



## OFFICE OF THE UNDER SECRETARY OF DEFENSE

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COMPTROLLER

MAY 1 2013

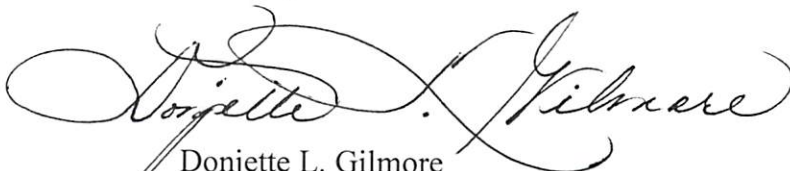
Ms. Wendy M. Payne  
Executive Director  
Federal Accounting Standards Advisory Board  
Mailstop 6H19  
441 G Street, NW, Suite 6814  
Washington, DC 20548

Dear Ms. Payne:

The Department of Defense appreciates the opportunity to comment on the Federal Accounting Standards Advisory Board Exposure Draft, Implementation Guidance for General Property, Plant, and Equipment (G-PP&E) Cost Accumulation, Assignment and Allocation. We have reviewed the draft and agree with the decision framework presented for management to use in the development and application of policies and practices to account for the cost incurred for G-PP&E in accordance with generally accepted accounting principles.

Our response is enclosed. My contact is Ms. Carol A. Campbell. She can be reached at [carol.campbell@osd.mil](mailto:carol.campbell@osd.mil) or 703-602-0129.

Sincerely,

  
Donjette L. Gilmore  
Director, Accounting and Finance Policy

Enclosure:  
As stated

**Questions for Respondents – Department of Defense**

Federal Financial Accounting Technical Release Exposure Draft:  
*Implementation Guidance on General Property, Plant, and Equipment Cost  
Accumulation, Assignment, and Allocation*  
(Dated March 1, 2013)

**All responses are requested by May 1, 2013**

**Q1. Do you agree or disagree with the concept that the current accounting standards provide entity management with both the responsibility and flexibility to design generally accepted accounting principles (GAAP) compliant policies and processes that align with the respective entity's operational environment (Paragraphs 3 – 4, 19 – 20, and 25)?**

**Answer 1. Agree.**

Management should have the responsibility and flexibility to design GAAP compliant policies and processes, given each entity's varying levels of precision when allocating costs to end outputs or objectives in their operational environment.

**Q2. Do you agree or disagree that an entity's mission and operational environment impact the financial management information needs of the entity's stakeholders (Paragraph 9)?**

**Answer 2. Agree.**

Within the Department of Defense, it is evident that our mission and operational environment has an impact on the financial management information needs of our stakeholders. The uniqueness and complexity of the Department's mission and operational environment require multiple revenue sources, along with multiple financial systems that must be responsive to information needs of the stakeholders.

Q3. If you agree with "Q2" above, do you agree or disagree with management's use of the three principles identified in Paragraph 10 to determine their stakeholder's financial management information needs?

Answer 3. Agree.

The three principles of a) relevance/usefulness of information, b) level of precision (e.g. materiality) needed to properly manage and report costs and c) cost-benefit of establishing and executing intricate cost assignment processes, methods and tools should all be considered when determining financial management information needs of the stakeholders.

Q4. Do you agree or disagree with how **direct** costs are characterized as it relates to G-PP&E in paragraph 15?

Answer 4. Agree.

SFFAS 4 and SFFAS 6 support the basis for classifying GPP&E items suitable for "direct costs" and provide examples of direct costs and treatment of expensed or capitalized assets in accordance with other standards.

Q5. Do you agree or disagree with how **indirect** costs are characterized as it relates to G-PP&E in paragraph 16?

Answer 5. Agree.

This basic cost principle of how to characterize indirect costs as it relates to G-PP&E is consistent with the Department's policy.

Q6. Do you agree or disagree with the financial reporting of certain indirect costs as unassigned costs on the Statement of Net Cost as described in Paragraph 22?

Answer 6. Agree.

The unassigned indirect costs should be reported on the entity's financial statements as "costs not assigned to programs."

**Q7. Do you agree or disagree with the financial reporting of non-production costs as described in Paragraph 24?**

**Answer 7. Agree.**

If a responsibility segment incurs and recognizes costs that are linked to events other than the production of goods and services, they should be recognized in the same period the event occurs.

**Q8. Do you agree or disagree with the approach (e.g., decision points, application of GAAP, etc.) as outlined in the Decision Framework Flowchart (Appendix C)?**

**Answer 8. Agree.**

The decision points in the flowchart provide users with an organized and clear outline to use when developing entity specific costing policies and procedures for accumulating, allocating, and reporting the cost of G-PP&E.