

Staff Implementation Guidance (SIG) 6.1, Clarification of Paragraphs 40-41 of SFFAS 6, Accounting for Property, Plant, and Equipment, as amended

Due May 31, 2018

United States Coast Guard's Consolidated Comments

Summary of Proposed Guidance:

This guidance responds to a question raised by the Department of Defense since the issuance of SFFAS 50, 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.

Question:

The proposed Staff Implementation Guidance (SIG) 6.1: Clarification of Paragraphs 40-41 of SFFAS 6, Accounting for Property, Plant, and Equipment (PP&E), as amended addresses a question raised by the Department of Defense (DOD) as to whether the alternative method for establishing opening balances provided by paragraph 40 of SFFAS 6, as amended could be applied in concert with the alternative method for estimated net remaining cost per the second sentence in paragraph 41 of SFFAS 6, as amended?

FASAB Response:

FASAB staff responded that both alternative methods can be applied. Paragraph 40 of SFFAS 6, as amended provides alternative methods for establishing opening balances for reporting entities that meet the specified conditions and choose to apply any of the available alternative methods. Paragraph 41 of SFFAS 6, as amended, allows for PP&E to be recorded at its estimated net remaining cost (net book value) and its intent is to provide a cost-beneficial option for the year of implementation. However, the application of paragraph 41 does not change the requirement to adequately support all values established for opening balances.

Because "deemed cost" (as defined in the amendments to SFFAS 6) was not incorporated in paragraph 41, it may be unclear whether recording PP&E at "net remaining cost" is appropriate when deemed cost is used to establish initial amounts....deemed cost is a surrogate for initial costs, [so FASAB] staff believes the alternative to record PP&E at estimated net remaining cost is appropriate even when the surrogate is used."

Coast Guard Comment:

We agree with the proposed SIG 6.1 to address whether the alternative method for establishing opening balances provided by paragraph 40 of SFFAS 6, as amended, could be applied in concert with the alternative method for estimated net remaining cost per paragraph 41 of SFFAS 6, as amended. The issue seems mostly driven by DOD's challenges with providing consistent documentation to support opening balances for PP&E. We do not foresee any unintended consequences for the Coast Guard.