

July 20, 2015

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

Dear Ms. Payne:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) on the proposed Statement of Federal Financial Accounting Standards (SFFAS), *Opening Balances for Inventory, Operating Materials and Supplies (OM&S), and Stockpile Materials*.

The GWSCPA consists of approximately 3,300 members, and the FISC includes nearly 30 GWSCPA members who are active in financial management, accounting, and auditing in the Federal sector. We sincerely appreciate the opportunity by the Board to share our views, and also appreciate the hard work and dedication by the Board Members and Staff on their contributions to improving federal financial reporting.

Our response to the ED question follows.

Q1. The Board proposes a reporting entity be permitted to apply an alternative valuation method in establishing opening balances for inventory, operating materials and supplies (OM&S), and stockpile materials when presenting financial statements or one or more line items addressed by this Statement following generally accepted accounting principles (GAAP) promulgated by the Federal Accounting Standards Advisory Board (FASAB) either (1) for the first-time or (2) after a period during which existing systems could not provide the information necessary for producing such GAAP-based financial statements without use of the alternative valuation method.

The proposed Statement describes the alternative valuation method, disclosures, and amendments to SFFAS 3, *Accounting for Inventory and Related Property*.

Do you agree or disagree with the proposed standards? Please provide your rationale.

A1. The FISC supports the Board's views on the alternative valuation method, disclosures, and amendments to SFFAS 3. We also offer the following suggestion:

- Several paragraphs in the Appendix, such as paragraphs A14 through A16, appear to limit the applicability of this Standard to the Department of Defense and its components. We suggest

that this limitation not be included in the Standard since other U.S. Government agencies or organizations, perhaps through adoption of SFFAS 47, *Reporting Entity*, may be required to implement provisions of this Standard in the future.

Other Comments:

1. In paragraph 2, FASAB refers to the “initial amount” measurement approach, stating that this approach is required by and defined in SFFAS 3. Since we could not find that specific term in SFFAS 3, we suggest that the Board define the “initial amount” measurement approach, perhaps in a footnote, and also include the paragraph(s) of SFFAS 3 that describe the “initial amount” measurement approach,
2. In paragraph 14, the modifying language to SFFAS 3 refers to the new Standard as “implementation guidance.” We recommend that a different term be used since “implementation guidance” refers to a different level of the GAAP hierarchy.
3. Paragraph 12 states that, “A reporting entity electing to apply deemed cost . . . should disclose this fact and describe the method used in the first period in which the reporting entity makes an unreserved assertion . . .” When presenting comparative information (e.g., in the year following adoption), generally accepted accounting principles would require that the organization provide additional disclosures that are necessary to make the financial statements more informative (SFFAC 2, Paragraph 68; AU-C Section 700, paragraph .A43). We suggest that Paragraph 12 clarify whether this disclosure is required in the subsequent year when an agency is presenting comparative financial statements, or whether a phrase similar to what was included in SFFAS 21, paragraph 13(c) (“Financial statements of subsequent periods need not repeat this disclosure”) be included in the final Standard.

This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,

A handwritten signature in black ink, appearing to read "Andrew Lewis", with a stylized flourish at the end.

Andrew C. Lewis
FISC Chair