



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
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FEB 16 2008

COMPTROLLER

Ms. Wendy M. Payne  
Executive Director  
Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 6814  
Mail Stop 6K17V  
Washington, DC 20548

Dear Ms. Payne:

The Department of Defense appreciates the opportunity to comment on the Federal Accounting Standards Advisory Board Technical Release Exposure Draft, Implementation Guidance on the Accounting for the Disposal of General-Property Plant & Equipment (G-PP&E). We have reviewed the implementation guidance and feel it adequately addresses the issues regarding the disposal, retirement, or removal from service of G-PP&E and delineates events that trigger discontinuation of depreciation and removal of G-PP&E from accounting records. We agree with the rationale for the changes proposed in the exposure draft.

Responses to specific questions are at Enclosure 1. My contact is Ms. Carol A. Campbell. She can be reached at [carol.campbell@osd.mil](mailto:carol.campbell@osd.mil) or 703-601-0129.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Easton", is written over a horizontal line.

Mark E. Easton  
Deputy Chief Financial Officer

Enclosure:  
As stated

**DoD-OCFO Responses to Questions for Respondents**

Federal Financial Accounting Technical Release Exposure Draft:  
*Implementation Guidance on the Accounting for the Disposal of G-PP&E*  
(dated December 10, 2010)

**All responses are requested by February 16, 2011**

- Q1. Do you agree or disagree with the criteria outlined for differentiating between temporary and permanent removal from service (paragraph 6 and 7)? Please provide the rationale for your answer.

DoD agrees with the criteria for differentiating between temporary and permanent removal from service. With the definition for "removal from service" clarified and the identification of the business rules used as criteria, the implementation guide meets its intent of providing guidance on specific applications and addressing implementation issues. Among other things, the process provides a basis for reacting to changes in the Department of Defense operations tempo and related management of sustainment costs based on the impact of global issues (e.g. overseas contingency operations, unrest in nations we are allies or not allies with, etc.)

- Q2. Do you agree or disagree with the General Property, Plant, & Equipment (G-PP&E) permanent removal financial transactions outlined in paragraph 11? Please provide the rationale for your answer.

DoD agrees with the G-PP&E permanent removal financial transactions outlined in paragraph 11 and Appendix B: Illustrations. If the asset has been permanently removed from service, it should be indicated on the financial statements. Net realizable value should recognize that the asset may be used for other than the original intended purpose.

Enclosure 1

- Q3. Do you agree or disagree with the G-PP&E temporary removal financial transactions outlined in paragraph 13? Please provide the rationale for your answer.**

DoD agrees with the G-PP&E temporary removal financial transactions outlined in paragraph 13 and in the Appendix B: Illustrations. If the asset has not been permanently removed from service and/or still being used, and the situation is treated as temporary removal from service, there should be no change in the G-PP&E reported value and depreciation continues. SFFAS 6 provides flexibility in mechanisms for depreciation. Thus, agencies may use activity-based, rather than time-based depreciation.

- Q4. Do you agree or disagree with the G-PP&E disposal financial transactions when group or composite depreciation is used as outlined in paragraph 15? Please provide the rationale for your answer.**

DoD agrees with the G-PP&E disposal financial transactions when group or composite depreciation is used as outlined in paragraph 15 and in the Appendix B: Illustrations. If values of components under group or composite depreciation are small, the resulting estimates are likely not material. If costs are large, this will likely be a manual effort to record the transactions. Although DoD agrees with the financial transactions outlined in paragraph 15, the use of technology has taken most of DoD away from using group and composite rates.

- Q5. Do you agree or disagree with the G-PP&E disposal, as it relates to cleanup costs, financial transactions illustrated in paragraph 14? Please provide the rationale for your answer.**

DoD agrees with the G-PP&E permanent removal financial transactions outlined in paragraph 14. It would be helpful if the proposed change clearly stated when the cleanup costs are incurred (e.g. at the beginning of the asset's life) and what the accumulated liabilities are when in temporary disposal status.

**Q6. Do you believe that additional technical guidance to record disposal transactions related to G-PP&E is needed in this proposal? Please provide the rationale for your answer.**

DoD is comfortable with the amount and level of technical guidance provided.

As a matter of clarification, Question 2 implies that assets may be sold to others for uses not consistent with the original intent. It should also recognize that the asset may be sold to another country for its original intent.

Other than the comment above, no additional technical guidance is needed at this time.