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Q1. Statement of Federal Financial Accounting Standards (SFFAS) 50, *Establishing Opening Balances for General Property, Plant, and Equipment*, permits a reporting entity, under specific conditions, to apply alternative methods in establishing opening balances for general property, plant, and equipment. This TR explains the alternative valuation methods in greater detail and describes examples of the acceptable types of documentation that may support the valuation as outlined in SFFAS 6, *Accounting for Property, Plant, and Equipment*, as amended.

Do you agree or disagree that this TR provides clear technical guidance? If you disagree, please identify the sections that require additional clarity. Please provide the rationale for your answer.

We have read through the technical release and agree that it provides clear technical guidance on what reasonable estimates are to establish the historical cost of general property, plant, and equipment. Specifically, it gives agencies that do not have established beginning balances alternatives to estimate the balance such as the cost of similar assets, current cost of similar assets discounted for inflation, or other reasonable methods based on budget, appropriations, other reports. It also noted that the placed in-service date must be estimated in some instances. Although these estimates may

not result in an accurate/complete PP&E balance on the Balance Sheet and gross costs on the Statement of Net Cost, we agree that it is important to consider materiality and the cost/benefit to implement the standard.

To further enhance the guidance, we suggest adding Programmatic Based Estimates. Approved acquisition strategies and plans can reveal portions of capital acquisition programs attributable to contracts, mission partners, and in-house development. Supporting documentation may consist of spend plans, internal management reviews of expenditure rates, program management reviews tracking cost, schedule, and delivered capabilities, and financial obligating documents.

We also suggest including language that confirms it is management's responsibility to (a) determine the account balances to which the standard will be applied; (b) select the valuation methods; (c) make the decisions/assumptions used; and (d) document the decisions/assumptions used by management. An auditor could then test to determine whether management applied the standard appropriately (e.g. used valuation methods stated in the standard) and that the balances derived from the application of the methodologies used by management were calculated correctly (e.g. no mathematical errors, no formula driven errors, no data input errors, etc.).

- Q2.** This TR acknowledges that the reporting entity may select any of the SFFAS 50 methods, and there is no preferred method because cost-beneficial options are the major goal of SFFAS 50. This TR clarifies that such flexibility was intended by SFFAS 50 and explains that management is not required to select the most precise or best method.

Do you agree or disagree that this TR appropriately clarifies the flexibility intended in selecting among methods? Please provide the rationale for your answer.

Yes, we agree that it is flexible in that if the costs exceed the benefits to implement a certain method then there are alternatives to valuing the historical cost of general property, plant, and equipment.

- Q3. Are there additional issues that the AAPC should consider in this TR? If so, what are they, and how would you describe them?** Respondents may consult the [AAPC project page](#) for additional information about other issues considered during the deliberation of this TR. **Please provide the rationale for your answer.**

In keeping with the FASAB's objective to reduce expenditures in determining opening balances for general PP&E, we would like the AAPC to consider allowing for limited due diligence for valuing assets which are fully depreciated and have a net book value of zero. We do not believe it would be cost effective to spend significant costs and resources in determining values for those assets which would not impact the opening balance. Furthermore, this would allow for reporting entities to allocate additional resources and enhance precision for valuing assets with a positive NBV which do impact as well as focus on needed improvements to systems and controls process transactions going forward. Limited due diligence could include limited cost and resources spent valuing assets that have been fully depreciated for 5 years or greater from the fiscal year in which the opening balance is being stated.

FASAB EXPOSURE DRAFT Technical Release Implementation Guidance for Establishing Opening Balances							
Comment #	Page #	Line #	Section #	Agency	Comment Type - Indicate (S) for Substantive or (A) for Administrative	Comments	Rationale
1	Pages 6/14/15	Items A6 and A7/Para 49/Footnote 14	Various	OGA	S	Recommend deleting the Board's basis for conclusions of SFFAS 50 that appear at the top of page 6 (items A6 and A7), at the bottom of page 14 (paragraph 49), and in footnote 14 on page 15.	This material does not provide technical guidance content.
2	6	10	Alternative Methods	OGA	S	Guidance for prospective capitalization of internal use software is not described in a similar manner as other alternative valuation methods	When planning to leverage SFFAS 50 in FY18, clear technical guidance on using prospective capitalization is essential to help ensure the standard is properly applied: a. To define what supporting documentation is required after prospective capitalization is elected related to work-in-process projects prior to an entity electing the prospective treatment. Said easier, what kind of support is necessary for internal use software already in development prior to an entity electing the prospective capitalization approach? b. To determine if the benefits of the standard still exceed the cost of applying them.
3	6	10 (Para 6)	Alternative Methods	OGA	S	Will AUs provide cost/benefit analysis for each of the alternative methods suggested (i.e. deemed cost, prospective capitalization, etc.)?	To document the process of performing a cost/benefit analysis prior to implementation of a certain SFFAS 50 method, the draft Technical Release appropriately clarifies intended flexibility in selecting estimation methods.
4	6	Para 9	Preferred methods	OGA	S	Please explain why management would not be required to select the most precise or best method.	This seems to contradict Par 13 (line 4) on page 7, which indicates that support for historical costs should be complete and stand on its own. If management is not required to select the most precise or best method, then support for historical costs may not be fully supported.
5	7	Para 11 (Ln 4)	Alternative Methods	OGA	A	Change wording: "...SFFAS 6, as amended, for each asset or class of assets... "	Clarify that each entity is not required to select only one method for the entire entity/subcomponent.

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6	7	Para 15	Deemed cost	OGA	S	We believe that a reasonable estimate of historical cost could be used, but when the opening balance is based on replacement cost or fair value, then it seems reasonable that the values should be discounted to the time of acquisition. Has the board considered this and if so, please provide an example scenario?	If alternative methods of asset valuation or deemed cost are used, these alternative methods must be consistently applied and fully disclosed in the notes to the financial statements. However, if discounting the values is not a cost effective solution, then this fact should also be disclosed in the notes to the financial statements.
7	7	16-17	Deemed cost	OGA	S	Is component level entity defined at the Agency level and then sub-component reporting entity would be an AU, like FAC? Therefore, if an AU was considered a sub-component, is the sub-component allowed to choose more than one alternative valuation methodology depending on the representative asset scenarios or do all assets in an AU have to use the same alternative valuation methodology?	Clarify/define entity subcomponents use of different alternative valuation methods.
8	7	Para 17	Deemed cost	OGA	S	In Para 17 (line 4), it indicates that "... (2) estimated historical costs" is a valuation method permitted by SFFAS 6 as an option (either alone or in combination). Based on this, if a reasonable estimate of historical cost for opening balances is adopted by an agency, what is the disclosure requirement in the financial statements?	If a reasonable estimate of historical cost is used, and is the only methodology used, then it may limit the disclosure needed in the notes to the financial statements.
9	7	Para 17 (1) Replacement Cost	Deemed cost	OGA	S	Consider providing example scenario and calculation for each alternative costing method.	Clarify by providing further guidance with examples of each alternative method on an individual basis.

**FASAB EXPOSURE DRAFT Technical Release
Implementation Guidance for Establishing Opening Balances**

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10	8	Para 21	Deemed cost	OGA	S	In reference to the statement that "... there is no expectation that deemed cost will be updated or changed for the passage of time, except for error corrections..." - what about retrospectively applying the best method?	It seems that if deemed cost is going to be used as a valuation methodology, this paragraph may contradict Par 19 when there is no "precise means of measurement" for the initial amount that could be developed for opening balances. It seems confusing that the standard will not be applied retrospectively, the established opening balances are not expected to be updated at a later point in time, and that deemed cost will not be "trued-up" to reflect the actual value in the future (Par 21, page 8).
11	8	Para 21	Deemed cost	OGA	S	"no expectation the deemed cost will be updated or changed for the passage of time, except for error corrections." During the life of an asset, what if capital costs are incurred against an asset with a deemed cost valuation?	There is a risk if deemed costs are not updated, capital costs (additional capacity, utility, extending useful life etc.) may be misclassified.
12	10	Para 29	Plant Replacement Value	OGA	S	Include statement that the calculation for PRV is not limited to the FRPP methodology.	Clarification.
13	10	Para 29 (Ln 5)	Plant Replacement Value	OGA	S	"PRV may be an appropriate starting point in establishing replacement cost for real property." Is PRV an acceptable method of valuation? If it is only the starting point, what other factors need to be considered in order to establish a beginning balance?	The use of "starting point" could be confusing or misinterpreted. What other considerations should management apply to the "starting point"?
14	11	Para 30 (Ln 1)	Plant Replacement Value	OGA	A	Add wording: "...represents a tradeoff, but is acceptable. "	Clarification

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15	12	Para 36	Other acceptable replacement cost methods	OGA	S	Recommend adding GSA schedules to the list of sources for researching current replacement costs amounts.	GSA schedules may serve the same purpose as FED LOG in establishing current replacement costs.
16	13	Para 40 (Ln 6)	Estimated historical cost	OGA	A	Clarify, "but for which" or reword sentence.	Intent/meaning of this sentence is unclear.
17	16	Para 55	Estimates - budget based	OGA	S	Recommend adding completed re-programming's to the budgetary documents.	Re-programming's (either below or above Congressional thresholds) are approved by an entity's direct executive branch or congressional oversight.
18	20	Para 73	Fair value	OGA	S	Will AUs document market research analysis to provide to CFO to validate their fair value process? Would this documentation be required by auditors during the financial audit?	Clarify whether or not this documentation for market research analysis is required to support alternative valuation.

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19	19, 21	Para 67 (Ln 1), Para,75 (Ln 1)	Estimates and fair value	OGA	S	The ED states that an informed opinion of an expert cost estimator may be used to support reasonable estimates for establishing asset opening balances. However, if a reporting entity elects to establish it PPE opening balances using the fair value model of appraisal, the appraisal must be performed by an independent, qualified professional in accordance with the Uniform Standards of Professional Appraisal Practice to be considered compliant. From a cost/benefit analysis viewpoint, why would it not be acceptable to use an expert cost estimator in the Fair Value model; assuming cost estimators are usually government employees?	Clarify consistent use of experts/professionals for all opening balance asset valuations.