FASAB Exposure Draft: Questions for Respondents due October 13, 2017
ASSIGNING ASSETS TO COMPONENT REPORTING ENTITIES

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	X		
Federal Entity (user)			
Federal Entity (preparer)			
Federal Entity (auditor)			
Federal Entity (other)		If other, please specify:	
Association/Industry Organization			
Nonprofit organization/Foundation			
Other		If other, please specify:	
Individual			

Please provide your name.

Name: Reza Mahbod, CPA, CISA, CGFM, CICA, CGMA

Please identify your organization, if applicable.

Organization: RMA Associates, LLC

Q1. The proposed Technical Bulletin (TB) provides that assets may be assigned by a reporting entity to its component reporting entities on a rational and consistent basis. For example, an asset may be assigned to a component reporting entity holding legal title, funding the asset, using the asset in its operations, or another rational and consistent basis. However, assets may only be assigned by a component reporting entity to its own sub-component reporting entities (such as bureaus, components, or responsibility segments within the same larger reporting entity or department).

Do you agree or disagree? Please provide the rationale for your answer.

Response: We agree. Current FASAB standards do not clearly address criteria for asset recognition for reporting entity components. Financial statements of reporting components should faithfully represent their assets based upon consideration of the circumstances regarding legal title, funding, or use. We agree that assets may only be assigned to the larger reporting entity's components, and that only their own sub-components may be subsequently assigned the assets.

Asset assignments would also change the financial condition of the entities involved (transferor and transferee), and a gain and loss should be recognized by both parties. In the example provided under A4, if the Navy were to recognize helicopter on its assets (assuming the asset is not fully depreciated), and no consideration is given for the assigned asset, then a gain would also be recognized for the carrying value or far value, depending on the nature of the asset and circumstances of the transfer in accordance with SFFAS 3 and SFFAS 6.

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Q2. The proposed TB requires reporting entities to disclose the policies used to assign significant assets.

Do you agree or disagree? Please provide the rationale for your answer.

Response: We agree. Reporting entities should disclose its policies used to assign significant assets as part of its significant accounting policies disclosure.

Q3. Staff plans to develop guidance regarding assignment of liabilities to components within a larger reporting entity. Thus far, the specific types of liabilities identified where it may be helpful to provide additional guidance are liabilities related to assets such as clean-up costs and possibly all government related events.

Should such guidance be limited to liabilities related to assets such as clean-up costs or also address all government-related events? Are there other types of liabilities for which guidance would be helpful? Please provide the rationale for your answer.

Response: All liabilities associated with the asset should be assigned to the component so as not to make the reporting component's financial statements misleading. If funding for the liability is legally guaranteed, then the component reporting entity should disclose in its financial statements the identity of the guarantor and the nature of the agreement. If funding for liquidation of the liability will more likely than not be funded by another entity, such as the larger reporting entity, then the component reporting entity should treat this arrangement as a debt acquisition arrangement.