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Sent: Wednesday, February 09, 2011 11:54 AM

To: FASAB

Cc: norma.tolson@gsa.gov

Subject: Comments from the U.S. General Services Administration on FASAB ED on Estimating Historical Cost of G-PP&E

Good morning,

Attached are the U.S. General Services Administration (GSA) comments on the FASAB Exposure Draft (ED) on Implementation Guidance for Estimating Historical Cost of General Property, Plant & Equipment. If you have any questions, please contact me. Thank you for the opportunity to provide comments.

Alexis M. Stowe, CPA, CISA, CGFM, CFE
Acting Director Office of Financial Policy and Operations (BC)
Office of the Chief Financial Officer

Question	Page No.	SUBJECT/TITLE (Federal Financial Accounting Technical Release Exposure Draft: Implementation Guide for Estimating the Historical Cost of G-PP&E)	Yes	No	RECOMMENDATIONS /COMMENTS	Name of Commenter	Office	Email Address/Phone
		General Comments						-
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.	x			Priscilla Sampson	BCA	priscilla.sampson@gsa.gov
						Rebekah Poirier	BE	rebekah.poirier@gsa.gov
Q2	14	Do you agree or disagree with the example for estimating the cost using deflation of current replacement? (Page 14) Please provide the rationale for your answer.	x		Agree with the estimating methodologies proposed in cases where the historical cost is unavailable. However, it should be expressed that historical cost is the basis for valuing PP&E and estimates should be used only when historical cost information is unavailable. There	Rebekah Poirier	BE	rebekah.poirier@gsa.gov

					should also be guidance on the financial disclosure of such estimates or any deviation from using historical cost as a basis.			
Q3	16	Do you agree or disagree with the example for estimating the cost using appraisal information? (Page 14) Please provide the rationale for your answer.		x	Disagree - The historical cost principle does not allow us to adjust historical cost to market value, except in certain cases where the asset is held for sale or if it is impaired. FASAB defines an impairment loss when the carrying amount of the asset is not recoverable and exceeds its fair value. The carrying amount of an asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and disposition of the asset. The example for estimating the cost using appraisal information: 1) Does not address the undiscounted cash flows of the assets in question and therefore does not adequately	Rebekah Poirier	BE	rebekah.poirier@gsa.gov

				<p>address the impairment rule.</p> <p>2) Basically uses current appraisals to determine the appropriate Net Book Value of an asset which would go against the historical cost principle.</p> <p>3) In a case where historic record is missing, the use of appraisal methodology may be acceptable, provided the method takes into account inflation and the cost of the asset at the time of purchase, which may vary greatly compared to the current market value.</p> <p>4) Did not take into consideration the depreciation methodology used by the agency. For instance, some assets may be depreciated using straight line depreciation, however, the value of the asset may decline in a way inconsistent with straight-line depreciation (i.e. vehicles usually decline in value the most in the</p>			
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					<p>first 2 years of the assets life). If the agency adjusts the value of the asset to the appraisal value, without regard to the depreciation method used and without consideration of the cash flows from the asset, it runs the risk of later misstating the net book value of the asset at the end of the useful life.</p> <p>The appraisal methodology should only be used in cases where there is no historical value or where the asset is being held for sale.</p>			
Q4	18	Do you agree or disagree with the example for estimating the cost using expenditures? (Page 18) Please provide the rationale for your answer.	x		Agree, however, an example with numbers and calculation would be very helpful for the users to see how the collected data are analyzed and calculated.	Phyllis Lam	BCA	phyllis.lam@gsa.gov

Q5	18	Do you agree or disagree with the example for estimating the cost using budget and appropriation information? (Page 18) Please provide the rationale for your answer.	x			Priscilla Sampson	BCA	priscilla.sampson@gsa.gov
Q6	21	Do you agree or disagree with the example for estimating the cost for G-PP&E in the possession of contractors? (Page 18) Please provide the rationale for your answer.	x			Priscilla Sampson	BCA	priscilla.sampson@gsa.gov
						Rebekah Poirier	BE	rebekah.poirier@gsa.gov
Q7	Appendix B	Do you agree or disagree with the G-PP&E record retention recommendations outlined in Appendix B.	x			Priscilla Sampson	BCA	priscilla.sampson@gsa.gov
						Rebekah Poirier	BE	rebekah.poirier@gsa.gov