

Ms. Payne:

Thank you for allowing U.S. Customs and Border Protection (CBP) the opportunity to respond to FASAB's exposure draft of a proposed Federal Financial Accounting Technical Release entitled *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment*. CBP's responses are attached.

Please contact me if you need additional information or have any questions.

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U.S. Customs and Border Protection (CBP) Responses

Questions for Respondents: [Responses of U.S. Customs and Border Protection \(CBP\)](#)

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 **Error! Reference source not found.** and **Error! Reference source not found.**)? Please provide the rationale for your answer.

RESPONSE: Agree. We believe that the criteria clearly define the difference.

- Q2. Do you agree or disagree with the General Property, Plant, & Equipment (G-PP&E) permanent removal financial transactions outlined in paragraph **Error! Reference source not found.**? Please provide the rationale for your answer.

RESPONSE: Agree. The underlying accounting principles support this procedure. However, the expected materiality, cost, and time to estimate net realizable value prior to disposal needs to be considered. The practicality of implementing this and determining the net realizable value on an asset-by-asset basis is cost prohibitive. Many times the value of an item which will be auctioned off cannot be estimated. Suggest that non-material values be zeroed out when disposal is known.

- Q3. Do you agree or disagree with the G-PP&E temporary removal financial transactions outlined in paragraph **Error! Reference source not found.**? Please provide the rationale for your answer.

RESPONSE: Agree. There should be no recognition until the removal is permanent.

- 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 **Error! Reference source not found.**? Please provide the rationale for your answer.

RESPONSE: Partially agree. For constructed assets that work and are capitalized as a system, it is particularly difficult to determine the original cost of any portion of the system that might be disposed. This is particularly true when a significant amount of the asset cost

U.S. Customs and Border Protection (CBP) Responses

was for labor. Suggest that estimates be allowed to determine original cost and depreciation.

- Q5. Do you agree or disagree with the G-PP&E disposal, as it relates to cleanup costs, financial transactions illustrated in paragraph **Error! Reference source not found.**? Please provide the rationale for your answer.

RESPONSE: Agree. This matches the asset disposal with a removal of the related clean up cost amortization/amount to be allocated.

- 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: Yes. It should be emphasized that materiality should determine whether this guidance is applied.