



FASAB Newsletter Federal Accounting Standards Advisory Board

August/September 2016 TABLE OF CONTENTS

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Disclaimer

The staff of the Federal Accounting Standards Advisory Board publishes the FASAB newsletter following Board meetings to provide highlights of recent Board actions and issues. When an article refers to a Board decision, it should be understood that this is tentative until FASAB issues a Statement of Federal Financial Accounting Concepts (SFFAC) or Statement of Federal Financial Accounting Standards (SFFAS).

Please direct newsletter editorial questions to Leigha Kiger at 202-512-7358 or kigerl@fasab.gov.

Please direct AAPC technical questions to Grace Wu at 202-512-7377 or wug@fasab.gov.

Please direct FASAB and AAPC administrative questions to FASAB staff at 202-512-7350 or fasab@fasab.gov.

Current Board Projects

(For more information, click on the title of the project to be directed to the related active project page.)

DoD Implementation Guidance Request

On August 4, 2016, FASAB issued Statement of Federal Financial Accounting Standards (SFFAS) 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35.*

SFFAS 50 amends SFFAS 6, *Accounting for Property, Plant, and Equipment*, SFFAS 10, *Accounting for Internal Use Software*, and SFFAS 23, *Eliminating the Category National Defense Property, Plant, and Equipment*, and rescinds SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Financial Accounting Standards 6 and 23* by providing implementation guidance to allow a reporting entity, under specific conditions, to apply alternative methods

in establishing opening balances for general property, plant, and equipment (PP&E). (SFFAS 50 is available at [http://www.fasab.gov/document-by-chapter/.](http://www.fasab.gov/document-by-chapter/))

The alternative methods include (1) using deemed cost to establish opening balances of general PP&E, (2) selecting between deemed cost and prospective capitalization of internal use software (IUS), and (3) allowing an exclusion of land and land rights from opening balances with disclosure of acreage information and expensing of future acquisitions.

The Statement is effective for fiscal periods beginning after September 30, 2016, with earlier implementation encouraged.

- **Request for SFFAS 50 Interpretation: Internal Use Software**

At the August 2016 meeting, the Board considered a letter from the Department of Defense (DoD) requesting an interpretation of the recently issued SFFAS 50. DoD questioned how future costs relating to IUS under development at the time the opening balance is established should be treated (specifically, paragraph 36.d.ii.a of SFFAS 10, as amended by SFFAS 50). The Board considered the matter but decided that no Board action was required. Members believe SFFAS 50 was clear that SFFAS 10 provisions would apply to future costs of IUS projects under development at the opening balance date. The FASAB chairman later sent a letter to DoD summarizing these views.

- **AAPC Approved Two Projects Related to SFFAS 50**

The Accounting and Auditing Policy Committee (AAPC) approved two new projects related to SFFAS 50. The first project would result in a conforming amendment to existing technical releases (TRs) based on SFFAS 50's rescission of SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Financial Accounting Standards 6 and 23*. The TR would amend TR 13, *Implementation Guide for Estimating the Historical Cost of General Property, Plant & Equipment*, and TR 15, *Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation*.

The AAPC's second project is to develop timely implementation guidance to assist with any issues related to SFFAS 50. The AAPC will be seeking volunteers to work on a task force. The task force is being chaired by Mr. Mark Easton, Deputy Chief Financial Officer (DCFO), Office of the Under Secretary of Defense (Comptroller)/DCFO, Department of Defense.

Meeting this goal will be contingent upon identifying SFFAS 50 implementation issues for inclusion in the guidance. The AAPC plans to send out a call for data, but in the meantime, issues may be submitted directly to Melissa Batchelor at batchelorm@fasab.gov.

Issues for the SFFAS 50 implementation project should include the following information:

- Identify the SFFAS 50 paragraph(s)
- Briefly state the issue or requested clarification
- Briefly state if there are conflicting views, if known
 - For example, are there differing views among the agency and its components or auditors? Do other organizations have the same views?
- Include any examples and other comments that will assist the AAPC working group in considering the issue for inclusion in the guidance
- Include contact information
 - Pertinent information includes name, agency, email address, and phone number

Additional information regarding this effort will be forthcoming.

Point of Contact: Melissa Batchelor, 202-512-5976, batchelorm@fasab.gov

[Reporting Model](#)

The Board discussed edits to a draft exposure draft (ED) concepts statement. The ED discusses the role of financial statements and required supplementary information (RSI) and their relationship to other reported financial information. The ED also provides a platform to address current and evolving reporting needs and capabilities and discusses concepts to guide the Board in developing reporting models for the government-wide and component reporting entities. The Board plans to issue the ED by the end of September 2016.

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov

[Risk Assumed—Insurance Phase](#)

The Board reviewed the proposed Statement of Federal Financial Accounting Standards (SFFAS): *Insurance Programs*.

The Board made the following changes:

- Excluded programs that 1) provide grants and 2) benefits or financial assistance based on an individual's or household's income and/or assets

- Approved the section of the basis for conclusions that discusses exclusions
- Added content about the entire Risk Assumed project to the summary and basis for conclusions to inform readers why *Insurance Programs* is the first phase of the project
- Added a footnote to the basis for conclusions to explain a “Katrina type” hurricane
- Removed the “expected cash flow” definition because the liability for losses on remaining coverage measurement is now a flexible model and the definition is no longer necessary
- Agreed not to re-expose

The Board approved the pre-ballot with no further changes. Upon approval of the pre-ballot document, staff will send the final SFFAS out for ballot.

Point of Contact: Robin Gilliam, 202-512-7356, gilliamr@fasab.gov

Leases

At the August Board meeting, staff provided to the Board a pre-ballot draft ED on lease accounting. The objective of the session was for the Board to provide feedback to staff and approve the Lease ED pre-ballot draft.

The following topics were presented by staff and discussed by the Board.

- Comment Period End Date – The Board agreed to the comment period end date of January 6, 2017.
- Proposed Effective Date – Staff proposed an effective date of periods beginning after September 30, 2019. Members agreed to propose an effective date of September 30, 2018, and revise the date to September 30, 2019, if the Board gets a negative reaction to the 2018 effective date. The Board also agreed to not allow early adoption of the standard to maintain consistency among the reporting entities.
- Public Hearing – Staff proposed scheduling a public hearing for April 26, 2017, and providing notice of the public hearing in the ED. The Board agreed that scheduling a public hearing should be determined based on the responses to the comment letters. Therefore, the ED will not include the scheduling of a public hearing; however, the possibility of a public hearing will be noted in the ED.
- Remeasurement Respondent Questions – The Board agreed to add a question to the ED to address the effect of remeasurement on the lease liability and

asset, as well as language in the basis for conclusions to reflect the Board's rationale. They also agreed to add a question to address whether certain remeasurement triggers would cause significant costs to the preparer.

- Implementation Guidance – The Board agreed to propose the *prospective implementation approach*, which requires that leases unexpired at the beginning of the reporting period be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation. This approach includes examples of implementation scenarios.

Next steps: The next steps are to incorporate all of the Board's edits, send the Board a ballot draft of the ED for approval, and release the ED by the end of September.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

Budget to Accrual Reconciliation

The budget to accrual reconciliation (BAR) working group developed a new budget and accrual reconciliation format that would reconcile net cost to net outlays and replace the current Statement of Financing (SOF) note.

Some of the members of the working group presented to the Board the following topics:

- The background of the new BAR format (NBAR) development
- The advantages and disadvantages of the NBAR compared to the SOF
- The placement of the NBAR
- The detailed sample of the NBAR with an agency sample
- The proposed NBAR survey results
- A sample Department of the Treasury crosswalk on the proposed new format

After examining the research results and evaluating six pilot agencies' positive feedback on the NBAR, the BAR working group recommended the following:

- The NBAR should replace the current SOF note to reduce its complexity, provide more usefulness to the user, and support the government-wide net cost to budget deficit reconciliation. The new format aligns the agency reporting with government-wide reporting. This reconciles net cost to the unified budget surplus (or deficit) as required by SFFAS 24. It will provide agency-level support to the government-wide reconciliation.
- The suggested placement for the NBAR is a financial statement note.

- There is a need to update the current standards to reflect the changes brought by the NBAR.

The Board discussed the proposal, including where the new reconciliation would reside, how revenue amounts could be reconciled, and the possibility of adding additional pilot agencies to gain more experience on the NBAR. The Board reacted positively to the new format and supported continued development.

Point of Contact: Grace Wu, 202-512-7377, wug@fasab.gov

[Accounting and Reporting of Government Land](#)

The task force met on July 7 and August 11 and plans to meet again on October 4 as it addresses several issues for potential Board discussion.

Some issues discussed at the task force meetings include the following:

- Rating and ranking the qualitative characteristics most germane to land where the consensus opinion was that “understandability” and “reliability” were paramount to the reporting of land
- Rating and ranking the federal financial reporting objectives where the consensus opinion was that “operating performance” and “budgetary integrity” were most important to this project
- Discussing if non-financial information, such as acreage, can stand alone in meeting the stewardship objective
- Initially identifying three major reporting themes available to the Board for consideration – *status quo*, *uniform accounting*, and *token (symbolic) value*

At October’s meeting, the task force plans to expand discussions relative to the three major themes listed above, including identification of any other option and the associated benefits/drawbacks and cost/benefits with each.

If you’d like to join the task force, please contact Domenic Savini for details.

Point of Contact: Domenic Savini, 202-512-6841, savinid@fasab.gov

Accounting and Auditing Policy Committee

On August 18, the Accounting and Auditing Policy Committee (AAPC) held its quarterly meeting in which the committee approved the plans and projects related to SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35*. FASAB issued SFFAS 50 on August 4, 2016; it will be effective for fiscal year 2017, but earlier implementation is encouraged. This newly issued Statement provides implementation guidance to allow a reporting entity, under specific conditions, to apply alternative methods in establishing opening balances for general property, plant, and equipment. Because SFFAS 50 rescinds SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Financial Accounting Standards 6 and 23*, the AAPC must amend TR 13 and TR 15 to acknowledge the rescission and remove the reference. In addition, the AAPC will initiate a project to develop implementation guidance related to SFFAS 50. The goal of the project is to assist with implementation issues surrounding SFFAS 50 by providing timely guidance.

Point of Contact: Grace Wu, 202-512-7377, wug@fasab.gov

FASAB Meeting Schedule

Schedule for 2016 Meetings

October 19 and 20
December 19 and 20

Unless otherwise noted, FASAB meetings begin at 9 a.m. and conclude before 5 p.m. Meetings are held at the Government Accountability Office (GAO) at 441 G Street, NW in room 7C13. Agendas and briefing materials are available at <http://www.fasab.gov/briefing-materials/> approximately one week before the meetings.

AAPC Meeting Schedule

Schedule for 2016 Meetings

November 17

Unless otherwise noted, AAPC meetings begin at 1 p.m. and conclude at 3 p.m. Meetings are held at GAO at 441 G Street, NW in room 7C13. Agendas are available at <http://www.fasab.gov/aapc-activities/> approximately one week before the meetings.

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please pre-register on our website at <http://www.fasab.gov/pre-registration/> **no later than 8 a.m. the Tuesday before the meeting to be observed.** GAO, which provides space for our meetings, has increased its security procedures, and your name must be provided in advance to the GAO security force before you can enter the building. **When you arrive, please advise the security officer that you are attending either a FASAB or an AAPC meeting. Doing so will assist the officer in locating the correct security list.** Thank you.