

**From:** Cenci, Melanie - OCFO  
**Sent:** Thursday, May 24, 2012 2:32 PM  
**To:** FASAB  
**Cc:** Close, Kevin - OCFO; Constance, Connie - OCFO  
**Subject:** Comments on Exposure Draft

On behalf of The US Department of Agriculture, Office of the Chief Financial Officer, attached are our comments on Exposure Draft, Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use.

Melanie R. Cenci  
Office of the Chief Financial Officer  
US Dept. of Agriculture

**Word Version of Request for Comments*****Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use - Exposure Draft*****Comments Requested by May 28, 2012**

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**Name of Respondent: Melanie Cenci****Organization Represented: OCFO/USDA**

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.**

**Agree: A significant and permanent decline in an asset's value should be recognized in order to properly and timely reflect assets on the financial statements. Significantly impaired assets that remain at their original cost, would materially overstate the financial statements.**

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.**

**Agree: Asset impairments that warrant a write down of asset value are caused by significant events or changes in circumstances. Managing and processing these events or changes in circumstances are part of Management's routine evaluation. Accordingly, valid impairments will be uncovered during an organization's normal evaluation processes and timelines; and therefore do not warrant a separate review solely to evaluate potential impairments.**

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.**

Agree: The indicators stated appear to cover a wide range of assets thereby allowing for varying circumstances per asset; and are measurable factors that cover tangible, intangible, social, and natural causes that could impact the value of assets. Indicators should be considered in conjunction with considering whether the asset is significantly and permanently impaired.

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.**

Agree: Selected measurements are good matches to the various types of assets that entities could have recorded in their financial statements. However, entities still need to exercise sound professional judgments in selecting a measurement, or a mixture of measurements when determining impairment amounts.

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 to determine appropriate treatment, reporting impairments when they occur rather than through depreciation expense or disposal, providing management with information useful for decisions regarding G-PP&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.**

No.

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

No.

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

Agree. Adopting this statement would provide a standard for evaluating and recognizing impaired assets; thereby facilitating a process for timely recognition of impairment at the time when significant events or changes in circumstance occurred.