

6. A: A literal application of the implementation guidance – such as the one described above - would result in a de facto amendment to the PP&E definition contained in SFFAS 6 and any asset definitions promulgated by other standards. Accordingly, all other asset definitions would have to be read to exclude assets previously included in the definition of national defense PP&E to accommodate classifying national defense PP&E as general PP&E, even if it (the asset previously classified as national defense PP&E by SFFAS 11) meets the definition established for a different asset.

~~Par. 17 of SFFAS 6 defines PP&E as follows:~~

~~17. Property, plant, and equipment consists of tangible assets, including land, that meet the following criteria:~~

- ~~• they have estimated useful lives¹⁷ of 2 years or more;~~
- ~~• they are not intended for sale in the ordinary course of operations; and~~
- ~~• they have been acquired or constructed with the intention of being used, or being available for use by the entity.~~

~~[¹⁷Useful life is the normal operating life in terms of utility to the owner.]~~

7. ~~To apply the implementation guidance as suggested, the above definition must be read to include an alternative—that the asset need only meet the definition of “national defense PP&E.”~~ However, since SFFAS 23 eliminated the definition of “national defense PP&E”, the continued application of that definition would be inconsistent with SFFAS 23’s primary objective: to require the capitalization of items previously defined as national defense PP&E in accordance with SFFAS 6 and other applicable standards. ~~In addition, all other asset definitions would have to be read to exclude national defense PP&E to accommodate classifying national defense PP&E as general PP&E even if it meets the definition established for a different asset.~~

8. Consequences of reading the implementation guidance as amending the definitions remaining in current standards include:

- a. Inconsistent classification of assets by the components of the Department of Defense and other federal entities,
- b. Possible inconsistent accounting for the items subject to implementation guidance in SFFAS 23 and items acquired in the future by the Department of Defense, and
- c. Reliance on a definition that has been purged from authoritative publications such as the Original Pronouncements volume.

9. This is an undesirable outcome. Instead, given that SFFAS 23 only eliminated SFFAS 11, it is appropriate a reasonable approach would be to subordinate SFFAS 23’s general implementation guidance —appropriate for many but not all assets meeting the former definition of National Defense PP&E— to the definitions existing in accounting standards. That is, assets being recognized ~~for the first time~~ due to the implementation of SFFAS 23 should be categorized in accordance with ~~based on~~ currently effective asset definitions in SFFAS 6 and other standards.