



January 30, 2009

Ms. Wendy M. Payne
Federal Accounting Standards Advisory Board (FASAB)
Mailstop 6K17V
441 G Street, NW, Suite 6814
Washington, DC 20546

Re: FASAB Exposure Draft, *Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Financial Accounting Standards 6 and 23*, dated November 14, 2008

Dear Ms. Payne:

The Aerospace Industries Association (AIA) is pleased to respond to the FASAB Exposure Draft proposing to amend SFFAS 6 & 23, *Estimating the Historical Cost of General Property, Plant, and Equipment*, regarding allowing the use of reasonable estimates of original transaction data historical cost to value general property, plant, and equipment.

The Aerospace Industries Association represents the nation's leading manufacturers and suppliers of civil, military, and business aircraft, helicopters, unmanned aerial vehicles, space systems, aircraft engines, missiles, materiel, and related components, equipment, services, and information technology.

AIA and its Property Management Committee are in full agreement with the approach proposed by the Board on the Exposure Draft concerning estimating Historical Cost of General Property, Plant and Equipment. It is consistent with long standing accounting concepts of recognizing the constraints of Cost versus Benefits and Materiality in the reporting of financial information.

To further assist the Board in finalizing its amendments to Standards 6 & 23, we have attached our responses to questions 1 through 6 included in the Exposure Draft.

We appreciate this opportunity to provide AIA comments on the Exposure Draft. If you need any additional information, please contact me at 703 358-1042.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard J. Powers', is written over a printed name and title.

Richard J. Powers
Director, Financial Administration
Procurement and Finance

Attachment

Attachment

AIA's comments in response to Questions 1 through 6 in FASAB Exposure Draft: *Estimating the Historical Cost of General Property, Plant, and Equipment -- Amending Statements of Federal Financial Accounting Standards 6 and 23*

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.

Comment: Agree. From a Government contractor's perspective, for the Government property held at the Contractor's sites, reasonable estimates should be used as actuals are not obtainable without an unreasonable amount of effort and expense. Government property at contractors may be G-PP&E based upon FASAB 6. Historical costs are commingled with overall contract cost, which in accordance with today's standards, are Government overhead or G-PP&E.

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.

Comment: Agree. Providing estimates is a much more economical and efficient way to arrive at cost – particularly for componentization purposes. For example: If a contract has one line item to produce a deliverable—the total direct cost of the item may include high cost special test equipment, as well as the deliverable. The special test equipment remains at the contractor's site for future government contracts and the deliverable is sent to a government site. Providing a reasonable estimate after the fact is much more efficient than trying to separate commingled contract cost. Separating actual cost, after the fact, would require extensive research and investigation for thousands of line items for labor and material cost and still may result in an estimate or educated guess due to the age and complexity of the transaction.

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.

Comment: Agree. Accumulated depreciation by definition is an estimate whether actual costs or estimated costs are used.

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.

Comment: Permitted at any time. Requiring a definitive end date will generate less useful information that can be reported to the public and decision makers. Reasonable estimates are used now on transactions such as partial retirements. Ultimately, precision in cost data requires an investment in infrastructure, processes and administrative cost. The cost to implement the requirement for actuals would rarely provide sufficient benefits and would divert resources from the primary objectives.

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.

Comment: No. See the comments provided in Question 4. G-PP&E line item cost is generally rolled up by classification into G-PP&E totals, as finite details in financial reports are not considered useful for decision makers. Currently most financial systems do have the capability to produce actuals if at inception there is an agreed upon accounting treatment. Frequently it is uneconomical and unreasonable to require and do exact accounting – for example in the self construction of five like kind items, it is more economical to treat the transaction as a lot then divide the total cost by five to arrive at the capitalized costs of the individual items. The cost variations between individual items are immaterial.

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.

Comment: The proposed guidance is easily understood and comprehensive.