

# AAPC Exposure Draft on G-PP&E Costing

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# Disclaimer

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- Views expressed are those of the speaker. The Board expresses its views in official publications.



# What is the AAPC?

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- The Accounting and Audit Policy Committee (AAPC) is a permanent committee established by the Federal Accounting Standards Advisory Board (FASAB). The AAPC's mission is to assist the federal government in improving financial reporting by timely identifying, discussing, and recommending solutions to accounting issues within the framework of existing authoritative literature.



# How can I submit an issue to the AAPC for consideration?

- The AAPC encourages the submission of Federal accounting issues to its website at <http://www.fasab.gov/about/aapc/issue-submission/>.
- However, the AAPC is not intended to serve as a mediator for preparers, program managers, and/or auditors.



# Is the AAPC guidance authoritative?

- Appendix C: Publications section of FASAB's Rules of Procedure authorize AAPC to issue technical releases related to existing federal accounting standards.
- Technical releases are intended to provide guidance on the specific application of 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 SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles*.
- AAPC may not amend existing standards or promulgate new standards.



# AAPC ED on G-PP&E Costing

- Task Force developed to address Cost Accounting Issues related to General PP&E Issues
- The exposure draft, ***Implementation Guidance on General Property, Plant, and Equipment Cost Accumulation, Assignment, and Allocation***, provides implementation guidance that is needed to promote an understanding of the flexibility in the application of the standards as it relates to:
  - Recognition requirements related to program costs incurred during the G-PP&E lifecycle, the required levels of precision, and acceptable methods for recognizing those costs,
  - The concept of a cost accumulation and allocation decision framework (i.e., acceptable methods of accumulating, assigning, and reporting cost data), and
  - Management’s role in applying the cost accumulation, assignment, and allocation decision framework.



# AAPC ED on G-PP&E Costing

- The exposure draft includes a decision framework that can be used to provide guidelines and considerations, founded on a G-PP&E acquisition lifecycle approach, to guide management through the application of the G-PP&E accounting standards within their unique business environment. The decision framework incorporates the inherent application flexibility built into the accounting standards to assist management to reasonably interpret and apply the standards in order to appropriately accumulate, allocate and recognize the cost of G-PP&E within their unique operating environment.



# AAPC ED on G-PP&E Costing

- The decision framework discussed in the ED recognizes that the financial management information needs of stakeholders, both internal and external, vary by entity. An entity's revenue source (e.g., appropriated funds, revolving fund, user fee, etc.) significantly impacts the types of and level of cost detail required to be allocated to end assets.
- The task force developed the following three principles that may be used by management to determine their stakeholder's financial management information needs:
  - Relevance/usefulness of information (both to internal and external stakeholders);
  - Level of precision (e.g., materiality) needed to properly manage and report costs; and
  - Cost-benefit of establishing and executing intricate cost assignment processes, methods and tools.



# AAPC ED on G-PP&E Costing

- SFFAS 6 *Accounting for PP&E*, (paragraph 26) outlines the recognition requirements for G-PP&E, “All general PP&E shall be recorded at cost. Cost shall include all costs incurred to bring the PP&E to a form and location suitable for its intended use.”
- The types of costs assigned to G-PP&E may vary depending on if the asset is purchased as a completed item, is contractor constructed, or is self-constructed. These costs may include both direct and indirect costs, however indirect production costs only apply to G-PP&E produced or constructed.



# Questions

- If you have specific questions on the ED or the AAPC in general please ask.
- My contact information:
  - 202.512.7362
  - ValentineM@fasab.gov

