

Exposure Draft Questions for Respondents (QFR)

Due: April 15, 2024

*Omnibus Technical Release Amendments:  
Conforming Amendments to Technical Releases 10, 16, 20, and 21*

**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.”**

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This proposal would amend Technical Release (TR) 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*; TR 16, *Implementation Guidance for Internal Use Software*; TR 20, *Implementation Guidance for Leases*; and TR 21, *Omnibus Technical Release Amendments 2022*.

**QFR 1** Do you generally support the proposed amendments to TR 10 under paragraph 3 of this proposed TR? This amendment is intended to align the guidance in footnote 5A of TR 10 with that of Statement of Federal Financial Accounting Standards (SFFAS) 6, *Accounting for Property, Plant, and Equipment*, paragraph 18, as amended by SFFAS 60, *Omnibus Amendments 2021*. It would also supersede and replace relevant portions of a previous amendment to this footnote under TR 21. Please explain the reasons for your position.

Yes, we support the proposed amendments referenced in this QFR.

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**QFR 2** Do you generally support the proposed amendments to TR 16 under paragraphs 4-7 of this proposed TR? Paragraphs 5-6 would restore portions of prior guidance for perpetual software licenses based on Board requirements under SFFAS 10, *Accounting for Internal Use Software*. The amendments would also supersede previous amendments in TR 20 that rescinded portions of this guidance. Paragraph 4 removes reference to SFFAS 5, *Accounting for Liabilities of the Federal Government*, under scope paragraph 8 of TR 16, as TR 16 no longer clarifies SFFAS 5 after the earlier conforming amendments provided under TR 20. Paragraph 7 is a technical correction and conforming amendment to paragraph 32 of TR 16. Further modifications and enhancements to internal use software guidance are under research and development as part of the Board's software technology project. The AAPC will consider additional updates in coordination with the Board's project. Please explain the reasons for your position.

We generally support the proposed amendments. As noted in our response to the Invitation to Comment in September 2023, today's guidance does not address the appropriate accounting for the software license element of a cloud computing arrangement. However, while we acknowledge there is a software technology project on the Board's agenda, we believe preparers and auditors would benefit from additional edits to the language in the proposed amendments. We believe the word "perpetual" should not be added throughout the amendments because it could result in the unintended removal of guidance on periodic or term licenses in the standard.

Additionally, we believe it would be appropriate to retain more of the guidance that previously was in paragraph 26. The proposed paragraph 26A would retain only the last part of paragraph 26 and would exclude discussion of periodic or term licenses. While the previous guidance referenced the leases guidance in SFFAS 5 and 6 and lease classification, we believe it should be restored and modified slightly rather than excluded. Entities would likely need to apply their capitalization policies, including those for bulk purchases, to determine whether a license should be capitalized or expensed.

We also note that SFFAS 10, paragraph 67 and footnote 15 refers to the application of lease accounting concepts, specifically in SFFAS 5 and 6. If this is consistent with the FASAB's view, for term licenses entities would also need to consider whether the license meets the definition of a lease (unless it meets a scope exception).

**QFR 3** Should paragraph 8B, footnote 5A, of TR 10 retain the reference to "leasehold improvements?" The proposed change to TR 10 would retain reference to "leasehold improvements" as an item within footnote 5A. The wording, in conjunction with the rest of TR 10, suggests that the federal government could be obligated to pay asbestos clean-up costs on leasehold improvements to leased facilities and installed equipment. The AAPC would like to better understand if any reporting entities have (or have had) leasehold improvements that require (or required) asbestos cleanup for which the federal government is (or was) responsible.

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We believe the reference to leasehold improvements should be retained in paragraph 8B, footnote 5A of TR 10. The guidance historically has included the reference, and without research into reporting by all agencies, we don't believe it should be removed. Entities would need to consider if they are obligated to pay the clean-up costs in conjunction with relevant legal counsel.

We believe preparers are better positioned to address the last question referencing actual transactions.

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