



**UNITED STATES DEPARTMENT OF COMMERCE**  
**Chief Financial Officer**  
**Assistant Secretary for Administration**  
Washington, D.C. 20230

Wendy M. Payne  
Executive Director  
Federal Accounting Standards Advisory Board  
Washington, D.C.

Dear Ms. Payne:

The Department of Commerce has reviewed the Exposure Draft: *Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Financial Accounting Standards 6 and 23*.

Please find attached answers to the six questions that were asked of exposure draft respondents. If you have any questions, please contact me at (202) 482-1207 or galston@doc.gov, or Bruce Henshel at (202) 482-0646 or bhenshel@doc.gov.

Sincerely,



Gordon T. Alston  
Deputy Director for Financial Management

Attachment

cc: Lisa Casias  
Diane Marston  
Tony Akande  
Bruce Henshel

**Department of Commerce Response****Exposure Draft Regarding: Estimating the Historical Cost of General Property, Plant, and Equipment Amending Statements of Federal Financial Accounting Standards 6 and 23****Prepared by: Department of Commerce, Office of Financial Management****Date Prepared: January 30, 2009****Questions and Answers**

Q1. The Board proposes that reasonable estimates may be used upon initial capitalization by entities implementing G-PP&E accounting for the first time. See paragraphs 7 and A9.

Do you agree or disagree that reasonably estimating the original transaction data historical cost and accumulated depreciation of G-PP&E upon initial capitalization is appropriate for entities that have not previously reported G-PP&E on their entity financial reports and for those who have not previously prepared financial reports, but who may be required or elect to do so in the future? Please provide the rationale for your answer.

**Department of Commerce Response:**

**A1. The Department agrees that, in the absence of transaction-based information, the use of estimates to establish initial capitalization of historical cost and accumulated depreciation data for G-PP&E is appropriate, as long as the estimates are done on a systematic and rational basis and can withstand audit scrutiny.**

Q2. The Board proposes that initial capitalization of G-PP&E based on reasonable estimation methods as provided in the SFFAS 23, as amended, be considered acceptable on a continuing basis. See SFFAS 23 amended paragraphs [10.] – [13A.].

Do you agree or disagree that initial capitalization of G-PP&E based on reasonable estimation methods as provided in the SFFAS 23, as amended, is acceptable on a continuing basis? Please provide the rationale for your answer.

**Department of Commerce Response:**

**A2. The Department agrees that initial capitalization of G-PP&E based on reasonable estimation methods as provided in the SFFAS 23, as amended, is acceptable on a continuing basis. In a changing environment within government, entities may arise during reorganizations, for example, and find that records predating their existence may no longer be available. In this case and in similar cases, we believe that such entities should be permitted to use estimation methods to establish historical cost and accumulated depreciation of G-PP&E.**

Q3. The Board proposes to allow the use of reasonable estimates of the original transaction data historical cost and accumulated depreciation for G-PP&E. See paragraphs 7 and A10 – A13A.

Do you agree with the proposed amendment to SFFAS 6 that allows the use of reasonable estimates of the original transaction data historical cost and accumulated depreciation for G-PP&E? Please provide the rationale for your answer.

**Department of Commerce Response:**

**A3. The Department agrees with the proposed amendment to SFFAS 6 that allows the use of reasonable estimates of the original transaction data historical cost and accumulated depreciation for G-PP&E, for the same reasons given in answers 1 and 2. Also, the amendment should provide a hierarchy for valuing G-PP&E, beginning with the most accurate and objective basis (transaction-based historical cost) and ending with the most subjective estimation basis. The choice of valuation basis should take into consideration the feasibility, cost effectiveness, and reliability of the valuation.**

Q4. The Board proposes that reasonable estimates be permitted at any time. One member has expressed concern regarding the open-ended time period for the use of estimates. See paragraphs 7 [SFFAS 6 amended paragraph 40], A5., A14., A15., A19., and A20.

Do you believe that the use of reasonable estimates to value G-PP&E should be permitted at any time (i.e., an open-ended option) or only permitted through a definitive end date (i.e., a date-certain option)? Please explain your preference.

**Department of Commerce Response:**

**A4. The Department agrees that the use of reasonable estimates to value G-PP&E should be permitted at any time (i.e., an open-ended option) if the original transactional data is no longer available. As previously stated in answer 2, in a changing environment within government, entities may arise during reorganizations, for example, and find that records predating their existence may no longer be available. In this case and in similar cases, we believe that such entities should be permitted to use estimation methods to establish historical cost and accumulated depreciation of G-PP&E.**

Q5. As noted above, one member, Mr. James Patton, has expressed views different from the majority view regarding this proposal. See paragraphs A18. through A20.

Do you agree with the views expressed in the Alternate View in the Basis for Conclusions? Please provide the rationale for your answer.

**Department of Commerce Response:**

**A5. The Department disagrees with the Alternate View in that we believe that a lack of defined due dates for estimating valuations is not likely to be a primary cause for entities to defer implementing Federal Financial Management Improvement Act (FFMIA)-compliant systems. We believe that implementing FFMIA-compliant systems is mainly contingent on many other factors, in addition to the ability to use estimated asset valuations. We do, however, agree with the Alternate View that transaction-based historical cost should be used as a valuation basis rather than estimates, whenever possible, and as soon as feasible.**

Q6. The Board has proposed clarifications regarding when reasonable estimates are permitted.

Do you believe additional clarification is needed on the use of reasonable estimates when valuing the historical cost of G-PP&E? Please explain what areas require additional clarification and provide the rationale for your answer.

**Department of Commerce Response:**

**A6. The Department does not believe additional clarification is needed at this time, as it is clearly stated in paragraph 8 [40], *Estimation of Historical Cost* (page 11), that the measurement basis remains historical cost, and that reasonable estimates may be used to establish historical cost.**