

ACCOUNTING

in the headlines

Should the original cost of the planes for Afghanistan's air force purchased by the U.S. Air Force influence its decision to scrap those planes?

The U.S. Air Force recently destroyed 16 transport planes (refurbished G222 planes) that it had purchased for \$486 million in 2011. These transport planes were to be used by Afghanistan's air force but were abandoned due to persistent high maintenance costs. An Afghanistan company paid \$0.06 per pound for the scrap, or a total of \$32,000.

Because of the cost of the planes, Special Inspector General John Sopko has opened an inquiry and has asked for documents relating to the scrapping of the planes.

Questions

1. Is the original \$486 million cost of the sixteen transport planes relevant to the decision to scrap the planes? Imagine that you are talking to a member of Congress. How would you describe the \$486 million cost and how it should have (or should not have) had impact on the scrapping decision?
2. What other costs or revenues were relevant in the decision to sell these planes for scrap?