Federal Accounting Standards Advisory Board

June 3, 2011

Memorandum

To: Members of the Board

From: Monica R. Valentine, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: **AAPC Draft Technical Release[1] -- Tab I**

MEETING OBJECTIVE

- To discuss a comment letter received on AAPC Exposure Draft *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment*. The comment letter questioned the ED's introduction of the terms "temporary" and "permanent." The respondent questioned whether the introduction of these terms would cause the technical release's Level C guidance to override the Level A guidance outlined in SFFAS 6.

BRIEFING MATERIAL

- Draft Technical Release *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment*.
- Comment Letter from KPMG

BACKGROUND

The proposed TR has gone through a lengthy review process by the Committee, the FASAB staff, and the AAPC G-PP&E task force. The review process included a 90-day exposure draft comment period.

The purpose of proposed Technical Release 14, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment,* is to addresses important implementation questions. The guidance will lead to consistent accounting treatment for the

[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.

disposal, retirement, or removal from service of general property, plant, and equipment as well as related cleanup costs. The proposed technical release provides implementation guidance that further clarifies existing SFFAS 6 requirements. The implementation guidance should help differentiate between permanent and temporary removal from service of G-PP&E assets. The implementation guidance also recognizes the many complexities involved in the disposal of G-PP&E, as well as delineates events that trigger discontinuation of depreciation and removal of G-PP&E from accounting records.

QUESTION FOR THE BOARD

Because one respondent raised concerns about the applicability of SFFAS 6 to temporary removal from service, the AAPC draft now includes language (see paragraphs 1 and A12) explaining that SFFAS 6 does not cover temporary removal from service. To assess whether there is any conflict between level A and C GAAP, we are seeking members' input on this issue.

> **Do you concur with the AAPC that SFFAS 6 does not apply to items temporarily removed from service?**

NEXT STEPS

Proposed Technical Release 14 is expected to be balloted by the AAPC at its next meeting in July. Once the TR is approved by the AAPC it will be sent back to the FASAB for a 45-day review period to gain negative assurance from a majority of the Board.

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If you or members of your staff have any questions, please contact me by telephone at 202-512-7362 or by email at ValentineM@fasab.gov.

Enclosure

Excerpts from the Charter of the Accounting and Auditing Policy Committee (as amended May 15, 2006):

Authoritative Guidance. Section III. I (3) of FASAB's Rules of Procedure authorizes AAPC to issue technical releases related to existing federal accounting standards. Technical releases are intended to provide guidance on the specific application of Statements of Federal Financial Accounting Standards (SFFASs), Interpretations of SFFASs, and Technical Bulletins. AAPC's technical releases are in the third category of authoritative guidance in the Federal GAAP hierarchy as stated in the AICPA's Statement on Auditing Standards 91. AAPC may not amend existing standards or promulgate new standards.

AAPC will refer audit issues to OMB in connection with its responsibility for the Audit Bulletin and to GAO (Government Accountability Office) in connection with its responsibility for GAGAS as appropriate. AAPC may include in the referral its observations on audit issues and take additional steps to facilitate resolution of the issues as it deems appropriate.

Issuance of Guidance. AAPC will submit all proposed technical releases to the FASAB for a 45 day review period. The review period usually will begin when FASAB receives the proposed technical release. However, if a FASAB member requests that a proposed technical release be considered at a Board meeting, the review period will begin the day following the Board meeting. FASAB may also affirmatively approve guidance before the expiration of the 45-day review period.

If a majority of the FASAB or a member representing a FASAB sponsor objects to the proposed technical release during the review period, then it shall be returned to the AAPC for further consideration. If neither a majority of FASAB nor a member representing a FASAB sponsor objects to the proposed technical release during the review period, then it shall become final. The Executive Director of the FASAB shall publish in the Federal Register a notice of the issuance of a final technical release and information on how it may be obtained.