

**AAPC Exposure Draft - Technical Release: *Conforming Amendments to Technical Releases for SFFAS 54, Leases***

**Questions for Respondents due April 1, 2019**

**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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*Your responses should be sent to [fasab@fasab.gov](mailto:fasab@fasab.gov). If you are unable to respond by email, please fax your responses to 202-512-7366.*

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**Q1.** In light of the recently issued Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, this TR proposes to clarify existing TRs by providing conforming amendments (see paragraphs 3 -10). These conforming amendments acknowledge the SFFAS 54 amendments and further clarify the revised lease accounting standards by eliminating outdated references as a result of the new guidance. TR 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*, and TR 16, *Implementation Guidance for Internal Use Software*, are being amended because internal use software has specifically been scoped out of SFFAS 54, so the language in these TRs is not consistent with SFFAS 54.

**Do you agree or disagree with the proposed amendments to TR 10 and TR 16? Please provide the rationale for your answer.**

**DHS Response:** The Department agrees. The proposed amendments to TR 10 provide clearer guidance for federal real property that should be reviewed for

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asbestos cleanup costs to include leased real property that is recognized as the result of SFFAS 54. The proposed amendments to TR16 provide further guidance in evaluating software licenses against Property, Plant, and Equipment criteria in SFFAS 6

- Q2.** The TR 16 amendments clarify that reporting entities should capitalize the cost of internal use software, including software licenses, when such software meets the criteria for general property, plant, and equipment in accordance with SFFAS 10, *Accounting for Internal Use Software*, and the lease accounting concepts would not apply.

**Do you agree or disagree with the proposed amendments to TR 16 to clarify the capitalization of internal use software cost? Please provide the rationale for your answer.**

**DHS Response:** The Department agrees. The proposed amendments to TR 16 clarify the capitalization of internal use software cost. The amendments appropriately point out that the capital or operating lease criteria no longer apply and the entity should apply its existing policy for capitalization thresholds to determine if software licenses should be capitalized or expensed in accordance with SFFAS 6.