

>>> "Albayrak, Yoko - OCFO" <[albayrak.yoko@dol.gov](mailto:albayrak.yoko@dol.gov)> 1/30/2009 5:16 PM >>>  
Our responses to the questions from the Exposure Draft follow below.

## Responses

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.

The Department of Labor (DOL) agrees 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. However, recognition of G-PP&E is appropriate if the asset (1) will be held for use by a Federal entity for a number of years (e.g., a period of at least two or more years) and (2) is still depreciable.

In the event that the entity recognizes the asset, but has the ability and intent to dispose of the asset within a short time frame (e.g., in less than two years), then the recognition and disposal of the asset within such a short time span puts the entity in no different net position than if it had not recognized the asset.

Furthermore, we believe that the use of estimates for valuing G-PP&E may also be appropriate for entities that have previously prepared financial reports, particularly for non-recurring types of transactions. For example, recognition of G-PP&E by a reporting entity in circumstances involving (1) reorganizations (e.g., where a reporting entity and non-reporting may have to report as a single entity), (2) assets acquired through reversionary interests, and (3) changes in Federal lands or territories, either acquired, disposed, or re-characterized (e.g., pursuant to new legislation, treaties, or other arrangements that may involve other Federal entities, nations, U.S. States or municipalities, or other entities). The use of estimates may also assist reporting entities in recognizing costs related to G-PP&E for activities that occur between two entities, including imputed costs and parent/child reporting.

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.

DOL 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. The proposed standard provides adequate flexibility in estimation methods to be used by management.

Furthermore, we believe the use of reasonable estimation methods should also be allowed in recognition of G-PP&E by entities that have previously prepared financial reports, particularly for non-recurring types of transactions. Please refer to the discussion in our response to Q1.

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.

DOL 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. The proposed amendment provides adequate flexibility for the use of reasonable estimates by management.

Furthermore, we believe that the use of reasonable estimates of the original transaction data historical cost and accumulated depreciation for G-PP&E should also be allowed in recognition of G-PP&E by entities that have previously prepared financial reports, particularly for non-recurring types of transactions. Please refer to the discussion in our response for Q1.

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.

DOL believes that the use of reasonable estimates to value G-PP&E should be permitted at any time so as to provide maximum flexibility by management. Furthermore, we believe that the open-ended option should also be allowed in

recognition of G-PP&E by entities that have previously prepared financial reports, particularly for non-recurring types of transactions. Please refer to the discussion in our response to Q1.

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.

DOL does not agree with the views expressed in the Alternate View in the Basis for Conclusions because the standards should provide maximum flexibility to management in the use of estimates and estimation methods. Please refer to the discussions in our responses to Q1. and Q4.

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.

DOL believes that additional clarification is needed on the use of reasonable estimates when valuing the historical cost of G-PP&E, especially in dealing with non-recurring transactions and unusual circumstances. The clarification does not need to be specific; a statement which allows reporting entities to use reasonable estimates and estimation methods in dealing with non-recurring or unique transactions is sufficient.

Thank you for the opportunity to comment on the Exposure Draft. Any questions or comments may be addressed to Ms. Cynthia D. Simpson, Accountant, Division of Financial Policy and Analysis, Office of Fiscal Integrity, Office of the Chief Financial Officer, U.S. Department of Labor, at [simpson.cynthia@dol.gov](mailto:simpson.cynthia@dol.gov) or (202) 693-6807.