

Meeting Notes

G-PP&E Cost Accounting Project – AAPC G-PP&E Task Force

Subgroup Issue Leader: Sandy Van Booven

March 10, 2011

General Notes:

- Subgroup was in consensus that the draft objectives were appropriate for the G-PP&E Cost Accounting Project
 - Subgroup agreed that this project should establish a level of reasonable management interpretation/flexibility within the standards
 - Subgroup agreed that the goal is not to prescribe specific types of costs that should be included in the full cost and/or capitalized cost of an asset
- Subgroup acknowledged differences related to different PP&E asset classes (i.e. personal, real property)---subgroup agreed that IUS was not in the scope of this project

Notes related to Decision Framework:

- Subgroup agreed that a decision framework needs to be developed to guide management through the application of PP&E accounting standards against their unique business environment
 - Subgroup agreed on the importance of documenting key decisions arrived by executing the decision framework and the “pluses and minuses” of each key decision
- Subgroup acknowledged that a unique set of business rules/considerations need to be developed for each type of entity (i.e. revolving fund, user fee, appropriated)
- Subgroup discussed other considerations for the decision framework including 1) preliminary vs. relevance, 2) material vs. immaterial, and 3) cost benefit--- considerations will take the form of questions
- Subgroup discussed need for agencies to develop program models with decision points built from the decision framework. Subgroup discussed program models potentially being based on a lifecycle approach and contain flow charts with decision points---
ACTION: Organizations need to bring business model examples to next meeting

Proposed Draft Objectives for the G-PP&E Cost Accounting Project

AAPC G-PP&E Task Force

Subgroup Issue Leader: Sandy Van Booven, NRO

March 2011

- Identify and present recommendations for the AAPC to address the complexities of allocating programmatic, managerial, and administrative costs to General Property, Plant and Equipment (G-PP&E) consistent with current standards, considering:
 - A decision framework to guide professional judgment in the development of asset valuation methodologies in light of both internal and external user needs for information, taking into consideration:
 - The impact of information relevance and professional judgment to attributing programmatic, managerial, and administrative costs to assets as they are being acquired.
 - An approach to supporting professional judgment based on an assessment of organizational relevance/usefulness and cost/benefit analysis of competing implementation options (including consideration of benefits to all users of information and costs to all parties).
 - Quantitative and qualitative materiality considerations regarding indirect costs associated with asset purchase and construction
- Develop implementation guidance in accordance with AAPC decision and feedback

Proposed points of consideration to be addressed:

1. Clearly define and differentiate direct, indirect, and other related costs associated with G-PP&E.
2. Determine the relevance/ usefulness of attributing the indirect costs to the assets.
3. Determine what the associated cost to all related parties are to attribute the indirect costs.
4. Determine what the associated benefits to all related parties are to attribute the indirect cost.
5. Determine the quantitative (dollar value) materiality of the indirect costs.
6. Determine the qualitative (reliability of data) materiality of the indirect costs.
7. Weigh all factors to support management's decision.