Federal Accounting Standards Advisory Board

February 11, 2016

Memorandum

To: Members of the Board

From: Melissa L. Batchelor, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: **Exposure draft, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35:* Comment Letters Received through February 10, 2016[1] – Tab C**

MEETING OBJECTIVE

To review responses to the exposure draft, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35* and make decisions on issues raised.

BRIEFING MATERIAL

Staff Summary: This memorandum provides the staff summary. The staff's summary is intended to support your consideration of the comments and not to substitute for reading the individual letters. The summary presents:

Attachment 1 provides the full text of each comment letter.

[1] The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

NOTE: staff will provide the following 2 attachments next week:
Attachment 2 provides an overall summary of responses and a list of issues identified with staff analysis and recommendations
Attachment 3 provides the original Exposure Draft with suggested edits based upon comments received and staff recommendations.

BACKGROUND

SUMMARY OF OUTREACH EFFORTS

The exposure draft, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35* was issued December 22, 2015 with comments requested by February 4, 2016. Upon release of the exposure draft in the FASAB Listserv, notices and press releases were provided to:

a) The Federal Register;
b) *FASAB News*;
c) The *Journal of Accountancy, AGA Today, the CPA Journal, Government Executive, and the CPA Letter;*
d) The CFO Council, the Council of the Inspectors General on Integrity and Efficiency; and
e) Committees of professional associations generally commenting on exposure drafts in the past.

This broad announcement was followed by direct mailings of the exposure draft to:

a) Relevant congressional committees
    a. House Appropriations- Sub-Committee on Defense
    b. House Committee on Armed Services
    c. House Committee on Oversight and Government Reform
    d. House Committee on the Budget
    e. House Committee on Veterans' Affairs
    f. Senate Appropriations- Sub-Committee on Defense
    g. Senate Committee on Armed Services
    h. Senate Committee on Finance
    i. Senate Committee on Homeland Security and Governmental Affairs
    j. Senate Committee on the Budget
    k. Senate Committee on Veterans' Affairs

We also contacted the Department of Defense and provided them a copy of the ED. In addition, to encourage responses, a reminder notice was provided on 1/13/2016 and 1/28/2016 to our Listserv.

RESULT

As of February 10, 2016, we have received 19 responses from the following sources:

	FEDERAL (Internal)	NON-FEDERAL (External)
Users, academics, others	1	3
Auditors	2	1
Preparers and financial managers	12	

The full text of the comment letters is provided as Attachment 1. Attachment 1 includes a table of contents and identifies respondents in the order their responses were received. The comment letters appear as an attachment to facilitate compilation and pagination. However, staff encourages you to read the letters in their entirety before you read the staff summary below.

NEXT STEPS

As discussed in December, the CFO Act includes a requirement that accounting standards addressing capital assets be reviewed by Congress for 45-days of session prior to their issuance. While the 45-day period will run concurrently with the sponsor's 90-day review period, Congress is in recess during the month of August and for two weeks in July. Therefore, based on staff's review of the Congressional calendar, the Statement would have to be forwarded to Congress by **May 11, 2016**.

To ensure milestones are met, the Board would need to review a pre-ballot draft at the April 2016 meeting and approve a ballot draft electronically shortly after the April meeting. The timeline is summarized as follows:

February Board Meeting- Discuss Comment Letters & Recommendations	**February 24-25, 2016**
April Board Meeting- Discuss Revised Statement	**April 27-28, 2016**
Approve Ballot	**May 9, 2016**
Submit to Sponsors & Congress	**May 11, 2016**
Statement Issued	**September 30, 2016**

Staff cannot stress the importance of adhering to the proposed schedule because any delay would not allow the final Statement to be issued by September 30, 2016.

MEMBER FEEDBACK

Please contact me as soon as possible to convey your questions or suggestions. Communication before the meeting will help make the meeting more productive. You can contact me by telephone at 202-512-5976 or by e-mail at batchelorm@fasab.gov with a cc to paynew@fasab.gov.

A. Tally of Responses By Question

QUESTION	AGREE	DISAGREE	PARTIAL AGREEMENT	NO COMMENT
Q1. The Board proposes a reporting entity be permitted to apply an alternative valuation method in establishing opening balances for general property, plant, and equipment (PP&E) when presenting financial statements, or one or more line items addressed by this Statement, following generally accepted accounting principles (GAAP) promulgated by the Federal Accounting Standards Advisory Board (FASAB) 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 proposed Statement describes the alternative valuation method and related disclosures.				
a) Do you agree or disagree with the proposal to permit opening balances of general PP&E to be valued based on deemed cost? Please provide your rationale.	**15**	**1**	**1**	**2**
b) Do you agree or disagree that the related disclosures are appropriate? Please provide your rationale.	**15**	**1**	**0**	**3**
Q2. The Board proposes to amend Statement of Federal Financial Accounting Standards (SFFAS) 6, Accounting for Property, Plant, and Equipment, so that land categorized as general PP&E may be excluded from the opening balances of general PP&E. Instead, disclosures would reveal the acres of land and changes in those acres over time. A reporting entity electing to exclude land from its general PP&E opening balance should continue to exclude future land acquisition amounts				

QUESTION	AGREE	DISAGREE	PARTIAL AGREEMENT	NO COMMENT
and provide the disclosures. Some members suggested valuing existing land holdings based on a set amount per acre of land or deemed cost. For example, one study estimated the land value in the United States at roughly $4.5 trillion in the third quarter of 2009. Since the number of acres in the United States is almost 2.3 billion, this equates to approximately $2,000 per acre. (Land values vary greatly based on location, potential use, and availability and cost of financing.) These members are interested in receiving comments on the usefulness of a general valuation approach that could be applied government-wide. The Board intends to begin a project on land in the near future that would review existing standards and consider a consistent approach. Based on the results of that project, the decisions made for opening balances and future acquisitions of land in this Statement may be revised. Also, some members suggested deferring any changes in the historical basis for land acquired for use in operations until the Board completes a re-examination of the appropriate basis of accounting for land. (See par. 12.d. and 12.g. for relevant standards and par. A27- A34 for a discussion of certain members' concerns and A55 in the Basis for Conclusions.)				
a) Do you agree or disagree with the proposal to allow exclusion of land from the opening balances of general PP&E even though other component reporting entities will report the cost of certain land in general PP&E? **If you disagree, do you prefer (1) to value land holdings based on existing standards requiring**	**6**	**10**	**1**	**2**

QUESTION	AGREE	DISAGREE	PARTIAL AGREEMENT	NO COMMENT
historical cost of land acquired in connection with other general PP&E to be capitalized, a set amount per acre of land, deemed cost, or another valuation method, (2) to defer any changes in the current requirements until the Board completes a reexamination of the appropriate basis of accounting for land, or (3) to adopt another option? Please provide your rationale.				
b) Do you agree or disagree that the related disclosures are appropriate? Please provide your rationale.	**8**	**2**	**2**	**7**
c) Do you agree or disagree that a reporting entity electing to exclude land from its general PP&E opening balances should continue to exclude future land acquisition amounts? Please provide your rationale.	**4**	**11**	**1**	**3**
d) The Board anticipates a project on land to review existing standards and to consider a consistent approach for all component reporting entities. Please provide any suggestions you have for improving current reporting on land.	**See comments**			
Q3. The Board proposes to amend SFFAS 10, Accounting for Internal Use Software, to allow a reporting entity to choose among alternatives in establishing an opening balance for internal use software when presenting financial statements, or one or more line items addressed by this Statement, following generally accepted accounting principles (GAAP) promulgated by the Federal Accounting Standards Advisory Board (FASAB) either (1) for the first time or (2) after a period during which existing systems could not provide the information necessary for producing				

STAFF SUMMARY OF RESPONSES – Table A: Tally Of Responses By Question

QUESTION	AGREE	DISAGREE	PARTIAL AGREEMENT	NO COMMENT
such GAAP-based financial statements without use of the alternative valuation method. The Statement provides for selecting between (1) an alternative valuation method of deemed cost that is consistent with that provided for all general PP&E and (2) prospective capitalization of internal use software. The proposed Statement describes the alternatives and related disclosures. (See par. 13-14 for relevant standards and par. A35- A39 and A56 in the Basis for Conclusions.)				
a) Do you agree or disagree with the proposal to allow a reporting entity to choose among alternatives in establishing an opening balance for internal use software? Please provide your rationale.	**10**	**2**	**5**	**2**
b) Do you agree or disagree that the related disclosures are appropriate? Please provide your rationale.	**14**	**1**	**1**	**3**
Q4. The Board proposes to rescind SFFAS 35, Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Accounting Standards 6 and 23, because this Statement would provide comprehensive guidance for establishing opening balances. The Board has incorporated the relevant components of SFFAS 35 in the proposed guidance in this Statement. The Board did not incorporate language from SFFAS 35 that explicitly allows for reasonable estimates on a go-forward basis to identify the cost of newly-acquired or constructed general PP&E. Instead, the Board acknowledges that reasonable estimates are permitted in the preparation of financial statements, with or without the existence of SFFAS 35, and are acceptable without guidance from the Board. (See				

QUESTION	AGREE	DISAGREE	PARTIAL AGREEMENT	NO COMMENT
par.18-19 for relevant standards and par. A43- A51 in the Basis for Conclusions.)				
a) Do you agree or disagree with the proposal to rescind SFFAS 35? Please provide your rationale.	**11**	**2**	**3**	**3**
b) Do you agree or disagree that reasonable estimates are permitted in the preparation of financial statements, with or without the existence of SFFAS 35? Please provide your rationale.	**15**	**0**	**2**	**2**

B. Quick Table of Responses By Question A=Agree, PA=Partial Agreement, D=Disagree, NA= No Answer or Comment

COMMENT LETTER	Q1a. Deemed Cost	Q1b. Disclosures	Q2a. Exclude Land	Q2b. Land Disclosures	Q2c. Exclude Future Land Acquisitions	Q3a. IUS Alternatives	Q3b. IUS Disclosures	Q4a. Rescind SFFAS 35	Q4b. Estimates permitted w/o SFFAS 35
#1 House Committee on Veterans' Affairs	A	A	D[2]	NA	D	A	A	A	A
#2 DOL-OIG	A	A[3]	D[4]	NA	D	PA[5]	A[6]	A	A
#3 SSA-DCFO	A	A	A[7]	A	D	A	A	A	A
#4 NGA-OCFO	PA[8]	A	D[9]	A	D	A	A	PA[10]	A
#5 EPA-OCFO	A[11]	A	A[12]	A	A	D[13]	A	A	A

[2] Suggested the Board defer any change in current requirements until the project on land is completed, but indicated deemed cost is effective method.
[3] Suggested use of deemed cost should be disclosed until such point as assets valued at deemed cost become immaterial.
[4] Suggested the Board defer any change in current requirements and continue to value land at historical cost based on existing standards.
[5] Agreed with allowing a reporting entity to choose among alternative valuation methods in establishing an opening balance for IUS, they disagreed with the prospective capitalization alternative because they believed it will promote inconsistencies with other reporting entities.
[6] Suggested use of deemed should be disclosed until such point as assets valued at deemed cost become immaterial.
[7] Explained consideration should be given to delaying the land aspect of ED until Board's project on land is completed.
[8] Noted that many agencies, especially those within DoD, have encountered challenges to support the historical cost of the assets which has necessitated the development of alternative methods of asset valuation or deemed cost.
[9] Noted preference would be to "value land holdings based on existing standards requiring historical cost of land acquired in connection with other general PP&E to be capitalized, a set amount per acre of land, deemed cost, or another valuation method."
[10] Noted integrating the opening balance approach into SFFAS 6 and 10 could be easier to apply, but perhaps SFFAS 35 should be retained since it provides important guidance. The Board should consider clarifying it as necessary since it has been misinterpreted or misapplied.
[11] Agreed for "real property" but did not provide further remarks regarding other equipment.
[12] Explained consideration should be given to delaying the land aspect of ED until Board's project on land is completed.
[13] Respondent explained from a materiality standpoint, there is little reason to allow a reporting entity to choose among alternatives in establishing an opening balance for internal use software.

STAFF SUMMARY OF RESPONSES – Table B: Quick Table Of Responses By Question

COMMENT LETTER	Q1a. Deemed Cost	Q1b. Disclosures	Q2a. Exclude Land	Q2b. Land Disclosures	Q2c. Exclude Future Land Acquisitions	Q3a. IUS Alternatives	Q3b. IUS Disclosures	Q4a. Rescind SFFAS 35	Q4b. Estimates permitted w/o SFFAS 35
#6 NASA-DCFO	**A**	**A**	**D**[14]	**NA**[15]	**NA**[16]	**A**[17]	**A**[18]	**PA**[19]	**PA**[20]
#7 DOL – OCFO	**A**[21]	**NA**[22]	**A**[23]	**NA**[24]	**D**[25]	**A**	**NA**	**NA**[26]	**NA**[27]

[14] Indicated changes should be deferred until the Board completes its reexamination of the appropriate basis for accounting for land.
[15] Respondent did not state whether they agreed or disagreed, but indicated that any changes in the disclosure requirements should be deferred pending the completion of the Board's reexamination of the appropriate basis of accounting for land.
[16] Respondent did not state whether they agreed or disagreed, but indicated that any changes should be deferred pending the completion of the Board's reexamination of the appropriate basis of accounting for land.
[17] Stated that they "have no disagreement with the proposal." Staff included this as agreed.
[18] Stated that they "have no disagreement with the proposal." Staff included this as agreed.
[19] Respondent agreed only if it is clear in the revised SFFAS 6 that all of the permitted uses of estimates for valuing general PP&E found in the present SFFAS 23 and SFFAS 35 remain in effect. They are concerned that a lack of clarity could once more lead to disparate treatment and unproductive disagreements between agencies and their auditors over estimation.
[20] Indicated concerns of external auditors absent the clarity of SFFAS 35 and that FASAB could be inviting confusion concerning the permitted use of estimated historical cost to value general PP&E when the original documents are no longer available
[21] Offered several areas for clarification, including conditions for which the scope would apply, what level a combination of alternatives may be used, and the treatment for opening balances for accumulated depreciation.
[22] Respondent did not state whether they agreed or disagreed, but indicated disclosures should include how accumulated depreciation was derived and information regarding the scope condition.
[23] Noted standards should describe whether a reporting entity at a higher level of consolidation may elect a different alternative in applying the standard.
[24] Respondent did not state whether they agreed or disagreed, but indicated disclosures should include much of what is in the proposed standard, plus additional suggestions such as the categories of land based on how the land is used. The respondent also noted that the number of acres and/or a value per acre may be difficult to audit; furthermore, land rights may have no value and no acreage.
[25] Indicated future land acquisition amounts should be capitalized because the historical cost is known and if the historical cost is not known, estimates may be easier to make and more timely.
[26] Respondent did not state whether they agreed or disagreed, but indicated SFFAS 35 should be rescinded if the proposed standard allows for reasonable estimates on a go-forward basis to identify the cost of newly-acquired or constructed general PP&E.
[27] Respondent did not state whether they agreed or disagreed, but indicated the standard should specifically allow for reasonable estimates on a go-forward basis to identify the cost of newly-acquired or constructed general PP&E.

STAFF SUMMARY OF RESPONSES – Table B: Quick Table Of Responses By Question

COMMENT LETTER	Q1a. Deemed Cost	Q1b. Disclosures	Q2a. Exclude Land	Q2b. Land Disclosures	Q2c. Exclude Future Land Acquisitions	Q3a. IUS Alternatives	Q3b. IUS Disclosures	Q4a. Rescind SFFAS 35	Q4b. Estimates permitted w/o SFFAS 35
#8 DOC-CFO	**A**	**A**	**D**[28]	**D**	**D**[29]	**PA**[30]	**A**	**A**	**A**
#9 Asset Leadership Network	**D**[31]	**D**[32]	**D**[33]	**D**[34]	**D**	**D**[35]	**D**[36]	**D**[37]	**A**
#10 USCG-CFO	**A**	**A**	**D**[38]	**A**	**A**[39]	**A**	**A**	**A**[40]	**A**[41]
#11 KPMG[42]	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**

[28] Indicated providing an optional exclusion of land undermines the integrity of and a primary purpose of a reporting entity's financial statements. Indicated deemed cost provides a sufficient methods for determining land. Stated FASAB should not revise any existing standards for the valuation of land until it completes a reexamination of the appropriate basis of accounting for land.

[29] Indicated subsequent land acquisition amounts under this scenario should be recorded under existing standards.

[30] Agrees with the proposal to allow a reporting entity to choose alternative valuation method deemed cost in establishing opening balances for IUS but disagrees with both options provided for prospective capitalization of IUS.

[31] Indicated approach does not appear to be consistent with the FASAB SFFAC 1 and the deemed cost approach will diminish the perceived reliability and usefulness of financial reporting of PP&E.

[32] Indicated the greater the need of repeated disclosures because of the wide variance from traditional U.S. accounting.

[33] Indicated they prefer using existing accounting standards.

[34] Indicated that land is a major element of the balance sheet.

[35] Noted software is an intangible asset and the benefits of placing software on the balance sheet may not be sufficient to justify costs.

[36] Indicated that using multiple approaches for reporting will result in information that is not meaningful to anyone

[37] While the respondent agreed SFFAS 35 should not be needed, it has been helpful and there is concern that withdrawing it may lead to belief that concepts and requirements contained therein no longer apply.

[38] Indicated changes should be deferred until the Board completes its reexamination of the appropriate basis for accounting for land.

[39] Indicated it would be beneficial to include a disclosure for costs associated with the future land acquisition.

[40] Agreed provided clarification is provided in SFFAS 6 and suggested specifically allowing the use of reasonable estimates prospectively.

[41] Indicated the proposed changes make the guidance for use of reasonable estimates too vague and leaves too much up to interpretation.

[42] Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board’s consideration.

STAFF SUMMARY OF RESPONSES – Table B: Quick Table Of Responses By Question

COMMENT LETTER	Q1a. Deemed Cost	Q1b. Disclosures	Q2a. Exclude Land	Q2b. Land Disclosures	Q2c. Exclude Future Land Acquisitions	Q3a. IUS Alternatives	Q3b. IUS Disclosures	Q4a. Rescind SFFAS 35	Q4b. Estimates permitted w/o SFFAS 35
#12 Army	A	A[43]	A	A	A	PA[44]	PA[45]	D[46]	A
#13 DoD	A	A	A	A	A	A	A	A[47]	A
#14 GWSCPA-FISC	A	A	D[48]	NA	D	A	A	NA[49]	A
#15 DOI-CFO[50]	A	A	PA[51] [5-D, 1-A, 1-NA]	PA[52] [2-D, 1-A, 3-NA]	PA [3-D, 1-A, 2-NA]	A[53]	A	PA [5-A 1-D]	PA [5-A 1-NA]
#16 DOE-CFO	NA	NA	A[54]	PA[55]	D[56]	NA	NA	A	A

[43] Respondent stated that they disagreed with the statement that "subsequent periods need not repeat this disclosure". Disclosures should be included in all periods where alternate valuation methods are used.
[44] Indicated that prospective capitalization of IUS should be the only option.
[45] Response was to align with answer provided to Q3a.
[46] Indicated SFFAS 35 and TR 13 are valuable by providing additional needed clarifications to the standards for use of estimation methods.
[47] Offered suggestions to clarify par.19 and suggested that it be an amendment to SFFAS 6 so that it includes all significant accounting policies for PP&E.
[48] Indicated changes should be deferred until the Board completes its reexamination of the appropriate basis for accounting for land.
[49] Noted questions remain regarding reasonable estimates and suggested the term "reasonable estimate" be defined in the ED.
[50] The Department of Interior response included separate narrative answers and responses from Bureau of Indian Affairs (BIA), Bureau of Land Management (BLM), Bureau of Ocean Energy Management (BOEM)/Bureau of Safety and Environmental Enforcement (BSEE), Bureau of Reclamation (BOR), National Park Service (NPS), Office of Acquisition and Property Management (PAM), and Office of Financial Management (PFM) in most of the questions. Staff included a summary of the responses as appropriate.
[51] Indicated changes should be deferred until the Board completes its reexamination of the appropriate basis for accounting for land.
[52] Indicated DOI's current reporting of Stewardship land is based on Land Management Categories and if the Board were to require that Stewardship land be reported in acres the costs of the annual financial audit would increase dramatically.
[53] Staff included as "agreed" because all components reported that they agreed with the exception of one that stated they agree with alternatives but did not agree with provision for exclusion of software under development in paragraph 36 section d.i.(a).
[54] Indicated that they had no objection; the approach taken by other reporting entities for stewardship land.
[55] Response is PA due to respondent not agreeing with future land acquisition exclusion, thus they would not be included in the related disclosures.
[56] Indicated the Board can appropriately provide relief to a reporting entity when establishing its opening balance for land without distorting the reporting of expenses in future years.

STAFF SUMMARY OF RESPONSES – Table B: Quick Table Of Responses By Question

COMMENT LETTER	Q1a. Deemed Cost	Q1b. Disclosures	Q2a. Exclude Land	Q2b. Land Disclosures	Q2c. Exclude Future Land Acquisitions	Q3a. IUS Alternatives	Q3b. IUS Disclosures	Q4a. Rescind SFFAS 35	Q4b. Estimates permitted w/o SFFAS 35
#17 AGA-FMSB	**A**	**A**	**D**[57]	**A**[58]	**D**	**PA**[59]	**A**	**A**	**A**
#18 NSA	**A**	**A**	**NA**	**NA**	**NA**	**A**	**A**	**A**	**A**
#19 DoD-OIG	**A**[60]	**A**	**D**[61]	**A**	**D**	**PA**[62]	**A**	**A**	**A**
Totals									
A	**15**	**15**	**6**	**8**	**4**	**10**	**14**	**11**	**15**
D	**1**	**1**	**10**	**2**	**11**	**2**	**1**	**2**	**0**
PA	**1**	**0**	**1**	**2**	**1**	**5**	**1**	**3**	**2**
NA	**2**	**3**	**2**	**7**	**3**	**2**	**3**	**3**	**2**
Total	**19**	**19**	**19**	**19**	**19**	**19**	**19**	**19**	**19**

[57] Indicated that they were split on the proposal, but decided FASAB should defer any changes until it completes land project.
[58] Suggested adding disclosures for long-lived non-depreciating assets.
[59] Does not believe there should be different alternatives when establishing opening balance for internal use software, but reporting entities should use deemed cost that is consistent with that provided for all general PP&E.
[60] Suggested the proposal state that the use of deemed cost should be restricted to those circumstances where reliable information about the historical cost of the asset is not available. Respondent explained as currently written, the proposed guidance would allow entities to use deemed cost for all assets instead of only those assets for which it does not have supporting documentation.
[61] Indicated changes should be deferred until the Board completes its reexamination of the appropriate basis for accounting for land.
[62] Indicated agreement with the proposal to allow deemed cost as an alternative valuation but concerned about the "prospective capitalization" for IUS.

C. Full Text of Answers and Comments by Question and by Respondent

QUESTION #1 The Board proposes a reporting entity be permitted to apply an alternative valuation method in establishing opening balances for general property, plant, and equipment (PP&E) when presenting financial statements, or one or more line items addressed by this Statement, following generally accepted accounting principles (GAAP) promulgated by the Federal Accounting Standards Advisory Board (FASAB) 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 proposed Statement describes the alternative valuation method and related disclosures. a) Do you agree or disagree with the proposal to permit opening balances of general PP&E to be valued based on deemed cost? Please provide your rationale. b) Do you agree or disagree that the related disclosures are appropriate? Please provide your rationale.	
#1 House Committee on Veterans' Affairs	a) We agree that valuing opening balances based on deemed cost is reasonable—deemed cost meaning estimated replacement cost, historical cost, or fair value. The choice of one of the three methods of deemed cost must be as consistent as possible among types of PP&E. We agree with the underlying rationale that compliance with the existing standards has fallen short of expectations, and at this point the cost-benefit analysis supports moving to a standard that is more likely to be followed. b) We agree that the related disclosures are appropriate.
# 2 DOL-OIG	a.) We agree with the proposal to permit opening balances of general PP&E to be valued based on deemed cost. We agree with the Board's position that the use of deemed costs for the valuation of opening balances of PP&E is consistent with GAAP established by SFFAS 48, *Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials*. The use of deemed costs would provide a cost-effective starting point to value opening balances. b.) We generally agree that the related disclosures are appropriate. We agree that the requirement to disclose a description of the methods utilized in determining deemed cost is necessary. We further agree with the Board that to disclose the specific valuation methods by amount is unnecessary and would not provide further clarity, as all valuation methods outlined by the proposed standard are considered acceptable, and are meant to serve as a surrogate for historical costs that are not available to the entity. However, the proposed standard notes that related disclosures need not be repeated in future periods. While we agree that details regarding the methods utilized in determining deemed cost are not needed in future periods (other than for comparative purposes), we suggest that the statement clarifies that use of deemed cost as a valuation method should be disclosed until such point as assets valued at deemed cost become immaterial.
# 3 SSA-DCFO	a.) We agree with permitting opening balances of general PP&E to be valued using deemed costs. Deemed costs, based on alternative valuation methods, allow agencies to move forward with a valid

	starting point and a reasonable cost basis for their general PP&E reporting. b.) We agree that the related disclosures are appropriate for the circumstances in which an entity is using deemed costs. These disclosures provide the reader with the information needed to gain an understanding of the financial statements taken as a whole. In addition, the disclosures provide the reader with information on the deemed cost methodology used to create the opening balances and information on any exclusions to the beginning balances for land.
#4 NGA	a.) We both agree and disagree with permitting opening balances of general PP&E to be valued based on deemed cost. NGA Rationale: We believe that many agencies, especially those within DoD, have encountered challenges locating invoices sufficient to support the historical cost of the assets on their books. These challenges have necessitated the development of alternative methods of asset valuation or deemed cost. However, we also believe that a reasonable estimate of historical cost could be used. When the opening balance is based on replacement cost or fair value, then it seems reasonable that the values should be discounted to the time of acquisition. NGA recommended resolution: We believe that if alternative methods of asset valuation or deemed cost are used, these alternative methods must be consistently applied and fully disclosed in the notes to the financial statements. However, if discounting the values is not a cost effective solution, then this fact should also be disclosed in the notes to the financial statements. b.) Based on our comments to FASAB's Q1(a) above, we agree that the related disclosures are appropriate, but only on the basis of a reasonable estimate of historical cost for opening balances is adopted. NGA Rationale: If a reasonable estimate of historical cost could be used, and is the only methodology used, then it may limit the disclosure needed in the notes to the financial statements.
#5 EPA	a.) Agree for real property. The EPA agrees that there is a need within the Department of Defense (DoD) community for alternative valuation methods for real property. The proposal was driven by a Department of Defense (DoD) request for guidance on establishing opening balances for general PP&E. DOD's financial management has been on GAO's High Risk List since 1995. On February 27, 1998, GAO/NSIAD-98-82 reported that the billions of dollars of DOD's real property (land, buildings, facilities…) were unreliable. On September 7, 1999, GAO published the NSIAD-99-100-Real Property Management Needs Improvement. Based on this example, the EPA supports the Board's efforts to address alternative valuation methods for the opening balance for real property. However, the Board needs to clarify the guidance in SCOPE, paragraph 7. The term "unreserved assertion" of the ED is unclear. The concept of an "unreserved assertion" does not exist in the professional literature (AICPA, GAO, FASAB). Thus, the term should be defined with objective criteria. b.) Agree. The disclosures are required by SFFAS No. 6, for general PP&E. Furthermore, OMB

	Bulletin No. 01-09 states "recognition and measurement criteria for general PP&E are in SFFAS No. 6. If adjustments are required to existing PP&E in the period that the standards are implemented, in order to comply with the recognition and measurement criteria, the adjustments should be made and disclosed by major class in accordance with the standard".
#6 NASA-DCFO	a.) Yes. We agree with the proposal to permit opening balances for general PP&E to be valued based on deemed cost. Given the long life of many general PP&E items it is reasonable to expect in some cases the original historical cost documentation would not be available at the time a reporting entity begins reporting PP&E in accordance with SFFAS 6. b.) We have no disagreement with the proposed disclosures.
#7 DOL -OCFO	a.) 1. DOL/OCFO agrees with the proposal to permit opening balances of general PP&E to be valued based on deemed cost because this will allow the presentation to be in compliance with U.S. generally accepted accounting principles (GAAP). 2. The DoD FY 2015 AFR, financial statements, Note 1.A, Basis of Presentation states: "The financial statements have been prepared from the books and records of the Department in accordance with, and to the extent possible, U.S. generally accepted accounting principles (USGAAP) promulgated by the Federal Accounting Standards Advisory Board; . . . " and "The Department is unable to fully implement all elements of USGAAP and OMB Circular No. A-136, due to limitations of financial and nonfinancial management processes and systems supporting the financial statements." From this wording it is unclear whether the proposed standard's conditions of ". . . (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 . . . " whether condition (1) for first-time implementation of GAAP to the G-PPE item(s) or (2) due to the systems would apply. Therefore, the standard should provide examples for each of the conditions. 3. The standard should be written in a manner to make clearer: -- that the standard applies to both the component reporting entities and the government-wide reporting entity and -- the definition of a "line item"; e.g., whether or not the standard may be applied to the individual line items (but not all line items) as presented in the PP&E notes to the financial statements. If the standard may be applied for each item separately (as presented in the notes), then this should be made clearer in the standard.

	4. From page 12: "In the event different alternatives are applied by component reporting entities consolidated into a larger reporting entity, the alternative adopted by each significant component should be disclosed." it is unclear at what level a combination of alternatives may be used, e.g., whether a significant component may use multiple alternatives to estimate deemed cost for buildings. Please be clearer about the level at which multiple alternatives may be used; examples would be helpful. 5. The standard is unclear regarding the treatment for opening balances for accumulated depreciation. b.) 1. The disclosures should include references to condition (2) [" . . . after a period during which existing systems could not provide the information necessary for producing such GAAP-based financial statements . . . "] if the condition is applicable. 2. The disclosures should include how accumulated depreciation was derived.
#8 DOC-DCFO	a.) The Department agrees with the proposal to permit opening balances of General PP&E to be valued based on deemed cost, either (1) for the first time or (2) after a period which existing systems could not provide the information necessary for producing such GAAP- based financial statements without use of alternative valuation methods, when historical costs are not available. Systematic, rational, and reasonable alternative methods to estimate historical costs of opening balances should be available when historical cost data is not available. b.) The Department agrees that the disclosure requirements for the use of deemed cost method(s) for opening balances of General PP&E are appropriate. Disclosure of the method(s) used to determine the deemed cost may be useful and relevant information to the reader and helps to further agency accountability. The Department further believes a one-time disclosure of the deemed cost method(s) used for each item is sufficient.

STAFF SUMMARY OF RESPONSES – Table C

#9 Asset Leadership Network	a.) Disagree Rationale: The approach as described in the exposure draft does not appear to be consistent with the FASAB Statement of Federal Financial Accounting Concepts 1 - Objectives of Federal Financial Reporting. The objectives of this statement are to promote: budgetary integrity, operating performance, stewardship, and systems and control. The FASAB Statement emphasizes the usefulness of reporting to users in an economical, efficient, and effective way, for good decision making to the benefit of society. The deemed cost approach will diminish the perceived reliability and usefulness of financial reporting of Property Plant and Equipment. Deemed cost includes replacement cost, which in US GAAP, has never been used for accounting purposes. We grant that the concept may be useful for operational purposes. Deemed Cost includes fair value. Fair value is generally not used for accounting purposes, except when balances are to reflect the lower of cost or market. Finally, deemed cost includes estimated historical cost, for accounting purposes. This is the amount that users are used to seeing and using. This is the consistent approach which should be maintained. When multiple approaches are used and reported, the result is information that is not meaningful or useful to anyone. Deemed Cost is more appropriately used for IFRS reporting under the International Accounting Standards, which permits reevaluating PP&E assets to fair value. b.) Disagree When there is a large likelihood that the readers of the financial information may not understand or might be confused by what is presented, because of the wide variance from traditional U.S. accounting, the greater the need of repeated disclosures. The exposure draft documentation includes "A54. The reporting entity should also disclose a description of what valuation method(s) deemed cost is based on, but no disclosure of amounts valued at deemed cost is required. This disclosure need not be repeated unless the financial statements or, as applicable, reports on line items are presented for comparative purposes." This statement may lead practitioners to minimize needed disclosures.
#10 USCG-CFO	a.) We agree with the proposal to permit opening balances of general PP&E to be valued based on deemed cost. As stated in the board discussions, due to past practices and the existing financial system of record, historical cost and the supporting records may not exist or be reliable. In many instances, neither the financial system of record nor the procurement contracts were configured to collect construction or development costs for assets. In addition, the documentation to support historical valuations may not have been retained in their entirety. The ability to differentiate improvement cost from the cost for the original asset may be completely unidentifiable due to system constraints and past data collection practices. b.) We agree that the related disclosures as to the use of deemed costs to establish opening balances and a description of the methods that were used are appropriate. We also agree that an entity using deemed costs to establish opening balances should not require a break out amount. We

	do not believe the inclusion of a breakout amount would add any additional benefits to the user of the financial statements and the cost to provide an accurate accounting by method would outweigh the benefit derived by the user. The risk of a misstatement in a disclosure requiring breakout details would outweigh any derived benefit.
#11 KPMG	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at D. Listing Of Additional Comments from Respondents.
#12 Army	a.) The Army agrees with the proposal to permit opening balances based on deemed cost. The flexibility afforded by the deemed cost approach achieves an appropriate balance between the value of the information presented in the financial statements and the cost to capture and report that information. Statement of Federal Financial Accounting Concept 1 Chapter 5 directs the standards setters to consider the relative benefit and cost of financial reporting information when developing standards. Adding the deemed cost approach to the standards better balances the benefit and cost of the information presented. The concept of balancing the value of information and the cost to report that information also supports Army disagreement with parts of this Exposure Draft. As discussed further in the responses to Q4, the Army does not agree with any effort to restrict the ability to use estimates of historical cost for balances after opening balances have been established. Current standards explicitly support methodologies for the estimation of historical cost based on "amounts to be expended". SFFAS 35 does not require transaction based data but rather "encourages those federal entities that use estimates to approximate the historical cost values of G-PP&E to establish processes and practices (i.e., adequate systems and internal control practices) for future acquisitions that will capture and sustain transaction based data." The Army is working towards transaction level support for historical costs across all components of PP&E. Achieving that goal is several years in the future and will not be achieved at a single point in time for all components of PP&E. Therefore, an unreserved assertion of the value of all PP&E and a simultaneous shift to transaction based support for historical cost across all components of PP&E is simply not possible in the next several years. b.) The Army agrees that the methods to value opening balance should be disclosed as the information will be valuable to the reader's understanding of the values presented. The Army disagrees with the statement that "subsequent periods need not repeat this disclosure". This statement should be changed to say that the disclosures should be included in all periods where alternate valuation methods are used as Army and many reporting entities will be using alternate methods in subsequent reporting periods in accordance with current standards.
#13 DoD	a.) DoD agrees with the proposal to permit opening balances of general PP&E to be valued based on deemed cost. With the caveats noted in Section 2 below related to Plant Replacement Value, DoD

	believes that the deemed cost valuation methods set out in paragraph 12.e of the Exposure Draft provide an appropriate degree of flexibility while maintaining financial statement reporting integrity. The flexibility afforded by the deemed cost approach will allow DoD and other federal agencies to focus their efforts on improving and implementing processes and systems rather than trying to overcome an absence of transaction based historical cost information. Improved accounting and reporting systems and the associated processes and internal controls will support recording of PP&E using historical costs in compliance with Statement of Federal Financial Accounting Standards (SFFAS) 6 – Accounting for Property, Plant and Equipment on a prospective basis. b.) DoD agrees that the related disclosure requirements are appropriate. Because most individuals reading and using federal financial statements will not be familiar with the concept of deemed cost the disclosures set out in the Exposure Draft are both necessary and appropriate in order for the reader to understand the basis of accounting used to record transactions. Disclosures will also be necessary to describe any resulting opening balance adjustments in accordance with SFFAS 21 – Reporting Corrections of Errors and Changes in Accounting Principles. Consequently, DoD agrees with the following disclosure requirements set out in the Exposure Draft, paragraph 12.g.ii: • Disclose that a deemed cost methodology has been used to determine the opening balance of property, plant and equipment. • Describe the specific deemed cost methodology used to determine the opening balances – e.g. replacement cost, estimated historical cost, or fair value. • The disclosure requirements will apply only to the year in which the deemed cost was applied unless those balances are presented in subsequent year financial statements for comparative purposes. In this instance the disclosures would be repeated. DoD also concurs that no disclosure of the distinction or breakout of the amount of deemed cost of general PP&E included in the opening balance is required. This is an important element of the Exposure Draft because having to make this type of distinction would require additional effort and resources to separately track these balances in subsidiary property ledgers.
#14 GWSCPA-FISC	The FISC agrees with the Board's approach on deemed cost, along with the related disclosures described in the ED. We understand that the additional flexibility provided by the proposed ED may assist reporting entities, such as the Department of Defense, in developing opening balance estimates of PP&E that provides useful information to the readers of the financial statements, while balancing cost-benefit considerations.
#15 DOI-CFO	a.) Bureau of Indian Affairs (BIA): Agree, this allows for consolidation of possibly several valuations methods and is a cost effective way for an entity to establish opening balances. Bureau of Land Management (BLM): Agree. Create auditable general PP&E general ledger & sub-ledger balances. This should enable those organizations who utilize 'deemed cost' to get off of go and move forward. Those organizations can then refine their general PP&E accounting going

	forward. Bureau of Ocean Energy Management (BOEM)/Bureau of Safety and Environmental Enforcement (BSEE): Agree – seems reasonable. Bureau of Reclamation (BOR): Reclamation agrees with the proposal to permit basing opening balances of general PP&E on deemed costs. Reclamation strongly suggests not replacing SFFAS 6 paragraph 40 because the new proposed paragraph only pertains to opening balances and one-time corrections to line items. At times entities require estimates on previously reported miscellaneous PP&E assets. Because the bullets are the same in both paragraphs, Reclamation suggests keeping the first sentence of the current SFFAS 6 paragraph 40 which states, "although the measurement for valuing G-PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of G-PP&E, in accordance with the asset recognition and measurement provisions herein." This clarification is essential. Loss of the guidance to use reasonable estimates when historical costs are not available could leave entities vulnerable to the auditor's interpretation for existing balances where they have used estimates to establish costs for PP&E. Reclamation does not agree with proposed paragraph 12 (40)f.ii. Reclamation feels identifying in-service dates on material improvements separately from the base unit is essential to minimizing the distortion of depreciation and future year expenses. Also, using the in-service date of just the base unit distorts the comparability between entities and does not comply with the concept of operating performance in SFACC1. National Park Service (NPS): Agree. It is unclear if "deemed cost" is a consolidating term for one or more Alternate Valuation Methods or if "deemed cost" is a Valuation Method in and of itself or is the specific estimated number that is reported once a method(s) is applied. In any event deemed cost appears to support the use of "reasonable estimates" and should be allowed. It is questionable how expanding the standard to include the deemed cost concept assists with solving the underlying Cost-Benefit justification and overcoming the inherent limitations of applying current day standards to transactions that lack the data elements to readily comply with the standard. The valuation method must still be applied to a known quantity of assets, the accuracy of which may be uncertain. Office of Financial Management (PFM): Agree. "Deemed cost" is a reasonable and cost effective means in establishing opening balances for general PP&E. The proposed standard allows entities with problems establishing historical cost to move forward. It is consistent with SFFAS 48: Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials. b.) BIA: Agree. This additional information is needed to allow the users of Financial Statements understand the methodology being used. BLM: Agree. Management's unreserved assertion that the reporting entity's "financial statements, or

	one or more line items addressed by this Statement, are presented fairly in accordance with GAAP. BOEM/BSEE: Agree – seems reasonable. BOR: Reclamation agrees the disclosures are appropriate provided FASAB also requires compliance with paragraph 13 of SFFAS 21. NPS: Concur. PFM: Agree. Disclosing the fact and the method used in establishing opening balances for general PP&E only in the first reporting period is sufficient as "deemed cost" is a reasonable method of valuing general PP&E, and reporting the prior period adjustment will disclose the impact of the method chosen on prior periods.
#16 DOE-CFO	Since we don't anticipate that this change will affect the Department of Energy, we do not express agreement or disagreement with the change.
#17 AGA-FMSB	a.) We agree that using a deemed cost method for establishing an opening balance or after a period during which existing system cannot provide the information necessary to produce GAAP-based financial statements is an efficient and effective means. If the Federal government and its agencies want to be more transparent about the value of general PP&E, then deemed cost with disclosed methods and assumptions (SFFAS 6, as amended, paragraph 40(g)(ii)) is the only theoretically sound way to enhance transparency. b.) We agree the related disclosures are appropriate. In practice, they should be fairly straightforward to implement once the data is gathered.
#18 NSA	a.) Agree. All documentation cannot be found based on Agency's historical documentation retention policy, which makes it difficult to provide supporting documentation for balances. b.) Agree.
#19 DoD-OIG	a.) We agree with the proposal to permit opening balances of general PP&E to be valued based on deemed cost which may provide a cost effective alternative to reporting historical costs. The proposed standard should assist DoD in complying with GAAP reporting requirements while lessening the Department's financial burden in recreating historical cost data that it has been unable to previously produce using its existing financial management systems. This proposed standard will assist DoD in its efforts to produce audit-ready financial statements. However, the proposal should specifically state that the use of deemed cost should be restricted to those circumstances where reliable information about the historical cost of the asset is not available. As currently written, the proposed guidance is allowing entities to use deemed cost for all of its assets instead of only for those assets for which it does not have supporting documentation. b.) We agree that the related disclosures are appropriate and would provide adequate information regarding the method chosen by the entity.

STAFF SUMMARY OF RESPONSES – Table C

QUESTION #2 The Board proposes to amend Statement of Federal Financial Accounting Standards (SFFAS) 6, Accounting for Property, Plant, and Equipment, so that land categorized as general PP&E may be excluded from the opening balances of general PP&E. Instead, disclosures would reveal the acres of land and changes in those acres over time. A reporting entity electing to exclude land from its general PP&E opening balance should continue to exclude future land acquisition amounts and provide the disclosures. Some members suggested valuing existing land holdings based on a set amount per acre of land or deemed cost. For example, one study estimated the land value in the United States at roughly $4.5 trillion in the third quarter of 2009. Since the number of acres in the United States is almost 2.3 billion, this equates to approximately $2,000 per acre. (Land values vary greatly based on location, potential use, and availability and cost of financing.) These members are interested in receiving comments on the usefulness of a general valuation approach that could be applied government-wide. The Board intends to begin a project on land in the near future that would review existing standards and consider a consistent approach. Based on the results of that project, the decisions made for opening balances and future acquisitions of land in this Statement may be revised. Also, some members suggested deferring any changes in the historical basis for land acquired for use in operations until the Board completes a re-examination of the appropriate basis of accounting for land. (See par. 12.d. and 12.g. for relevant standards and par. A27- A34 for a discussion of certain members' concerns and A55 in the Basis for Conclusions.) a) Do you agree or disagree with the proposal to allow exclusion of land from the opening balances of general PP&E even though other component reporting entities will report the cost of certain land in general PP&E? If you disagree, do you prefer (1) to value land holdings based on existing standards requiring historical cost of land acquired in connection with other general PP&E to be capitalized, a set amount per acre of land, deemed cost, or another valuation method, (2) to defer any changes in the current requirements until the Board completes a reexamination of the appropriate basis of accounting for land, or (3) to adopt another option? Please provide your rationale. b) Do you agree or disagree that the related disclosures are appropriate? Please provide your rationale. c) Do you agree or disagree that a reporting entity electing to exclude land from its general PP&E opening balances should continue to exclude future land acquisition amounts? Please provide your rationale. d) The Board anticipates a project on land to review existing standards and to consider a consistent approach for all component reporting entities. Please provide any suggestions you have for improving current reporting on land.	
#1 House Committee on Veterans' Affairs	a.) We disagree that land should be excluded as described. We believe no action should be taken until the project on land is completed. Amending SFFAS 6 as described, followed by another change in the near future, may create inconsistencies in the treatment of not only land that has previously been acquired, but also land that is acquired between the proposed amendment of SFFAS 6 and the future change. Regardless of the outcome of the project on land, we do not believe it is wise to value

	land based on a uniform amount per acre. This ignores geographic and market variations, and recording misleading or inaccurate values is the worst alternative. We believe deemed cost is probably an effective method. The project on land should make this determination. b) We decline to answer at this time. If the eventual decision is to exclude land values, recording the acreage in notes to the financial statements would be acceptable. c) We disagree. Excluding land that is already owned should only be out of necessity, because the historical records do not exist. Future land acquisition amounts, for which complete information is available, should not be excluded purely out of convenience. We believe deemed cost for existing land would be compatible with actual cost for future land acquisitions. d) We support the project and think it should be concluded before action is taken. Consistency is more important than expediency or temporary convenience. Please see above for comments on reporting methods.
#2 DOL-OIG	a.) We disagree with the proposal to allow exclusion of land from the opening balances of general PP&E. b.) We prefer that the Board defer any change in current requirements and continue to value land at historical cost based on existing standards until the Board completes a reexamination of the appropriate basis of accounting for land to avoid potential consistency issues. c.) We disagree with the proposal to allow a reporting entity to elect to exclude land from its general PP&E opening balances, and therefore, we also believe future land acquisition amounts should be included. If land is excluded from general PP&E opening balances, a disclosure to that effect should be made and land should be capitalized under SFFAS No. 6 going forward to provide for some consistency with other reporting entities and other asset types. d.) We believe that the Board should consider the use and location of land in its review of existing standards and when considering a consistent approach for all component reporting entities.
#3 SSA-DCFO	a.) While we do not have land to report on our Balance Sheet, we do agree with the proposed exclusion of land from the opening balances if an entity cannot determine a meaningful valuation for past acquisitions of land. However, we do not agree that if an entity does not provide an opening balance and decides to disclose the acreage instead, they are required to use disclosure to capture any new and future land acquisitions. While there may be an issue of consistency, we believe it would be beneficial to disclose the issue and data concerning the opening balances, but then capitalize new land acquisitions moving forward. The entity should ensure it obtains the information necessary for capitalization on any new land acquisitions. While this methodology would create a disconnect in having some land values capitalized and other land covered only by disclosures, it would allow for the expenses to be more accurately reflected in the period that the land is acquired, and allow for as much financial data as possible to be recorded in the financial statements. In addition, we do not agree with using a set amount per acre due to the wide disparity of monetary

	differences in land values. However as the Board intends to begin a project on land in the near future, consideration should be given to delaying the land aspect of this Exposure Draft (ED) until such time as the Board's project on land is completed. b.) If a meaningful valuation for land cannot be determined on past land acquisitions, we agree with the disclosure requirements as they provide useful information to the reader on understanding the entity's land assets. c.) We disagree with this approach. Going forward, the entity should make every effort to obtain valid cost information and capitalize new land acquisitions as they occur, which would ensure better financial reporting and the recording of the most complete information on the financial statements. If the entity does not capitalize new assets and expenses the land, the entity's expenses would be overstated. In addition, by not recording land assets moving forward just compounds the issue of eventually recording the opening balance in the future, if the Board changes the Standards. As the Board intends to begin a project on land in the near future that would review existing Standards and consider a consistent approach, which may revise the reporting of land as contained in this ED, consideration should be given to delaying the land aspect of this ED until such time as the Board's project on land is completed. d.) We do not have any suggestions, as we currently do not have land to report on our Balance Sheet. However, as stated above, we believe that since the Board plans to begin a project on land that consideration should be given to excluding any land action in this ED until the land project is complete.
#4 NGA	a.) We disagree with the proposal to allow the exclusion of land from the opening balances of general PP&E. NGA Rationale: Our preference would be to "value land holdings based on existing standards requiring historical cost of land acquired in connection with other general PP&E to be capitalized, a set amount per acre of land, deemed cost, or another valuation method." Although we believe a historical cost estimate should be reported, we also believe that adopting a "set amount" value per acre of land could cause a potentially material misstatement based on the wide variation of land values across the country and in some cases, the world. The proposed exclusion could result in a potentially material misstatement for entities who own significant amounts of land, especially if that land is located in high value areas (e.g. New York City, the District of Columbia, etc.). NGA recommended resolution: We would prefer to defer any changes in the current requirements until the Board completes its reexamination of the appropriate basis for accounting. We believe changes now would significantly impair consistency of the information being reported. b.) We agree that the disclosures related to land are appropriate. c.) We have stated that we do not agree with allowing the exclusion of land from the opening

	balances. NGA Rationale: Same rationale as provided for Q2(a) NGA response - We believe that this exclusion could result in a potentially material misstatement for entities who own significant amounts of land, especially if that land is located in high value areas (e.g. New York City, the District of Columbia, etc…). We also believe that adopting a "set amount" value per acre of land could cause a potentially material misstatement based on the wide variation of land values across the country and in some cases, the world. NGA recommended resolution: However, we believe if a reporting entity electing to exclude land from its general PP&E opening balances should continue to exclude future land acquisition amounts is to be permitted, we agree that it would be appropriate for entities electing to exclude the land from the opening balances to continue to do so by carrying the acquisition amounts at historical costs for future land acquisitions. In addition, applying GAAP prospectively should be required. d.) No comments provided
#5 EPA	a.) Agree. The Board has proposed to begin a project on land in the near future that would review existing standards and consider a consistent approach. The EPA agrees to defer any changes to the historical basis for land acquired for use in operations until the Board completes a re-examination of the appropriate basis of accounting for land. b) Agree. The basic statements and the related disclosures should present balances and amounts for the current year and the prior year. The information should be appropriately disclosed. c.) Agree. The Board has proposed to begin a project on land in the near future that would review existing standards and consider a consistent approach. Our suggestion is that the board meetings need to periodically review land issues. d) Land has an indefinite life and is not subject to depreciation. Currently, land is reported as General Property, Plant, and Equipment, Net. We suggest that land should be reported as real property in Balance Sheet.
#6 NASA-DCFO	a.) We disagree. We believe the Board should defer any action on the reporting of land until it completes a reexamination of the appropriate basis of accounting for land. Making a change as part of this effort may well turn out to be a temporary one causing confusion and added cost for users of the financial statements, as well as added cost for the Government. b.) We believe any changes in the disclosure requirements should be deferred pending the completion of the Board's reexamination of the appropriate basis of accounting for land. c.) We believe any changes in the accounting treatment of land should be deferred pending the completion of the Board's reexamination of the appropriate basis of accounting for land. d.) No comment provided.
#7 DOL -OCFO	a.) 1. The standard should allow for exclusion of land from the opening balances. Because land has an unlimited life, the land excluded from the opening balance should be presented on the balance

	sheet as a line item with no value (with reference to a note) and in note disclosures in a manner similar to stewardship land. 2. The note disclosure should present the categories of land based on how the land is used and provide unit counts within each category for beginning balance, increases, decreases, and ending balance and unit counts. The number of acres and/or a value per acre may be difficult to audit; furthermore, land rights may have no value and no acreage. 3. The standard should describe whether a reporting entity at a higher level of consolidation may elect a different alternative in applying the standard. For example, for a component reporting entity that chooses to report land at deemed cost, whether the government-wide entity may choose to exclude land from the opening balance. b.) Please refer to the response in Q2.a. c.) Future land acquisition amounts should be capitalized because the historical cost is known. If the historical cost is not known (e.g., land acquired through transfer), because of the lower number of acquisitions, estimates may be easier to make and more timely. d.) No comment at this time.
#8 DOC-DCFO	a.) The Department disagrees with the proposal to allow for the exclusion of land from the opening balances of General PP&E. Land (real property) is a component of General PP&E, and the Department believes it is not warranted, even while considering cost versus benefit considerations, to provide the option of exclusion for the opening balances of land. The Department believes providing an optional exclusion of land undermines the integrity of and a primary purpose of a reporting entity's financial statements; that is, to present a reporting entity's financial condition as of the balance sheet date (in this case, proper presentation of land and land rights assets), and the results of operations for the specified timeframe. The Department further believes that the required disclosures required if land is elected to be excluded do not promote the above stated primary purpose of the financial statements. The Department believes deemed cost methods provided for in the Exposure Draft, which includes reasonable methods not specified in the Exposure Draft, provides a sufficient array of methods to reporting entities for determining deemed costs for land. The Department, accordingly, prefers that valuations of land for opening balances be based on existing standards, with the alternate valuation methods for deemed costs set forth in this Exposure Draft being available as an option for opening balances of land when historical data is not available. The Department strongly prefers that FASAB not revise any existing standards for the valuation of land until FASAB completes a reexamination of the appropriate basis of accounting for land. b.) The Department disagrees that the related disclosures are appropriate. Per the response to Q2.a. above, the Department believes that the required disclosures if land is elected to be excluded do not promote a primary purpose of the financial statements; that is, to present a reporting entity's financial

	condition as of the balance sheet date (in this case, proper presentation of land and land rights assets), and the results of operations for the specified timeframe. c. The Department disagrees that a reporting entity electing to exclude land from its General PP&E opening balances should continue to exclude future land acquisition amounts from General PP&E. Land (real property) is a component of General PP&E, and the Department believes it is not warranted, even while considering cost versus benefit considerations, to provide the option of exclusion for subsequent future land acquisition amounts, for the apparent primary purpose of having accounting consistent with the opening balances exclusion elected. The Department believes that providing for an optional exclusion of land undermines the integrity of and a primary purpose of a reporting entity's financial statements; that is, to present a reporting entity's financial condition as of the balance sheet date (in this case, proper presentation of land and land rights assets), and the results of operations for the specified timeframe. The Department therefore believes that subsequent land acquisition amounts under this scenario should be recorded under existing standards; with full consideration given to that the subsequent land acquisition accounting would differ from the exclusion of land for opening balances, for which the Department believes should not be a primary concern. The Department, accordingly, strongly prefers to value land of subsequent acquisitions, if an exclusion for opening balances is elected, based on existing standards. The Department strongly prefers, and believes appropriate, that FASAB not revise any existing standards for the valuation of land until FASAB completes a reexamination of the appropriate basis of accounting for land. d.) The Department prefers the use of existing standards for the recording of land as previously set forth in responses to Q2.a. and Q.2.c. The Department does not currently have any suggestions for improving current reporting on land.
#9 Asset Leadership Network	a.) Disagree Rationale: For most of the same reasons provided in the first question (Q1), we prefer using the existing accounting standards. The approach to use a set amount per acre would be a very poor practice. Remote unimproved land in Alaska is worth much less than land in urban areas and U.S. Navy bases, for example. An average value is a poor substitute for reasonably accurate historical cost data or estimates. Recording land as an expense at acquisition is a very poor practice, as it results in the overstatement of operating expenses. The exposure draft appears to attempt to serve the needs of expedient accounting. It is better to focus on good accounting with existing standards rather than trying to reach some middle ground, which provides poor accounting, management information and asset management. There is a much better option that fulfills the objectives of FASAB Statement of Federal Financial Accounting Concepts 1 - Objectives of Federal Financial Reporting. The FASAB and the Government should adopt the new ISO 55000 Asset Management family of standards. These standards, first

	published in 2014, have been recognized as U.S National Standards by ANSI and are being adopted by Governments and other entities worldwide. (See http://www.ansi.org/standards_activities/nss/nss.aspx?menuid=3) "Governments should also introduce standardized infrastructure asset management processes and frameworks (such as ISO 55000),"… World Economic Forum http://www3.weforum.org/docs/WEF_IU_StrategicInfrastructureSteps_Report_2014.pdf The intended use of the ISO 55000 family of standards is to "improve the realization of value". It has an expanded definition of "asset" and includes tangible and intangible assets. Things that should be managed are managed, rather than limiting management to only the items on the balance sheet. The first step of managing something is to recognize and measure it. Measurements in an ISO 55000 asset management system could contain estimates of fair value, replacement value, and utilitarian value, whatever management determines is worthwhile for management purposes under the circumstances. Additional information can be obtained from the Asset Leadership Network. http://assetleadership.net/ The adoption and use of ISO 55000 is also consistent with the newly reissued OMB A-119. https://www.whitehouse.gov/sites/default/files/omb/inforeg/revised_circular_a-119_as_of_1_22.pdf Changes to existing standards, reduced requirements and records should not be permitted based upon anticipated future standards. b.) Disagree Land is a major element of the balance sheet and should remain on the balance sheet. Lowering standards will eventually lead to lower performance and poorer decision making. Immaterial items need not be reported but material items should be. c.) Disagree We believe that land should not be excluded from general PP&E open balances, as it is a material item. We disagree with the entire concept. The ending balances on the prior statement should be the beginning balance on the subsequent statement. The accounting treatment and reporting of land should be consistent. d.) Land is an asset, as it provides probable future benefits, and should be recorded as an asset and reported as such. Reporting components have different missions and needs and have a different mix of PP&E assets and asset management requirements to fulfill those needs. It is better to continue with traditional accounting concepts and standards, but expand the management approach to these assets with ISO 55000. This will promote proper accounting, as well as appropriate internal controls and good asset management.
#10 USCG-CFO	a.) We disagree with the proposal to allow the exclusion of land from opening balances. Although, we agree with the board that the benefits of capitalizing land are primarily in the period of acquisition, we

	also believe that the board should defer any changes in the current requirements until the board completes a reexamination of the appropriate basis of accounting for land. We question the impact of excluding land from opening balances and future balances on the overall Federal Government Financial statements. Permitting agencies to use multiple standards for recording or disclosing land will result in a lack of comparability across the entire Federal Government. Further, there is no discussion over the impact of inconsistent reporting among reporting entities. The use of a standard cost for land across the entire Federal Government does not take into account the wide ranging value or cost of land nor land received or purchased in foreign countries. (Removing cost further reduces comparability in this way.) Furthermore, it also marks land value to current market costs and would significantly overstate actual historic costs for reporting entities. We believe all entities should identify the acreage as described in the exposure draft until a final accounting basis is identified. This will ensure land assets are accounted for and the supporting documentation is available and ready for valuation using the approved method. If the board determines that a disclosure for acreage is appropriate, we believe for future land acquisitions, the amount disclosed should include the cost of any new land acquisitions in the current year and the comparable statements. b.) We agree with the related disclosures. If an entity excludes land from opening balances, we believe it would be useful for financial statement users to understand the land holdings as “accountable” assets of the entity if not capitalized assets. Consistent reporting would aid with financial statement understandability. c.) If the board determines that an entity may exclude land from General PP&E opening balances, then we also agree that future land acquisition amounts should continue to be reported in the same manner. Consistent reporting would aid with financial statement understandability. We would add an additional disclosure requirement for future land acquisitions. As the board stated in their discussion, the benefits of capitalizing land are primarily in the period of acquisition; therefore, we believe it would be beneficial to include a disclosure for costs associated with the future land acquisition. d.) We offer that an approach should consider regional variations in cost per acre and consider foreign land and land rights. Land’s value is impacted by location (e.g., inland vs coastal), habitability, region, use, geography, etc. A regional designation (e.g., mid west plains vs southwestern coastal) may provide a more accurate “average” cost for acre, but even that does not account for significant

	variations within each zone. In addition, it may be necessary to determine if the land should be identified as "stewardship". Applying an average cost per acre for stewardship land holdings, (e.g., preserved forest, marsh lands, national cemeteries, underwater land holdings) may overstate the value of the entities asset value. Is there an accurate fair value that could be assigned to "stewardship" land? Additionally, given that much of federal land was acquired under federal authority (Article Four, Section 3, Clause 2 of the Constitution) at no cost, or was acquired some time ago at what would now be considered a low cost, we are amenable to permitting the recording of land acquired or purchased before the modern era (e.g., prior to WWII or some other logical date) to be recorded at $0 given establishment of ownership before then. This would be generally allowable due to the relatively minimal and probably immaterial impact from the low cost of acquisition, if any, prior to a specified date and the low likelihood of available cost documentation when applicable. A FASAB study into the history of large federal facility establishments should be able to establish a date or provide additional guidance to reporting entities. After an established limit, land would be recorded at cost. This would help maintain the comparability of financial statements across the Federal Government.
#11 KPMG	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board's consideration. Comments are included at D. Listing Of Additional Comments from Respondents.
#12 Army	a.) The Army agrees with the proposal to exclude land from PP&E balances. Army land has been acquired over more than two centuries. Reporting land at its cost, either estimated or based on transaction detail, does not appear to provide much benefit to readers of the financial statements relative to the cost to develop and maintain the values. b.) The Army agrees. c.) The Army agrees. d.) If standards require land to be reported in financial statements, consider whether it should only be reported on the financial statements of the United States and not on the statements of each reporting entity. Federal land is in the possession of individual Departments but the Federal government from time to time shifts the possession between Departments creating a potential justification that the land is under the control of the United States and not it's individual Departments.
#13 DoD	a.) DoD agrees with the proposal to allow exclusion of land from the opening balances of general PP&E (i.e. the opening balance for land will be zero on the balance sheet) even though other component reporting entities will report the cost of certain land in general PP&E. DoD's agreement is based primarily on: (i) A significant amount of land owned by the Federal Government (i.e. "Stewardship Land") is not recognized on the balance sheet under current FASAB accounting standards. Currently, only land acquired in connection with development or construction of an item of general PP&E is treated

	as general PP&E. (ii) DoD concurs with comment A32 in the Exposure Draft, Appendix A: Basis for Conclusions, that because land is not depreciated the benefit of capitalizing land and recognizing it in the financial statements is primarily in the period of acquisition (the majority of the DoD land would have been acquired in prior years as opposed to the current or future years). In future periods, the ongoing benefit is that of accountability for the asset which will be reflected in subsidiary property ledgers necessary to support the financial statement disclosure on the number of acres of land. DoD does not support the deferral of any changes to the current FASAB requirements to record land at historical cost. This would impact the time frame in which DoD could achieve auditability. DoD does not have readily available sufficient documentation to support the opening land balances under current accounting standards (requiring land to be recorded at historical cost). DoD would have to expend significant financial and personnel resources in order to obtain sufficient supporting documentation (if even available) suitable for an audit. Many DoD land acquisitions date back more than a century and the acquisition price paid at that time would not be relevant to the current financial statements. The age of many of these land acquisitions make it virtually impossible to obtain records supporting historical cost. b.) DoD agrees that the related disclosures are appropriate. These disclosures as set out in the Exposure Draft are: • Disclose the number of acres of land held at the beginning of each reporting period, the number of acres added during the period, the number of acres disposed of during the period, and the number of acres held at the end of each reporting period. These disclosure requirements are consistent with those currently required for Stewardship land. Having consistent disclosure requirements for these similar assets should provide the reader of the financial statements with more useful information regarding this property type. c.) DoD agrees that a reporting entity electing to exclude land from its general PP&E opening balances should continue to exclude future land acquisition amounts. Continuing to exclude acquisitions of land from recognition on the balance sheet subsequent to reporting a zero opening balance would provide a consistent methodology in accounting for land. This should be continued until such time as a different general valuation approach is determined by FASAB. d.) DoD supports a federal government-wide general valuation approach based on the acreage of land that is a disclosure requirement for land under paragraph 12.g.i of the Exposure Draft. This valuation would be applied to all acres of land then being disclosed in an agency's financial statements. Determination of a price per acre could be the subject of a FASAB working group with participants from federal agencies, independent auditors and other interested parties. DoD would not support a future valuation methodology that would be applied retroactively if it requires additional information gathering other than what would have already been gathered to support the disclosure of

	land acreage. DoD suggests when FASAB performs its project on land to review existing standards that it consider the following: (i) compare the total amount of Stewardship land/Heritage related land owned by the Federal Government compared to the non – Stewardship land/Heritage related land owned by the Federal Government, (ii) assess the importance of distinguishing between Stewardship land/Heritage related land and non- Stewardship land/Heritage related land based on the government's need to know this information for management and program purposes, and (iii) assess the importance to the Federal Government operations and budgeting process on having a dollar value assigned to the land it owns.
#14 GWSCPA-FISC	The FISC does not agree with the proposal to exclude land and land rights from the opening balance and from future years' reporting. This approach outlined in the ED appears to contradict the treatment of land as general PP&E versus stewardship land, as defined in the SFFAS listed in the question above. Existing standards require that a reporting entity evaluate its use of land and land rights, and determine whether the land or land rights meet the definition of general PP&E (e.g., primarily used to produce goods or services, or to support the mission of the entity) or stewardship land (e.g., owned by the Federal Government but not acquired for or in connection with items of general PP&E, such as forests, parks, or land used for wildlife and grazing). The proposed treatment would allow a reporting entity to treat general PP&E as stewardship land, in contradiction to the stated definition of general PP&E under existing standards. The FISC suggests that any changes in the current requirements should be deferred until the Board completes its reexamination of the appropriate basis for accounting for land for all reporting entities.
#15 DOI-CFO	a.) BIA: Agree, reduces costs and efforts of adopting GAAP Financial Statements and/or Line items. BLM: Disagree. BOEM/BSEE: N/A for BOEM and BSEE. BOR: Disagree. NPS: Disagree. Office of Acquisition and Property Management (PAM): Disagree. PFM: Disagree. The proposal will create inconsistencies among reporting entities. BLM: (2) Deferral. I would think it is premature to implement any changes to allow exclusion of land from opening balances of general PP&E since the Board anticipates a project on land. Save the confusion and unnecessary work that this potentially temporary solution could generate. BOR: Disagree. Excluding land would cause inconsistent reporting amongst entities. Reporting only changes in acreage does not meet the objective of operating performance in SFFAC 1. Additionally, if the entity disposes of the land, it would not record the gain or loss required by SFFAS 6 and 7.

	1. Reclamation suggests valuing land holdings based on existing standards which require historical cost of land but allow estimates when historical costs are not available. For opening balances, we suggest including land with the general PP&E requirements. Because land costs vary tremendously, Reclamation opposes assigning a set amount per acre. When disposing of land, the set amount will cause entities to report inaccurate gains or losses. Not recording land acquisition cost may impact Reclamation's requirement to recoup full repayment of construction costs. Reporting only acres or a set amount will distort the value of assets devoted to governmental operations. Reporting only acres or a set amount may distort the entity's service efforts, costs, and accomplishments. Although the government may not plan on selling the land in the near future, holding onto the land ties up resources and is part of the inherent cost of operations. 2. Reclamation suggests deferring changes to avoid unnecessary work and adjustments to later statements. Reclamation suggests including land with the new standard for general PP&E and changing the land requirements after the reexamination, if needed. 3. Reclamation does not have a suggestion for another option. NPS: Disagree. Recommend that the Board consider, if it hasn't already, Executive Order (EO) 13327, Federal Real Property Asset Management and adopt the Property Reporting Exclusions; especially related to Land. The EO was created to promote efficient and economical use of the federal government's real property. Do not concur with applying a set dollar amount per acre of land. Valuation is important when selling, which is not usually the case with federal lands and may not be representative of acquisition cost. PAM: FASAB should hold off on any changes to standards affecting land until the larger proposed effort is underway. It won't be practical to implement changes now only to make additional changes after that FASAB effort is complete. PFM: FASAB should defer making any changes to the requirements for reporting land until further reexamination to avoid wasteful efforts. b.) BIA: Agree. The inventory of Land and Land Rights is valuable information to the users of the Financial Statements. BLM: Disagree on the grounds of deferral. BOEM/BSEE: N/A for BOEM and BSEE. BOR: Disagree. Disclosing only the acreage does not provide enough information regarding the value of the land associated with general PP&E. When historical costs are not available, estimating these costs more accurately depicts the value of the assets. Not recording land acquisition cost may impact Reclamation's requirement to recoup full repayment of construction costs. Reporting only acres or a set amount may distort the entity's service efforts, costs, and accomplishments. Although the government may not plan on selling the land in the near future, holding onto the land ties up

	resources and is part of the inherent cost of operations. NPS: No opinion is offered because of the disagreement expressed in (a) above. PFM: Need to examine land further to make the determination. c.) BIA: Agree. For consistency purposes the entity should continue to report acres only. BLM: Disagree on the grounds of deferral. BOEM/BSEE: N/A for BOEM and BSEE. BOR: Disagree. Because Reclamation believes excluding land acquisitions does not provide a true picture of the entity's assets, costs, operating performance, etc., we suggest the entity include future land acquisition amounts. If historic information is not available, the entity should estimate the costs using general PP&E guidelines. NPS: Disagree. Once current acquisition amounts are known they should be reported to provide a more accurate reflection of costs incurred during the reporting period. PFM: Need to examine land further to make the determination. d.) BIA: No comment. BLM: The Board should not exclude general PP&E land from the balance sheet since the balance sheet is supposed to represent assets of value. BOEM/BSEE: N/A for BOEM and BSEE. BOR: Reclamation does not have any suggestions at this time. NPS: No suggestions. Land reporting is symptomatic of the challenges entities face when applying modern day reporting standards to historic information. In light of ongoing resource constraints, would recommend that the Board undertake a project to quantify the perceived costs the Board considers when adopting new and/or updating current Standards. It is unclear what specific "user needs" are being addressed and how they were identified. PFM: FASAB's Land Project should maintain the distinction between general PP&E land and Stewardship land. The Stewardship lands that DOI manages are priceless and unique. Any value assigned to the Stewardship land would be arbitrary and meaningless to the readers of DOI's financial statements. Stewardship information is specifically not measured, or measurable, in financial terms. Stewardship information is sum of over 200 years of events which, for the most part, are not captured in the general ledger. DOI's current reporting of Stewardship land is based on Land Management Categories. If the Board were to require that Stewardship land now be reported in acres the costs of the annual financial audit would increase dramatically. In addition, this non-financial data is not captured in our financial systems and the cost of developing auditable support for Stewardship land reported in acres would be prohibitive.

#16 DOE-CFO	a.) We have no objection to the proposal to exclude land from the opening balance of an entity-the related disclosure of land owned by the reporting entity is consistent with the approach taken by other reporting entities for stewardship land. b.) Future land acquisitions should be included in the balance sheet, even when an entity has excluded land from its opening balance, thus they would not be included in the related disclosures. c.) We do not agree that it is appropriate to exclude future land acquisitions from the balance sheet when an entity has excluded land from its opening balance. This proposed practice is inconsistent with the Basis for Conclusions documented in Appendix A, which notes in several places that "land is not depreciated so the benefits of capitalizing land are primarily in the period of acquisition." The Board can appropriately provide relief to a reporting entity when establishing its opening balance for land without distorting the reporting of expenses in future years that would occur if future land acquisitions are expensed by one component of the Federal reporting entity but treated as capital acquisitions by other components of the Federal reporting entity. d.) We look forward to participating in the future land project. One issue for discussion would be the treatment of improvements to land, particularly improvements to land that is not included as part of the reporting entity's PP&E according to the new standard.
#17 AGA-FMSB	a.) As stated above, as a group *we were split* with the proposal to allow exclusion of land from the opening balances of general PP&E. Some members of the FMSB believed that for some federal agencies the fair value of the land maybe considered immaterial but believe that land can be valued and if that is the case then the land should be included in the opening balances. However other members of the FMSB believed that if FASAB is planning to begin a project on land in the future that would review existing standards and consider a consistent approach that land should initially excluded but would encourage FASAB to issue a new standard as soon as possible addressing land in order to get federal agencies compliant with GAAP-based financial statements. In terms of the alternatives proffered by the FASAB, to value land holdings based on existing standards requiring historical cost is (of course,) a reasonable alternative as it is in practice. A set amount per acre of land cannot be used unless it is adjusted based upon location and the concept of highest and best use. For example, the land upon which the Statue of Liberty stands may be valued at a far different price than a similar amount of land area of Bureau of Land Management lands in Nevada, unless there are mineral or similar rights. Deemed cost (using replacement cost, estimated historical cost, reasonable estimates, or fair value) may yield wildly divergent perspectives from $0 to a high value without much utility. Therefore, we ask the FASAB to defer any changes until they reexamine the appropriate basis of accounting for land. When the FASAB reexamines the accounting and financial reporting with regard to land holdings, one of our members suggested to only require land to be included if it was placed in service since a particular date (i.e. 1990) which is similar to GASB's treatment of infrastructure for GASB 34 implementation. It was also suggested that there should be

	an allowance for expanded footnote disclosure where specific land holdings cannot be reliably valued - which is often the case when holdings are not in urban market areas with reliable, comparable, data. For example, the previously mentioned lands in Nevada may have no comparable data that has recent transactions for many miles in any direction. b.) We agree the related disclosures are appropriate. However, we would amend Paragraph 12, which notes that Paragraph 40 is replaced with…" to require as an additional disclosure as subparagraph (g) Disclosure Requirements (iii), which would read as follows: A reporting entity with long-lived, non-depreciating assets should disclose: 1. The category of assets reported on the balance sheet in which such long-lived assets are housed and reported, 2. The basis for such a determination to include, but not be limited to, (a) the existence of an on-going program of condition measurement, assessment, and reporting, and / or (b) the existing of stipulations within law, administrative regulations, or established entity policy that requires the maintenance of such assets as long-lived and permanently in a "mission ready" condition, 3. The presence of alternate or supplementary controls over such assets, to include but not be limited to: a. Controls over the existence of such assets b. Established programs for identifying maintenance as "routine," "scheduled," and "deferred" c. Established programs for distinguishing when such assets are in active operation, temporarily withdrawn from active operation while undergoing maintenance and/or modification to capabilities, or are withdrawn from active operation but are held in reserve as fully operational d. Evidence that maintenance requirements are funded, including the funding the elimination of deferred maintenance in accordance with an established time schedule 4. The disaggregated value of long-lived, non-depreciating assets in active operation, the value of assets temporarily in a non-operating basis while undergoing scheduled maintenance, and the value of assets being held in reserve and not in active operation In conjunction with the above additional disclosure requirements it is recommended that Appendix A: Basis for Conclusions be amended to add the following paragraph immediately following what is now paragraph A 16: 16 (a) The Board acknowledge that in the case of national defense assets housed within the Departments of Defense and Energy, NASA, Homeland Security, and selected other federal

	agencies, there is a clear and long-standing requirement to maintain certain of those assets on a mission-ready basis at all times. These requirements are established, in some cases, under law, under formal administrative policy, and/or as well established and documented expectations on the part of the Congress, the president, the nation's national security leadership. The Board also acknowledges the actions of the Governmental Accounting Standards Board, in the issuance of its Statement 34, through which it permitted entities to recognize the long-lived nature of certain infrastructure assets and, established certain alternative accounting and reporting mechanisms under which such entities were permitted to recognize such long-lived assets as non-depreciable. c.) We believe that land should be included in PP&E and an agency should not have the option to include or exclude land from the opening balance but that all land should be included, unless it is considered immaterial, and all future land acquisitions should be included in the PP&E balance. In other words, it should be an 'all' or 'not at all' election. d.) We have no suggestions at this time as we would like to respond to a proposal upon reexamination.
#18 NSA	No comment
#19 DoD-OIG	a.) We disagree with the proposal to exclude land from the opening balances of general PP&E and disclose the acres of land and changes in acres over time. The land may be a material amount to the financial statements and omitting the cost (or value) of land would significantly understate an entity's assets on the financial statements. We believe that any changes in the current requirements should be deferred until the Board completes a reexamination of the appropriate basis of accounting for land. Further, we do not agree with the option to simply record all land at a set amount per acre of land. This method would not address the variations in market values in different geographic locations and could distort information that is needed to make management decisions regarding land disposal. b.) We agree that the related disclosures are appropriate for the proposed standards as stated in the exposure draft and should provide adequate disclosure to financial statement users. c.) We disagree that a reporting entity electing to exclude land from its general PP&E opening balances should continue to exclude future land acquisition amounts. Land acquisition amounts should be reported when supporting documentation is available in order to make as much reliable cost data as possible available for decision making. d.) In reviewing existing standards and considering a consistent approach for all component reporting entities, the Board should take into consideration the different purposes for which the financial statements and account balances are used in making decisions. Making general assumptions regarding land values could have negative consequences on such things as management decisions regarding land disposals.

STAFF SUMMARY OF RESPONSES – Table C

QUESTION #3 The Board proposes to amend SFFAS 10, Accounting for Internal Use Software, to allow a reporting entity to choose among alternatives in establishing an opening balance for internal use software when presenting financial statements, or one or more line items addressed by this Statement, following generally accepted accounting principles (GAAP) promulgated by the Federal Accounting Standards Advisory Board (FASAB) 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 Statement provides for selecting between (1) an alternative valuation method of deemed cost that is consistent with that provided for all general PP&E and (2) prospective capitalization of internal use software. The proposed Statement describes the alternatives and related disclosures. (See par. 13-14 for relevant standards and par. A35- A39 and A56 in the Basis for Conclusions.) a) Do you agree or disagree with the proposal to allow a reporting entity to choose among alternatives in establishing an opening balance for internal use software? Please provide your rationale. b) Do you agree or disagree that the related disclosures are appropriate? Please provide your rationale.	
# 1 House Committee on Veterans' Affairs	a.) We agree with the proposal to allow choice of alternatives in establishing opening balances for internal use software. We believe it is important for the choice of method to be consistent among types and categories of internal use software. Our rationale is the same as in Q1. b) We agree that the related disclosures are appropriate.
# 2 DOL-OIG	a.) We agree with the proposal to allow a reporting entity to choose among alternative valuation methods in establishing an opening balance for internal use software, as this approach is consistent with the proposed approach for other types of general PP&E and is cost-effective. However, consistent with our disagreement above related to the exclusion of land from opening balances, we disagree with the prospective capitalization alternative as it will promote inconsistencies with other reporting entities. While SFFAS No. 10 effectively provided for prospective application, that standard has been effective since FY 2001, providing numerous years for implementation. In many cases, internal use software has similar or longer useful lives as equipment in the government arid should not be treated differently. b.) We agree that the related disclosures are appropriate. Specifically, we agree that the requirement to disclose a description of the valuation methods utilized is necessary. We further agree with the Board that to disclose the specific valuation methods by amount is unnecessary and would not provide further clarity, as all valuation methods outlined by the proposed standard are meant to serve as a surrogate for historical costs that are not available to the entity. However, the

	proposed standard notes that related disclosures need not be repeated in future periods. While we agree that details regarding the methods utilized in determining opening balances are not needed in future periods (other than for comparative purposes), we suggest that the statement clarifies that use of alternative valuation methods should be disclosed until such point as assets valued using those methods become immaterial.
# 3 SSA-DCFO	a.) We agree with the proposal to allow entities the option of choosing among alternatives in establishing an opening balance for internal use software due to the complexities involved with tracking and reporting this activity. b.) We agree that the related disclosures are appropriate. The disclosures provide the reader with key information that is important to gain an understanding of the balances on the financial statements. In addition, the disclosures provide the reader with information on the methodology used to create opening balances of internal use software.
#4 NGA	a.) Yes, we agree with the proposal to allow a reporting entity to choose among alternatives in establishing an opening balance for internal use software if the historical cost cannot be reasonably estimated, or the cost to do so is cost prohibitive - this would then appear reasonable that the focus should be on prospective capitalization. NGA Rationale: Same rationale as provided for Q1(a) NGA response - As mentioned in the answer to Q1(a), many agencies have encountered challenges with locating sufficient supporting documentation. This is even more so in the case of internal use software. New paradigms for the development of internal use software have made determining the proper treatment of such activities extremely complex. When the lack of sufficient documentation is added to the highly complex nature of recognition of these costs, some flexibility is needed. NGA recommended resolution: We also believe that if alternative methods of asset valuation or deemed cost are used, these alternative methods must be consistently applied and fully disclosed. b.) We agree that the related disclosures are appropriate. NGA Rationale: The disclosure of more information is necessary where amounts that may be expected are excluded or based upon something other than the conventional supporting documentation. Disclosing the application of an alternative valuation methodology is necessary.
#5 EPA	a.) Disagree. First, off the shelf software costs are readily available from third parties and or the vendor themselves. Second, internal use software has a known, finite useful life of three to five years. Finally, due to the short life of software, these asset types depreciate quickly and generally carry a Net Book Value (NBV) of $0. Therefore, from a materiality standpoint, there is little reason to allow a reporting entity to choose among alternatives in establishing an opening balance for internal use software. b) Agree. SFFAS No.10 stated disclosures required by SFFAS No. 6, paragraph 45, for general PP&E are applicable to general PP&E software. Thus, internal use software should be disclosed in

	the financial statements and reporting information in notes as an integral part of the basic financial statements.
#6 NASA-DCFO	a.) We have no disagreement with the proposal. b.) We have no disagreement with the proposal.
#7 DOL -OCFO	a.) DOL/OCFO agrees with the proposal to allow a reporting entity to choose among alternatives in establishing an opening balance for internal use software because this will allow the presentation to be in compliance with US GAAP. In general, the comments made in response to Q1.a and Q1.b are applicable to Q3.a. and Q3.b. b.) No other comments
#8 DOC-DCFO	a.) The Department agrees only with the proposal to allow a reporting entity to choose alternative valuation methods for deemed cost in establishing opening balances for internal use software where historical cost is not available. The Department disagrees with both options provided for prospective capitalization of internal use software. The Department believes that providing for an optional exclusion of internal use software undermines the integrity of and a primary purpose of a reporting entity's financial statements; that is, to present a reporting entity's financial condition as of the balance sheet date (in this case, proper presentation of internal use software), and the results of operations for the specified timeframe (in this case, to include depreciation/amortization of internal use software). The Department believes deemed cost methods provided for in the Exposure Draft, which includes reasonable methods not specified in the Exposure Draft, provides a sufficient array of methods to reporting entities for determining deemed costs for internal use software. The Department, accordingly, prefers that valuations of internal use software for opening balances be based on existing standards, with only alternate valuation methods for deemed costs set forth in this Exposure Draft being available as an option for opening balances of internal use software when historical data is not available. b.) The Department agrees that the disclosure requirements for the use of deemed cost method(s) for opening balances of internal use software are appropriate. Disclosure of the method(s) used to determine the deemed cost may be useful and relevant information to the reader and helps to further agency accountability. The Department further believes a one-time disclosure of the deemed cost method(s) used for each item is sufficient. As set forth in the response to Q3.a above, the Department disagrees to both options provided for prospective capitalization of internal use software.
#9 Asset Leadership Network	a.) Disagree The reporting of software as an intangible asset should be limited. The benefits of placing software on the balance sheet may not be sufficient to justify the administrative cost of obtaining separate reliable capital cost from operating expenses.

	b.) Disagree with the proposed approach. Software worth managing is better managed and reported in an ISO 55000 infrastructure. In an ISO 55000 compliant asset management system, software can be managed regardless of how the software is obtained. Under IS0 55000, software does not have to be owned; it can be self-constructed, licensed, or a service. Deemed cost includes replacement cost, which in U.S. GAAP, has never been used for accounting purposes. We agree that the concept may be useful for operations purposes. Deemed cost includes fair value. Fair value is generally not used for accounting purposes, except when balances are to reflect the lower of cost or market. Finally, deemed cost includes estimated historical cost. For accounting purposes, this is the amount that users are used to seeing and using. Using multiple approaches for reporting will result in information that is not meaningful to anyone.
#10 USCG-CF0	a.) We agree with the proposal to allow a reporting entity to choose among alternatives in establishing opening balances for internal use software. As stated in the board discussions, due to past practices and the financial system of record, historical cost, and the supporting records may not exist or be reliable. In many instances, neither the financial system of record nor the procurement contracts were configured to collect construction or development costs associated with internal use software. In addition, the documentation to support historical valuations for software and subsequent improvements may not have been retained in their entirety. The ability to differentiate improvement cost from the cost for the original asset may be completely unidentifiable due to system constraints and past data collection practices. In addition, the three phases for software development are not always consistent with operational practices for determining the start and end of development for internal use software. Development can be “fluid” and past practices for cost collection and contract support may not provide the entity with the ability to distinguish costs associated with the development phase as defined by SFFAS 10. b.) We agree that the related disclosures as to the use of deemed costs to establish opening balances and a description of the methods that were used is appropriate. We also agree that an entity using deemed costs to establish opening balances should not require a break out amount. We do not believe the inclusion of a breakout amount would add any additional benefits to the user of the financial statements and the cost to provide an accurate accounting by method would outweigh the benefit derived by the user. The risk of a misstatement in a disclosure requiring breakout details would outweigh any derived benefit.
#11 KPMG	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board’s consideration. Comments are included at D. Listing Of Additional Comments from Respondents.
#12 Army	a.) The Army partially agrees with the proposal. Prospective capitalization of Internal Use Software as the only option and removal of alternate valuation methods will enhance consistency while also

	appropriately balancing the value of the information in the financial statements with the cost of reporting that information. b.) To align with the Army position above, the disclosure of alternate valuation methods are not needed.
#13 DoD	a.) DoD agrees with the proposal to allow a reporting entity to choose among alternatives in establishing an opening balance for internal use software (IUS). DoD supports the conclusion in Appendix A: Basis for Conclusions of the Exposure Draft that it will be cost-beneficial to allow prospective treatment of IUS because it typically has a shorter useful life than other assets and is a "soft asset" that is harder to inventory when compared with other tangible assets. The flexibility that these alternatives provide to federal agencies will allow those agencies to focus their resources on improving systems and processes to be able to account for IUS in accordance with SFFAS 10: Accounting for Internal Use Software on a prospective basis rather than spending resources on supporting an opening balance. b.) DoD agrees that the related disclosures are appropriate; however, clarification on the disclosure requirements in paragraph 14.e and 14.d of the Exposure Draft would be beneficial as described below. Paragraph 14.e of the Exposure Draft sets out the following disclosure requirements: • Disclose the election to apply alternative valuation methods for IUS opening balances. • Describe the alternative valuation method(s) used in the first reporting period in which the entity makes an unreserved assertion that its financial statements, or one or more line items, are presented fairly in accordance with GAAP. • If different alternatives are applied by component reporting entities consolidated into a large reporting entity, the alternative adopted by each significant component should be disclosed. • The disclosure requirements will apply only to the year in which the deemed cost was applied unless those balances are presented in subsequent year financial statements for comparative purposes. In this instance the disclosures would be repeated. DoD also concurs that no disclosure of the distinction or breakout of the amount of deemed cost of IUS included in the opening balance is required. As noted above paragraph 14.e of the Exposure Draft relating to disclosures requires that "If different alternatives are applied by component reporting entities consolidated into a large reporting entity, the alternative adopted by each significant component should be disclosed." Paragraph 14.d of the Exposure Draft states "Alternatives. A reporting entity may choose among the following alternatives for establishing an opening balance for internal use software. Because a reporting entity may have multiple component reporting entities selecting different alternatives, a reporting entity may establish an opening balance based on a combination of these alternatives. However, application of a particular alternative must be consistent within each of the component reporting

	entities prior to consolidation." The last sentence of paragraph 14.d appears to require each component to select only one alternative valuation methodology to apply to all of its IUS even if that component is itself a reporting entity as well as being part of a consolidation in a larger reporting entity. For example the Department of the Navy is a component of the DoD overall consolidation but it is also a reporting entity on its own accord. The Department of the Navy is comprised of a number of Commands each of which have their own accounting and internal financial reporting systems. DoD seeks clarification from FASAB as to whether the individual Navy Commands, in this example, could select different alternative valuation methods for IUS and if they would then be required to change those valuations so that all Navy Commands applied a consistent alternative valuation method prior to consolidation of the Navy into the DoD wide financial statements.
#14 GWSCPA-FISC	The FISC agrees with the Board's approach on deemed cost, along with the related disclosures described in the ED. We understand that the additional flexibility provided by the proposed ED may assist reporting entities, such as the Department of Defense, in developing opening balance estimates of PP&E that provides useful information to the readers of the financial statements, while balancing cost-benefit considerations.
#15 DOI-CFO	a.) BIA: Agree, as long as the alternatives are applied consistently. BLM: Agree due to Cost-Benefit constraint & the limited usefulness of these often short-lived assets. BOEM/BSEE: Agree – seems reasonable. BOR: Reclamation disagrees with paragraph 36 section d.i.(a) which allows the exclusion of software under development but we agree with the remaining alternatives. The costs associated with software under development should be readily available and thus should be included in the opening balance. NPS: Yes. If reasonable estimates are already allowed, they should continue to be applied. PFM: Agree. This provides a reasonable and cost-effective way for entities unable to comply with the existing valuation standards to move forward. It's also consistent with the proposed standard for opening balance for general PP&E and SFFAS 48. b.) BIA: Agree, as described in section e of paragraph 36. BLM: Agree. Management's unreserved assertion that the reporting entity's "financial statements, or one or more line items addressed by this Statement, are presented fairly in accordance with GAAP. BOEM/BSEE: Agree – seems reasonable. BOR: Reclamation agrees the disclosures are appropriate provided FASAB also requires compliance with paragraph 13 of SFFAS 21. NPS: Agree. PFM: Agree. Consistent application of a particular alternative by the component reporting entity will

	allow comparability.
#16 DOE-CFO	Since we don't anticipate that this change will affect the Department of Energy, we do not express agreement or disagreement with the change.
#17 AGA-FMSB	a.) We believe FASAB should require the federal agency to report beginning balances for internal use software however allowing the federal agency the option not to report a beginning balance if the information is not readily available to determine the beginning balance. We do not believe the federal agency should have different alternatives when establishing an opening balance for internal use software but federal agency should use the valuation method of deemed cost that is consistent with that provided for all general PP&E. While we understand that having one valuation method may not be efficient for the different agencies but we believe that allowing different alternatives would create inconsistencies within the different financial statements. b.) We agree the related disclosures are appropriate.
#18 NSA	a.) Agree Please provide clarification on Paragraph 36 d.i.(a)- if this option is chosen, then only newly started development projects would be captured moving forward, not projects that were already in development prior to electing the application, correct? b.) Agree
#19 DoD-OIG	a.) We agree with the proposal to allow a reporting entity to use deemed cost as an alternative valuation method. However, we are concerned about the "prospective capitalization" proposal for Internal Use Software. DoD has spent billions of dollars to implement financial accounting Enterprise Resource Planning systems (ERPs) for the last decade. This proposal could mean that most of these costs will not be included on the financial statements. b.) We agree that the related disclosures are appropriate. A full disclosure should be made regarding how the reporting entity arrived at their opening balances.

QUESTION #4 The Board proposes to rescind SFFAS 35, Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Accounting Standards 6 and 23, because this Statement would provide comprehensive guidance for establishing opening balances. The Board has incorporated the relevant components of SFFAS 35 in the proposed guidance in this Statement. The Board did not incorporate language from SFFAS 35 that explicitly allows for reasonable estimates on a go-forward basis to identify the cost of newly-acquired or constructed general PP&E. Instead, the Board acknowledges that reasonable estimates are permitted in the preparation of financial statements, with or without the existence of SFFAS 35, and are acceptable without guidance from the Board. (See par.18-19 for relevant	

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standards and par. A43- A51 in the Basis for Conclusions.) a) Do you agree or disagree with the proposal to rescind SFFAS 35? Please provide your rationale. b) Do you agree or disagree that reasonable estimates are permitted in the preparation of financial statements, with or without the existence of SFFAS 35? Please provide your rationale.	
#1 House Committee on Veterans' Affairs	a.) We agree with the proposal to rescind SFFAS 35 and consolidate its surviving elements into existing statements. This is efficient and makes the FASAB system easier to use. b) We agree that reasonable estimates should continue to be permitted, as long as sufficient disclosures are made and they are audited. We are not in a position to say how the rescinding of SFFAS 35 affects the existence of reasonable estimates, but rely on the Board's opinion that SFFAS 6 and others still provide for them.
#2 DOL-OIG	a.) We agree with the Board's proposal to rescind SFFAS No. 35. Its key elements are sufficiently covered in other accounting guidance and this proposed standard. b.) We agree that reasonable estimates are permitted in the preparation of financial statements with or without the existence of SFFAS No. 35. Use of estimates is a basic principle in financial reporting and need not be specified for any one financial statement line item.
#3 SSA-DCFO	a.) We agree with the proposal to rescind SFFAS 35 based on the proposed amendments to the other Property standards documented in this guidance. b.) We agree that reasonable estimates are permitted in the preparation of financial statements without the existence of SFFAS 35, as such guidance will be documented in the other Property standards.
#4 NGA	a.) We both agree and disagree with the proposal to rescind SFFAS 35. NGA Rationale: On one hand, we believe that SFFAS 35 should remain in force. However, integrating the opening balance approach into SFFAS 6 and 10, could be easier to apply. If the Board is concerned that the standard has been misinterpreted or misapplied, then SFFAS 35 should be clarified as appropriate. b.) We agree that reasonable estimates are permitted in the preparation of financial statements, as they are commonly utilized in applying GAAP. NGA Rationale: We also believe that SFFAS 35 provides important specific guidance that should be retained and further clarified if necessary.
#5 EPA	a.) Agree. The Board proposes to rescind SFFAS 35 and has incorporated the relevant components of SFFAS 35 in the proposed guidance, hence rescinding SFFAS 35 is appropriate. b.) Agree. The preparation of financial statements in conformity with GAAP requires management to make reasonable estimates and assumptions that affect reported amounts presented and disclosed in agency consolidated financial statements. Furthermore, SFFAS 35 does not alter the financial reporting requirements.

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#6 NASA-DCFO	a.) We agree only if it is clear in the revised SFFAS 6 that all of the permitted uses of estimates for valuing general PP&E found in the present SFFAS 23 and SFFAS 35 remain in effect. If some of these authorities will be rescinded we strongly disagree with the rescission of SFFAS 23, paragraphs 12-14, and SFFAS 35 without clarity on what is proposed and the opportunity to comment and have revisions to the proposal considered. We are concerned that a lack of clarity could once more lead to disparate treatment and unproductive disagreements between agencies and their auditors over estimation. b.) That has always been our position, but not that of our external auditors absent the clarity of SFFAS 35. We believe that without some clarification, or the guidance currently provided in SFFAS 23, paragraphs 12-14 and SFFAS 35, paragraphs 9-11, FASAB could be inviting confusion concerning the permitted use of estimated historical cost to value general PP&E when the original documents are no longer available.
#7 DOL -OCFO	a.) SFFAS 35 should be rescinded if the proposed standard allows for reasonable estimates on a go-forward basis to identify the cost of newly-acquired or constructed general PP&E. b.) The standard should specifically allow for reasonable estimates on a go-forward basis to identify the cost of newly-acquired or constructed general PP&E. An example from page 86 of OMB Circular No. A-136 (August 4, 2015) is presented below: Reporting entities that prepare a Statement of Social Insurance (SOSI) should provide a brief statement explaining that SOSI amounts are estimates based on current conditions, that such conditions may change in the future, and that actual cost may vary, sometimes greatly, from estimates per SFFAS No. 37, Social Insurance, Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements. This statement may be placed in Note 1 and below is a sample statement from SFFAS No. 37. APPLICATION OF CRITICAL ACCOUNTING ESTIMATES The financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.
#8 DOC-DCFO	a.) The Department agrees with the proposal to rescind SFFAS 35, because FASAB has indicated it has incorporated relevant components of SFFAS 35 in the Exposure Draft. b.) The Department strongly agrees that reasonable estimates are permitted in the preparation of financial statements with or without the existence of SFFAS 35. Reasonable estimates have been established as a generally accepted accounting principle for federal reporting entities.
#9 Asset Leadership	a.) Disagree.

Network	SFFAS 35 has been useful. Before the issuance of SFFAS 35, some Government auditors would insist on obtaining original documentation, even beyond the contractual requirements of record retention. We agree that it should not be needed, however, some in the audit community may not understand what is not explicitly written. When documents are withdrawn, many believe that all of the concepts and requirements contained therein no longer apply. b.) Agree. Estimates in accounting, statistics or other professional work are assumed to be done with due professional care. Estimates are expected to be derived from "homogeneous data" (not mixing apples with oranges). When SFFAS 35 was published it was assumed estimates would be fair, reliable and consistent with this established process. Deemed cost does not measure up to the high standards of reasonable estimates. Reasonable estimates can and should be made when costs are comingled, and it is necessary to componentize assets or other bundled cost. In many audit situations, however, reasonable estimates are not considered a valid substitute for "adequate substantiation" of accounting entries. At a minimum the board should retain SFFAS 35 until the issues included in the exposure draft are resolved. The Board may want to expand on the SFFAS, and explain when reasonable estimates are appropriate and when they are not. The SFFAS 35 should also point out that reasonable estimates are not a good substitute for proper accounting routines.
#10 USCG-CFO	a.) Based on the board discussion, we agree with the rescission of SFFAS 35, provided that clarification is provided in SFFAS 6 on the ability to use reasonable estimates. The replacement of paragraph 40 in SFFAS 6, that contains specific reference to opening balances only, removes the clear guidance given on those instances where existing system or contract limitations do not allow for exclusive use of historical cost. Making SFFAS 6 refer only to opening balances will cause confusion and disagreement on an entity's ability to use reasonable estimates. Consolidation of the guidance, including providing a clearer definition of reasonable estimates for use in constructing the financial statements, not just opening balance, will aid in use and implementation of federal accounting guidance. We recommend specifically allowing the use of reasonable estimates prospectively. (See below for further discussion.) b.) We believe use of reasonable estimates should be allowed in the preparation of financial statements, with or without the existence of SFFAS 35, however, the proposed changes make the guidance for use of reasonable estimates too vague and leaves too much up to interpretation. We believe the Board is trying to allow entities to use them, but recommend a much more direct approach by including such language in SFFAS 6.

	With the replacement of paragraph 40, SFFAS 6 loses clear language that allows the use of reasonable estimates. Reporting entities would benefit from the inclusion of paragraph 19 of this exposure draft into both SFFAS 6 and SFFAS 10 in conjunction with the effort to consolidate standards. Paragraph A45 in Appendix A, states the Board believes there was “overreliance” on the use of estimates resulting in the use of “something other than reasonable estimates.” We believe maintaining language in the standards that clarifies what makes a “reasonable estimate” would prove beneficial to reporting entities to ensure consistent and repeatable compliance across federal entities, including specific examples provided by the Board. Of equal concern, is that the revised paragraph 40 explicitly applies to opening balances and only allows an entity to apply condition (2) once per line item. Seeing as how financial system modernization efforts are both complicated and time consuming, the revised standard would prevent reporting entities from applying any alternate valuation procedures, and thus valuing impacted assets, in the interim (after opening balances are established). As an example, the Coast Guard, with an unqualified opinion on the financial statements, is working to resolve a specific set of system limitations that impact cost accounting in a subsidiary ledger that supports specific property and construction in progress balances. The inability to use an alternate valuation methodology to address the limited, albeit material, amount processed in a subsidiary system would impact the Coast Guard’s and therefore the Department of Homeland Security’s ability to make an unreserved assertion over the property and construction in progress balances until the issue is resolved, despite the use of an alternate valuation methodology that is compliant with the current SFFAS 35 and provides a reasonable estimate of the acquisition costs.
#11 KPMG	Respondent did not provide answers to the questions but provided comments on the proposed Statement for the Board’s consideration. Comments are included at D. Listing Of Additional Comments from Respondents.
#12 Army	a.) While the Army agrees that reasonable estimation of values and costs are always acceptable under accounting concepts and standards, the Army disagrees with the proposal to rescind SFFAS 35. SFFAS 35 and the subsequent Technical Release 13 are valuable to reporting entities by providing additional needed clarifications to the standards for use of estimation methods. Without these issuances, reporting entities do not have clarity to develop consistent estimation methodologies across the components of a reporting entity. Further, independent auditors rely on these documents to inform their judgment on the reasonableness estimation methodologies. Specifically, an auditor

	can safely determine that an estimation approach listed in the standards and technical release is more than likely reasonable. The original release of SFFAS 6 in 1995 discussed like-items and indexed like-items as the only two applicable reasonable estimate methods. The release of SFFAS 23 in 2003 noted that information based on "amounts to be expended" were also ways to achieve a reasonable estimate. When SFFAS 6 and SFFAS 23 were modified and linked together by SFFAS 35 in 2009 the estimation methodologies became more reasonable and acceptable for both accounting and audit purposes. The change SFFAS 35 made to SFFAS 6, para. 40 reinforces the acceptability of the range of estimation methods: "Although the measurement basis for valuing G-PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of G-PP&E, in accordance with the asset recognition and measurement provisions herein. Estimates may be based on: • cost of similar assets at the time of acquisition, • current cost of similar assets discounted for inflation since the time of acquisition (i.e., deflating current costs to costs at the time of acquisition by general price index), or • other reasonable methods, including those estimation methods specified in SFFAS 23 paragraph 12." The guidance below from SFFAS 23, para. 12 added to SFFAS 6, para. 40, provides the Army and other reporting entities with the ability to use a range of acceptable estimation methods. "Estimates may be based on information such as, but not limited to, budget, appropriations, engineering documents, contracts, or other reports reflecting amounts to be expended." Paragraph 9 of SFFAS 35 clearly indicates that reporting entities can use estimates not only to establish initial balances but also to estimate balances in subsequent periods for those entities that previously established PP&E balances "Reasonable estimates may be used upon initial capitalization as entities implement G- PP&E accounting for the first time, as well as by those entities who previously implemented G-PP&E accounting." b.) As is discussed above, the Army agrees that reasonable estimation of values and costs are always acceptable under accounting concepts and standards. However, the Army disagrees with the proposal to rescind SFFAS 35 for the reasons stated above.

	The Army plans to use the full range of estimation methods described in the standards. Based on pilot implementation of several of the methods, the Army believes the historical cost values are reasonable and can be supported with the supporting documentation appropriate to the method as described in Technical Release 13. The methods Army plans to employ have been used by other reporting entities that have received unmodified opinions from independent auditors. There are no barriers to implementation of the current GAAP and until an actual issue from an independent auditor arises, the Army believes there is no issue for FASAB to address related to use of estimated cost methods for PP&E valuation. The Army recommends that FASAB maintain the current GAAP related to the estimation of historical cost of PP&E as defined in SFFAS 6, 23, and 35.
#13 DoD	a.) DoD agrees with the proposal to rescind SFFAS 35, with the following caveat. DoD has many lengthy and complex contracts for which it will be necessary to use estimates to allocate actual historical costs to newly acquired or constructed assets after establishment of the opening balances. Therefore, DoD suggests that paragraph 19 of the Exposure Draft should apply to both opening balances and to newly acquired or constructed assets after establishment of the opening balances. To avoid any confusion on the part of agencies and/or their auditors applying these accounting standards, DoD suggests that FASAB clarify paragraph 19 in the Exposure Draft to state that the use of estimates to arrive at indirect costs and the allocation of the direct and indirect components of the actual historical costs incurred, is permitted both in establishing opening balances for PP&E as well as for newly acquired or constructed assets after the establishment of the opening balances. DoD further suggests that paragraph 19 should also state that the allocation of actual historical costs incurred is often a multi-step process involving the use of estimates in each of the steps. The allocation process steps often include: (i) evaluating the project direct costs incurred to determine which costs should be capitalized or expensed; (ii) estimating project indirect costs; (iii) accumulating project total cost in a construction in progress (CIP) account and relieving CIP as assets are placed in service. Allocation of costs on an estimated basis can be used to assign costs to assets when they are removed from CIP and placed in service. In addition, DoD suggests that paragraph 19 of the Exposure Draft be an amendment to SFFAS 6 rather than remain in isolation within the new standard arising from the Exposure Draft. As a result, SFFAS 6 would then include all significant accounting policies for PP&E. Although these concepts are set out in the Appendix A: Basis for Conclusions of the Exposure Draft, the preamble paragraph in the Appendix A states: “The standards enunciated in this Statement – not the material in this appendix – should govern accounting for specific transactions, events, or conditions.” Therefore, the DoD strongly believes that this matter needs to be more clearly

	addressed in the body of the Standard itself and as an amendment to SFFAS 6 (as described above) rather than just in the Appendix. This will help to avoid misinterpretations and misapplication of the Standard by both agencies and their auditors. b.) DoD agrees that reasonable estimates are permitted in the preparation of financial statements with or without the existence of SFFAS 35. Based on discussions with many individuals, DoD believes that there are varying opinions on this by agencies and auditors, therefore to be sure there is no confusion or differing perspectives on this important concept, DoD requests additional clarifying language in the Standard as described in our response to Question 4 (a) above.
#14 GWSCPA-FISC	The FISC agrees that reasonable estimates should continue to be permitted in the preparation of the financial statements. Discussion among the FISC members were similar to the summary of the Board's deliberations in paragraphs A46 and A47 of the ED, and questions remained among the FISC members of the Board's use of the term "reasonable estimate." We suggest that the Board add the term "reasonable estimate" to the Definitions section of the ED so that it is clear that the Board's use of the term in paragraph 12(e)(ii) in the ED is consistent with the use of the term in paragraph 19.
#15 DOI-CFO	a.) BIA: Agree, in light of this Statement, SFFAS 35 is not needed. BLM: Agree. Duplicity of guidance is confusing and unnecessary. BOEM/BSEE: Agree – seems reasonable. BOR: Disagree. SFFAS 35 clarifies the option of using estimates and the requirements for doing so. Entities relied on SFFAS 35 in the past. The rescission of SFFAS 35 removes necessary guidance and may leave the entity open to consequences due to changes in interpretation. Without the specifics in the original guidance, auditors may interpret the new guidance differently from the guidance the entity relied on when making past decisions. Paragraph 9 and 10 of SFFAS 35 specifies that entities who previously implemented general PP&E accounting may use estimates. Paragraph 11 allows estimates when an entity finds revaluing general PP&E assets is necessary. NPS: Agree as long as Paragraph 19 is included within the Standard and not just referenced in Appendix A: Basis for Conclusions. Per the text in Appendix A, "The standards enunciated in the Statement--not the material in this appendix--should govern the accounting for specific transactions, events, or conditions." PFM: "Reasonable estimate" is implied in this proposed standard so SFFAS 35 is redundant. However, suggest that the board adds explicit language regarding reasonable estimate to avoid confusion. b.) BIA: Agree. This is incorporated in SFFAS 6. BLM: Agree. Reasonable estimates are permitted out of necessity. Sometimes a reasonable estimate is the only way in which to quantify and amount; for instance, certain inventories, allowances for bad debt and others.

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	BOEM/BSEE: Agree – seems reasonable. BOR: SFFAS 35 is necessary to permit reasonable estimates in the financial statements. The proposed paragraph 40 only applies to opening balances or a one-time adjustment to a line item. Loss of the guidance to use reasonable estimates when historical costs are not available could leave entities vulnerable to auditor's interpretation for existing balances where they have used estimates to establish costs for PP&E. NPS: Agree. However, it is preferred to have a specific statement contained within the standard(s) to document that reasonable estimates are permitted. If this is what the Board intends, it should be stated as such and not left to interpretation. PFM: Agree that reasonable estimate is implied but prefer explicit language in the standard to avoid misinterpretation.
#16 DOE-CFO	a.) We have no objections to the change since we understand that the change is essentially clerical in nature, and has no impact on a reporting entity's ability to use reasonable estimates when establishing the cost of general PP&E or for other financial reporting purposes. b.) For the sake of clarity, the final standard should retain the clear documentation provided in paragraph 19 of the exposure draft that reasonable estimates are permitted in the preparation of financial statements.
#17 AGA-FMSB	a.) We agree with the proposal to rescind SFFAS 35 since the proposed guidance in the Statement includes the relevant components of SFFAS 35. There is no reason to have two Statements addressing the same issue. b.) We agree with FASAB that reasonable estimates are permitted in the preparation of financial statements and there should not be any exclusion of reasonable estimates in the proposed Statement.
#18 NSA	a.) Agree b.) Agree
#19 DoD-OIG	a.) We agree with the proposal to rescind SFFAS 35. If portions of the SFFAS are no longer relevant, to avoid confusion and misinterpretation, it should be removed and the relevant section be incorporated into new guidance. b.) We agree that reasonable estimates should be permitted when historical cost data does not exist and that standards should clearly allow for the use of reasonable estimates.

D. Listing Of Additional Comments from Respondents

Respondent	Comment
#4 NGA	***Paragraph 12. - Establishing in-service dates.*** NGA Comment: Paragraph 12f in the exposure draft states that there is no requirement for in-service dates to be separately identified for material improvements and that all material improvements should be treated as if they were placed in-service at the date the base unit was placed in-service. NGA Rationale: NGA possesses buildings and other real property that was constructed many years ago. There has also been many material improvements to these buildings and real property as time as passed. NGA question requesting clarification: Is the exposure draft suggesting that the agency should assume the in-service date for material improvements are the same as the base unit when establishing asset value? How should the agency approach this issue if the in-service dates for material improvements is known but the in-service date for the base unit is not known? Should the agency still disregard the in-service dates for material improvements?
#4 NGA	***Paragraphs A60. and A61.*** Paragraphs A60-A61, prescribe entities to treat the conditions specified in this exposure draft as a change in accounting principle. The cumulative effect of the change in prior periods would be reported as a "change in accounting principle" and adjustments would be made to the beginning balance of cumulative results of operations in the statement of changes in net position. Prior period financial statements should not be modified. NGA question requesting clarification: According to this guidance, the change to the beginning balance of Cumulative Results of Operations to reflect a change in accounting principle must be shown in the quarterly financial statements as well. Is this correct?
#9 Asset Leadership Network	**Government property in the hands of contactors** A19. Government property in the hands of contactors has been a challenging area for reporting entities. This may include government furnished equipment and contractor acquired equipment. Previous Boards believed the accounting treatment for such assets should be consistent with that of other assets since there is no conceptual difference. Further, most would agree there should be accountability over government owned assets in the hands of others. **Comment:** The accounting treatment for Government Property is not that different, and in many cases is the same as other assets. It should not be that challenging, as long as those doing the reporting understand the contacting and accounting process. This is no different than what is required for contractors under Cost Accounting Standard 404 – Capitalization of Tangible

	Assets, only the Government has a much greater capitalization threshold ($5,000 vs. $500,000). It is rare that the Government furnishes PP&E that is a separate capitalized unit on the Government's books. In most cases the cost of Government owned Equipment, Special Test Equipment and Special Tooling is bundled with a corresponding deliverable item, therefore, if the Government treats these items as additional assets for accounting purposes, the accounting would be wrong, as these would be double counted. Further the contractor is not privy to what is capitalized or not capitalized on the Government's accounting records. There is accountability of the Government property at contractor's sites, even those assets with low values. However, it is not a duplicate of the Government's internal accounting efforts. Continual Government accounting activities such as: establishing work in process accounts, recognition of ready for use, coordination of capitalization, reconciliations, closing accounts and impairment reviews; all critical parts of the overall company asset management system at each Government contractor. The remaining items at the contractor's site represent essentially sunk cost, and as individual items they rarely meet the Government's capitalization threshold. If these items were acquired as individual units, they would be classified as expense items, not PP&E.
#9 Asset Leadership Network	A20. SFFAS 6 paragraph 18 provides that PP&E includes "property owned by the reporting entity in the hands of others (e.g., state and local governments, colleges and universities, or Federal contractors)" and paragraph 34 (along with note 34) elaborates that PP&E should be recognized when a title passes or is delivered to the acquiring entity or to an agent of the entity. For PP&E acquired by a contractor on behalf of the entity (for example, the entity will ultimately hold title to the PP&E), PP&E should also be recognized upon delivery, or constructive delivery, whether to the contractor for use in performing contract services or to the entity. **Comment:** The described requirement is not completely consistent with the Government's practice and can result in improper guidance and subsequent accounting. When the cost of equipment, special tooling and special test equipment is bundled with the cost of the primary deliverable, delivery of these residual items may not occur for months or years. Any dollar amounts associated with these items are not costs that are to be used for accounting purposes. The delivery triggers the requirements to transfer accountability to another contract or location, and reporting to DoD's IUID Registry. These residual items are not PP&E on their own.

#9 Asset Leadership Network	A21. During the due process deliberation of SFFAS 23 in 2003, this issue also came up. A respondent, unaware of existing standards, encouraged the Board to develop standards that address this type of property because the respondent believed that "accounting control over this property is deplorable." As discussed in the Basis for Conclusions to SFFAS 23, the previous Board found that despite the existence of standards for contractor held assets since late 1995, little progress has been made in resolving the issue. The Board does not believe that deferral of standards related to vast amounts of PP&E will facilitate resolution of the contractual and administrative details needed to reasonably comply with generally accepted accounting principles. **Comment:** "Accounting control" is not a traditionally used phrase by accountants, auditors or asset management professionals. As a result, its meaning is questionable – is this being directed at the Government or the Government contractor? The quote is not attributable to any particular writer, so the context is unclear. This quote may infer that Government contractors do a poor job of accounting for Government property. The thousands of audits performed by DCAA do not support this interpretation, as very few contractors have been found to have deficiencies in this area. Or, "Accounting control over this property is deplorable" may have been referring to the accountability of Government property under the possession or control of a Government contractor. Again the facts, based upon the thousands of DCMA assessments, don't support the assertion. It is our belief that the repeated quote is a misrepresentation of the current and past state of property in the hands of contractors, and should not have been used as a "Basis of Conclusions". Regulations governing Contractor held property have existed since the Administrative and Service Act of 1949. When the FAR 45 Government Property Clause was updated in 2007, two major reasons that this type of property would be reduced came to light. First, the Special Tooling and Special Test Equipment clauses were rescinded. These clauses caused the Government to acquire property sometimes without benefit. Second, the Government has migrated away from cost plus type contracts, which requires that all items charged directly to a contract become Government property. The Government pays a lot of money to contractors and their own staffs to oversee and manage this property, in accordance with the Government's contract requirements. Overall it is proven they fulfill those requirements. In general, Government contractors are audited more than any other entity; withstanding internal audits, external public accounting audits and multiple Government audits. The condition that does exist, by the nature of Government contracting, is that Government procurement is complex. Complexity to the uninformed should not be confused with inherent deficiency.

	The Board's belief that there is a "vast amount of PP&E" held by contractors is not accurate. In analyzing amounts of property, the first cost of items is not a reliable gage of the value of those items. Usually analysts are more interested with the net book value of PP&E rather than asset's first cost. In addition, the accountable balances of over ninety-five percent of the items at contractor's locations do not meet DoD's or other agencies' capitalization thresholds. For the remaining items, if capitalized and depreciated separately, a very large portion of these items would be fully depreciated. Residual value of Government property is very low, less than one percent of first cost.

#9 Asset Leadership Network	A22. The Board understands that certain reporting entities may have long-standing contracts lacking contractual terms and systems needed to accumulate the necessary information. The alternative valuation method—deemed cost—is applicable to general PP&E in the hands of others. Other alternatives, including those proposed by the DoD, to mitigate the cost of properly reporting on such PP&E were considered. The DoD's proposal was intended to allow the DoD to take a prospective approach for establishing completeness and accountability for government property in the hands of contactors. Much of the DoD's rationale was based on the belief that government property in the hands of contactors is immaterial and that the equipment has a short useful life. However, existing data have known integrity and reliability issues that preclude reliance on them as a basis for prospective treatment. The DoD also based the proposal on the fact that they would incur significant costs to bring these assets to record. The Board notes that GAAP is not the only cost driver. The DoD has other accountability obligations and a management need for complete records to support decision making. **Comment:** The DoD belief that the residual or other property in the hands of contractor's is immaterial is correct. The current accounting process, from our perspective, is correct. It would be incorrect, after many years, to adjust actual first cost amounts to reflect different accounting, to expense or recapitalize or componentize these items that may remain at contractor sites, as this would not be in accordance with GAAP. Keep in mind that when a program starts out, the initial contracts may have been Research and Development (R&D) efforts. R&D in GAAP is treated as expense. Even if these items are proven to be useful over many years and multiple contracts, the accounting is not changed. There is no second chance to reclassify or capitalize. Using deemed cost to achieve blanket reclassification and capitalization would be administratively expensive, and would require additional contract funds to try to sort out. When dealing with cost, Contractors operate to a standard of "current, accurate and complete". Deemed cost cannot be supported to be current, accurate and complete. In GAAP, componentization must occur at inception, either during the capital planning process, or when the item is substantially complete and ready for use. The comment in the first sentence concerning "long-standing contracts lacking contractual terms and systems needed to accumulate the necessary information" is troubling and is the basis of a false hope. There is almost nothing in the Government Property Clauses that requires the contractor to accumulate actual first cost of items. The few exceptions include when the Government's Contracting Officer makes a particular item a deliverable line item in the contract and then furnishes the item back to the contractor. In this case, the line item cost becomes the first cost within the contractor's records. This happens infrequently and is not representative of prior or current practice.

	In our experience, Contracting Officers do not create additional line items for three reasons: (1) it is not common that an individual item would exceed the Governments capitalization threshold; (2) the item may not be a capital item, based upon useful life considerations and (3) the item may be considered immaterial, based upon the Federal Acquisition Regulations (FAR) 31.201-6 and FAR - Appendix Cost Accounting Preambles and Regulations, Subchapter B – Procurement Practices and Cost Accounting Standards, Subpart 9903.3 – CAS Rules and Regulations 9903.305 - Materiality. The FAR clauses 52.245-1 Government Property (rewritten in 2007) and DFARS 252.211-7007 (originally issued in 2007) have existed for quite some time, and apply to the accountability of Government property; not the accounting of Government Property. Accountability applies to all types of Government property including: items that have been expensed, items that were purchased as material of some sort, R&D contract property, but mostly property that was determined to be a direct charge to a particular contract, that remain over many years to fulfill production or use on follow-on contracts. These clauses do not require reporting of all items as if they were individually capitalized units and it is wrong to perceive them as that. The reporting of items to the IUID registry must not be confused with the reporting of PP&E or other assets subject to GAAP. Finally the statement: "The DoD has other accountability obligations and a management need for complete records to support decision making." from afar seems reasonable, but in practice, decisions are not made with aggregate numbers, but with specifics. Those specifics vary greatly based upon the circumstances; program-by-program and contract-by-contract. Complete government records, in and of themselves, are not useful. Internal use property, used to complete contract deliverables, is made up of property that is company capital, subcontractor capital, contract property, subcontractor contract property, expense - overhead and Government owned property of various types. There is very little correlation from program to program, so seeing items that are reported in the IUID Registry, for example, does not provide a complete picture and is therefore never suitable for decision making. IUID Registry information is primarily meant to be used for contract accountability purposes, and is an indication of contractual reporting compliance in accordance with contact clauses and DoD Instruction 5000,64. It was never meant to be used as an accounting record or tool.

#9 Asset Leadership Network	A23. The Board concluded that the current DoD process of including improved contract clauses in new or modified contracts should continue. As existing contracts expire or are modified, this issue should be resolved. Based on information presented by the DoD, 77% of the current contracts expire in 2016 and 12% expire in 2017. Hence, processes would be in place to capture government property in the hands of contactors by 2018 through issuance of new contracts with required clauses. Considering much of the information and data indicates the contracts for government property in the hands of contactors will expire soon and the assets may be immaterial or fully depreciated, with time the DoD may be in a position to support that this line item is not materially misstated. This supports that accounting treatment for government property in the hands of contactors should continue to be consistent with general PP&E. **Comment:** There is no basis to believe there will be improvement because of new or modified contract clauses – there are no existent new clauses, but there should be less Government property based upon the requirements that were put in place since June, 2007. We suggest the Board interview the Asset Management leads of the five largest Government Contractors and obtain their perspectives. The Board should also walk through the contractual, establishment of records and reporting processes, including the treatment of cost in the PP&E and non-PP&E life cycle; acquisition, use, and disposition, on typical cost plus and fixed price type contracts.

#9 Asset Leadership Network	A24. The Board conducted outreach on this issue prior to issuing the exposure draft. Feedback from the audit community conveyed that the issues the DoD encountered with property in the hands of contactors are the same for all DoD general PP&E. With respect to the DoD's proposal, there were noted audit challenges due to gray areas, such as no firm cut-off date, the need for clarity with definitions, and complexities with implementation. In addition, there were noted existence and completeness challenges. There was also a belief that challenges would remain until the necessary contractual improvements were fully implemented. **Comment:** No contractual improvements are expected, as there are no new proposed clauses, nor regulatory changes published in the Federal Register. Changes in regulations can take and have taken years. Outreach needs to extend to the contractor community. There appears to be a disconnection in understanding of the current state and the expected future state. Government contractors, with few exceptions, fulfill their contractual obligations. When it comes to accounting for the Government's PP&E, this is the Government's fiduciary responsibility. In fact FAR 45.105, (prior to June 2007) required the contractor to establish "the Government's official Government Property Records." The Government; however, now is expected to keep its own official records. If the Government wants to keep finite accounting records it must identify its individual capital units during the solicitation process. Even with this, additional line item deliverables within a contract that the Government plans to capitalize, all direct cost of the contract should not necessarily be capitalized, such as evaluation of alternatives and training. The more the Government wants finite GAAP accounting, the greater the cost, which further justifies the cost of property to produce deliverables held at contractor's sites, should be determined to be immaterial for Government PP&E accounting purposes.
#11 KPMG	**Accounting for Parent-Child Allocation Transfers** We encourage the Board to collaborate with the Office of Management and Budget to consider the potential challenges a "parent account" reporting entity will face in ensuring the transactions and balances of its "child account" are properly recorded, reported, and disclosed in the "parent account" reporting entity's financial statements (or one or more line items addressed by the proposed Statement) in accordance with the proposed Statement when both the "parent account" and the "child account" establish opening balances based on the proposed Statement.

#11 KPMG	**Application of Proposed Statements at Complex Reporting Entities** A complex reporting entity (level A) may have multiple component reporting entities (level B), each of which may be a reporting entity with its own component reporting entities (level C). We recommend that the Board clearly state at which level (A, B, or C) within a complex reporting entity the Board intends there to be consistency in accounting treatment when providing alternatives such as the proposed amendments to SFFAS 6, paragraph 40(d) and SFFAS 10, paragraph 36(d).
#11 KPMG	**Amendments to SFFAS 6, Accounting for Property, Plant, and Equipment – Paragraph 12** a. Footnotes 4, 5, 7, and 9 through 10 provide various definitions of terms. We recommend that the Board not repeat definitions within the footnotes if the term is already defined within the Statement, and that for those terms previously defined outside the proposed Statement, the Board either consistently repeat the definition or reference to where the term is previously defined. b. The proposed amendment to SFFAS 6, paragraph 40(d) states "The reporting entity may exclude land and land rights…" We recommend that the Board clarify in paragraph 40(d) whether the decision to exclude land and land rights is made by the reporting entity or made individually by the multiple component reporting entities that may exist within a given reporting entity. A similar clarification was made for the use of the alternative valuation methods in paragraph 40(e). c. The proposed amendment to SFFAS 6, paragraph 40(d) states "If this alternative is applied, the reporting entity should expense future land and land right acquisitions." This sentence addresses accounting for transactions beyond the opening balances; however, it is included in the section on opening balances. We recommend that the Board consider amending SFFAS 6, paragraph 25 to include this proposed ongoing accounting treatment. d. We recommend that the Board add a footnote reference to SFFAS No. 47, Reporting Entity, for the definition of a component reporting entity in the proposed amendment to SFFAS 6, paragraph 40(e). e. The proposed amendment to SFFAS 6, paragraph 40(f)(ii), uses the term "material improvements". We recommend that the Board replace the term "material improvements" with language from SFFAS 6, paragraph 37, which uses the phrase "Costs which either extend the useful life of existing general PP&E, or enlarge or improve its capacity…"

#11 KPMG	f. The proposed amendment to SFFAS 6, paragraph 40(f)(ii), states "It is not necessary to separately identify the in-service date for material improvements to a base unit. All improvements included in the opening balances at deemed cost may be treated as if they were placed in-service at the date the base unit Therefore, we recommend adjusting the proposed amendment to SFFAS 6, paragraphs 40(f)(i) and (ii) as follows (new content underscored; deleted content struck-through): a.i. In some cases, the in-service date must be estimated. In estimating the year that the base unit or costs which either extend the useful life of existing general PP&E or enlarge or improve its capacity was placed in service, if only a range of years can be identified then the mid-point of the range is an acceptable estimate of the in-service date. ~~ii. It is not necessary to separately identify the in-service date for material improvements to a base unit. All improvements included in the opening balances at deemed cost may be treated as if they were placed in-service at the date the base unit was placed in-service.~~ g. The proposed amendment to SFFAS 6, paragraph 40(g)(i) does not address the disclosure requirements for a reporting entity electing to exclude land rights from its general PP&E opening balances. We recommend that the Board add additional language to discuss the disclosure requirements related to land rights. We also recommend the Board consider whether the expensing of future land and land right acquisitions in lieu of capitalizing such acquisitions is a significant accounting policy that warrants ongoing disclosure. h. Certain language from the second sentence in the proposed paragraph 40(g)(i) repeats language from the proposed paragraph 40(d) and thus we recommend that the Board adjust the second sentence in paragraph 40(g)(i) as follows (deleted content struck-through): Each year thereafter, a reporting entity ~~electing to exclude land from its general PP&E opening balance~~ should ~~continue to exclude future land acquisition amounts and~~ provide the disclosures. i. We recommend that the Board adjust the proposed amendment to SFFAS 6, paragraph 40(g)(ii), as follows (new content underscored): A reporting entity electing to apply deemed cost in establishing opening balances for general PP&E should disclose this fact and describe the methods used in the first reporting period...

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#11 KPMG	j. SFFAS 48, Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials, states "Once established using deemed cost, opening balances are to be considered consistent with GAAP." We recommend that the Board add this clarification to the proposed amendments to SFFAS 6.

#11 KPMG	**Amendments to SFFAS 10, Accounting for Internal use Software – Paragraph 14** a. Footnotes 11 through 13 provide various definitions of terms. We recommend that the Board not repeat definitions within the footnotes if the term is already defined within the Statement, and that for those terms previously defined outside the proposed Statement, the Board either consistently repeat the definition or reference to where the term is previously defined. b. We recommend that the Board adjust the proposed amendment to SFFAS 10, paragraph 36(b) as follows (new content underscored; deleted content struck-through): The application of ~~this method~~ these alternatives based on the second condition…. c. The proposed amendment to SFFAS 10, paragraph 36(b) states "Application of the recognition, measurement, and disclosure requirements of this Statement is required during the reporting period when the reporting entity makes an unreserved assertion." We recommend that the Board reconsider whether this language is necessary given the proposed amendment to paragraphs 36(a) and 36(e). d. We recommend that the Board add a footnote reference to SFFAS No. 47, Reporting Entity, for the definition of a component reporting entity in the proposed amendment to SFFAS 10, paragraph 36(d). e. The proposed amendment to SFFAS 10, paragraph 36(d), states "A reporting entity may choose among the following alternatives…" and "a reporting entity may establish an opening balance based on a combination of these alternatives…" The term "may" presents an auditability challenge because a reporting entity could use any of the methods noted in the proposed paragraph 36(d) as well as any other method that may lack objectivity/measurability. Therefore we recommend that proposed paragraph 36(d) be adjusted as follows (new content underscored; deleted content struck-through): Alternatives: A reporting entity should ~~may~~ choose among the following alternatives for establishing an opening balance for internal use software. Because a reporting entity may have multiple component reporting entities selecting different alternatives, a reporting entity should ~~may~~ establish an opening balance based on one, or a combination, of these alternatives. However, application of a particular alternative must be consistent within each of the component reporting entities prior to consolidation.

#11 KPMG	f. We recommend that the Board adjust the proposed amendment to SFFAS 10, paragraph 36(e), to require a reporting entity that elected to apply deemed cost in establishing opening balances for internal use software to disclose such election and the methods used, as follows (new content underscored; deleted content struck-through): e(i). Disclosure requirements: A reporting entity electing to apply the alternative methods in establishing opening balances for internal use software should disclose this fact and describe the alternatives used in the first reporting period in which the reporting entity makes an unreserved assertion that its financial statements, or one or more line items, are presented fairly in accordance with GAAP. In the event different alternatives are applied by component reporting entities consolidated into a larger reporting entity, the alternative adopted by each significant component should be disclosed. Financial statements or, as applicable, reports on line items of subsequent periods need not repeat this disclosure, unless the statements for which the alternative for establishing opening balances was applied are presented for comparative purposes. No disclosure of the distinction or breakout by alternative method of amount ~~of deemed cost~~ of internal use software included in the opening balance is required. e(ii). A reporting entity electing to apply deemed cost in establishing opening balances for internal use software should disclose this fact and describe the methods used in the first reporting period in which the reporting entity makes an unreserved assertion that its financial statements, or one or more line items, are presented fairly in accordance with GAAP. Financial statements or, as applicable, reports on line items of subsequent periods need not repeat this disclosure, unless the statements for which deemed cost was applied in establishing opening balances are presented for comparative purposes. No disclosure of the distinction or breakout of amount of deemed cost of internal use software included in the opening balance is required. g. SFFAS 48, Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials, states "Once established using deemed cost, opening balances are to be considered consistent with GAAP." We recommend that the Board add this clarification to the proposed amendments to SFFAS 10.

#11 KPMG	**Amendments to SFFAS 23, Eliminating the Category National Defense Property, Plant, and Equipment – Paragraphs 15 through 17** We support the Board for taking steps to combine implementation guidance for general property, plant, and equipment, with the exception of certain provisions applicable to internal use software, in SFFAS 6. We recommend that the Board combine the remaining 'Amendments to Existing Standards' section from SFFAS 23 into the appropriate SFFAS and rescind SFFAS 23 in its entirety.
#11 KPMG	**Paragraph 19** Paragraph 19 states "Reasonable estimates are permitted in the preparation of financial statements subsequent to the rescission of SFFAS 35." It is unclear whether the Board intends for paragraph 19 to be included within the subheading "Rescission of SFFAS 35, Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Accounting Standards 6 and 23" section of the proposed standard, or whether the Board intends for the paragraph to stand on its own. Readers could interpret this paragraph as applicable to opening balances for general PP&E discussed within the proposed standard, applicable to any general PP&E, or applicable to any financial statement balance. We recommend that the Board adjust the proposed standard to clarify its intent. If the Board intended this concept to be limited to opening balances, we do not believe paragraph 19 is needed as the thought is already captured in the amendments to paragraph 40 of SFFAS 6. If the Board intended this concept to be applicable to any general PP&E, we recommend moving the first sentence from the deleted language in paragraph 40 of SFFAS 6 and inserting it in paragraph 26 as follows (new content underscored): All general PP&E shall be recorded at cost. <u>Although the measurement basis for valuing G-PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of G-PP&E, in accordance with the asset recognition and measurement provisions herein.</u> Cost shall include all costs incurred to bring the PP&E to a form and location suitable for its intended use. For example, the cost of acquiring property, plant, and equipment may include:

#11 KPMG	**Basis for Conclusions – Amendments to SFFAS 6, Accounting for Property, Plant, and Equipment** a. Paragraph A16 states "This Statement allows for PRV [plant replacement value] to be used in establishing the opening balance for real property in current year dollars and not be deflated to the in-service year." The use of "real property" in paragraph A16 is inconsistent and we recommend that the Board replace "real property" with "general property, plant, and equipment" or clarify its intent. b. Paragraph A16 states "This Statement allows for PRV to be used in establishing the opening balance for real property in current year dollars and not be deflated to the in-service year…" and paragraph A18 states "…although the PRV method may qualify as replacement cost…" The Board's use of "may" in paragraph A18 appears inconsistent with paragraph A16 and we recommend the Board amend paragraph A16 and/or A18 such that they are consistent. c. Paragraph A25 states "Deemed cost may be based on one, or a combination, of the accepted valuation methods". However, within paragraph 12, the proposed amendment to SFFAS 6, paragraph 40(e) states "…deemed cost should be based on one, or a combination, of the following valuation methods." We recommend that the Board revise paragraph A25 to agree with paragraph 12 of the standard as follows (new content underscored; deleted content struck- through): The Board recognizes that large and complex reporting entities such as the DoD may have used a variety of valuation methods prior to the adoption of a GAAP compliant method. Therefore, this Statement allows for deemed cost to include several valuation methods because the reporting entity may have components (1) using different methods simultaneously and/or (2) adopting a method permitted under SFFAS 6 at different times prior to establishing opening balances. Deemed cost should ~~may~~ be based on one, or a combination, of the accepted valuation methods. However, this Statement requires that the accounting for all activity after the opening balance is established comply with SFFAS 6.

#13 DoD	In numerous paragraphs throughout the Exposure Draft, for example in paragraph 7, the following statement is made: "This Statement may be applied in establishing opening balances for the reporting period that the reporting entity, taken as a whole, makes an unreserved assertion that its financial statements, or one or more line items addressed by this Statement, are presented fairly in accordance with GAAP." DoD requests that clarifying language be added in the Standard to address the following two points: a) DoD currently reports General Property, Plant and Equipment, Net, as one line item on the balance sheet. However, in the footnotes, the major asset classes are reported separately (land; building, structures, and facilities; leasehold improvements; software; general equipment; assets under capital lease; construction in progress; and, other). DoD Components are most likely to make their unreserved assertions by major asset category rather than a one-time assertion for all General Property, Plant and Equipment taken as a whole. The phrase "one or more line items addressed by this Statement," should be expanded to define line items as being line items on the financial statements or line items within the footnotes to the financial statements. This is consistent with the fundamental financial statement reporting concept that the footnotes are an integral part of the financial statements taken as a whole. In addition, A13 in Appendix A: Basis for Conclusions of the Exposure Draft states: "This Statement amends SFFAS 6 implementation guidance to include alternatives for establishing opening balances. A reporting entity may use deemed cost as an alternative valuation method in establishing opening account balances for general PP&E for the reporting period that the reporting entity first makes an unreserved assertion that its financial statements, or one or more line items addressed by this Statement, are presented fairly in accordance with GAAP. The presentation of line items may be more or less detailed. For example, components of general PP&E, such as land, may be a separate line item, or there may be a single line item for all general PP&E." This statement appears to support DoD's request for including footnote line items in the definition of a line item as set out above. b) While the Exposure Draft defines "an unreserved assertion" as an "unconditional statement", it would be beneficial for the Standard to address, perhaps by way of an example, the narrative components that should be included in the assertion.

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#13 DoD	DoD recommends that "Plant Replacement Value" be explicitly added to the list of alternative valuation methods in paragraph 12.e of the Exposure Draft with the following footnote definition: "Plant Replacement Value is the current amount that would be required to replace the service capacity of an asset, inclusive of capital improvements." Although "Plant Replacement Value" is discussed in Appendix A: Basis For Conclusions in the Exposure Draft, DoD has the following concerns with the manner in which it is addressed in Appendix A and the fact that it is not in the body of the Standard: • A16 in Appendix A states in part – "This Statement allows for PRV to be used in establishing the opening balance for property in current year dollars and not be deflated to the in-service year." DoD supports that statement; however, A18 in Appendix A states in part "The Board cautions that although the PRV may qualify as replacement cost and be used in establishing the opening balance for real property, the PRV model and information supporting it would be subject to audit." • The phrase "may qualify" in A18 could be interpreted as contradictory to A16. DoD suggests changing this sentence in A18 to the following: "The Board cautions that although the PRV can be used in establishing the opening balance for property, the PRV model and information supporting it would be subject to audit." • A17 in Appendix A relates specifically to concerns raised by DoD over the definition for replacement cost from SFFAC 7 – Measurement of the Elements of Accrual Basis Financial Statements in Periods After Initial Recording. An excerpt of paragraph 47 from SFFAC 7 is included in A17. The examples in paragraph 47 from SFFAC 7 include the concept of discounting (reducing or adjusting) values for current cost or current fair value which is inconsistent with not deflating the PRV value. DoD is concerned that inclusion of this narrative and excerpt from SFFAC 7 in A17 may do more to confuse the issue than to clarify it. Consequently, DoD suggests that A17 be removed in its entirety. • DoD is in agreement with the current narrative in A16 and the revised narrative suggested above for A18; however, it is important to note that the preamble paragraph in the Appendix A states "The standards enunciated in this Statement – not the material in this appendix – should govern accounting for specific transactions, events, or conditions." Therefore, the DoD believes that this matter needs to be more clearly addressed in the body of the Standard itself with the addition of the "plant replacement value" along with its definition in paragraph 12.e of the Exposure Draft rather than just in the Appendix. This will help to avoid misinterpretations and misapplication of the Standard by both federal entities and their auditors.

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#13 DoD	DoD suggests that paragraph A23 in Appendix A: Basis for Conclusions be revised to state the following: "The Board concluded that the current DoD process of including improved contract clauses in new or modified contracts should continue. As existing contracts expire or are modified, this issue should be resolved. Based on **preliminary estimated** information presented by the DoD, 77% of the current contracts expire in 2016 and 12% expire in 2017. Hence, **assuming that these estimates are reasonably accurate**, processes would be in place to capture government property in the hands of contactors by 2018 through issuance of new contracts with required clauses. Considering much of the information and data indicates the contracts for government property in the hands of contactors will expire soon and the assets may be immaterial or fully depreciated, with time the DoD may be in a position to support that this line item is not materially misstated. This supports that accounting treatment for government property in the hands of contactors should continue to be consistent with general PP&E." As previously discussed with the FASAB Staff, this information is based on very preliminary estimates and DoD suggests adding the words we highlighted in bold font above to emphasize that point in the final Standard. However, we are not suggesting that these edits be in bold font in the final version of the Standard.
#13 DoD	Paragraph A52 in the Appendix A: Basis for Conclusions states: "A52. The disclosures required are also included in the amendments to the implementation guidance in SFFAS 6 and 10. Specifically, the election to apply the provisions of this Statement should be disclosed in the financial statements in the first reporting period in which the reporting entity makes an unreserved assertion that its financial statements, or one or more line items addressed by this Statement, are presented fairly in accordance with GAAP. The first reporting period would be the first year-end financial statement that an unreserved assertion is made. The Board does not believe the first reporting period should be an interim reporting period because interim financial statements presently are unaudited and do not include note disclosures." DoD suggests that this narrative be clarified. For certain classes of PP&E, DoD has instructed its Components to establish their opening balances no later than March 31, 2017. As March 31, 2017 is an interim reporting period, would it be acceptable for the DoD Component to make the unreserved assertion with the "as of" date of September 30, 2017 since that is the year end during which the opening balances were established. Or, did FASAB intend to direct federal agencies only to establish opening balances at the end of a fiscal year?
#13 DoD	If SFFAS 35 is rescinded, to prevent confusion in the future, DoD recommends that the FASAB either modify Technical Release 13 – Implementation Guide for Estimating the Historical Cost of General Property, Plant & Equipment, by removing the references in the Technical Release to SFFAS 35 or incorporate the concepts from the Technical Release directly into SFFAS 6 as a further modification to SFFAS 6.

#13 DoD	There is some confusion and differing opinions on whether or not corrections to opening balances valued based on deemed costs can be done in fiscal years subsequent to the fiscal year in which the opening balance was initially recorded. To clarify how such corrections should be recorded in accordance with existing GAAP, DoD recommends the following changes to the amendment to paragraph 40 be included in paragraph 12 of the Exposure Draft: i) Re-letter paragraphs (d) and (e) to (e) and (f), respectively. ii) Insert a new paragraph (e) that states the following: Reporting entities that find opening balance errors during a fiscal year subsequent to the fiscal year in which the opening balance was initially recorded based on deemed cost, and which need to be corrected, should record such adjustments subject to the reporting requirements under paragraph 10 of Statement of Federal Financial Accounting Standards 21: Reporting Corrections of Errors and Changes in Accounting Principles.
#15 DOI-CFO	Bureau of Reclamation (BOR): Reclamation strongly suggests not replacing SFFAS 6 paragraph 40 because the new proposed paragraph only pertains to opening balances and one-time corrections to line items. At times entities require estimates on previously reported miscellaneous PP&E assets. Because the bullets are the same in both paragraphs, Reclamation suggests keeping the first sentence of the current SFFAS 6 paragraph 40 which states, "although the measurement for valuing G-PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of G-PP&E, in accordance with the asset recognition and measurement provisions herein." This clarification is essential. Loss of the guidance to use reasonable estimates when historical costs are not available could leave entities vulnerable to the auditor's interpretation for existing balances where they have used estimates to establish costs for PP&E.
#15 DOI-CFO	Reclamation does not agree with proposed paragraph 12 (40)f.ii. Reclamation feels identifying in-service dates on material improvements separately from the base unit is essential to minimizing the distortion of depreciation and future year expenses. Also, using the in-service date of just the base unit distorts the comparability between entities and does not comply with the concept of operating performance in SFACC1.

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#19 DoD-OIG	**Overall Comment** Recommended Change. Consider adding guidance to clarify whether the entity is supposed to have systems in place that can provide the information necessary to produce financial statements that are based on generally accepted accounting principles (GAAP) before using the alternative valuation method. Rationale. To add clarity. Since this alternative method is only supposed to be used one-time, if the systems cannot provide the necessary information after implementation of the alternative method, then the entity will still be unable to comply with the standards. If DoD entities tried to use this methodology during the FY 2018 statutorily required audit, there still will be several legacy systems in use that have not been able to produce the required information in the past. The guidance should be very clear about what systems need to be in place prior to creating the baseline.
#19 DoD-OIG	**Page 6, "Purpose," para. 2** Recommended Change. Consider adding a discussion to clearly define what is meant by "line items" in the exposure draft. Rationale. To add comprehensive guidance. In the past, DoD has asserted to the audit readiness of sub-sets of assets. The proposed standard should clearly state whether it applies only to the line items as reported on the financial statements (i.e., General Property, Plant, and Equipment) or to the categories broken out in the footnotes. The proposed standard needs to clarify the definition of "line item" so entities do not apply the standards in a piece-meal fashion.
#19 DoD-OIG	**Page 6, "Purpose," para. 3, 1st sentence and page 8, "Scope," para. 7, 1st sentence** Recommended Change. Consider adding the following guidance to the end of the first sentence in paragraphs 3 and 7: "and for the periods during which it is necessary to correct errors in the opening balances that are discovered in later reporting periods." Rationale. To provide consistent guidance. The additional phrase is included in paragraph 12 on page 9 regarding the proposed amendments to paragraph 40.a. of SFFAS 6, "Accounting for Property, Plant, and Equipment."
#19 DoD-OIG	The proposal should specifically state that the use of deemed cost should be restricted to those circumstances where reliable information about the historical cost of the asset is not available. As currently written, the proposed guidance is allowing entities to use deemed cost for all of its assets instead of only for those assets for which it does not have supporting documentation.

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