accountability and its efficiency and effectiveness, and (2) the economic, political, and social consequences of the allocation and various uses of federal resources. The FASAB issues federal accounting standards after following a due process consistent with the Memorandum of Understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

For more information on FASAB, please visit our website: [www.fasab.gov](http://www.fasab.gov).