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Sent: Thursday, February 10, 2011 7:34 AM

To: FASAB

Cc: Vaiana, Jerome A; SIDARI, David P

Subject: HUD comments on General Property, Plant, and Equipment Exposure Drafts

The Department of Housing and Urban Development is pleased to provide comments on the exposure drafts concerning the 1) estimating of historical cost and 2) disposal of General Property Plant and Equipment.

If you should have any questions, please contact me at the number below.

Jerry Tucker

Director

Financial Policy and Procedures Division

Office of the Assistant Chief Financial Officer for Financial Management

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 11, 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.

Response: HUD agrees with the outlined criteria for differentiating between temporary and permanent removal from service, specifically that two business events are required to establish permanent removal from service. HUD further agrees that, where there is an intent to dispose of assets, there should be disclosure of that intent.

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.

Response: HUD generally agrees with the proposed financial transaction required for permanent removal. However, in Scenario I we suggest changing the credit from "Other assets" to "G-PP&E."

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.

Response: HUD agrees with the financial transactions outlined pertaining to temporary removal of PP&E. Assets in use must be depreciated.

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.

Response: HUD agrees with the PP&E disposal financial transactions when group or composite depreciation is used. This is consistent with

the accounting standard in which no gain or loss on the sale of a fixed asset is recognized under the composite method. The item cost is the *pro rata* share of the total original group cost. This method allows for consistent treatment and auditable records.

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.

Response: HUD agrees with the financial transactions related to disposal and the application of cleanup costs for PP&E. Amortization of cleanup costs continues for temporary disposal, while full recognition of cleanup costs occurs for permanent disposal.

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.

Response: HUD does not foresee the need for additional technical guidance to record disposal transactions for G-PP&E. These guidelines adequately address the differentiation between permanent and temporary removal from service and financial transactions related to permanent or temporary disposals. Management should be able to make an appropriate selection from the available choices.