



July 7, 2015

Ms. Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
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 June 2, 2015 exposure draft entitled *Opening Balances for Inventory, Operating Materials and Supplies (OM&S) and Stockpile Materials*. 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 has reviewed the exposure draft and supports the adoption of this standard by the FASAB. In our view, allowing the use of deemed costs is a reasonable approach for establishing an initial value or after a period during which existing systems cannot provide the information necessary to produce GAAP-based financial statements. It provides an organization a cost effective and an expeditious method to move forward in implementing GAAP relating to the above asset balances. The use of the deemed cost approach for such circumstances is not without precedence. For example, the Government Accounting Standards Board (GASB) allowed the use of deemed costs for certain items, when governments adopted the GASB 34 reporting model and the International Public Sector Accounting (IPSASB) has allowed the use of deemed costs for governments that are adopting the accrual method of accounting for the first time.

Organizations implementing this standard may have an issue of obsolete inventories of supplies, materials and other stockpiled items and the FMSB believes that the standard should include guidance relative to this matter in the final standard. Organizations that implement this guidance may be inclined to assign a deemed cost of \$0 to obsolete items, which is inappropriate. To properly account for such items, we believe that the guidance should prohibit the organization from assigning a deemed cost of zero dollars to obsolete items to avoid a write-down in value. In such circumstances, a properly determined deemed cost should be established and if the items are obsolete, the loss should be recognized in the operating statement. This should be clarified in the final standard through either an addition to the body of the standard or in a footnote to the published standard.

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

Sincerely,

A handwritten signature in black ink that reads "Lealan Miller". The signature is written in a cursive, flowing style.

Lealan Miller, CGFM, CPA
Chair - AGA Financial Management Standards Board

cc: William Miller, CGFM
AGA National President

**Association of Government Accountants
Financial Management Standards Board**

July 2015 – June 2016

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