

Federal Accounting Standards Advisory Board

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NEWS RELEASE

FASAB Requests Comments on Proposed Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), Mr. Tom Allen, announced today that the FASAB is seeking input on an Exposure Draft, *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*.

The proposed standards would require entities to report the effects of general property, plant, and equipment (G-PP&E) impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the G-PP&E or upon disposal of the G-PP&E. This would enable users of financial statements to discern the cost of impairments when they occur, the financial impact on the reporting entity, and the cost of services provided following the impairment. Additionally, the proposed standards also enhance comparability of financial statements between entities by requiring all entities to account for impairments in a similar manner.

“The FASAB relied heavily on state and local governmental accounting standards in developing this proposal. A primary concern is that measurement of impairment losses be made in a cost-beneficial manner given the vast and diverse federal G-PP&E. Entities are not expected to alter existing assessment methods as a direct consequence of the proposed standards,” according to Chairman Allen. “We hope to encourage a focus on material impairments rather than on process by relying, where possible, on information already used by management.”

The exposure draft requests written comments by May 28, 2012, and encourages respondents to provide the reasons for their positions. The exposure draft in PDF format and the specific questions for respondents in Word format are available on the FASAB website at <http://www.fasab.gov/board-activities/documents-for-comment/exposure-drafts-and-documents-for-comment/>.

ABOUT FASAB

Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to assess (1) the government's accountability and its efficiency and effectiveness, and (2) the economic, political, and social consequences of the allocation and various uses of federal resources. The FASAB issues federal accounting standards after following a due process consistent with the Memorandum of Understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

For more information on FASAB, please visit our website: www.fasab.gov.