

**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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**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acknowledge the SFFAS 54 amendments and further clarify the revised lease accounting standards by eliminating outdated references as a result of the new guidance.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.**

NASA has reviewed the latest proposed FASAB changes to guidance, “Conforming Amendments to Technical Releases for SFFAS 54, Leases: An Amendment of SFFAS 5. NASA

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agrees with the proposed changes to a) TR 10, Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment and b) TR 16, Implementation Guidance for Internal Use Software. Specifically, the proposed changes are to modify the language to conform to the new definitions of leases in SFFAS 54. These proposed changes are necessary in order to uniformly establish consistency in definitions across FASAB guidance. The establishment of such uniformity will assist preparers of financial statements in more accurately implementing accounting guidance.

- 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.**

NASA agrees with the proposed amendments to TR 16 to clarify the capitalization of internal use software. Pursuant to Statement of Federal Financial Accounting Concepts (SFFAC) 1, Federal financial reporting should assist report users in evaluating the costs of the reporting entity and the manner in which those efforts and accomplishments have been financed, including the costs of providing specific activities and the composition of, and changes in those costs. As such, all methods of providing internal use software (IUS) within a federal entity, including leasing, should be included in PP&E capitalization requirements for IUS when requisite thresholds have been met.

Likewise, TR 16 discusses the rapid changes related to software development practices within the Federal environment and IUS: such changes include more reliance on leasing of IUS. Thus, in order for the federal entity to capture the full cost of software operations, capitalization of leased software which meets requisite thresholds will allow the allocation of the cost of the leased IUS to periods over which the asset has been used.