National Aeronautics and Space Administration
Headquarters
Washington, DC 20546-0001

November 30, 2010

Reply to Attn of:

Office of the Chief Financial Officer

Ms. Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6K17V
441 G Street, NW, Suite 6814
Washington, DC 20548

Dear Ms. Payne:

We are in receipt of the Exposure Draft "Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording," dated September 13, 2010. The National Aeronautic and Space Administration fully supports Federal Accounting Standards Advisory Board (FASAB)'s initiatives in improving financial management across the federal government. Accordingly, we hereby provide comments on the above referred exposure draft in the attachment to this letter. As always, we appreciate the opportunity to comment on FASAB's exposure draft guidance.

If you need additional information or clarification please contact me at (202) 358-0978.

Sincerely,

For, Frank E. [signature]

Terry Bowie
Deputy Chief Financial Officer

Attachment

National Aeronautics and Space Administration (NASA)
Office of Chief Financial Officer (OCFO)
Comments on FASAB's Exposure Draft

"Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording "

SECTION I. General Comments:

Topic 1: Basis for alternative measurement of assets and liabilities other than "historical cost"

Comment: In general, the proposed Exposure Draft (ED) does not seem to make a very strong case for using an alternative approach to historical cost. Historical cost is based on considerations (supported by auditable documentary evidence such as invoices and receipts etc) given in exchange for assets and resources consumed or assets received (supported by auditable documentary evidence such as contracts, invoices and receipts) in exchange for obligations/liabilities recognized. Conversely, the proposed remeasured values are based on highly subjective and intangible information that is more difficult to audit. In addition, audit challenges are introduced because financial information will be largely based on assumptions driven by forces, outside of the reporting entities control.

Topic 2: Certain elements of the proposed "remeasurement value" approach exists in other accounting treatment guidelines related to "historical cost" measurement approach

Comment: Requirements that currently exist, such as "impairment loss," "lower of cost or market," "obsolescence," etc., take into consideration changes in value of the historical cost of assets and liabilities. The elements proposed in the ED regarding remeasurement seem to be proposing similar requirements to those that already exist. In addition, Statement of Federal Financial Accounting Standard (SFFAS) No. 35 which was recently issued addresses valuation of historical cost of assets in the absence of historical documentation.

Topic 3: Need for optional application of the proposed "remeasurement amount" approach

Comment: It would be helpful if the proposed "remeasurement amount" approach is made optional for entities to use in events where historical cost information is either not available and/or not reliable or deemed by the entity to potentially result in a presentation of financial statements that is less than "fair".

Topic 4: Cost Benefit of Reporting in "Remeasured Amounts"

Comment: Given the subjectivity involved in valuing the assets and liabilities under the proposed remeasurement approach, it will require significant resource commitment from both the accounting and auditing perspectives. Accountants will be required to measure on annual basis assets and liabilities and auditors will have to perform audit procedures on the entire balances as opposed to merely performing roll forward audit procedures of additions and deletions of assets during the year. The frequency of measurement itself may need to be examined to determine whether annual measurement is necessary in the absence of changes in the presumed factors. Also, audit opinions could be affected by significant changes in factors (inflation, default rates, market price) subsequent to the balance sheet date but prior to the issuance of the financial statements. Regardless of whether these factors occurred in the fiscal year or not, they may have significant impact on the financial statements audit opinion.

SECTION II. Response to FASAB's Specific Questions:

Question 1. This Statement discusses whether and under what circumstances it might be more useful to report an asset or liability in periods after its acquisition or incurrence (a) at the amount initially recorded (i.e., "historical cost," subject to appropriate adjustments for amortization, depreciation, or depletion) or (b) at an amount measured at each financial statement date. These two amounts are referred to in this Statement as, respectively, "initial amounts" and "remeasured amounts."

a. **Is the distinction between initial and remeasured amounts understandable and useful to you? If not, please suggest improvements.**

   Response: Yes, except that concepts such as impairment, net realizable value, obsolescence, mark-to-market, etc., which seem to be proposed with the remeasurement approach is in fact addressed under the historical cost valuation of assets and liabilities.

b. **Are the benefits and drawbacks of using each approach clear and complete? (See paragraphs 17–33.) If not, please suggest improvements or additions.**

   Response: Yes, to some extent. However, the comparisons seem to be in broad terms. A tabular format of the advantages and disadvantages of both methods will provide a more comparative assessment. See our comments in 1 and 4 above for more comments on cost/benefit.

c. **Do you agree with the decision to exclude any discussion of the advantages and disadvantages of inflation-adjusted amounts from this Statement? (See paragraphs 14–15.) Please provide the rationale for your answer.**

Response: Further consideration of inflation-adjustments may present additional insight into potential challenges to consider in applying the proposed approach. With merits of the inflation-adjusted clearly addressed, decision makers could be better informed. For example, since inflation is a highly subjective factor and moreover a moving target, measurement at the balance sheet date does not necessary present the results of operation throughout the year.

Question 2. This Statement distinguishes among "measurement approach," "measurement attribute," and "measurement method." (See paragraph 7.)

Are the distinctions clear? If not, please suggest improvements.

Response: The distinctions could be improved particularly with respect to the relationship among the three (i.e. approach, attribute and method). Perhaps using the three in a single sentence will make the distinction clearer. For example, as of September 30, 2010, remeasured fair value of NASA's commitments and contingencies based on market quoted prices are $5 billion. In this case, the approach is a "remeasured amount," the attribute is "fair value," and the method is "market quoted price." However, in the absence of additional specific examples of these treatment options, users are left with very few options at this time.

Question 3. The Statement asserts that:

> [W]hen the goal is to help ensure that reported information meets several financial reporting objectives in response to the various decision-making needs of a range of users, it is necessary to accept that different measurement approaches, measurement attributes, and measurement methods may be appropriate to convey useful information about different transactions and underlying events. (See paragraph 33.)

Do you believe that it is appropriate to measure items presented in accrual-basis financial statements using different measurement approaches, attributes, and/or methods? Please provide the rationale for your answer.

Response: Partially agree. The question of comparability (in terms of both agency to agency as well as entity to entity and ultimately year to year) will be a concern since entities may be selecting from what appears to be an alacarte of acceptable approaches that which serves their respective objectives best. This subjectivity could change at any given point in time and from entity to entity at management's discretion. Given that some of the approaches are more subjective than others, the question of comparing approaches from a point of view of "fair Presentation" will become troublesome. In the absence of more specific requirements and detailed guidance in a standard, the concept may lead to more confusion. We recommend that this item be omitted and further researched until such time as FASAB is ready to address the specifics in detail.

Question 4. Beginning in paragraph 34, this Statement presents the definitions of measurement attributes and discusses each attribute in relation to the qualitative characteristics that information in financial reports should demonstrate. These attributes will be relied on in establishing accounting standards in the future.

a. **Is the definition of each attribute clear and understandable? If not, please identify the attribute(s) for which you found the definition lacking, explain why, and suggest improvements.**

   Response: The definition of attributes could be improved with a complete listing and description of the attributes. A list with definition of each attribute will in fact present readers better information about the attributes.

b. **Is the list of attributes complete? If not, please identify and define the attribute(s) that you would add to this Concepts Statement and explain why you would add it (them).**

   Response: A list with definition of each attribute will in fact present readers better information about the attributes.

c. **Are there any attributes in the list that you believe are inappropriate for accrual-basis federal government entity financial statements? If so, please identify the attribute(s) that you would exclude and explain why.**

   Response: The attribute that appears the most problematic is "Value in Use" because of its inherent subjective nature. Value in Use as stated is an entity's subjective assessment of the value to the entity of an asset that it owns. This presents a financial statements comparability concern. See response on Question 3 above.

d. **Do you agree with the discussion of the extent to which the measurement attributes and methods fulfill the individual qualitative characteristics? If not, please identify which aspects you view differently and explain why.**

   Response: Yes, this discussion is agreeable at a high level. Perhaps more in-depth analysis is warranted on these matters, prior to finalization of the proposed approach.