Federal Accounting Standards Advisory Board

April 7, 2011

Memorandum

To: Members of the Board

From: Monica R. Valentine, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: **AAPC Proposed Technical Release 13[1] -- Tab K**

The attached proposed Technical Release 13 is expected to be approved by the AAPC for release to the FASAB for issuance April 15. The document went through a lengthy review process by the Committee and the FASAB staff. The review process included a 90-day exposure draft comment period. The next step for the document is to provide the Board with a 45-day review period to gain negative assurance from a majority of the Board. (The text of the AAPC Charter regarding the process for issuing a Technical Release is attached.)

The purpose of proposed Technical Release 13, *Implementation Guide for Estimating the Historical Cost of G-PP&E,* is to address the historical cost estimating of G-PP&E as it applies to SFFAS 6, 23, and 35. The guide provides support and direction relative to the types of estimating methodologies and the documentation that could be used to support the valuation estimates of G-PP&E. This guidance provides a foundation for preparers to exercise judgment in formulating those estimates. The examples outlined in this guide illustrate the use of various estimating methodologies to derive the historical cost of G-PP&E in accordance with SFFAS 35. SFFAS 35 clarifies that federal entities should report their G-PP&E based on historical cost information in accordance with the asset recognition and measurement provisions of SFFAS 6, as amended. However, reasonable estimates of historical cost may be used to value G-PP&E assets. Although the measurement basis for valuing G-PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of G-PP&E, in accordance with the asset recognition and measurement provisions of SFFAS 6.

[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 the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

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If you have a concern with the proposed technical release and would like to discuss it further at the April 28, 2011 FASAB meeting please let me know as soon as possible so that it can be added to the meeting agenda.

If you object to the release of the technical release please notify us of your objection by May 31, 2011. If a majority of the Board or a federal member do not object to these technical releases by May 31, 2011 it will be released as final.

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If you or members of your staff have any questions, please contact me by telephone at 202-512-7362 or by email at ValentineM@fasab.gov.

Enclosure

Excerpts from the Charter of the Accounting and Auditing Policy Committee (as amended May 15, 2006):

Authoritative Guidance. Section III. I (3) of FASAB's Rules of Procedure authorizes AAPC to issue technical releases related to existing federal accounting standards. Technical releases are intended to provide guidance on the specific application of Statements of Federal Financial Accounting Standards (SFFASs), Interpretations of SFFASs, and Technical Bulletins. AAPC's technical releases are in the third category of authoritative guidance in the Federal GAAP hierarchy as stated in the AICPA's Statement on Auditing Standards 91. AAPC may not amend existing standards or promulgate new standards.

AAPC will refer audit issues to OMB in connection with its responsibility for the Audit Bulletin and to GAO (Government Accountability Office) in connection with its responsibility for GAGAS as appropriate. AAPC may include in the referral its observations on audit issues and take additional steps to facilitate resolution of the issues as it deems appropriate.

Issuance of Guidance. AAPC will submit all proposed technical releases to the FASAB for a 45 day review period. The review period usually will begin when FASAB receives the proposed technical release. However, if a FASAB member requests that a proposed technical release be considered at a Board meeting, the review period will begin the day following the Board meeting. FASAB may also affirmatively approve guidance before the expiration of the 45-day review period.

If a majority of the FASAB or a member representing a FASAB sponsor objects to the proposed technical release during the review period, then it shall be returned to the AAPC for further consideration. If neither a majority of FASAB nor a member representing a FASAB sponsor objects to the proposed technical release during the review period, then it shall become final. The Executive Director of the FASAB shall publish in the Federal Register a notice of the issuance of a final technical release and information on how it may be obtained.