



Federal Accounting Standards Advisory Board

**Estimating the Historical Cost of General Property, Plant, and
Equipment**

Amending Statements of Federal Financial Accounting Standards 6 and 23

Statement of Federal Financial Accounting Standards

Exposure Draft

Written comments are requested by January 30, 2009

November 14, 2008

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General, established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the Federal Government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, Federal executives, Federal program managers, and other users of Federal financial information. The proposed standards are published in an Exposure Draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for Federal accounting and reporting.

Additional background information is available from the FASAB or its website:

- “Memorandum of Understanding among the General Accounting Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board.”
- “Mission Statement: Federal Accounting Standards Advisory Board”, Exposure drafts, Statements of Federal Financial Accounting Standards and Concepts, FASAB newsletters, and other items of interest are posted on FASAB’s website at: www.fasab.gov.

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November 14, 2008

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

The Federal Accounting Standards Advisory Board (FASAB or the Board) is requesting comments on the exposure draft of a proposed Statement of Federal Financial Accounting Standards entitled, *Estimating the Historical Cost of General Property, Plant, and Equipment – Amending Statements of Federal Financial Accounting Standards 6 and 23*. Specific questions for your consideration appear on page 7 but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by January 30, 2009.

All comments received by the FASAB are considered public information. Those comments may be posted to the FASAB's website and will be included in the project's public record.

We have experienced delays in mail delivery due to increased screening procedures. Therefore, please provide your comments in electronic form. Responses in electronic form should be sent by e-mail to fasab@fasab.gov. If you are unable to provide electronic delivery, we urge you to fax the comments to (202) 512-7366. Please follow up by mailing your comments to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6K17V
441 G Street, NW, Suite 6814
Washington, DC 20548

The Board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft.

Notice of the date and location of any public hearing on this document will be published in the Federal Register and in the FASAB's newsletter.

Tom L. Allen
Chairman

Executive Summary**What is the Board proposing?**

This Statement proposes amendments to Statement of Federal Financial Accounting Standard (SFFAS) 6 and 23 to clarify that reasonable estimates of original transaction data historical cost may be used to value general property, plant, and equipment (G-PP&E). Reasonable estimates may be used upon initial capitalization as entities implement G-PP&E accounting for the first time, as well as by those entities who previously implemented G-PP&E accounting.

SFFAS 6 as amended, *Accounting for Property, Plant, and Equipment*, provides guidance regarding the estimation of historical cost and accumulated depreciation of G-PP&E acquired prior to the effective date of the standards. SFFAS 6 was issued in November 1995 and was effective in fiscal year 1998. In addition, SFFAS 23, *Eliminating the Category National Defense PP&E*, was issued in May 2003 and was effective in fiscal year 2003. The SFFAS 23 amendment provides that national defense property, plant, and equipment (PP&E) is subject to the same standards as other assets. Therefore, national defense PP&E qualifying as G-PP&E is to be capitalized and depreciated.

In 2002, the Accountability of Tax Dollars Act established a requirement for many agencies that did not previously produce audited financial statements to do so. As a result, in fiscal year 2003 many agencies were required to comply with SFFAS 6 for the first time. In the future, additional agencies may elect or be required to comply with SFFAS 6 for the first time.

There is evidence that estimation techniques used to establish historical cost for G-PP&E acquired prior to the effective date of SFFAS 6 or SFFAS 23 are not always considered acceptable when applied to G-PP&E acquired later. As a result, entities that have not established adequate systems are concurrently expending resources on systems development and manual generation of historical cost data for G-PP&E acquired after the effective dates of SFFAS 6 or SFFAS 23. Use of estimates is a more cost effective means of implementing new requirements than reconstructing actual historical amounts based on inadequate or non-existent accounting records. Clarifying that estimation based on adequate techniques is acceptable should promote cost effective implementation of the standards.

This proposal would clarify that federal entities, including those that had not previously reported G-PP&E on their entity financial statements, should report their G-PP&E based on historical cost in accordance with the asset recognition

and measurement provisions of SFFAS 6, as amended. However, reasonable estimates of historical cost may be used to value G-PP&E assets.

How would this proposal improve federal financial reporting and contribute to meeting the federal financial reporting objectives?

This proposal does not alter the financial reporting requirements. The proposal is justified on practical grounds. First, it allows the use of estimates for those federal entities that have not previously reported G-PP&E on their entity financial reports and those who have not previously prepared financial reports but who may be required or elect to do so in the future. Because it does not waive the option to produce estimates it preserves the comparability between reporting entities and ensures that readers receive complete financial reports. This proposal also clarifies that the use of estimates when valuing G-PP&E in accordance with the asset recognition and measurement provisions of SFFAS 6, as amended, is permissible.

Second, it is a practical response to the challenges that some agencies, such as the Department of Defense (DoD), continue to address in establishing sound financial systems and controls. In 2003, DoD requested that SFFAS 23 be made effective immediately upon issuance as an incentive to rapid implementation. Immediate implementation was clearly unattainable. Absent a systematic means to capture historical cost, DoD is undertaking the dual task of developing such a system (along with adequate processes and internal controls) and capturing accounting information without the aid of adequate systems. The Board believes that acknowledging the continuing appropriateness of estimates based on non-traditional documentation¹ as provided by SFFAS 23 is prudent under the current circumstances.

¹ Estimates that do not lead to material misstatements are acceptable without guidance from the Board.

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Questions for Respondents

The FASAB encourages you to become familiar with all proposals in the Statement before responding to the questions in this section. In addition to the questions below, the Board also would welcome your comments on other aspects of the proposed Statement.

The Board has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have in regard to implementing this proposal.

Because the proposals may be modified before a final Statement is issued, it is important that you comment on proposals that you favor, as well as any that you do not favor. Comments that include the reasons for your views will be especially appreciated.

The questions in this section are available in an MSWord file for your use at www.fasab.gov/exposure.html. Your responses should be sent by e-mail to fasab@fasab.gov. If you are unable to respond electronically, please fax your responses to (202) 512-7366 and follow up by mailing your responses to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6K17V
441 G Street, NW, Suite 6814
Washington, DC 20548

All responses are requested by January 30, 2009

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.

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.

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.

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.

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.

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.

Introduction

Purpose

1. SFFAS 6, *Accounting for Property, Plant, and Equipment*, was effective for periods beginning after September 30, 1997. SFFAS 6 provides implementation guidance and permits estimation of the amount to be capitalized but is not specific regarding allowable methods of estimation. SFFAS 23, *Eliminating the Category National Defense Property, Plant, and Equipment*, provides guidance for estimating historical cost and accumulated depreciation consistent with SFFAS 6 but offers more detail regarding permissible documentation and methods. SFFAS 23 was issued May 8, 2003 and became effective in fiscal year 2003.
2. The objective of this amendment is a cost effective method to comply with SFFAS 6, as amended. This method is available to reporting entities that have not previously prepared financial reports but who may be required or elect to do so in the future and do not yet have adequate controls or systems to capture these costs. In addition, these amendments also apply in those cases where entities have decided to use estimates to determine the historical cost values of general property, plant, and equipment (G-PP&E).
3. Note that this amendment will not extend the effective date² of SFFAS 6 as amended, but will clarify that methods deemed acceptable by SFFAS 23 continue to be acceptable. This amendment to SFFAS 6 clarifies that it is acceptable to use estimates to approximate the historical cost values of G-PP&E.
4. The Board encourages those Federal entities that use estimates to approximate the historical cost values of G-PP&E to establish processes and practices (i.e., adequate systems and internal control practices) for future acquisitions that will capture and sustain transaction based data that meet the G-PP&E historical cost valuation requirements.

Materiality

5. The provisions of this Statement need not be applied to immaterial items. The determination of whether an item is material depends on the degree to

² Thus, entities must comply with the provisions of SFFAS 6 as amended in order to obtain an unqualified opinion. This ensures comparability among federal reporting entities receiving unqualified opinions.

which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

Effective Date

6. The Statement will be effective upon issuance to ensure that any cost savings available are realized as soon as possible.

Proposed Standard**Scope**

7. This statement amends SFFAS 6 and 23 to provide for reasonably estimating the historical cost and accumulated depreciation of G-PP&E.
8. The text of SFFAS 6, par. 40 and 45, and SFFAS 23, par. 10 through 18, is amended as shown below (original paragraph numbers are retained).

**Estimation of Historical Cost
(SFFAS 6)**

[40.] Although the measurement basis for valuing G-PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of existing G-PP&E, in accordance with the asset recognition and measurement provisions herein. ~~For existing general PP&E, if historical cost information necessary to comply with the above recognition and measurement provisions has not been maintained, estimates of historical cost are required. Estimates may shall be based on:~~

- cost of similar assets at the time of acquisition, ~~or~~
- current cost of similar assets discounted for inflation since the time of acquisition (i.e., deflating current costs to costs at the time of acquisition by general price index), or
- other reasonable methods.

Disclosure Requirements

[45.] The following are minimum ~~general~~ G-PP&E disclosure requirements:

- the cost, associated accumulated depreciation, and book value by major class;
- the use and general basis of any estimates used;
- ~~the estimated useful lives for each major class;~~
- the method(s) of depreciation for each major class;
- capitalization threshold(s) including any changes in threshold(s) during the period; and
- restrictions on the use or convertability of ~~general~~ G-PP&E.

(SFFAS 23)

[10.] The initial capitalization amount for G-PP&E assets not previously reported on an entity's financial statements ~~assets previously considered ND PP&E~~ should be based on historical cost in accordance with the asset recognition provisions of SFFAS 6, as amended, and should be the initial historical cost for the base unit^{4A} ~~items~~, including any major improvements or modifications.

[11.] ~~This standard recognizes that determining initial historical cost for items acquired many years prior to the effective date of this standard in an environment in which the historical records were not required to be retained and may therefore be inadequate not be reasonable or practical.~~

[12.] When establishing the historical cost of existing G-PP&E, in accordance with the asset recognition and measurement provisions of SFFAS 6, as amended, reasonable estimates may be used. ~~If obtaining initial historical cost is not practical, estimated historical cost may be used. Estimates may be based on~~ Other information such as, but not limited to, budget, appropriation, or engineering documents, contracts, or and other reports reflecting amounts to be expended may be used as the basis for reasonably estimating historical cost.

[13.] Alternatively, estimates of historical cost may be derived by estimating the current replacement costs of similar items and deflating those costs, through the use of price-level indexes, to the in-service acquisition ~~year~~ or estimated in-service acquisition ~~year~~ if the actual year is unknown. Other reasonable approaches for estimating historical cost may also be utilized. For example, latest acquisition cost may be substituted for current replacement cost in some situations.

[13A.] In estimating the year that the base unit was placed in service, if only a range of years can be identified then the mid-point of the range is an acceptable estimate of the in-service date.

[14.] A contra asset account--accumulated depreciation--for the assets should be calculated under the provisions provided in paragraphs 41, 42, and 43 of SFFAS 6, as amended.

^{4A} "Base unit" refers to the level of detail considered in categorizing PP&E. Generally, the base unit is the smallest or least expensive item of property to be categorized. The term "base unit" may be used by others to have a different meaning--the meaning intended in this standard is limited to that specified above [from SFFAS 6 fn 25].

[15.] For military equipment that is eligible for initial capitalization in-service upon implementation of under this standard, cleanup cost liabilities should be adjusted, as needed.⁵

Adjustment to Cumulative Results of Operations

[16.] Initial application of this standard by an entity previously reporting G-PP&E should be treated as a correction of an error in accordance with SFFAS 21. ~~The cumulative effect of adopting this accounting standard should be reported as a “change in accounting principle.” The adjustment should be made to the beginning balance of cumulative results of operations in the statement of changes in net position, for the period the change is made.~~

[17.] ~~Prior year financial statements presented for comparative purposes should be presented as previously reported.~~

[18.] The nature of the estimates at initial capitalization ~~changes in accounting principle and its effect on relevant balances~~ should be disclosed in the current period. Financial statements of subsequent periods need not repeat the disclosures.⁶

[Footnotes:]

^{5]} Under the provisions of SFFAS 6, paragraph 97, a portion of the estimated total cleanup costs shall be recognized as expense during each period that ~~general~~ G-PP&E is in operation and a liability accumulated over time as expense is recognized. This adjustment may be needed because the DoD may have already recognized the total estimated cleanup costs as a liability and expense for some military equipment per paragraph 101 of SFFAS 6, as amended.

^{6]} ~~SFFAS 21, Reporting Corrections of Errors and Changes in Accounting Principles, paragraphs 12 and 13.~~ Recognition and Measurement

Effective Date

9. This Statement is effective upon issuance.

The provisions of this Statement need not be applied to immaterial items.

Appendix A: Basis for Conclusions

This appendix discusses some factors considered significant by members in reaching the conclusions in this Statement. It includes reasons for accepting certain approaches and rejecting others. Some factors were given greater weight than other factors. The guidance enunciated in the standards – not the material in this appendix – should govern the accounting for specific transactions, events or conditions.

Project History

- A1. At the FASAB September 2007 meeting, the Board discussed technical agenda options. During the discussion, members expressed support for an effort to reduce the cost expected to be incurred at the Department of Defense (DoD) as it establishes the historical cost for G-PP&E during the coming years.
- A2. The discussion documented a number of concerns relating to DoD accounting. In addition, concerns regarding group and composite depreciation have been raised since the meeting. Collectively, concerns regarding G-PP&E were summarized as follows:
- a. Continued use of estimates in the absence of a system
 - b. Options for group/composite depreciation
 - c. Accounting for assets deployed to a war zone
 - d. Cost accounting (assignment of R&D, support and overhead to G-PP&E)
 - e. Evaluation of existing standards and the potential for adopting fair value as the measurement basis
- A3. In considering these issues, the Board agreed that issues a. through d., can and should be addressed quickly due to the potential that more costly solutions will be found in the absence of guidance. The Board agreed that these issues could be addressed without significantly affecting the Board's ongoing projects.
- A4. With respect to issue e., evaluation of existing standards, the Board agreed that this issue should be considered when the Board makes decisions on its technical agenda. As noted by one of the members, considerable time has been devoted to the question of G-PP&E accounting. A project on this topic is likely to be controversial and demand staff and Board time. Therefore, undertaking the project should be considered in the broad context of agenda setting. In August 2008, the Board agreed to add a

project regarding evaluation of existing standards and plans to address the PP&E standards as one component of that project.

Initial Proposal for Implementation Guidance

- A5. Regarding the permissibility of estimates (issue a), the Board agreed that it should consider amending the standards. It is not unreasonable to read SFFAS 6, as amended, to provide for the use of the SFFAS 23 initial capitalization methods only when assigning cost to G-PP&E acquired before the effective dates of SFFAS 6 or 23. The Board agreed to clarify this through a relatively narrow amendment of SFFAS 23. A draft exposure draft (omitting the Board's basis for conclusions) was presented at the December 2007 FASAB meeting. The draft (1) provided an additional five year window for the Department of Defense and a rolling five year window for agencies not previously producing financial reports to rely on SFFAS 23 methods and (2) provided new guidance regarding estimation of the in-service date. Subsequent Board discussions discouraged a proposal that would establish a date-certain timeframe for the use of reasonable estimates when determining the historical cost values of G-PP&E.
- A6. Staff did not request immediate action by the Board on the draft ED. The Board generally supported the proposal so staff's next steps were to inquire with selected agencies and members of the audit community to confirm that the guidance is needed and clear. In addition, staff reviewed fiscal year 2007 agency reports to determine if agencies other than the Department of Defense face similar challenges with respect to developing G-PP&E systems, using SFFAS 23 methods, and could be expected to incur significant costs to arrive at acceptable estimates absent explicit guidance.
- A7. With respect to the three remaining group 1 issues (group/composite depreciation, deployed assets, and cost accounting), staff recommended and the Board agreed to request that the Accounting and Auditing Policy Committee (AAPC) consider these issues. Staff suggested that a task force may be able to develop implementation guidance within the boundaries of the current standards. The AAPC has accepted the project and a task force is actively engaged in developing guidance.

Member Views

- A8. SFFAS 6 was issued in November 1995 and was effective in fiscal year 1998. In addition, SFFAS 23, *Eliminating the Category National Defense PP&E*, was issued in May 2003 and was effective in fiscal year 2003. In 2002, the Accountability of Tax Dollars Act established a requirement for

many agencies that did not previously produce audited financial statements to do so. As a result, in fiscal year 2003 many agencies were required to comply with SFFAS 6 for the first time. Therefore, certain entities were not afforded an implementation period because they began preparing financial statements after the effective date of SFFAS 6.

- A9. This Statement permits continued application of the SFFAS 23 initial capitalization guidance. The Statement's primary objective is a cost effective method for attaining compliance with SFFAS 6 as amended. This method is available to reporting entities that have not previously prepared financial reports but who may be required or elect to do so in the future and do not yet have adequate controls or systems to capture these costs. In addition, these amendments also apply in those cases where entities decide to use estimates to determine the historical cost values of G-PP&E.
- A10. An entity may find that it is not practical to determine the historical cost of G-PP&E based on the original transaction data because it is either not cost effective to do so or documentation is inadequate. Cost effectiveness may be based on an analysis of various cost factors associated with determining those historical cost values. An entity may also determine it impractical when the original transaction data historical cost documentation has not been maintained or when the historical cost data has been maintained but not in a manner that facilitates the timely valuation of G-PP&E. An entity's inadequate systems and/or processes that do not facilitate the ready and timely collection of data for the valuation of G-PP&E may lead to an assessment that valuation based on original transaction data is not cost effective.
- A11. The Board initially included "cost effectiveness" and "practical" as the basic criteria to be met before the use of reasonable estimates when valuing G-PP&E in accordance with the asset recognition and measurement provisions of SFFAS 6, as amended, would be permitted. The Board later decided against including the above basic criteria. Such criteria are open to interpretation and likely to lead to subjective and inconsistent application.
- A12. The Board stresses to federal entities that the measurement basis for G-PP&E remains historical cost; however, reasonable estimates are allowed. The Board believes entities should use judgment regarding the decision to use estimated historical cost in lieu of original transaction based data. The Board also notes that estimates are widely used throughout the financial statements. In this case, estimates should provide a reasonable

approximation of historical cost; the measurement basis required for G-PP&E.

- A13. The Board is aware that these amendments will not resolve all the concerns surrounding accounting for G-PP&E. However, allowing estimates as entities are working towards implementing systems and processes that can capture historical data would be beneficial. The Board is also relying on other means, such as laws and regulations relating to systems and controls, to encourage entities to continue to develop adequate systems and processes.
- A14. The Board also debated at length whether to establish a date-certain time frame or have an open-ended approach for the use of reasonable estimates when determining the historical cost values of G-PP&E. The debate included both pros and cons to a date-certain approach. One of the pros to the date-certain approach is that entities will have a specific goal (i.e., time frame) to work towards. The con to the date-certain approach is that there is a risk that the benefits of the standard could be voided if the entity does not or cannot meet the date-certain time frame. The debate also included pros and cons to an open-ended approach. The pros include flexibility and the opportunity to test various methodologies when determining the best estimation method. The cons include the prolonged use of estimates when not appropriate.
- A15. The Board decided against a proposal that would establish a date-certain time frame for the use of reasonable estimates when determining the historical cost values of G-PP&E. The Board does not want to penalize an entity simply because it may take the entity longer to implement the necessary systems and processes to ensure the adequate capture of historical cost values. In addition, the Board believes that the use of reasonable estimates is proper given the appropriate disciplines surrounding the use of estimates.
- A16. The Board encourages those Federal entities that use estimates to approximate the historical cost values of G-PP&E to establish processes and practices (i.e., adequate systems and internal control practices) for future acquisitions that will capture and sustain transaction based data that meet the G-PP&E historical cost valuation requirements.
- A17. The Board believes that acknowledging the continuing appropriateness of estimates based on non-traditional documentation as provided by SFFAS 23 is prudent under the current circumstances. Estimates that do not lead to material misstatements are acceptable without guidance from the Board.

Alternate View

- A18. Individual members sometimes choose to express an alternative view when they disagree with the Board's majority position on one or more points in the Statement. The alternative view discusses the precise point or points of disagreement with the majority position and the reasons therefore. The ideas, opinions, and statements presented in the alternative view are those of the individual member alone. However, the individual member's view may contain general or other statements that may not conflict with the majority position, and in fact may be shared by other members. The following material was prepared by Board member James Patton and is presented as an alternative view.
- A19. This Exposure Draft allows federal agencies to report reasonable estimates of the historical costs of G-PP&E. Although the Exposure Draft encourages federal entities to develop systems to capture historical costs based on transaction data, (See paragraph A16), the time period allowed for the use of reasonable estimates is open-ended.
- A20. Because the ability to use estimates appears to be without substantial constraints and the quality of the systems designed to capture historical costs based on transaction data is within the control of federal agencies, I believe that a likely outcome if this Exposure Draft is adopted as a FASAB Standard is 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. Although paragraph A15 asserts that there are "appropriate disciplines surrounding the use of estimates", the fact that no system exists to capture the actual historical acquisition cost of assets means that there would appear to be no objective basis upon which to compare the estimates made by an agency. Thus, any standard based on the criteria in this Exposure Draft is likely to be ineffective in improving federal financial reporting for the foreseeable future. I encourage respondents to pay particular attention to Q3, Q4, and Q6 in the Questions for Respondents Section of this Exposure Draft.

Appendix B: Abbreviations

AICPA	American Institute of Certified Public Accountants
CFO Act	Chief Financial Officers Act
CFR	Consolidated Financial Report of the U.S. Government
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FFMIA	Federal Financial Management Improvement Act of 1996
FMFIA	Federal Managers' Financial Integrity Act of 1982
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office (formerly General Accounting Office)
G-PP&E	General Property, Plant, and Equipment
OCBOA	Other Comprehensive Basis of Accounting
OMB	Office of Management and Budget
P.L.	Public Law
SFAC	Statements of Financial Accounting Concepts
SFAS	Statements of Financial Accounting Standards
SFFAC	Statements of Federal Financial Accounting Concepts
SFFAS	Statements of Federal Financial Accounting Standards
U.S.	United States

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