



Advancing  
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Accountability

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February 11, 2011

Ms. Wendy M. Payne, Executive Director  
Federal Accounting Standards Advisory Board  
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 or the board) on its Technical Release exposure draft (ED) of proposed *Implementation Guidance for Estimating the Historical Cost of General Property, Plant and Equipment*.

The FMSB, comprising 24 members with accounting and auditing backgrounds in federal, state and local government, academia and public accounting, 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.

Our responses to the questions posed in the ED follow:

*Q1. Do you agree or disagree with the types of estimating methodologies proposed to estimate the cost of historical assets? Please provide the rationale for your answer. Do you believe additional methodologies should be included? If so, please specify.*

We agree. Overall, they seem appropriate for the circumstances, but please see comments below for some suggestions.

*Q2. Do you agree or disagree with the example for estimating the cost using deflation of current replacement? (See page 14.) Please provide the rationale for your answer.*

Paragraph 17 could be improved by adding “or other appropriate index” after “the consumer Price Index (CPI), and by putting the material in footnote 8 into paragraph 17, instead of having it as a footnote to paragraph 19. Paragraph 19 could be improved by adding “or other appropriate index” after “CPI”. These changes could improve the clarity and readability of the document.



*Q3. Do you agree or disagree with the example for estimating the cost using appraisal information? (See page 14.) Please provide the rationale for your answer.*

Firstly, this example is a little confusing because it is not clear why actual historical cost is being replaced by estimated historical cost that is based upon appraisals. Perhaps the last sentence in paragraph 22 could be modified to include a reason for obtaining the appraisals?

Secondly, in paragraph 25 b., we suggest that the FASAB may want to indicate that the calculator is a CPI calculator, or other appropriate index calculator. This would be more consistent with the reference to the CPI in paragraph 17 and 19 of Example 1, including suggested additions (please see answer to question 2 above.)

Thirdly, we wonder whether Table 2-1 in paragraph 26 could be expanded to include a column for Appraised Value?

Finally, Example 2 does not seem to include a step to assess the estimated useful life of the sea vessels, and the impact of any change in estimate on accumulated depreciation and depreciation expense. As a result, the significance and purpose of the "Appraisal System Depreciation Expense" column and amounts in Table 2-1 (paragraph 26) is not clear. It appears to be part of a one-time adjustment (Net Change), but it is labeled as if it could be an annual depreciation expense amount. Could the intent and purpose of the Depreciation Expense column be clarified?

*Q4. Do you agree or disagree with the example for estimating the cost using expenditures? (See page 18.) Please provide the rationale for your answer.*

Please consider calling this estimation method an "allocation method based on expenditures," rather than an expenditure method." Paragraph 30 states that the agency "either used actual cost or estimated the cost of each asset ensuring the total dollars assigned agreed with the total cost[ ]." This is essentially a method for allocating cost among dissimilar items (land, dams, levees, etc.) which could also be applied using bases other than expenditures. Calling this an "expenditure method" could be limiting and/or confusing.

*Q5. Do you agree or disagree with the example for estimating the cost using budget and appropriation information? (See page 18.) Please provide the rationale for your answer.*

Is this actually another allocation method, in this instance allocating estimated cost to similar items (same type of aircraft) based upon budget and appropriation information? If so, perhaps it could be called "allocation method based on budget and appropriation" rather than a "budget and appropriation method."

*Q6. Do you agree or disagree with the example for estimating the cost for G-PP&E in the possession of contractors? (See page 18). Please provide the rationale for your answer.*

We agree and have no other comments.

*Q7. Do you agree or disagree with the G-PP&E record retention recommendations outlined in Appendix B?*

We agree and have no other comments.

We appreciate the opportunity to comment on this document and would be pleased to discuss this letter with you at your convenience. A majority of members approved the issuance of this letter. If you have questions concerning the comments in this letter, please contact Anna D. Gowans Miller, CPA, AGA's director of research and staff liaison for the FMSB, at [amiller@agacgfm.org](mailto:amiller@agacgfm.org) or at 703.684.6931 ext. 313.

Sincerely,



Eric S. Berman, CPA, Chair  
AGA Financial Management Standards Board

cc: Lisa Casias, CPA  
AGA National President

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Financial Management Standards Board**

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