



UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer and
Assistant Secretary for Administration
Washington, D.C. 20230

JUL 20 2015

Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
Washington, DC

Dear Ms. Payne:

The Department of Commerce has reviewed the FASAB Exposure Draft, Opening Balances for Inventory, Operating Material and Supplies (OM&S) and Stockpile Materials, dated June 2, 2015.

Please find enclosed answers to the questions that were asked of respondents. If you have any questions, please contact me at (202) 482-1207 or galston@doc.gov or Atisha Burks at (202) 482-2715 or aburks@doc.gov.

Sincerely,

A handwritten signature in black ink, appearing to be "Gordon Alston", written over a horizontal line.

Gordon Alston
Director, Financial Reporting and Internal
Controls

Enclosure

cc: Lisa Casias
Gordon Alston
Diane Marston
Shakira Ross
Elleni Mekbeb

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Department of Commerce Response
FASAB Exposure Draft, *Opening Balances for Inventory, Operating Materials and Supplies (OM&S) and Stockpile Materials*

Prepared by: Department of Commerce, Office of Financial Management
Date Prepared: July 8, 2015

Questions and Answers

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 for 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.

Department of Commerce Response:

The Department agrees with the proposed standard. The proposed standard is a cost-effective way of attaining compliance with SFFAS 3, *Accounting for Inventory and Related Property* for those reporting entities that did not have adequate systems in the past to capture such costs. The proposed standard will also allow a reporting entity to account for cost fluctuations driven by the market. Offering alternative valuation methods is practical since financial statements prepared under historical accounting systems may suffer from a number of limitations, such as ignoring changes in the market.