From: Alexis Stowe (BC)
Sent: Friday, May 25, 2012 3:34 PM
To: FASAB
Subject: Fwd: Comments Requested - FASAB Exposure Draft on Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use

Dear FASAB Director,

Attached in the email are GSA's comments on Federal Accounting Standards Advisory Board (FASAB) Exposure Draft issued February 28, 2012 on Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use. Thank you for the opportunity to provide comments, and please let me know if you have any questions.

Alexis M. Stowe, CPA, CGFM, CISA, CFE
Director of Financial Policy and Operations (BC)/ Deputy CFO
Office of the Chief Financial Officer
General Services Administration

U.S. General Services Administration Consolidated Comments on FASAB *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use* - Exposure Draft

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Name of Respondent: Alexis M. Stowe, Deputy Chief Financial Officer

Organization Represented: U.S. General Services Administration

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.

GSA Comments: GSA agrees. The reporting of G-PP&E impairments will significantly add to the informational value, reliability, and consistency of asset values presented in the entity's financial report. This proposal will be beneficial in the reporting of Real Property and Operating Equipment, which have been impaired. Applying this proposal to group assets (e.g., computers, furniture) should not be considered.

The fact that GPP&E remains in use does not eliminate the fact that it may experience a permanent decline in service utility. Had the asset not remained in use, the asset should be written down to the net realizable value. The same should be true if it remains in use. Finally, the proposed standard can be effectively adopted without undue administrative burden while still satisfying the objectives of federal financial reporting.

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.

GSA Comments: GSA agrees that entities should not be required to review their G-PP&E for potential impairments unless an entity does not have an existing process and internal control in place. GSA feels that reviewing solely for this activity would be an administrative burden and potentially cost prohibitive.

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.

GSA Comments: The list of indicators would help to identify potential impairment of an asset. However, the list should not be considered as all-inclusive. The standard should be clear that just because one or more of these indicators are present does not automatically indicate impairment is present. Management should adopt the most efficient method available given the under the circumstances.

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.

GSA Comments: GSA agrees that the measurement method selected should reasonably reflect the diminished service utility of the G-PP&E. The methods identified are reasonable and widely recognized methods of measurement. GSA agrees that entities should use good judgment when selecting which method to use.

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.

GSA Comments: GSA could not identify any additional costs or benefits.

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.

GSA Comments: GSA agrees with the treatment proposed for G-PP&E that will no longer being used by the entity and that it should be accounted for in accordance with SFFAS 6, paragraphs 38 and 39 (disposal). The Board may even want to consider minimum dollar thresholds for recognizing impairments, perhaps even for more complex acquisitions involving higher dollar thresholds.

The proposal should not apply to group assets, such as computers and furniture.

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

GSA Comments: GSA agrees that the benefits of implementing this Statement outweigh its administrative costs given that there is no requirement to initiate reviews for impairments, separate from established practices. This Statement will also provide consistency in comparability between entities.

GSA General Comments:

1. GSA has instances where an asset may not yet be declared excess. These assets may have impairments that this statement would require be written down. Once that asset is determined to be excess it may be sold at a significant gain giving us a loss on impairment and then a gain on sale. How should this scenario be treated?

2. Paragraph 16a - The sentence "The costs associated with previous service utility are significantly greater than the costs that would otherwise be associated with the new expected service utility" is confusing. The terms previous service utility and new expected service utility need to be either replaced or an additional sentence should be added to provide context.

3. Paragraphs 23 and A20 need clarification. These paragraphs are confusing and almost seem contradictory.