



February 2, 2017

Memorandum

To: Members of the Committee

From: Melissa Batchelor, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: *Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment* -Comment Letters¹

MEETING OBJECTIVE

The meeting objective is to review the comment letters to the exposure draft and approve the Draft Technical Release *Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment* (which required minimal changes) so that it may be submitted to FASAB for their 45-day review.

BRIEFING MATERIAL

This memorandum provides the staff summary. The staff's summary is intended to support your consideration of the comments and not to substitute for reading the individual letters. The summary also presents:

- A. Tally of Responses By Question.....5
- B. Quick Table of Responses By Question6

Attachment 1 provides the full text of each comment letter

Attachment 2 provides the original exposure draft with suggested edits

Attachment 2 provides the clean Draft Technical Release *Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment*

Attachment 4 provides the ballot

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of FASAB or its staff. Official positions of FASAB are determined only after extensive due process and deliberations.

STAFF SUMMARY OF RESPONSES

STAFF SUMMARY

SUMMARY OF OUTREACH EFFORTS

The exposure draft, *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.

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).

To encourage responses, reminder notices were provided to our Listserv. We also contacted affected agencies directly (DoD) if a response had not been received by the date requested.

RESULTS AND ANALYSIS

As of February 1, 2017, we have received **7 responses** from the following sources:

	FEDERAL (Internal)	NON-FEDERAL (External)
Association/Industry Organization		1
Auditors	1	
Individual		1
Preparers and financial managers	4	

The full text of the comment letters is provided as Attachment 1. Attachment 1 includes a table of contents and identifies respondents in the order their responses were received. The comment letters appear as an attachment to facilitate compilation and pagination. However, staff encourages you to read the letters in their entirety before you read the staff summary below.

After considering the comments, staff notes the majority of respondents agreed with these proposals.

- **Six of the seven respondents agreed with the proposals 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.**
- **Six of the seven respondents did not believe there were additional amendments or issues that the AAPC should consider in this TR.**

STAFF SUMMARY OF RESPONSES

No respondents indicated that they disagreed with the proposal. While indicating agreement with the proposal Respondent #5 **GWSCPA** expressed concerns that the Board's intended use of reasonable estimates as a source by Federal agencies in deriving the historical cost of property, plant, and equipment (PP&E) balance is not limited by the current language in GAAP, and could be used by Federal agencies for the estimation of PP&E on a perpetual basis.

The respondent noted *"Paragraph 12 of SFFAS No. 50 revised paragraph 6 of SFFAS No. 6 by adding the following sentence: "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." This sentence, along with the guidance provided in paragraph 6 of the ED, may permit a Federal agency to continue to use reasonable estimates, such as budgetary documents, in the determination of historical cost – even in years subsequent to the Federal agency's assertion on its opening balance of PP&E. We suggest that the Board evaluate whether additional guidance is required to clarify the Board's intentions on the use of reasonable estimates."*

While staff understands the concerns, staff believes it is somewhat beyond the scope of this TR. Further, it was the due process of SFFAS 50 that resulted in the amended language to SFFAS 6. The Board's position has remained consistent on this matter. Reporting entities should use judgment regarding the decision to use reasonable estimates in lieu of original transaction based data. Estimates should provide a reasonable approximation of historical cost, the measurement basis required for general PP&E.

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. Additional implementation guidance regarding opening balances is being addressed by the AAPC SFFAS 50 Implementation Task Force and is anticipated in the near future.

Respondent # 7 Woosley neither agreed nor disagreed with the proposal but provided additional comments. The respondent stated "The implementation guidance through the technical releases and through the SFFAS documents does not adequately address recapitalization (or capitalization) of real property assets that are currently in existence. As such, it will impede the ability of the Large Agencies in a rolled-up audit of multiple sub-components to have a singular approach to classification of work for extending the life or raising the value of the building."

While staff believes these are valid concerns and issues, staff believes the comments are beyond the scope of this technical release which is to provide amendments to previously issued TRs. Specifically, some of the comments relate to issues noted with internal DoD guidance (referred to as 'implementation guidance') and also relate to areas that are being addressed by the AAPC SFFAS 50 Implementation Task Force. Staff will share this letter with them.

Respondent # 7 Woosley also offered issues that the AAPC should consider in this TR. The respondent suggested that a section specifically for 'recapitalization or capitalization of existing

STAFF SUMMARY OF RESPONSES

assets within same footprint' be addressed. The respondent also noted that there needs to be explicit definitions for when recapitalization is required and appropriate. See comment letter #7 for additional detail.

While staff believes these are valid concerns and issues, staff believes the comments are beyond the scope of this technical release which is to provide amendments to previously issued TRs. Specifically, some of the comments relate to issues noted with internal DoD guidance (referred to as 'implementation guidance') and also relate to areas that are being addressed by the AAPC SFFAS 50 Implementation Task Force. Staff will share this letter with them.

Staff Recommendation:

Staff does not believe the comment letters would require a change to the Draft Technical Release language. Staff recommends the following language in the basis for conclusions:

The AAPC received seven responses from preparers, auditors, users of federal financial information, and professional associations. The majority of respondents agreed with the proposals provided in the TR.

The AAPC considered responses to the exposure draft 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.

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.

The respondent's comments were carefully considered by the Committee. The Committee concluded the particular points raised in the respondent's letter were beyond the scope of this TR which is to provide amendments to previously issued TRs. The Committee notes that additional implementation guidance regarding opening balances is being addressed by the AAPC SFFAS 50 Implementation Task Force and is anticipated in the near future. Further, any new topics for consideration would need to be submitted through normal procedures.

STAFF SUMMARY OF RESPONSES

A. Tally of Responses By Question

QUESTION	YES/AGREE	NO/DISAGREE	NO COMMENT Or RNAD=Respondent Neither agreed nor Disagreed
<p>1. In light of the recently issued Statement of Federal Financial Accounting Standards (SFFAS) 50, <i>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</i>, this TR clarifies existing TRs by providing conforming amendments (see par. 3-11 and par. A5-A8). These amendments 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.</p> <p>Do you agree or disagree that this TR clarifies the technical guidance? Please provide the rationale for your answer.</p>	6 Agree		1 RNAD (Respondent² Neither agreed nor Disagreed)
<p>2. Are there additional amendments or issues that the AAPC should consider in this TR? If so, what are they, and how would you describe them? Please provide the rationale for your answer.</p>	1 Yes (Respondent³ provided add'l comments)		6 No comment/additional issues

² See Respondent #7 Woosley /Comment Letter #7 Woosley.

³ See Respondent #7 Woosley /Comment Letter #7 Woosley.

STAFF SUMMARY OF RESPONSES

B. Quick Table of Responses By Question (A= Agrees NC=No additional issues or comments RNAD=Respondent Neither agreed nor Disagreed)

<u>Respondent</u>	<u>QUESTION</u> Do you agree or disagree that this TR clarifies the technical guidance? Please provide the rationale for your answer.	<u>QUESTION</u> Are there additional amendments or issues that the AAPC should consider in this TR? If so, what are they, and how would you describe them? Please provide the rationale for your answer.
#1 DHS-OCFO	A	NC
#2 SSA-CFO	A	NC
#3 DOC –CFO	A	NC
#4 DOL-OIG	A	NC
#5 GWSCPA	A - Respondent stated generally agrees, but expressed concerns that the Board’s intended use of reasonable estimates as a source by Federal agencies in deriving the historical cost of property, plant, and equipment (PP&E) balance is not limited by the current language in GAAP, and could be used by Federal agencies for the estimation of PP&E on a perpetual basis. Paragraph 12 of SFFAS No. 50 revised paragraph 6 of SFFAS No. 6 by adding the following sentence: “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.” This sentence, along with the guidance provided in paragraph 6 of the ED, may permit a Federal agency to continue to	NC

STAFF SUMMARY OF RESPONSES

<u>Respondent</u>	<u>QUESTION</u>	<u>QUESTION</u>
	Do you agree or disagree that this TR clarifies the technical guidance? Please provide the rationale for your answer.	Are there additional amendments or issues that the AAPC should consider in this TR? If so, what are they, and how would you describe them? Please provide the rationale for your answer.
	use reasonable estimates, such as budgetary documents, in the determination of historical cost – even in years subsequent to the Federal agency’s assertion on its opening balance of PP&E. We suggest that the Board evaluate whether additional guidance is required to clarify the Board’s intentions on the use of reasonable estimates.	
#6 DoD OCFO	A	NC
#7 A. Woosley	<p>RNAD- Respondent Neither agreed nor Disagreed. Respondent did not state whether they agreed or disagreed.</p> <p>Respondent stated “The implementation guidance through the technical releases and through the SFFAS documents does not adequately address recapitalization (or capitalization) of real property assets that are currently in existence. As such, it will impede the ability of the Large Agencies in a rolled-up audit of multiple sub-components to have a singular approach to classification of work for extending the life or raising the value of the building. Please see attached document for examples.”</p>	<p>Respondent provided the following comments.</p> <p>“Recommend a section specifically for RECAPITALIZATION (or Capitalization of Existing Assets Within Same Footprint). We further need explicit definitions of the following and when recapitalization is required and appropriate: Sustainment, Repair, Restoration, Modernization, Alteration, Recapitalization. Currently, to find these definitions, many different sources can be cited and interpreted differently. In this section, it needs to explicitly include what happens when the interior of the building is renovated or in many cases in DoD considered “repaired” and in light of the language in the NDAA 2017 section 2802 as quoted below.</p> <p>SEC. 2802. CLASSIFICATION OF FACILITY CONVERSION PROJECTS AS REPAIR PROJECTS.</p> <p>Subsection (e) of section 2811 of title 10, United States Code, is amended to read as follows:</p>

STAFF SUMMARY OF RESPONSES

<u>Respondent</u>	<u>QUESTION</u> Do you agree or disagree that this TR clarifies the technical guidance? Please provide the rationale for your answer.	<u>QUESTION</u> Are there additional amendments or issues that the AAPC should consider in this TR? If so, what are they, and how would you describe them? Please provide the rationale for your answer.
		<p>“(e) REPAIR PROJECT DEFINED.—In this section, the term ‘repair project’ means a project—</p> <p>“(1) to restore a real property facility, system, or component to such a condition that it may effectively be used for its designated functional purpose; or</p> <p>“(2) to convert a real property facility, system, or component to a new functional purpose without increasing its external dimensions.”</p> <p>Suggestions of items to consider under this umbrella:</p> <p>Section 2802: If the real property is converted, consider whether temporary walls (e.g., modular furniture) are put in place but all other major attributes of building systems remain the same. E.g., Medical facility is now an office building in the same footprint, with people utilizing old hospital rooms for office space. Old train station now has modular furniture to make it an office building but no additional building systems were added.</p> <p>Is there a time when a repair may only partially be a repair or may fully be a capitalization? If the \$10M 15 yr old HVAC is replaced but is experiencing no rise in unscheduled work which would indicate it is failing, is it still sustainment?</p> <p>If the building is being utilized and scheduled to be utilized for the next 5 years, is there a minimum life—cycle? Does recent accreditation of buildings by external agencies who do these things change how we should look at the remaining useful life?</p> <p>When the building is old and the systems are old (beyond 50 years for example), and the insides of the building is completely gutted and rebuilt, is that a repair? Is it capitalized?”</p>

Attachment 1
Comment Letters

Responses to the Exposure Draft

Table of Contents

Letter #	Respondent	Page #
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FASAB Exposure Draft: Questions for Respondents due January 9, 2017***Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment***

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select “individual.”

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input checked="" type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

- Q1.** In light of the recently issued Statement of Federal Financial Accounting Standards (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*, this TR clarifies existing TRs by providing conforming amendments (**see par. 3-11 and par. A5-A8**). These amendments 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.

Do you agree or disagree that this TR clarifies the technical guidance? Please provide the rationale for your answer.

DHS Response: DHS agrees that this TR clarifies the technical guidance.

- Q2.** Are there additional amendments or issues that the AAPC should consider in this TR? If so, what are they, and how would you describe them? Please provide the rationale for your answer.

DHS Response: DHS identified no additional amendments or issues that the AAPC should consider in this TR.

FASAB Exposure Draft: Questions for Respondents due January 9, 2017***Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment***

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

- Q1.** In light of the recently issued Statement of Federal Financial Accounting Standards (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*, this TR clarifies existing TRs by providing conforming amendments (**see par. 3-11 and par. A5-A8**). These amendments 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.

Do you agree or disagree that this TR clarifies the technical guidance? Please provide the rationale for your answer.

SSA Response: Agree. This Technical Release clarifies and provides updated information based on the newly issued FASAB Standard, Statement of Federal Financial Accounting Standards 50, and removes outdated information within other Technical Releases.

- Q2.** Are there additional amendments or issues that the AAPC should consider in this TR? If so, what are they, and how would you describe them? Please provide the rationale for your answer.

SSA Response: We are not aware of any other additional amendments or issues that the AAPC should consider in this Technical Release.



UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer and
Assistant Secretary for Administration
Washington, D.C. 20230

JAN -6 2017

Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
Washington, DC

Dear Ms. Payne:

The Department of Commerce has reviewed the Federal Financial Accounting Technical Release Exposure Draft, *Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment*, dated November 22, 2016.

Please find enclosed answers to the questions that were asked of respondents. If you have any questions, please contact me at (202) 482-1207 or galston@doc.gov.

Sincerely,

A handwritten signature in blue ink, appearing to be "G. Alston", written over a horizontal line.

Gordon T. Alston
Director of Financial Reporting and Internal Controls

Enclosure

cc: Julie Tao
Bruce Henshel

FASAB Exposure Draft: Questions for Respondents due January 9, 2017***Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment***

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm

Federal Entity (user)

Federal Entity (preparer)

Federal Entity (auditor)

Federal Entity (other)

Association/Industry Organization

Nonprofit organization/Foundation

Other

Individual

X

If other, please specify:

If other, please specify:

Please provide your name.

Name:

Gordon T. Alston

Please identify your organization, if applicable.

Organization:

Department of Commerce

- Q1.** In light of the recently issued Statement of Federal Financial Accounting Standards (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*, this TR clarifies existing TRs by providing conforming amendments (**see par. 3-11 and par. A5-A8**). These amendments 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.

Do you agree or disagree that this TR clarifies the technical guidance? Please provide the rationale for your answer.

The Department agrees with the proposed updates to acknowledge the rescission of SFFAS 35, and that all standards-level implementation guidance for General PPE now resides in SFFAS 6, because it is important that the SFFAS 50-related technical releases properly support SFFAS 50.

- Q2.** Are there additional amendments or issues that the AAPC should consider in this TR? If so, what are they, and how would you describe them? Please provide the rationale for your answer.

The Department is not aware of any additional amendments or issues that the AAPC should consider in this TR.

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



JAN 06 2017

Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

Dear Ms. Payne:

On behalf of the Office of Audit, Office of Inspector General, Department of Labor, enclosed are our responses to questions posed in the exposure draft titled, "Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment."

If you have any questions or need additional information, please contact Joseph L. Donovan, Jr., Audit Director, Financial Statement Audits, at 202-693-5248.

Sincerely,

A handwritten signature in black ink that reads "Elliot P. Lewis". The signature is written in a cursive, flowing style.

Elliot P. Lewis
Assistant Inspector General for Audit

Enclosure

Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	_____	
Federal Entity (user)	_____	
Federal Entity (preparer)	_____	
Federal Entity (auditor)	<u> X </u>	
Federal Entity (other)	_____	If other, please specify: _____
Association/Industry Organization	_____	
Nonprofit organization/Foundation	_____	
Other	_____	If other, please specify: _____
Individual	_____	

Please provide your name.

Name: Elliot P. Lewis, Assistant Inspector General for Audit

Please identify your organization, if applicable.

Organization: U.S. Department of Labor, Office of Inspector General

Q1. In light of the recently issued Statement of Federal Financial Accounting Standards (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*, this TR clarifies existing TRs by providing conforming amendments (**see par. 3-11 and par. A5-A8**). These amendments 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.

Do you agree or disagree that this TR clarifies the technical guidance? Please provide the rationale for your answer.

We agree that the Technical Release clarifies the issues surrounding the Opening Balances of General Property, Plant, and Equipment. The clarifications assist in providing sound accounting principles for recording opening balances of General Property, Plant, and Equipment.

Q2. Are there additional amendments or issues that the AAPC should consider in this TR? If so, what are they, and how would you describe them? Please provide the rationale for your answer.

We believe there are not additional adjustments or clarifications necessary at this time.



January 9, 2017

Wendy Payne, Executive Director
Federal Accounting Standards Advisory Board
Mail Stop 6K17V
441 G Street, NW – Suite 6814
Washington, DC 20548

Dear Ms. Payne:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) on the proposed Statement of Federal Financial Accounting Technical Release (TR), *Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment*.

The GWSCPA consists of approximately 3,300 members, and the FISC includes nearly 30 GWSCPA members who are active in financial management, accounting, and auditing in the Federal sector. We sincerely appreciate the opportunity by the Board to share our views, and the hard work and dedication by the Board Members and Staff on their contributions to improving federal financial reporting.

Our responses to the ED questions are included below.

Q1. In light of the recently issued Statement of Federal Financial Accounting Standards (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*, this TR clarifies existing TRs by providing conforming amendments (see par. 3-11 and par. A5-A8). These amendments 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.

Do you agree or disagree that this TR clarifies the technical guidance? Please provide the rationale for your answer.

A1. The FISC generally agrees that this TR clarifies the technical guidance. Some FISC members expressed concerns that the Board's intended use of reasonable estimates as a source by Federal agencies in deriving the historical cost of property, plant, and equipment (PP&E) balance is not limited by the current language in GAAP, and could be used by Federal agencies for the estimation of PP&E on a perpetual basis. Paragraph 12 of SFFAS No. 50 revised paragraph 6 of SFFAS No. 6 by adding the following sentence: "Although the measurement basis for valuing general PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of general

Ms. Payne, Federal Accounting Standards Advisory Board

January 9, 2017

PP&E, in accordance with the asset recognition and measurement provisions herein.” This sentence, along with the guidance provided in paragraph 6 of the ED, may permit a Federal agency to continue to use reasonable estimates, such as budgetary documents, in the determination of historical cost – even in years subsequent to the Federal agency’s assertion on its opening balance of PP&E. We suggest that the Board evaluate whether additional guidance is required to clarify the Board’s intentions on the use of reasonable estimates.

Q2. Are there additional amendments or issues that the AAPC should consider in this TR? If so, what are they, and how would you describe them? Please provide the rationale for your answer.

A2. The FISC does not have additional amendments or issues that the AAPC should consider in this TR.

This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,



Andrew C. Lewis
FISC Chair

FASAB Exposure Draft: Questions for Respondents due January 9, 2017***Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment***

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select “individual.”

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

- Q1.** In light of the recently issued Statement of Federal Financial Accounting Standards (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*, this TR clarifies existing TRs by providing conforming amendments (**see par. 3-11 and par. A5-A8**). These amendments 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.

Do you agree or disagree that this TR clarifies the technical guidance? Please provide the rationale for your answer.

Response: The DoD agrees that this TR clarifies the technical guidance, which reflects the conforming amendments to the above referenced Federal Financial Accounting Standards. The DoD acknowledges that this TR addresses the estimation of historical cost and does not address other acceptable deemed cost methods (which will be addressed in a separate TR).

- Q2.** Are there additional amendments or issues that the AAPC should consider in this TR? If so, what are they, and how would you describe them? Please provide the rationale for your answer.

Response: The DoD understands that this TR was viewed as administrative; simply to conform to SFFAS 50. We understand that the FASAB or FASAB Staff did not review other portions of TR 13, and that the next TR will address implementation with SFFAS 50.

FASAB Exposure Draft: Questions for Respondents due January 9, 2017

Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input checked="" type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

- Q1.** In light of the recently issued Statement of Federal Financial Accounting Standards (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*, this TR clarifies existing TRs by providing conforming amendments (**see par. 3-11 and par. A5-A8**). These amendments 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.

Do you agree or disagree that this TR clarifies the technical guidance? Please provide the rationale for your answer.

The implementation guidance through the technical releases and through the SFFAS documents does not adequately address recapitalization (or capitalization) of real property assets that are currently in existence. As such, it will impede the ability of the Large Agencies in a rolled-up audit of multiple sub-components to have a singular approach to classification of work for extending the life or raising the value of the building. Please see attached document for examples.

- Q2.** Are there additional amendments or issues that the AAPC should consider in this TR? If so, what are they, and how would you describe them? Please provide the rationale for your answer.

FASAB Exposure Draft: Questions for Respondents due January 9, 2017***Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment***

Recommend a section specifically for RECAPITALIZATION (or Capitalization of Existing Assets Within Same Footprint). We further need explicit definitions of the following and when recapitalization is required and appropriate: Sustainment, Repair, Restoration, Modernization, Alteration, Recapitalization. Currently, to find these definitions, many different sources can be cited and interpreted differently. In this section, it needs to explicitly include what happens when the interior of the building is renovated or in many cases in DoD considered “repaired” and in light of the language in the NDAA 2017 section 2802 as quoted below.

SEC. 2802. CLASSIFICATION OF FACILITY CONVERSION PROJECTS AS REPAIR PROJECTS.

Subsection (e) of section 2811 of title 10, United States Code, is amended to read as follows:

“(e) REPAIR PROJECT DEFINED.—In this section, the term ‘repair project’ means a project—

“(1) to restore a real property facility, system, or component to such a condition that it may effectively be used for its designated functional purpose; or

“(2) to convert a real property facility, system, or component to a new functional purpose without increasing its external dimensions.”

Suggestions of items to consider under this umbrella:

Section 2802: If the real property is converted, consider whether temporary walls (e.g., modular furniture) are put in place but all other major attributes of building systems remain the same. E.g., Medical facility is now an office building in the same footprint, with people utilizing old hospital rooms for office space. Old train station now has modular furniture to make it an office building but no additional building systems were added.

Is there a time when a repair may only partially be a repair or may fully be a capitalization? If the \$10M 15 yr old HVAC is replaced but is experiencing no rise in unscheduled work which would indicate it is failing, is it still sustainment?

If the building is being utilized and scheduled to be utilized for the next 5 years, is there a minimum life—cycle? Does recent accreditation of buildings by external agencies who do these things change how we should look at the remaining useful life?

When the building is old and the systems are old (beyond 50 years for example), and the insides of the building is completely gutted and rebuilt, is that a repair? Is it capitalized?



Federal Accounting Standards Advisory Board

ATTACHMENT 2 - MARKED CHANGES

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

Federal Financial Accounting Technical Release 17

Deleted: Exposure Draft

Deleted: Written comments are requested by
January 9, 2017

April 10, 2017

Comment [MB1]: Provides for a 45 day
FASAB review period

Deleted: November 22, 2016

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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Contact us:

Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 6814
Mailstop 6H19
Washington, DC 20548
Telephone 202-512-7350
Fax 202-512-7366
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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 SFFAS 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.

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¶
TO: ALL WHO USE, PREPARE, AND AUDIT
FEDERAL FINANCIAL INFORMATION¶
Your comments on the exposure draft of a
proposed Federal Financial Accounting
Technical Release, *Conforming Amendments to
Technical Releases for SFFAS 50, Establishing
Opening Balances for General Property, Plant,
and Equipment* are requested. Specific
questions for your consideration appear on
page three, but you are welcome to comment
on any aspect of this proposal. If you do not
agree with the proposed approach, your
response would be more helpful to the
Committee if you explain the reasons for your
position and any alternative you propose.
Responses are requested by **January 9, 2017**. ¶
All comments received are considered public
information. Those comments may be posted to
the Accounting and Auditing Policy Committee's
website and will be included in the project's
public record.¶
Mail delivery is delayed by screening
procedures. Therefore, please provide your
comments in electronic form by e-mail to
fasab@fasab.gov. If you are unable to e-mail
your responses, we encourage you to fax the
comments to (202) 512-7366. Alternatively, you
may mail your comments to:¶

Wendy M. Payne, Executive Director¶
Federal Accounting Standards Advisory Board¶
Mailstop 6H19¶
441 G Street, NW¶
Washington, DC 20548¶

¶
We will confirm receipt of your comments. If you
do not receive confirmation, please contact our
office at (202) 512-7350 to determine if your
comments were received.¶

We may hold one or more public hearings on
any exposure draft. No hearing has yet been
scheduled for this exposure draft. Notice of the
date and location of any public hearing on this
document will be published in the Federal
Register and in FASAB's newsletter. ¶

¶
Sincerely,¶

¶
Wendy M. Payne¶

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Comment [MB2]: Truncated for final

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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 paragraph 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

Deleted: QUESTIONS FOR RESPONDENTS¶

¶ The Accounting and Auditing Policy Committee (AAPC or "the Committee") encourages you to become familiar with all proposals in the Technical Release (TR) before responding to the questions in this section. In addition to the questions below, the Committee welcomes your comments on other aspects of the proposed TR. Because the proposals may be modified before a final TR is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views are especially appreciated. ¶ The Committee believes that this proposal would improve federal financial reporting and contribute to meeting the federal financial reporting objectives. The Committee has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have in regard to implementing this proposal. ¶ The questions in this section are available in a Microsoft Word file for your use at <http://www.fasab.gov/documents-for-comment/>. Your responses should be sent by e-mail to fasab@fasab.gov. If you are unable to respond by e-mail, please fax your responses to (202) 512-7366. Alternatively, you may mail your responses to: ¶

Wendy M. Payne, Executive Director ¶
Federal Accounting Standards Advisory Board ¶
Mailstop 6H19 ¶
441 G Street, NW, Suite 6814 ¶
Washington, DC 20548 ¶

¶ All responses are requested by January 9, 2017. ¶

¶ <#>In light of the recently issued Statement of Federal Financial Accounting Standards (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, this TR clarifies existing TRs by providing conforming amendments (see par. 3-11 and par. A5-A8). These amendments acknowledge the rescission of SFFAS 35 and that all standards-level implementation guidance for general property, plant, and equipment (with the exception of certa... [1]

Comment [WP3]: To clarify that the TR is not covering all provisions of SFFAS 50.

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Comment [MB4]: Consistency

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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.

Comment [MB5]: Changed pagination of paragraphs to capital "A", "B" "C" and "D" to be consistent with our 12D. This is consistent with our policy for amendments & to avoid confusion with subparagraphs.

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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*.

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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.

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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.

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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:

Comment [MB6]: Consistency

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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}

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12. Reasonable estimates may be based on
- cost of similar assets at the time of acquisition;
 - 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

^{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.

- c. other reasonable methods, including latest acquisition cost and estimation methods based on information such as, but not limited to, budget, appropriations, 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.~~

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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.].

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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.~~"

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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 Handbook is updated annually and includes a status section directing the reader to any **subsequent** pronouncement that changed 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. The Federal Accounting Standards Advisory 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*, on August 4, 2016. 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 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

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Moved down [1]: In addition, 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. ¶

Comment [MB7]: Clarifies respondents that we are referring to

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.

Comment [MB8]: Revised paragraph. Paragraph clearer to concluded with action to amend, and that carries to next section.

Moved (insertion) [1]

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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”) believed it 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 believed allowing the paragraphs to remain would be inconsistent with current GAAP references 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 exposure draft, *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 exposure draft, 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 provided in the TR.

A12. The AAPC considered responses to the exposure draft 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 **TBD[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's offices.

APPENDIX B: ABBREVIATIONS

AAPC	Accounting and Auditing Policy Committee
CFOC	Chief Financial Officers' Council
CIGIE	Council of the Inspectors General on Integrity and Efficiency
FASAB	Federal Accounting Standards Advisory Board
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
G-PP&E	General Property, Plant, and Equipment
OMB	Office of Management and Budget
PP&E	Property, Plant, and Equipment
SFFAS	Statement of Federal Financial Accounting Standards
TR	Technical Release

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QUESTIONS FOR RESPONDENTS

The Accounting and Auditing Policy Committee (AAPC or “the Committee”) encourages you to become familiar with all proposals in the Technical Release (TR) before responding to the questions in this section. In addition to the questions below, the Committee welcomes your comments on other aspects of the proposed TR. Because the proposals may be modified before a final TR is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views are especially appreciated.

The Committee believes that this proposal would improve federal financial reporting and contribute to meeting the federal financial reporting objectives. The Committee has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have in regard to implementing this proposal.

The questions in this section are available in a Microsoft Word file for your use at <http://www.fasab.gov/documents-for-comment/>. Your responses should be sent by e-mail to fasab@fasab.gov. If you are unable to respond by e-mail, please fax your responses to (202) 512-7366. Alternatively, you may mail your responses to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

All responses are requested by January 9, 2017.

In light of the recently issued Statement of Federal Financial Accounting Standards (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*, this TR clarifies existing TRs by providing conforming amendments (**see par. 3-11 and par. A5-A8**). These amendments 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.

Do you agree or disagree that this TR clarifies the technical guidance? Please provide the rationale for your answer.

Are there additional amendments or issues that the AAPC should consider in this TR? If so, what are they, and how would you describe them? Please provide the rationale for your answer.

PROPOSED



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

ATTACHMENT 3- CLEAN VERSION

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 SFFAS 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.

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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 paragraph 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

^{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.

- c. other reasonable methods, including latest acquisition cost and estimation methods based on information such as, but not limited to, budget, appropriations, 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 Handbook is updated annually and includes a status section directing the reader to any subsequent pronouncement that changed 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. The Federal Accounting Standards Advisory 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*, on August 4, 2016. 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 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”) believed it 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 believed allowing the paragraphs to remain would be inconsistent with current GAAP references 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 exposure draft, *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 exposure draft, 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 provided in the TR.
- A12. The AAPC considered responses to the exposure draft 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 TBD[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's offices.

APPENDIX B: ABBREVIATIONS

AAPC	Accounting and Auditing Policy Committee
CFOC	Chief Financial Officers' Council
CIGIE	Council of the Inspectors General on Integrity and Efficiency
FASAB	Federal Accounting Standards Advisory Board
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
G-PP&E	General Property, Plant, and Equipment
OMB	Office of Management and Budget
PP&E	Property, Plant, and Equipment
SFFAS	Statement of Federal Financial Accounting Standards
TR	Technical Release

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Federal Accounting Standards Advisory Board

Date: February 2, 2017

To: Members of the AAPC

From: Wendy M. Payne, Executive Director

Subject: **Ballot for Draft Federal Financial Accounting Technical Release 17,
*Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening
Balances for General Property, Plant, and Equipment***

The following is a ballot for the Draft Federal Financial Accounting Technical Release 17, *Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment*. Please enter your name in the space provided below and indicate your approval or disapproval. Please fax the ballot to us at 202 512-7366. If you wish to submit your ballot via e-mail, please e-mail to Melissa Batchelor at batchelorm@fasab.gov.

Ballots are due by February 16, 2017. If you wish to dissent, please notify staff immediately and provide the text of your dissent as soon as possible but no later than February 10, 2017. We will assume members not voting by the 16th are abstained. If seven members approve the technical release, we will finalize the release on February 17th and submit it to FASAB members for review.

Committee Member: _____ Date _____

_____ I approve the Draft Federal Financial Accounting Technical Release

_____ I do not approve the Draft Federal Financial Accounting Technical Release