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May 28, 2012

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

Dear Ms. Payne:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Federal Accounting Standards Advisory Board (FASAB) on its February 28, 2012 exposure draft entitled Accounting for Impairment of General Property, Plant and Equipment Remaining in Use. This proposal would require entities to report the effects of impairments of general property, plant and equipment in their financial statements when they occur rather than as part of an on-going depreciation expense for such impaired assets or upon the item's disposal.

The FMSB is comprised of 25 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

The FMSB agrees with the changes proposed by the FASAB and believes they will improve federal financial reporting. The FMSB supports the fundamental concept that information such as this should be disclosed to the user in a straightforward, direct manner as soon as it is known and quantifiable. Further, we support the concept that information should be reported in a comparable manner across entities whenever possible. This provides greater opportunities for meaningful analysis of financial information amongst federal agencies. Our answers to the questions posed in the exposure draft follow.

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.

FMSB Reply- The FMSB agrees with the proposal to recognize impairment losses when there is a permanent and a significant decline in the service utility of an item of general property plant and equipment (G-PP&E). We believe that this approach is consistent with the concept of providing the user with information on the cost of providing specific programs and activities, the efforts and accomplishments associated with federal programs, and the efficiency and effectiveness of government's management of its assets.

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.

FMSB Reply - The FMSB agrees with the FASAB's proposal to not require entities to conduct reviews of their portfolio of G-PP&E solely for the purpose of identifying potential impairments. First, the addition of a new, specific requirement at this time might be difficult, given the size of such an undertaking and budget resources. Second, we believe that the definition of an impairment as covered in paragraph 8 coupled with the concept of materiality in paragraph 4 would not warrant such a survey. As indicated in the document, information on impairments will be identified through the normal course of events throughout the fiscal year. Therefore a separate and specific survey will not be warranted.

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.

FMSB Reply- The FMSB agrees with the FASAB's indicators on G-PP&E impairment. The FMSB agrees with the basis for conclusions used by the FASAB.

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.

FMSB Reply- The FMSB agrees that the measurement method selected should reasonably reflect the diminished service utility of the G-PP&E. We also believe that the entity has the knowledge and expertise to know and select the most appropriate method for measuring the diminished service utility of the G-PP&E.

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 GPP&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.

FMSB Reply - None

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.

FMSB Reply- No, we believe it is appropriate to apply this standard to the items identified in the exposure draft.

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

FMSB Reply- We agree that the benefits outweigh the costs.

However, we do have a suggestion regarding one of the illustrations in the exposure draft, Illustration 2b of the Restoration Approach on pages 40 – 41 of the exposure draft. The example states that the historic wing, which was destroyed, represents 25% of the building's total space. Yet this number is not used anywhere else in the illustration. All remaining computations appear to be based solely on the 3- story wing's historic cost, the restoration costs for this wing and the ultimate decision to restore only 1 of the three floors (or 1/3 of the historic wing's space). As all computations are based on the cost to restore the historic wing and the book value is reduced by 55.5%, there may be confusion with the computation because of the statement that the historic wing represented 25% of the building's total space. We suggest that any reference to the 25% be removed or that the illustration be expanded to include a columnar presentation that would show the main building's costs were not affected by the impairment of the historic wing.

We appreciate the opportunity to comment on this document and would be pleased to discuss this letter with you at your convenience. A majority of the FMSB members approved of the issuance of this letter of comments. If there are any questions regarding the comments in this letter, please contact Steven E. Sossei, CPA, and AGA's staff liaison for the FMSB, at ssossei@agacgfm.org or at 518-522-9968.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eric S. Berman', with a long horizontal flourish extending to the right.

Eric S. Berman, CPA, Chair
AGA Financial Management Standards Board

cc: Richard O. Bunce, Jr., CGFM, CPA
AGA National President

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