

Federal Accounting Standards Advisory Board

FOR MORE INFORMATION:

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NEWS RELEASE

FASAB Proposes Guidance for *Establishing Opening Balances for General Property, Plant, and Equipment*

In response to a Department of Defense (DoD) request for guidance on establishing opening balances for general property, plant, and equipment (PP&E), the Federal Accounting Standards Advisory Board (FASAB) is seeking input on a proposed Statement of Federal Financial Accounting Standards (SFFAS). The proposal would allow a reporting entity to apply alternative methods in establishing opening balances for general PP&E.

“The Board is seeking less costly alternatives for DoD to establish opening balances. A cost-effective means to adopt GAAP may facilitate needed progress,” according to Chairman Allen. “We considered the costs and benefits and concluded that establishing a sound financial management system is of primary importance.”

The alternative methods include (1) use of deemed cost to establish opening balances of general PP&E, (2) selecting between deemed cost and prospective capitalization of internal use software, and (3) exclusion of land from opening balances with disclosure of acreage information. The alternative methods are available only when presenting information following generally accepted accounting principles (GAAP) either (1) for the first-time or (2) after a period during which existing systems could not provide the information necessary for producing such GAAP- based financial statements without use of the alternative valuation method. The application of this Statement based on the second condition is available to each reporting entity only once per line item addressed in this Statement.

The exposure draft requests comments by **February 4, 2016**. Respondents are encouraged to provide the reasons for their positions. The exposure draft in PDF format and the specific question raised in Word format are available at the FASAB website <http://fasab.gov/board-activities/documents-for-comment/exposure-drafts-and-documents-for-comment/> .

ABOUT FASAB

The FASAB serves the public interest by improving federal financial reporting through issuing federal financial accounting standards and providing guidance after considering the needs of external and internal users of federal financial information.

Financial reports, which include financial statements prepared in conformity with generally accepted accounting principles, are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, the Board plays a major role in fulfilling the government's responsibility to be publicly accountable. Federal financial reports should be useful in assessing (1) the government's accountability and its efficiency and effectiveness, and (2) the economic, political, and social consequences, whether positive or negative, of the allocation and various uses of federal resources.

The FASAB issues federal accounting standards after following a due process consistent with the Memorandum of Understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

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