



Greater Washington Society of CPAs and GWSCPA Educational Foundation

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January 30, 2009

Wendy Payne, Executive Director
Federal Accounting Standards Advisory Board
Mail Stop 6K17V
441 G Street, NW – Suite 6814
Washington, DC 20548

Dear Ms. Payne:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) exposure draft of a proposed statement, *Estimating the Historical Cost of General Property, Plant, and Equipment (G-PP&E) – Amending Statements of Federal Financial Accounting Standards 6 and 23*.

FISC consists of 19 GWSCPA members who are active in accounting and auditing in the Federal sector. This comment letter represents the consensus comments of our members.

Following are our responses to the questions posed in the ED.

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.

A1. Generally, we agree with allowing Federal agencies to use reasonable estimates upon initial capitalization of G-PP&E. Both inside and outside the Department of Defense community, our committee members have witnessed a substantial amount of effort being expended by Federal agencies to accumulate historical cost data when a reasonable estimate may have produced a similar, and substantially more efficient, amount to be recorded on the entity's books.

It is the position of several of our committee members that this ED is a long-awaited recognition that cost-benefit principles are necessary when tackling some of the urgent and

complex accounting matters facing the Department of Defense. Some of our committee members also feel that the time spent specifically by the Defense community on accumulating historical cost data for national defense PP&E has been particularly significant. Without an alternative treatment to expense national defense PP&E as a cost of defense readiness, the implementation of SFFAS No. 23 has led to a number of Federal agencies spending time attempting to locate auditable cost information. By allowing Federal agencies to use reasonable estimates in perpetuity for the initial capitalization of G-PP&E, this ED provides some welcome relief to those financial statement preparers.

- 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.

- A2. We agree with the Board's proposal to allow that reasonable estimation methods be used on a continuing basis.
- 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.

- A3. We agree with the Board's proposal to apply reasonable estimates to the historical cost information and accumulated depreciation. We, however, recommend that paragraph 13A be removed. It is our opinion that the explicit reference to the mid-point of a range is too specific, and contradicts past practices of the Board in providing principles-based standards for the Federal accounting community.
- 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.

- A4. We agree with the Board's proposal to allow that reasonable estimation methods be used on an open-ended basis. We feel that the open-ended option would provide the greatest amount of flexibility for management to make its own cost-benefit decision when initially capitalizing 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.

- A5. We certainly appreciate Mr. Patton's views. We agree with his statement that "some federal agencies will defer and delay the creation of systems for a considerable period of time, perhaps until another measurement approach is adopted for federal financial reporting." However, we believe that it is up to the Federal agency personnel to devise a reliable and consistent methodology that can be supported when reviewed by external auditors.
- 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.

- A6. We do not believe that additional clarifications are needed.

We also are providing the following additional comments:

- On page 9, the word "clarifies" is misspelled in the second sentence of paragraph 3.
- On page 10, we feel that the phrase "to ensure that any cost savings available are realized as soon as possible" is not necessary, and may not be the sole reason for immediate implementation by Federal agencies.
- On page 12, footnote 4A is not clear. We suggest this note be expanded to include the original narrative included in SFFAS No. 6.

This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,



Daniel L. Kovlak
FISC Chair