



Federal Accounting Standards Advisory Board

**CONFORMING AMENDMENTS TO
TECHNICAL RELEASES FOR SFFAS 50,
*ESTABLISHING OPENING BALANCES
FOR GENERAL PROPERTY, PLANT, AND
EQUIPMENT***

Federal Financial Accounting Technical Release 17

April 10, 2017

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. The proposed standards are published in an exposure draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information is available from FASAB or its website:

- [“Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board”](#)
- [“Mission Statement: Federal Accounting Standards Advisory Board,” exposure drafts, Statements of Federal Financial Accounting Standards and Concepts, FASAB newsletters,](#) and other items of interest are posted on FASAB’s website at www.fasab.gov.

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The Accounting and Auditing Policy Committee

The Accounting and Auditing Policy Committee (AAPC) was organized in May 1997 by the Department of the Treasury, the Office of Management and Budget (OMB), the Government Accountability Office (GAO), the Chief Financial Officers Council (CFOC), and the Council of the Inspectors General on Integrity and Efficiency (CIGIE—formally the President's Council on Integrity and Efficiency) as a body to research accounting and auditing issues requiring guidance.

The AAPC serves as a permanent committee established by the Federal Accounting Standards Advisory Board (FASAB). FASAB's mission is to develop accounting standards after considering the financial and budgetary information needs of congressional oversight groups, executive agencies, and the needs of other users of federal financial information. The mission of the AAPC is to assist the federal government in improving financial reporting through the timely identification, discussion, and recommendation of solutions to accounting and auditing issues as they relate to the specific application of existing authoritative literature.

The AAPC is intended to address issues that arise in implementation that are not specifically or fully discussed in federal accounting and auditing standards. The AAPC's guidance is cleared by FASAB before being published.

Additional background information on the AAPC is available from FASAB on its website:

- ◆ ["Charter of the Accounting and Auditing Policy Committee"](#)
- ◆ [Accounting and Auditing Policy Committee Operating Procedures](#)

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EXECUTIVE SUMMARY

Statement of Federal Financial Accounting Standards (SFFAS) 50, *Establishing Opening Balances for General Property, Plant, and Equipment*, amended SFFAS 6, *Accounting for Property, Plant, and Equipment*, and SFFAS 10, *Accounting for Internal Use Software*, and rescinded SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Financial Accounting Standards 6 and 23*.

This Technical Release (TR) provides amendments to previously issued TRs to acknowledge the rescission of SFFAS 35. It also clarifies that all standards-level implementation guidance for general property, plant, and equipment (with the exception of certain provisions applicable to internal use software) now resides in SFFAS 6, as amended.

Specifically, this TR provides conforming amendments to the following documents:

- Technical Release 13, *Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment*
- Technical Release 15, *Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation*
- Technical Release 16, *Implementation Guidance For Internal Use Software*

This TR does not provide a complete update of the above TRs; the amendments conform the TR documents to the provisions of SFFAS 50. A separate TR will be issued that addresses SFFAS 50-specific implementation issues associated with the alternative methods of arriving at deemed cost.

The provisions of this TR need not be applied to immaterial items. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

TABLE OF CONTENTS

Executive Summary	1
Technical Guidance	3
Scope	3
Amendments to Existing Technical Releases	3
Effective Date	7
Appendix A: Basis for Conclusions	8
Appendix B: Abbreviations	11

TECHNICAL GUIDANCE

SCOPE

1. Readers of this Technical Release (TR) should first refer to the hierarchy of accounting standards in Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. This TR supplements the relevant accounting standards but is not a substitute for and does not take precedence over the standards.
2. The amendments addressed in this TR conform the following documents to certain provisions established by SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards* (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35:
 - Technical Release 13, *Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment*
 - Technical Release 15, *Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation*
 - Technical Release 16, *Implementation Guidance For Internal Use Software*

AMENDMENTS TO EXISTING TECHNICAL RELEASES

TECHNICAL RELEASE 13, *IMPLEMENTATION GUIDE FOR ESTIMATING THE HISTORICAL COST OF GENERAL PROPERTY, PLANT, AND EQUIPMENT*

3. This paragraph rescinds paragraphs 1-10 (including all section titles, subsection titles, and the accompanying footnote 1 to par. 3 contained within the introduction and background sections) of TR 13, *Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment*. This will eliminate potentially confusing references to the rescinded SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Financial Accounting Standards 6 and 23*, and amended portions of other Statements.
4. This paragraph amends the technical guidance section of TR 13 by inserting the subheading “scope” with paragraphs 10a-10c directly under “technical guidance” as follows:

Technical Guidance

Scope

10A. Readers of this Technical Release (TR) should first refer to the hierarchy of accounting standards in Statement of Federal Financial Accounting Standards (SFFAS) 34, *The*

Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board. This TR supplements the relevant accounting standards but is not a substitute for and does not take precedence over the standards.

10B. SFFAS 6, *Accounting for Property, Plant, and Equipment*, (as amended) provides that reasonable estimates may be used to establish historical cost of general property, plant, and equipment (PP&E) in accordance with the asset recognition and measurement provisions within SFFAS 6. This is also applicable to internal use software when the software meets the criteria for general PP&E in accordance with SFFAS 10, *Accounting for Internal Use Software*.

10C. SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35*, amended SFFAS 6 to allow a reporting entity, under specific conditions, to apply alternative valuation methods in establishing opening balances for general PP&E.

5. This paragraph further amends the technical guidance in TR 13 by inserting the subheading “effective date” with the following paragraph directly under the scope section added in paragraph 4 above as follows:

Effective Date

10D. This TR is effective upon issuance.

6. This paragraph amends the examples of practice provided in TR 13 by rescinding footnotes 2-4 of paragraph 12 and replacing paragraphs 11 and 12 as follows:

11. The examples outlined in this guide illustrate the use of various estimating methodologies to derive the historical cost of general PP&E in accordance with SFFAS 6, as amended. Although the measurement basis for valuing general PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of general PP&E in accordance with the asset recognition and measurement provisions of SFFAS 6, as amended.^{1A}

12. Reasonable estimates may be based on
 - a. cost of similar assets at the time of acquisition;
 - b. current cost of similar assets discounted for inflation since the time of acquisition (that is, deflating current costs to costs at the time of acquisition by general price index); or
 - c. other reasonable methods, including latest acquisition cost and estimation methods based on information such as, but not limited to, budget, appropriations,

^{1A} SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35*, provides for deemed cost to be used for opening balances in some cases. Estimating historical cost is one of several deemed cost valuation methods. This TR addresses the estimation of historical cost and does not address other acceptable deemed cost methods.

engineering documents, contracts, or other reports reflecting amounts to be expended.

12A. In some cases, the in-service date must be estimated. In estimating the year that the base unit was placed in service, if only a range of years can be identified, then the midpoint of the range is an acceptable estimate of the in-service date.

TECHNICAL RELEASE 15, *IMPLEMENTATION GUIDANCE FOR GENERAL PROPERTY, PLANT, AND EQUIPMENT COST ACCUMULATION, ASSIGNMENT AND ALLOCATION*

7. This paragraph amends TR 15, *Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation*, by revising the last sentence of paragraph 12 as follows: “This Technical Release clarifies but does not change guidance provided in SFFAS 4, or SFFAS 6 (as amended), ~~SFFAS 23, or SFFAS 35.~~”

The revised paragraph 12 of TR 15 is as follows:

Readers of this Technical Release should first refer to the hierarchy of accounting standards in SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. This Technical Release supplements the relevant accounting standards, but is not a substitute for and does not take precedence over the standards. This Technical Release clarifies but does not change guidance provided in SFFAS 4 or SFFAS 6 (as amended).

8. This paragraph amends TR 15, paragraphs 1 and 14, by updating it for the amended SFFAS 6, paragraph 26, language and adding “as amended” after SFFAS 6. The following language was added as the second sentence of SFFAS 6, paragraph 26: “Although the measurement basis for valuing general PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of general PP&E, in accordance with the asset recognition and measurement provisions herein.”

The revised paragraph 1 of TR 15 is as follows:

1. Statement of Federal Financial Accounting Standards 6 (SFFAS 6), *Accounting for Property, Plant, and Equipment*, (as amended) outlines the recognition requirements for general property, plant, and equipment (G-PP&E) except for internal use software. Paragraph 26 states that,

“All general PP&E shall be recorded at cost. Although the measurement basis for valuing general PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of general PP&E, in accordance with the asset recognition and measurement provisions herein. Cost shall include all costs incurred to bring the PP&E to a form and location suitable for its intended use.”

The AAPC G-PP&E cost accounting issues subgroup was developed to address a request for implementation guidance for these requirements.

The revised paragraph 14 of TR 15 is as follows:

14. SFFAS 6 (as amended), paragraph 26, states:

All general PP&E shall be recorded at cost. Although the measurement basis for valuing general PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of general PP&E, in accordance with the asset recognition and measurement provisions herein. Cost shall include all costs incurred to bring the PP&E to a form and location suitable for its intended use. For example, the cost of acquiring property, plant, and equipment may include:

- amounts paid to vendors;
- transportation charges to the point of initial use;
- handling and storage costs;
- labor and other direct or indirect production costs (for assets produced or constructed);
- engineering, architectural, and other outside services for designs, plans, specifications, and surveys;
- acquisition and preparation costs of buildings and other facilities;
- an appropriate share of the cost of the equipment and facilities used in construction work;
- fixed equipment and related installation costs required for activities in a building or facility;
- direct costs of inspection, supervision, and administration of construction contracts and construction work;
- legal and recording fees and damage claims;
- fair value of facilities and equipment donated to the government; and
- material amounts of interest costs paid [FN30: "Interest costs" refers to any interest paid by the reporting entity directly to providers of goods or services related to the acquisition or construction of PP&E.].

9. This paragraph rescinds paragraph 10 (and the preceding title "Related Accounting Literature") of TR 15.

TECHNICAL RELEASE 16, *IMPLEMENTATION GUIDANCE FOR INTERNAL USE SOFTWARE*

10. This paragraph rescinds paragraph 7 (and the preceding title "Related Accounting Literature") of TR 16, *Implementation Guidance for Internal Use Software*.
11. This paragraph amends TR 16, paragraph 8, by revising the last sentence as follows: "This TR clarifies but does not change guidance provided in SFFAS 4, 5, 6 (as amended), or 10, and ~~35~~."

The revised paragraph 8 of TR 16 is as follows:

Readers of this Technical Release (TR) should first refer to the hierarchy of accounting standards in Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. This TR supplements the relevant accounting standards but is not a substitute for and does not take precedence over

the standards. This TR clarifies but does not change guidance provided in SFFAS 4, 5, 6 (as amended), or 10.

EFFECTIVE DATE

12. This TR is effective upon issuance.

The provisions of this Technical Release need not be applied to immaterial items.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Committee members in reaching the conclusions in this Technical Release. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The guidance enunciated in this Technical Release—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Technical Release may be affected by later Statements or other pronouncements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent pronouncements that amend this Technical Release. Within the text of the Technical Release, the guidance sections are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statements or other pronouncements for the rationale for each amendment.

PROJECT HISTORY

- A1. On August 4, 2016, the Federal Accounting Standards Advisory Board (FASAB or “the Board”) issued SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35*. SFFAS 50 amended several Statements and rescinded SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Financial Accounting Standards 6 and 23*.
- A2. As a result of these amendments and this rescission, all standards-level implementation guidance for general PP&E, with the exception of specific provisions applicable to internal use software, now resides in SFFAS 6, *Accounting for Property, Plant, and Equipment* (as amended). The Board concluded that providing implementation guidance for general PP&E other than internal use software in SFFAS 6 provides a comprehensive guide for users in a single Statement.
- A3. During the due process of SFFAS 50, exposure draft (ED) respondents expressed concern about the rescission of SFFAS 35. These respondents relied on the guidance it provided and worried about audit issues that might result upon its rescission. TR 13, *Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment*, remains in effect regardless of these amendments and this rescission.
- A4. Comments received during due process of SFFAS 50 made it apparent that users rely on the technical guidance provided in TR 13 when developing reasonable estimates. Further, TR 15, *Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation*, provides illustrations and implementation guidance related to recognition requirements for programmatic, managerial, administrative, and other elements of program costs incurred during the general PP&E lifecycle. TR 15 also provides illustrations and implementation guidance related to recognition requirements for decisions regarding the granularity of cost information and acceptable methods for recognizing those costs. Therefore, it was appropriate to ensure

each significant provision of SFFAS 35 was incorporated in the amendments of TR 13, 15, and 16—including the ability to use estimates in the future.

AMENDMENTS TO EXISTING TECHNICAL RELEASES

- A5. It was appropriate to update previously issued TRs to acknowledge the rescission of SFFAS 35 and that all standards-level implementation guidance for general PP&E (with the exception of certain provisions applicable to internal use software) resides in SFFAS 6 (as amended).
- A6. The conforming amendments apply to the following documents:
- Technical Release 13, *Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment*
 - Technical Release 15, *Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation*
 - Technical Release 16, *Implementation Guidance For Internal Use Software*
- A7. The Accounting and Auditing Policy Committee (AAPC or “the Committee”) concluded that it was appropriate to amend relevant sections of the TRs that discussed SFFAS 35 and other sections that referenced implementation guidance for general PP&E. The Committee removed certain language (from areas such as the introduction and background sections) because of the lengthy discussion and reference to the rescinded SFFAS 35 and portions of amended Statements. The Committee concluded that allowing the paragraphs to remain would be inconsistent with current references for generally accepted accounting principles and would lead to potential misapplication of the technical guidance.
- A8. SFFAS 50 allows a reporting entity, under specific conditions, to apply alternative valuation methods in establishing opening balances for general PP&E. A separate TR will be issued that addresses SFFAS 50 implementation issues associated with the alternative methods of arriving at deemed cost.

Summary of Outreach Efforts and Responses

- A9. The ED titled *Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment* was issued November 22, 2016, with comments requested by January 9, 2017.
- A10. Upon release of the ED, FASAB provided notices and press releases to the FASAB subscription email list, the Federal Register, *FASAB News*, the *Journal of Accountancy*, Association of Government Accountants Topics, the *CPA Journal*, *Government Executive*, the *CPA Letter*, the Chief Financial Officers Council, the Council of the Inspectors General on Integrity and Efficiency, and committees of professional associations generally commenting on EDs in the past (for example, the Greater Washington Society of CPAs and the Association of Government Accountants Financial Management Standards Board).

- A11. The AAPC received seven responses from preparers, auditors, users of federal financial information, and professional associations. The majority of respondents agreed with the proposals in the TR.
- A12. The AAPC considered responses to the ED at its February 9, 2017, public meeting. The AAPC did not rely on the number in favor of or opposed to a given position. Information about the respondents' majority view is provided only as a means of summarizing the comments. The AAPC considered the arguments in each response and weighed the merits of the points raised.
- A13. Of the seven responses, six supported the proposal to acknowledge the rescission of SFFAS 35 and that all standards-level implementation guidance for general property, plant, and equipment (with the exception of certain provisions applicable to internal use software) now resides in SFFAS 6. One respondent neither agreed nor disagreed with the proposal. Further, of the seven responses, six did not believe there were additional amendments or issues that the AAPC should consider in this TR.

AAPC & Board Approval

- A14. The TR was approved by the AAPC for release to the FASAB for issuance. The Board has reviewed this TR and a majority of its members do not object to its issuance. Written ballots are available for public inspection at the FASAB office.

APPENDIX B: ABBREVIATIONS

AAPC	Accounting and Auditing Policy Committee
ED	Exposure Draft
FASAB	Federal Accounting Standards Advisory Board
GAAP	Generally Accepted Accounting Principles
G-PP&E	General Property, Plant, and Equipment
PP&E	Property, Plant, and Equipment
SFFAS	Statement of Federal Financial Accounting Standards
TR	Technical Release

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