



January 24, 2008

Memorandum

To: Members of the Board

From: Ross Simms, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: **The Financial Reporting Model – TAB G¹**

MEETING OBJECTIVES

The purpose of the discussion will be to review and approve the revisions in the pre-ballot draft concepts statement, *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*. As a result of the discussion, staff expects to prepare a ballot draft before the next meeting and begin reviewing SFFAC 2 for other updates that were not directly related to the topic of distinguishing information categories.

BRIEFING MATERIALS

Staff provided an initial pre-ballot draft to members on December 19, 2007. Beginning on page 6, this transmittal memorandum includes a table that summarizes the comments received on the draft. The summary presents the comments received and their disposition. In addition, the following items are attached:

Pre-Ballot Draft – showing tracked changes

Pre-Ballot Draft – clean version

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

BACKGROUND

On December 19, 2007, staff provided members with a pre-ballot draft concepts statement entitled, *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*. The Statement proposed amendments to SFFAC 2, *Entity and Display*. The amendments would provide criteria for determining whether an item of information should be defined as basic, required supplementary (RSI), other accompanying (OAI) information.

Members subsequently provided comments on the pre-ballot draft which are summarized, beginning on page 6. In particular, they noted that a definition of RSI should be included in the Definitions section of the Statement and criteria are needed to better distinguish OAI from basic information and RSI. In addition, members noted that SFFAC 2 needed to be updated to include current terminology and practices. For instance, the title “Defense Business Operations Fund” should be “Department of Defense Working Capital Funds.” Staff noted that proper names are subject to change and each time the names changed, the concepts statement would need to be changed as well. Consequently, staff eliminated the proper names. In addition, at the time the FASAB issued SFFAC 2, the FASAB recommended standards. However, the American Institute of Certified Public Accountants (AICPA) later designated the FASAB as the body that establishes generally accepted accounting principles (GAAP) for the federal government. Members noted that SFFAC 2 should be updated to reflect the Board’s current status. Staff incorporated these and other comments in a revised pre-ballot draft.

ISSUE

1. Does the Board agree with the changes proposed in the pre-ballot draft? Staff grouped members' comments according to the applicable paragraph or section of the December 19, 2007, version. The table on page 6 presents the comments received and how staff addressed them. Key revisions to the Statement are as follows:
 - a. The Statement includes a definition of Required Information. It states that Required Information is "information that consists of basic and required supplementary information." (see par. 4)
 - b. A definition of RSI is added. It states that RSI is "information that GAAP requires to accompany basic information." (see par. 4b.)
 - c. The Statement describes a process for determining whether an item should be defined as basic information, RSI, or OAI. The process begins with determining whether an item is a candidate for Required Information. An item of information is a candidate for Required Information if it is consistent with the objectives of federal financial reporting and meets certain qualitative characteristics and cost-benefit considerations. Next, items that are considered as Required Information are candidates for basic or RSI. The factors presented in Table 1: *Factors to Consider in Determining Basic Information from RSI* should be used to distinguish basic information from RSI. If an item does not meet the criteria for Required Information it is a candidate for OAI. (see par. 15)
 - d. The statement proposes amending SFFAC 2, paragraph 77 and the related footnote 17. Paragraph 77 states,

The components of any reporting entity are likely to conduct transactions with other components in the reporting entity, other Federal entities, and persons and organizations outside the Federal Government. Likewise, they are likely to have assets due from and liabilities due to other Federal components and entities and to non-Federal persons and organizations. In reporting the transactions and balances of a Federal reporting entity in its entirety, it is conceptually desirable, although not always practicable, to eliminate the intra-entity transactions and balances. **Factors to consider are the utility of the information for the entity in its entirety if the intra-entity balances are not eliminated, the misunderstanding that might result if the balances are not eliminated, and the cost-benefit of making the eliminations.** [Emphasis added]

Also, footnote 17 of the paragraph states:

A reporting entity that eliminates none of the intra-entity transactions or balances and still desires to present the information for its individual components in separate columns could do so by preparing and issuing a combining financial statement. If the individual columns are added to a total column without elimination of the intra-entity transactions or balances, the total column would have to be labeled "Memorandum Only" to signify that it is not net of eliminations. Recognizing that the U. S. Standard General Ledger does not presently provide accounts for identifying intra-entity transactions, the decision as to when the information for a reporting entity other than the Federal Government as a whole should be presented in a consolidating financial statement rather than a

combining financial statement would be specified by OMB in a Form and Content Bulletin.

The text appears to permit combining financial statements and, if an entity decides to present a combining financial statement, the total column should be labeled “Memorandum Only.” However, OMB Circular A-136, *Financial Reporting Requirements*, requires consolidated totals for financial statements, except for the Statement of Budgetary Resources (SBR). The Circular, paragraph II.4.1.C, states,

When agencies present disaggregated information for component organizations, the total column for the entity as a whole **shall reflect consolidated totals** net of intra-entity transactions, except for the Statement of Budgetary Resources (SBR), which is presented on a combined basis. [Emphasis added]

Regarding the SBR, paragraph III.4.6.2 states,

The budgetary information presented in this statement **shall** be presented on a combined basis and not a consolidated basis. Preparation of consolidated financial statements involves line-by-line elimination of inter-entity balances. In order to remain consistent with the aggregate of the account-level information presented on the SF 133, consolidation of this statement is not appropriate. [Emphasis added]

However, the circular does not require the “Memorandum Only” label for the totals column.

To reduce the risk of confusion, the Statement proposes that the footnote and related sentence from SFFAC 2, paragraph 77 be amended. Specifically, the last sentence of paragraph 77 and footnote 17 are deleted.

- e. The Statement proposes amending SFFAC 2, paragraph 79, to include, among other items, statements regarding: reconciliation of net operating revenue (or cost) and unified budget surplus (or deficit); changes in cash balance from unified budget and other activities; and comparison of budgeted and actual use of resources. Originally, SFFAC 2, paragraph 79 listed items of interest to readers while paragraph 81 discussed additional items that are of interest to readers. Paragraph 81 states,

Readers of the financial statements for the entire government are also likely to be concerned with the results of the budget process. This interest can be fulfilled by providing a comparison of budgeted and actual use of resources, presented on the same basis as the budget is accounted for; and a reconciliation of accrual-based operating results to the budget-based operating results. The budget would be the amounts included in the President's Budget or the Mid-session Review of the budget, whichever is appropriate.

Rather than discussing items of interest to readers in two locations, the Statement proposes to list all the items in paragraph 79 and rescind paragraph 81.

- f. The Statement proposes various amendments to SFFAC 2 to reflect current terms and practices noted by members.

- g.** Other changes to SFFAC 2 may be necessary, such as discussing the statement of social insurance and sustainability reporting. However, staff plans to propose additional changes to SFFAC 2 in stages. Staff plans to propose additional changes to ensure that SFFAC 2 reflects current terminology and practices (stage 1), the Board's current views (stage 2), and the results of active projects related to social insurance and sustainability reporting (stage 3). Staff plans to use this approach in order to permit progress on revisiting SFFAC 2 while deliberations continue on the topics of social insurance and sustainability reporting.

If you have questions or need additional information, please contact Ross at 202-512-2512 or by email at simmsr@fasab.gov.

Attachments

Table 1: Summary of Board Member Comments to December 19, 2007, Pre-Ballot Draft Concepts Statement - Distinguishing Basic Information, RSI, and OAI

ITEM NO.	PRE-BALLOT DRAFT REFERENCE (PARAGRAPH NUMBER OR SECTION TITLE)	COMMENT	DISPOSITION
1	Question for Respondents	Insert OAI into Q1. Respondents should comment on OAI as well.	Revised to include OAI.
2	Par. 1	Should we say, by footnote or otherwise, that in the Federal government, General Purpose Federal Financial Report is referred to as a Performance and Accountability Report, or Annual Financial Report; and perhaps even identify the typical content. My fear is that readers working in the Federal government will wonder what the GPFFR is. All they know is the PARs.	Added a footnote to state that a GPFFR may be referred to by names such as PAR, etc.
		Clarify what is meant by "types" of financial statements?	Revised the paragraph
		Change vehicles to perhaps "means to communicate information"	Revised
3	Par. 2	Delete "In addition, the Board may encourage the reporting of OAI to accompany basic information and RSI."	Revised
4	Definitions (Par.4 & 5)	Why isn't required supplementary information defined?	<p>The definition section was only intended for "new" definitions. Because the FASAB glossary and SFFAC 2, footnote 12 already included "definitions" they were not repeated in the section. However, some members expressed concern with the previous definitions. Thus, a new definition of RSI is proposed.</p> <p>In addressing members' comments staff viewed the Statement as a "living" document. In other words, staff refrained from using quotes from auditing standards when describing basic information, RSI, and OAI. Specific auditing standards are subject to change and each time a quoted standard changed, the Statement would need to be updated.</p>
		Under definitions (para 4 and 5), the way the section is set up, it seems to beg for a definition of RSI. Para. 4 defines basic, and para. 5 says OAI accompanies Basic and RSI information.	Added definition of RSI.
		Replace "that" with "information" (P.4)	Revised
		Change "accordance" to "conformity"	Revised
		Factors are needed to distinguish OAI and Definition of RSI needed. Also, guidance needed concerning "Required Information vs. Other Accompanying Information" and (within 'Required') "Basic Information vs. Required Supplemental Information".	See below
		On Page 10 there is a 'definition' of Basic and OAI, but	Revised the Statement to include the

ITEM NO.	PRE-BALLOT DRAFT REFERENCE (PARAGRAPH NUMBER OR SECTION TITLE)	COMMENT	DISPOSITION
		<p>RSI is not defined. Perhaps that section could be re-structured as follows:</p> <p>Definitions</p> <p>Required Information... (definition)</p> <p>Basic Information...(definition) Required Supplemental Information...(definition)</p> <p>Other Accompanying Information...(definition)</p> <p>Later on in the document (after the definitions sections) we could give guidance concerning "Required Information vs. Other Accompanying Information" and (within 'Required') "Basic Information vs. Required Supplemental Information". Alternatively, we could consider returning the focus of the document to the narrower issue of Basic vs. RSI. However, that approach would seem to leave a gap in our conceptual framework.</p>	<p>definition of Required Information, basic information, RSI, and OAI. (par. 4) Also, the revised Statement discusses a process for distinguishing basic information, RSI, and OAI (par. 15).</p>
5	Par.6	The document does not really identify factors for determining whether information should be classified as OAI like those identified for Basic and RSI- suggest clarifying this section.	See above.
6	Par. 7, amending SFFAC 2, par. 55	SFFAC 2 should not use the term "review." Review has a different and specific meaning in auditing.	Revised
7 8	Par. 8, adding par. 55A to SFFAC 2	<p>AU Section 550.04 provides that the auditor should read the other information to determine whether it is "materially inconsistent" ...with the information in the financial statements. Use of the term "consistency" is incorrect. To determine whether something is "consistent" would require the application of audit procedures. This sentence should be modified to read as follows: "but is read to determine whether such information, or the manner of its presentation, is materiality inconsistent with information, or the manner of its presentation, with the information appearing in the financial statements."</p> <p>I do not agree that such information can be integrated. It would or might be impossible to distinguish between audited and unaudited information if integrated.</p> <p>Delete the sentence, "Another alternative may be to integrate some but not all RSI and OAI with basic information."</p> <p>Last sentence, "Another alternative may be to integrate some, but not all RSI and OAI with basic information," is not different from previous sentence, "However, the information may be integrated..."</p> <p>Clarify integration of RSI and OAI with basic.</p> <p>Delete, "In addition, the Board may at times encourage the reporting of other accompanying information (OAI)." Delete, Basic information is audited while RSI is unaudited, but subject to certain procedures specified by auditing standards. OAI is also unaudited, but read for consistency with basic information.</p>	<p>Staff used a general description for RSI and OAI rather quoting from the auditing standard. This approach was used because a specific auditing standard is subject to change and each time the standard changed, the concepts statement would need to be changed as well.</p> <p>Revised the paragraph</p>

ITEM NO.	PRE-BALLOT DRAFT REFERENCE (PARAGRAPH NUMBER OR SECTION TITLE)	COMMENT	DISPOSITION
9	Par. 10, amending SFFAC 2, footnote 12	Consider using the meaning in AU 558.06	Proposed rescinding footnote 12 and include a definition in the definition section.
		Consider using the acronyms GASB and FASB rather than spelling out	See above
		Delete and define RSI. Paragraphs 4 and 5 define basic and OAI.	See above
		Move the footnote up to the definitions of basic information and other accompanying information	See above
10	Par.11, rescinding SFFAC 2, par. 72	Unless the information discussed in the paragraph (delivery time, condition, maintenance, etc.) is discussed elsewhere, we should retain the paragraph and change supplemental financial and management information to OAI. Constituents may believe that the information is no longer needed if the paragraph is deleted.	Supplemental financial and management information (SFMI) was treated as RSI at that time. Also, currently some of the items, such as maintenance and condition, is discussed in FASAB standards and is considered RSI. Thus, the Statement continues to propose rescinding the paragraph, but the information discussed in the paragraph (other than condition and maintenance) is used as examples in the discussion of OAI. (See par. 73F)
11	Par. 13	Regarding proposed SFFAC 2, par. 73B Rather than “further researched” use more experience is gained through resolution of accounting issues.	Revised
		Regarding proposed SFFAC 2, par. 73C RSI was also for information that is expressed in other than financial measures. If that is so, should it be added to the statement’s explanation?	Added to explanation
		Regarding proposed SFFAC 2, par. 73E Elaborate, need an example for OAI. Should we distinguish OAI from RSI?	Added a process for distinguishing basic, RSI, and OAI
		Regarding proposed SFFAC 2, par. 73E OMB, an agency that does not establish, <u>requires</u> that agencies prepare a Statement of Budgetary Resources by account. Therefore should the first sentence in this paragraph be changed to “Entities may report other information to accompany <u>or as part of</u> basic and RSI.” (addition underlined)	Added a process for distinguishing basic, RSI, and OAI and added examples for OAI.
12	Table 1	Financial position is too narrow given SOSI and budgetary resources information. Consider financial condition/sustainability.	Used “financial condition.” Sustainability and financial position contribute to financial condition. Financial condition relates to the overall stewardship objective while sustainability relates to sub-objective 3B, “Whether future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due.” Thus, staff chose the broader term financial condition rather than sustainability.

ITEM NO.	PRE-BALLOT DRAFT REFERENCE (PARAGRAPH NUMBER OR SECTION TITLE)	COMMENT	DISPOSITION
		Consider adding the key elements of MD&A as factors for performance (qualitative) information.	The factor relating to financial position was revised to financial condition. Financial condition includes financial and nonfinancial information. In addition, the factor, "Significance, relevance, or importance of the item in light of <i>Objectives</i> ," includes consideration of performance information.
		Revise "Use of financial data or financial transaction data" to "Use of various types of financial data or financial transaction data."	Revised
		Insert information into the title as follows: FACTORS TO CONSIDER IN DISTINGUISHING BASIC INFORMATION FROM RSI Ensure to make the change wherever the title is used throughout the document.	Revised
13	Par.14, amending SFFAC 2, par. 74	It seems like we need to make room here for Sustainability reporting. Also I would change the word balance sheet to statement of financial position--commonly referred to as a balance sheet or statement of net assets (what the statement of financial position is called for state and local governments and not for profit organizations in the U S.)	Revised to reflect financial position. In the subsequent stage of revisions to SFFAC 2, staff plans to address adding sustainability.
		This is where confusion can set in. The document that contains all these things is far more than a financial report in that it includes the program performance report, the Inspector General's summary of challenges, etc. To avoid the confusion, I suggest instead of "financial report," the term "report" be used. Or if the Board really wants to be forward looking, "Performance and Accountability Report," or "Accountability Report."	Revised to use report.
		SFFAC 2, Footnote 12a We should not eliminate the footnote. The footnote enables OMB to direct that the statement be presented in a footnote. Without the footnote, many auditors will conclude that the statement must be presented as a basic financial statement.	The Statement proposes amending footnote 12a to reflect the current status of the statement of financing.
		SFFAC 2, Footnote 12a Update the reference to the Statement of Financing.	See above
14	Appendix A Introduction	Delete – "The guidance enunciated in the standards-not material in this appendix-should govern the accounting for specific transactions, events or conditions."	Statement deleted.
15	Par. A1	Shouldn't this still read twelve? The Board desire for change was initiated in 2003 not 2007.	Revised paragraph
16	Appendix B: Concepts as Amended Par. 2	The document does not really identify factors for determining whether information should be classified as OAI like those identified for Basic and RSI- suggest clarifying this section.	Revised the paragraph
17	Appendix B: Concepts as	SFFAC 2, par. 3 should be updated to be consistent with the elements language.	Revised the paragraph

ITEM NO.	PRE-BALLOT DRAFT REFERENCE (PARAGRAPH NUMBER OR SECTION TITLE)	COMMENT	DISPOSITION
	Amended Par. 3		
18	Appendix B: Concepts as Amended Par. 75, footnote 14	IS THIS STILL AN EXPOSURE DRAFT, OR IS IT IN THE FINAL?	Footnote updated
19	Appendix B: Concepts as Amended Par. 76	Does the DBOF still exist? Moreover, this example does not fit with the following phrase “has major responsibilities for the appropriate use of earmarked taxes”.	DBOF should be Department of Defense Working Capital Funds. Rather than revising the concepts statement each time a proper name is changed, staff eliminated the proper names, but retained the description.
		Does the Defense Business Operations Fund still exist? If it does not, use another example.	See above
20	Appendix B: Concepts as Amended Par. 77, footnote 17	WHERE DOES THIS REQUIREMENT COME FROM? THE STATEMENT OF BUDGETARY RESOURCES IS PRESENTED AS A COMBINED STATEMENT AND I HAVE NEVER SEEN “MEMORANDUM ONLY.”	Currently, the footnote and related sentence in par. 77 are not consistent with OMB Circular A-136 which, except for the Statement of Budgetary Resources (SBR), requires consolidated statements. OMB A-136, II.4.6.2, states that consolidation of the SBR is not appropriate in order to remain consistent with the aggregate of the account-level information in the SF 133. The circular does not require the use of a “Memorandum Only” label. The Statement proposes amending the footnote and rescinding the related sentence to reduce confusion.
21	Appendix B: Concepts as Amended Par. 78	FASAB no longer issues recommendations to GAO and OMB for their issuance as standards. FASAB issues the standards directly.	Revised
22	Appendix B: Concepts as Amended Par. 79	What about the other objectives? I look at the CFR to see Operating Results, Systems and Controls The CFR also includes a comparison of budgeted and actual use of resources, presented on the same basis as the budget is accounted for; and a reconciliation of accrual-based operating results to the budget-based operating results. Why not list these here rather than addressing them in paragraph 81?	Expanded the introduction Listed the items
23	Overall	Various editorial comments. For example, use supplementary consistently and should “federal” be capitalized?	Revised



Federal Accounting Standards Advisory Board

TRACKED CHANGES VERSION

**Distinguishing Basic Information, Required Supplementary
Information, and Other Accompanying Information**

Statement of Federal Financial Accounting Concepts

Exposure Draft

Written comments are requested by [date 90 days after issuance]

Month day, year

Staff Draft

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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1 **ISSUE DATE**

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

3 The Federal Accounting Standards Advisory Board (FASAB or the Board) is requesting
4 comments on the exposure draft of a proposed Statement of Federal Financial
5 Accounting Standards entitled, *Distinguishing Basic Information from Required*
6 *Supplementary Information*. Specific questions for your consideration appear on page 8
7 but you are welcome to comment on any aspect of this proposal. If you do not agree
8 with the proposed approach, your response would be more helpful to the Board if you
9 explain the reasons for your position and any alternative you propose. Responses are
10 requested by **DUE DATE**.

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

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

19 Wendy M. Payne, Executive Director
20 Federal Accounting Standards Advisory Board
21 Mailstop 6K17V
22 441 G Street, NW, Suite 6814
23 Washington, DC 20548
24

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

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

29

30 Tom L. Allen
31 Chairman

1 **STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING CONCEPTS**

2
3 This Statement of Federal Financial Accounting Concepts (SFFAC) is the sixth in a
4 series of concepts statements intended to set forth objectives and fundamentals on
5 which financial accounting and reporting standards will be based. The objectives
6 identify the goals and purposes of financial reporting. The fundamentals are the
7 underlying concepts of financial accounting—concepts that guide the selection of
8 transactions, events, and circumstances to be accounted for; their recognition and
9 measurement; and the means of summarizing and communicating them to interested
10 parties.

11 The Federal Accounting Standards Advisory Board’s (FASAB or “the Board”)
12 conceptual framework enhances the consistency of standards and serves the public
13 interest by providing structure and direction to federal financial accounting and
14 reporting. The most direct beneficiaries of the FASAB’s concepts statements are the
15 Board itself and preparers and auditors of federal financial reports. The statements
16 guide the Board’s development of accounting and reporting standards by providing the
17 Board with a common foundation and basic reasoning on which to consider the merits
18 of alternatives.

19 Knowledge of the objectives and concepts the Board considers should help users and
20 others who are affected by or interested in federal financial accounting and reporting
21 standards to understand better the purposes, content, and qualitative characteristics of
22 information provided by federal financial accounting and reporting. That knowledge
23 should enhance the usefulness of, and confidence in, federal financial accounting and
24 reporting.

25 Concepts statements enhance preparers’ and auditors’ understanding of the common
26 foundation and reasoning employed in considering alternatives. The generally accepted
27 accounting principles (GAAP) hierarchy provides that statements of federal financial
28 accounting standards constitute level A (the highest level) guidance. Statements of
29 federal financial accounting concepts are not GAAP. Instead, concepts statements
30 constitute “other literature” and may only be relied upon by financial statement
31 preparers and auditors to resolve specific accounting issues in the absence of GAAP
32 literature. In developing and amending accounting standards, the Board looks to
33 concepts statements for guiding principles and also considers relevant existing
34 standards and guidance issued by the Board and other standard setting bodies. Until
35 the Board amends existing standards, the Board expects practice to be governed by the

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1 accounting principles embodied in the four levels of the GAAP hierarchy. Thus, the
2 Board distinguishes between material presented in concepts which are used to guide
3 Board deliberations on future GAAP and accounting principles presented in standards
4 which constitute current GAAP.

5 For federal entities, in the absence of specific authoritative literature applicable to a
6 transaction or event, it should be possible to report the event or transaction by selecting
7 an established accounting principle for an analogous transaction or event that appears
8 appropriate when applied in a similar manner. In the unusual case where an analogy
9 cannot be drawn to established authoritative literature, the American Institute of CPAs
10 permits consideration of other literature including concepts statements. Consideration of
11 individual concepts statements will be helpful but often may not provide sufficient
12 guidance in resolving emerging issues. Therefore, the Board encourages careful study
13 of the conceptual framework and established practice in resolving such issues.

14 Statements in this series describe concepts and relations that will underlie future federal
15 financial accounting standards and practices and in due course will serve as a basis for
16 evaluating existing standards and practices. The series of concepts statements
17 comprises:

- 18 • SFFAC 1, *Objectives of Federal Financial Reporting* (includes the qualitative
19 characteristics of information in financial reports)
- 20 • SFFAC 2, *Entity and Display*
- 21 • SFFAC 3, *Management's Discussion and Analysis*
- 22 • SFFAC 4, *Intended Audience and Qualitative Characteristics for the*
23 *Consolidated Financial Report of the United States Government*
- 24 • SFFAC 5, *Elements of Accrual-Basis Financial Statements and Basic*
25 *Recognition Criteria*.
- 26

27 Like other pronouncements of the FASAB, Statements of Federal Financial Accounting
28 Concepts remain in effect until amended, superseded, or withdrawn by appropriate
29 action under the Board's Rules of Procedure.

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1 Executive Summary

2 What is the Board proposing?
3

4 This Statement would amend SFFAC 2, *Entity and Display*, to provide guidance
5 on determining whether information should be basic information, required
6 supplementary information (RSI), or other accompanying information (OAI).

7 How would this proposal improve federal financial reporting and contribute
8 to meeting the federal financial reporting objectives?
9

10 A number of recent complex financial reporting issues have highlighted the need
11 to enhance existing concepts. For example, conditions have developed that
12 have elevated the need for information concerning the federal government's
13 fiscal sustainability. Also, methods for providing operating performance
14 information continue to evolve and the financial reporting community is
15 experimenting with various presentations. Along with deciding *what* information
16 should be reported regarding these topics, the Board must determine whether
17 the information should be considered basic information, RSI, or OAI. Whether
18 information is defined as basic, RSI, or OAI may be important to preparers,
19 auditors, and users.

Deleted: Each of these categories

20 For example, when an auditor is engaged to audit an entity's financial
21 statements, the auditor may audit the basic information and provide a report on
22 the results. However, the RSI and OAI are unaudited, but, subjected to certain
23 procedures and reporting requirements in accordance with auditing standards for
24 RSI and OAI respectively. To inform users of the differences, financial report
25 preparers may separate the information within the report or label RSI and OAI as
26 "unaudited."

Deleted: is subject to different levels of scrutiny by

Deleted: auditors. Basic information is audited and is the subject of an auditor's opinion. RSI is

Deleted: unaudited, but

Deleted: OAI is also unaudited, but is read for consistency with basic information.

27 The Board believes a conceptual framework should provide guidance for
28 considering how information should be categorized. This statement would
29 provide such guidance and help those affected by or interested in standards to
30 understand better the purposes, content, and characteristics of information
31 provided in federal financial reports. The Board anticipates that ultimately this
32 Concepts Statement will facilitate the understandability, consistency, and
33 comparability of financial reporting.

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1 **Question for Respondents**

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

6 The Board believes that this proposal would improve Federal financial reporting and
7 contribute to meeting the Federal financial reporting objectives. Because the proposals
8 may be modified before a final Statement is issued, it is important that you comment on
9 proposals that you favor as well as any that you do not favor. Comments that include
10 the reasons for your views will be especially appreciated.

11 The question in this section is available in a Word file for your use at
12 www.fasab.gov/exposure.html. Your responses to the Request for Comments should be
13 sent by e-mail to fasab@fasab.gov. If you are unable to respond electronically, please
14 fax your responses to (202) 512-7366 and follow up by mailing your responses to:

15 Wendy M. Payne, Executive Director
16 Federal Accounting Standards Advisory Board
17 Mailstop 6K17V
18 441 G Street, NW, Suite 6814
19 Washington, DC 20548

20 All responses are requested by **[insert date]**.

21 Q1. The Statement identifies a process and criteria to consider in deciding whether
22 information should be considered basic information, required supplementary information
23 or other accompanying information (See paragraph 15).

24 a. Do you agree with the process presented? If not, please explain your
25 reasons.

26 b. Do you agree with the factors presented for distinguishing basic
27 information from required supplementary information (See Table 1:
28 Distinguishing Basic Information from Required Supplementary
29 Information)?

30 c. Are there additional factors that should be considered? If so, what are
31 they, and how would you describe them?

32

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1 Introduction

2 Purpose

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1. The existing conceptual framework provides guidance on what information should be reported and identifies a number of **methods** that may be used to communicate this information within a general purpose federal financial report (GPFFR).¹ For example, SFFAC 1, *Objectives of Federal Financial Reporting*, provides guidance on the information that should be reported and SFFAC 2, *Entity and Display*, discusses **the financial statements and other methods that may be used to provide the information and which entities should prepare them.** In addition, SFFAC 3, *Management's Discussion and Analysis*, describes the **management's discussion and analysis** (MD&A) of significant topics.

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2. Given the various alternatives for communicating information, this Statement expands the existing conceptual framework. This Statement amends SFFAC 2 to discuss **a process and criteria** to consider when deciding whether the information should be considered basic information, **RSI, or OAI.** Discussing each of these categories may help those engaged in federal financial reporting to better understand the nature of the information being communicated and their importance to the financial reporting objectives.

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¹ The term **general purpose federal financial report**, abbreviated "GPFFR" is used throughout this Statement as a **generic term to refer to the report that contains the entity's financial statements that are prepared pursuant to generally accepted accounting principles.** The report may be known as a Performance and Accountability Report or Accountability Report.

1 Proposed Concepts

2 Scope

3
4 3. This Statement specifically affects SFFAC 2, par. 2, 3, 55, 69, 72, 74, 76,
5 77, 78, 79, 81, and 108, and footnotes 11, 12, 12a, 14, and 17. Also, this
6 Statement affects the section of SFFAC 2 titled, "Displaying Financial
7 Information."

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8 Definitions

9
10 4. Required Information: Information that consists of basic and required
11 supplementary information.

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12 a. Basic Information: Information that is essential for financial
13 statements and notes to be presented in conformity with generally
14 accepted accounting principles (GAAP).

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15 b. Required Supplementary Information: Information that GAAP
16 requires to accompany basic information.

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17 5. Other Accompanying Information: Information that accompanies basic
18 information and required supplementary information but is not required by a
19 body that establishes GAAP.

20 Amending SFFAC 2 to Distinguish Basic Information, RSI, and Other
21 Accompanying Information

22
23 6. SFFAC 2, par. 2 is amended as follows.

24 The purpose of this statement of accounting concepts is to provide guidance as to
25 what would be encompassed by a Federal Government entity's financial report.
26 The statement specifies the types of entities for which there ought to be financial
27 reports (hereinafter called reporting entities), establishes guidelines for defining the
28 makeup of each type of reporting entity, identifies types of financial reports for
29 communicating the information for each type of reporting entity, ~~and~~ suggests the
30 types of information each type of report would convey, and identifies criteria the

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Board considers in determining whether information should be basic, required supplementary information (RSI), or other accompanying information (OAI).

7. SFFAC 2, par. 3 is amended as follows.

A statement of financial accounting concepts is intended to guide the members of the Federal Accounting Standards Advisory Board (FASAB) as they deliberate and recommend accounting standards for the Federal Government. The concepts in this Statement are consistent with those established in SFFAC 1 which are not superseded or modified by this Statement. The concepts in this Statement also are generally consistent with current practice and do not imply radical change. However, they are expected to guide the Board's future deliberations. In addition, concepts statements constitute "other literature" and may only be relied upon by financial statement preparers and auditors to resolve specific accounting issues in the absence of GAAP literature. It also would be useful to the Office of Management and Budget (OMB), when it carries out its statutory responsibilities for specifying who should prepare financial statements and the form and content of those statements, and as broad guidance for preparers, auditors, and users of financial statements of Federal agencies. A statement of financial accounting concepts does not, in and of itself, represent standards that would be considered generally accepted accounting principles for Federal agencies to be followed for the preparation of financial statements.

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8. SFFAC 2, par. 55 is amended as follows.

To enhance confidence in the reliability of information presented in financial statements, the statements are often, but not always, audited by Inspectors General, independent accounting firms, or the General Accounting Office Government Accountability Office. Some financial reporting by management, both within and outside the financial statements, is audited, or is reviewed subject to certain procedures required by auditing standards, but not audited; and some information is presented by management without audit or review being subjected to certain procedures by persons independent of those who prepared the statements or information auditors.

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9. The following paragraphs are added to SFFAC 2, following paragraph 55.

55A. In developing accounting standards, the Board considers whether information should be considered basic information, required supplementary information (RSI), or other accompanying information (OAI). Distinguishing these categories is important because each category is subject to different levels of scrutiny. When an auditor is engaged to audit an entity's financial statements, an item of basic information is audited. However, RSI and OAI are unaudited, but subject to certain procedures specified by auditing standards for RSI and OAI, respectively. These differences must be conveyed to users and can be accomplished in a variety of ways. The traditional

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1 approach is to separate the categories of information. However, the
 2 information may be integrated if the RSI and OAI are clearly labeled
 3 as “unaudited.”

4 55B. Classification of the information as basic, RSI, or OAI does not
 5 constrain the form of presentation. For example, financial statements
 6 may be presented as basic financial statements, RSI, or OAI.
 7 Information can be required or encouraged to be in the form of
 8 financial statements, narrative, graphs, or tables. To clearly
 9 communicate the intended status, the Board must specify whether
 10 the information is to be considered basic, RSI, or OAI. Selecting a
 11 category may involve a process which is described in paragraphs
 12 73A to 73G.

13

14 10. SFFAC 2, footnote 11 is rescinded.

15 11. SFFAC 2, footnote 12 is rescinded.

16 12. SFFAC 2, footnote 12a is amended as follows:

17 The Statement of Financing may be presented as a financial statement or as a schedule in
 18 the notes to financial statements. OMB will provides guidance regarding details of the
 19 display for the Statement of Financing, including whether it shall be presented as a basic
 20 financial statement or as a schedule in the notes to the basic financial statements.

21 13. SFFAC 2, paragraph 72 is rescinded.

22 14. SFFAC 2, paragraphs 69, 74, 79 and 108 are amended to conform the term
 23 “management discussion and analysis” to the term established in SFFAC 3 -
 24 “management’s discussion and analysis” – each time it appears in these
 25 paragraphs.

26 15. The following headings, paragraphs, and table are added to SFFAC 2,
 27 following paragraph 73.

28

29 Distinguishing Basic Information, RSI, and OAI

30 Determining Required Information

31 73A. Selecting a category for communicating information may involve a
 32 process that begins with determining what information should be

- Deleted: Another alternative may be to integrate some but not all RSI and OAI with basic information.
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1 required. Required information is information that consists of basic
 2 information and RSI. An item of information is a candidate for
 3 Required Information if it is consistent with the objectives of federal
 4 financial reporting and meets certain qualitative characteristics and
 5 cost-benefit considerations. The Board developed these factors
 6 earlier in the conceptual framework. SFFAC 1 identifies the reporting
 7 objectives (paragraphs 112 to 150) and the qualitative characteristics
 8 (paragraphs 157 to 164). It also discusses cost versus benefit
 9 considerations (paragraphs 151 to 155).

10
 11 Determining Basic versus RSI

12 73B. Information that meets the criteria for Required Information is a
 13 candidate for basic information or RSI. Basic information is
 14 information which is essential for the financial statements and notes
 15 to be presented in conformity with GAAP. The FASAB standards are
 16 the core^{12.1} of GAAP and auditors may be engaged to express an
 17 opinion as to whether basic financial statements and notes are
 18 presented in conformity with those criteria.

19 73C. RSI is information that GAAP requires to accompany basic
 20 information. It may be experimental in nature to permit the
 21 communication of information that is relevant and important to the
 22 reporting objectives while more experience is gained through
 23 resolution of accounting issues. Also, the information may be
 24 expressed in other than financial measures or may not be subject to
 25 reliable estimation. As issues are resolved, the information may be
 26 considered basic at some point in the future.

27 73D. Assessing whether required information is a candidate for basic
 28 information or RSI may involve considering a range of factors which
 29 are listed in Table 1: *Factors to Consider in Distinguishing Basic*
 30 *Information from RSI* on page 15. The factors are not listed in a
 31 particular order and some may convey similar ideas. In addition,
 32 different individuals may assign different weight to each factor. Thus,
 33 the factors provide a general framework for each individual's

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Inserted: versus benefit considerations. The Board developed these factors earlier in the conceptual framework. SFFAC 1, paragraphs 112 to 150 identifies the reporting objectives

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Inserted: paragraphs 151 to 155 discusses cost versus benefit considerations

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12.1 The first and highest level of the GAAP hierarchy comprises standards and interpretations. Lower level GAAP may not conflict with standards or interpretations.

1 judgment and are not considered to present a decision tree,
2 hierarchy, or precise algorithm for classifying items.

3 ~~73E.~~ For example, one may consider the relevance of the information to
4 fair presentation. If the information has a high relevance to fair
5 presentation it may be a candidate for basic information
6 communicated by financial statements and notes to the financial
7 statements. The financial statements and notes could not be
8 considered fairly presented if the information is missing or materially
9 misstated.

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10 OAI

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11 ~~73F.~~ If an item of information does not meet the criteria for Required
12 Information, it becomes a candidate for OAI. OAI is information that
13 accompanies basic information and RSI, but is not required by a
14 body that establishes GAAP. Some entities may desire to report
15 information to support Required Information and enhance a user's
16 understanding of the entity's operations or financial condition. This
17 may include information on delivery times, turnover, and wastage of
18 inventories; expected replacement of physical capital; and
19 delinquency, aging, and default rates for loan portfolios. In addition,
20 entities report information required by laws or administrative
21 directives. This information is also considered OAI.

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22 ~~73G.~~ Although the FASAB does not require OAI to be presented, the
23 FASAB may at times encourage voluntary reporting of items to help
24 in the development of information that may enhance overall federal
25 financial reporting. For example, the Board may consider an item to
26 be relevant to entity operations but, for the moment, does not meet
27 other criteria for Required Information.

Deleted: Entities may report other information to accompany basic and RSI. They may report this information at their own discretion or at the direction of a body that does not establish GAAP. Also, at times, the FASAB may encourage the reporting of items to help in the development of information that may enhance overall federal financial reporting.

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1 | **Table 1: Factors to Consider in Distinguishing Basic Information from RSI**

FACTORS TO CONSIDER IN DISTINGUISHING BASIC <u>INFORMATION</u> FROM RSI		
Low (implies RSI)	Factor	High (implies Basic)
	<Relevance to fair presentation>	
	<Connection with elements of financial reporting>	
	<Use of <u>various types of</u> financial data or financial transaction data>	
	<Strength of signal Board wishes to be sent in the financial report>	
	<Significance, relevance, or importance of the item in light of <i>Objectives</i> >	
	<Strength of signal the Board wishes to be sent in the auditor's report>	
	<Relevance to measuring financial condition or changes in financial condition>	
	<Extent to which the information interests a wide audience (rather than specialists)>	
	<Extent to which there are not alternative sources of reliable information>	
	<Agreement on criteria that permit comparable and consistent reporting>	
	<Experience among users, preparers, and auditors with the information>	
	<Extent to which the information is aggregated (lacking detail)>	
	<Benefit/cost ratio of using resources to ensure accuracy>	
	<Connection with basic financial statements>	
	<Reliability and/or precision possible>	
	<Reliability and/or precision needed>	

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1 16. SFFAC 2, paragraph 74 is amended as follows.

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2 Meeting the four objectives of Federal financial reporting in the most efficient manner
3 suggests that reporting entities issue a ~~financial~~ report that would include the following:

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4 • management's discussion and analysis;

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5 • ~~balance sheet~~, statement of financial position (commonly referred to as balance
6 sheet);

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7 • statement of net costs;

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8 • statement of changes in net position;

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9 • statement of custodial activities, when appropriate;

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10 • statement of budgetary resources;

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11 • statement of financing; [footnote retained but not presented]

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12 • statement of program performance measures; [footnote retained but not presented]

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13 • accompanying footnotes;

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14 • required supplemental supplementary information pertaining to physical, human, and
15 research and development capital and selected claims on future resources, when
16 appropriate; and

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17 • other supplemental financial and management information, when appropriate,
18 accompanying information.

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20 17. SFFAC 2, footnote 14 is amended as follows.

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21 Such components are similar to responsibility segments as referred to in FASAB Exposure
22 Draft SFFAS 4, "Managerial Cost Accounting for the Federal Government" (see pages 26-
23 30) Concepts and Standards, par. 78-81. Responsibility segments are used to accumulate
24 costs and outputs for major lines of activity.

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25 18. SFFAC 2, paragraph 76 is amended as follows.

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26 Furthermore, there are frequently instances when one or more of the suborganizations
27 conduct a very visible or critical activity and there is a high level of public interest, e.g.,
28 Internal Revenue Service tax collection activity, maintains complex accounts with large
29 fund flows, e.g., Defense Business Operations Fund; has major responsibilities for the
30 appropriate use of earmarked taxes, e.g., Health Care Financing Administration; or its
31 financial viability is of special concern to the Executive Branch or the Congress, e.g.,
32 deposit insurance funds. In those situations, it may be desirable for the sub-organization to

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concerned primarily with whether the government has been a proper steward. This can best be achieved with the preparation and issuance of the following:

- Management's discussion and analysis;
- balance sheet statement of financial position (commonly referred to as balance sheet);
- statement of operations or net costs;
- statement of operations and changes in net position;
- reconciliation of net operating revenue (or cost) and unified budget surplus (or deficit);
- statement of changes in cash balance from unified budget and other activities;
- comparison of budgeted and actual use of resources;
- statement of program performance measures;
- accompanying footnotes;
- required supplemental supplementary information pertaining to physical, human, and research and development capital and selected claims on future resources; and,
- other supplemental financial and management information, when appropriate accompanying information.

23. SFFAC 2, paragraph 81, is rescinded.

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 ¶ Management's discussion and analysis;
 ¶ balance sheet statement of financial position (commonly referred to as balance sheet);
 ¶ statement of operations or net costs;
 ¶ statement of program performance measures;
 ¶ accompanying footnotes;
 ¶ required supplemental supplementary information pertaining to physical, human, and research and development capital and selected claims on future resources; and
 ¶ other supplemental financial and management information, when appropriate accompanying information.

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Inserted: ¶ statement of financial position (commonly referred to ... [64]

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1 **Appendix A: Basis for Conclusions**

2 This appendix discusses some factors considered significant by members in reaching
3 the conclusions in this Statement. It includes reasons for accepting certain approaches
4 and rejecting others. Some factors were given greater weight than other factors.

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5 **Project History**
6

7 A1. The FASAB developed a core set of accounting standards and initial
8 concepts statements on reporting objectives and entity and display early in
9 its first six years of operation. Concepts were developed as initial
10 standards were developed. In 2003, the Board began to actively review
11 and add to or modify its concepts statements as needed. The Board’s
12 desire to evaluate its concepts after more than twelve years of successful
13 progress is stimulated by a realization that (a) some critical concepts that
14 have been relied on are not yet included in a concepts statement, (b)
15 certain aspects of the concepts are not widely understood or accepted, and
16 (c) an expansion or modification of its concepts statements will help the
17 Board communicate more effectively with the growing community of federal
18 financial report users, preparers, and auditors.

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19 A2. As part of the overall project to review and expand its conceptual
20 framework, the FASAB began deliberations on this Statement in October
21 2006. The FASAB noted that, in the past, it had relied on certain concepts
22 to distinguish between basic information, RSI, and OAI. However, those
23 concepts had not been incorporated into a concepts statement. This
24 Statement amends SFFAC 2 to include those concepts. The Board
25 believes that this Statement is an important part of its conceptual
26 framework and will provide more consistent, useful, and enduring guidance
27 to the Board.

28 A3. The Board focused on this Statement, in part, because of the issues that
29 developed regarding how to communicate complex information in the most
30 useful manner to financial report users. There are several broad financial
31 reporting objectives each with sub-objectives that require financial and
32 non-financial information. In addition, reporting information to achieve
33 those objectives raises the issue of how the information should be
34 classified. This Statement provides guidance on addressing such issues
35 and selecting the means of communicating information necessary to help
36 achieve the reporting objectives.

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1 **Appendix B: Concepts as Amended**

2

3 This Appendix reproduces SFFAC 2, as if amended. The paragraph numbers are
 4 based on the original numbers in the statement. The strikethrough, underlined text, and
 5 the insertion of Table 1: *Factors to Consider in Distinguishing Basic Information from*
 6 *RSI* indicates the proposed amendments.

7

8 **INTRODUCTION**

9 1. A basic postulate of accounting is that accounting information pertains to
 10 entities, i.e., circumscribed legal, administrative, fiduciary, or other
 11 organizational structures. Another basic postulate is that entities use financial
 12 reports to communicate financial and related information about the entity to
 13 persons concerned with the entity.

14 2. The purpose of this statement of accounting concepts is to provide guidance
 15 as to what would be encompassed by a Federal Government entity's financial
 16 report. The statement specifies the types of entities for which there ought to
 17 be financial reports (hereinafter called reporting entities), establishes
 18 guidelines for defining the makeup of each type of reporting entity, identifies
 19 types of financial reports for communicating the information for each type of
 20 reporting entity, ~~and~~ suggests the types of information each type of report
 21 would convey, and identifies the **criteria** the Board considers in determining
 22 whether information should be basic or required supplementary information
 23 (RSI), or other accompanying information (OAI).

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24 3. A statement of financial accounting concepts is intended to guide the
 25 members of the Federal Accounting Standards Advisory Board (FASAB) as
 26 they deliberate ~~and recommend~~ accounting standards for the Federal
 27 Government. The concepts in this Statement are consistent with those
 28 established in SFFAC 1 which are not superseded or modified by this
 29 Statement. The concepts in this Statement also are generally consistent with
 30 current practice and do not imply radical change. However, they are
 31 expected to guide the Board's future deliberations. In addition, concepts
 32 statements constitute "other literature" and may only be relied upon by
 33 financial statement preparers and auditors to resolve specific accounting
 34 issues in the absence of GAAP literature. It also would be useful to the Office
 35 of Management and Budget (OMB), when it carries out its statutory
 36 responsibilities for specifying who should prepare financial statements and

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1 the form and content of those statements; ~~and as broad guidance for~~
 2 ~~preparers, auditors, and users of financial statements of Federal agencies. A~~
 3 ~~statement of financial accounting concepts does not, in and of itself, represent~~
 4 ~~standards that would be considered generally accepted accounting principles~~
 5 ~~for Federal agencies to be followed for the preparation of financial~~
 6 ~~statements.~~

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- 7 4. This statement does not try to define which reporting entities must prepare
 8 and issue financial statements. That authority and responsibility resides with
 9 the Congress, OMB, and other oversight organizations and resource
 10 providers.

11 Paragraphs 5 – 53 are omitted. They address the reporting objectives, the structure
 12 of the federal government and reporting entities.

14 DISPLAYING FINANCIAL INFORMATION

- 16 54. Financial information is typically provided by or for a reporting entity through
 17 financial statements. Financial statements represent the principal means of
 18 communicating accounting information about an entity's resources,
 19 obligations, revenues, costs, etc. to those outside the entity. However,
 20 financial statements, and particularly those prepared for governmental and
 21 other not-for-profit organizations, may also contain information from sources
 22 other than accounting records. Also, management may communicate
 23 information to those outside the entity by means of financial reporting other
 24 than financial statements, either because the information is required to be
 25 disclosed by statute, regulation, or custom; or because management believes
 26 the information would be useful to those outside the entity and discloses it
 27 voluntarily.

- 28 55. To enhance confidence in the reliability of information presented in financial
 29 statements, the statements are often, but not always, audited by Inspectors
 30 General, independent accounting firms, or the ~~General Accounting Office~~
 31 ~~Government Accountability Office~~. Some financial reporting by management,
 32 both within and outside the financial statements, is audited, or is reviewed but
 33 not audited; and some information is presented by management without audit
 34 or review by ~~persons independent of those who prepared the statements or~~
 35 ~~information auditors.~~

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1 55A. In developing accounting standards, the Board considers whether information
 2 should be considered basic information, required supplementary information
 3 (RSI), or other accompanying information (OAI). Distinguishing these
 4 categories is important because each category is subject to different levels of
 5 scrutiny. When an auditor is engaged to audit an entity's financial
 6 statements, an item of basic information is audited. However, RSI and OAI
 7 are unaudited, but subject to certain procedures specified by auditing
 8 standards for RSI and OAI respectively. These differences must be conveyed
 9 to users and can be accomplished in a variety of ways. The traditional
 10 approach is to separate the categories of information. However, the
 11 information may be integrated if the RSI and OAI are clearly labeled as
 12 "unaudited."

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13 55B. Classification of the information as basic, RSI, or OAI does not constrain the
 14 form of presentation. For example, financial statements may be presented as
 15 basic financial statements, RSI, or OAI. Information can be required or
 16 encouraged to be in the form of financial statements, narrative, graphs, or
 17 tables. To clearly communicate the intended status, the Board must specify
 18 whether the information is to be considered basic, RSI, or OAI. Selecting a
 19 category may involve a process which is described in paragraphs 73A to 73G.

Deleted: In developing accounting standards, the Board considers whether the information required to meet reporting objectives should be considered basic information or required supplementary information (RSI). In addition, the Board may at times encourage the reporting of other accompanying information (OAI). Distinguishing these categories is important to users, preparers and auditors because each is subject to different levels of scrutiny by auditors. Basic information is audited while RSI is unaudited, but subject to certain procedures specified by auditing standards. OAI is also unaudited, but read for consistency with basic information. These differences must be conveyed to users and this can be accomplished in a variety of ways. The traditional approach is to separate the categories of information. However, the information may be integrated if the RSI and OAI are clearly labeled as "unaudited." Another alternative may be to integrate some but not all RSI and OAI with basic information.

20 56. In the Federal Government, there are several types of reporting entities
 21 (organizations, suborganizations, programs, and the government as a whole)
 22 and several financial reporting objectives (budgetary integrity, operating
 23 performance, stewardship, and systems and control). Each of the reporting
 24 objectives can be met to a certain degree by the statements prepared by or
 25 for one type of reporting entity and to a greater or lesser degree by the
 26 statements prepared by or for the other types of reporting entities. For
 27 example, the objective of budgetary integrity can be best met with the
 28 program and financing schedules prepared for individual budget accounts.
 29 The objective of operating performance can be best met with financial
 30 statements from organizations/suborganizations and programs (although
 31 financial statements at this level can also help readers evaluate the reporting
 32 entity's budgetary integrity). The objective of stewardship can be best met
 33 with a financial statement for the entire government. Meeting the financial
 34 reporting objectives in their totality requires financial statements from all of the
 35 types of reporting entities.

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36 Paragraphs 57 – 67 are omitted. They describe types of financial statements.

37 **Other Information**

38

- 1 68. Financial information is also conveyed with **accompanying footnotes**, which
 2 are an integral part of the financial statements. Footnotes typically provide
 3 additional disclosures that are necessary to make the financial statements
 4 more informative and not misleading.
 5
- 6 69. It is also necessary to convey more general information about the reporting
 7 entity. This could entail such matters as a brief description of the reporting
 8 entity; its missions, goals, and objectives; the programs it provides and the
 9 major recipients for the program; its major sources of funding; the manner in
 10 which the reporting entity is organized; its personnel resources; highlights of
 11 the entity's accomplishments during the reporting period; selected measures of
 12 program performance abstracted from the statement of program performance;
 13 problems encountered or targets missed and the reasons why; financial
 14 highlights and trends; expected problems and challenges; future targets the
 15 entity is setting for itself; and any other information the agency head or CFO
 16 considers necessary to fully and fairly provide an understanding of the entity's
 17 financial affairs. This type of information is typically presented in what has
 18 come to be known as a **management's discussion and analysis** or
 19 **overview** of the reporting entity.
 20
- 21 70. The third objective of Federal financial reporting is that it "should assist report
 22 users in assessing the impact on the country of the government's operations
 23 and investments for the period and how, as a result, the government's and the
 24 nation's financial conditions have changed and may change in the future."¹⁰
 25 This objective requires a reporting of information concerning investments in
 26 education, training, research, and development and certain types of property,
 27 plant, and equipment that can affect the nation's future wealth, and to the
 28 claims on future budgetary resources resulting from prior decisions and
 29 actions.
 30
- 31 71. The information pertaining to the aforementioned investments, certain types of
 32 property, plant, and equipment,¹¹ and claims on future budgetary resources is

¹⁰ A complete discussion of the third objective for Federal financial reporting, which is called the "stewardship objective," is contained on pages 41-45 in Statement of Federal Financial Accounting Concepts No. 1, "Objectives of Federal Financial Reporting"

¹¹ ~~The Board is currently considering accounting standards for Federally-owned property, plant, and equipment. These standards will address placement of information related to various types of PP&E. The Board is considering placing information about some types of PP&E in footnotes with information about other types in required supplemental information. The Board's proposals will be presented in an exposure draft on stewardship reporting.~~

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maintained in part in the entities' general ledgers and, in part, external to the general ledgers. Some of the information is recorded in units other than dollars, e.g., acres, millions of square feet. Finally, some of the information is not subject to the types of controls present in a system of double entry recordkeeping. Accordingly, a more suitable way to fulfill the third reporting objective would be to display the appropriate information as **required supplemental supplementary information** rather than attempting to include it in financial statements.⁴²

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72. ~~Finally, some reporting entities desire or need to report information to support information in the overview or to enhance the understanding of the entity's operations or financial condition. That additional information would not always be appropriate for the overview or the financial statements or accompanying footnotes. Examples are delivery times, turnover, and wastage of inventories; condition, maintenance, and expected replacement of physical capital; and delinquency, aging, and default rates for loan portfolios. This information is typically reported as **supplemental financial and management information**. It can be reported in the form of schedules, charts, tables, and/or narrative text.~~

73. The fourth objective, systems and controls, is fulfilled, in part, by the act of preparing the financial statements. Other ways the fourth objective could be fulfilled through the audited financial reporting process is by a management assertion that would accompany the financial statements and/or an auditor's attestation on the financial statements. The management assertion would be an acknowledgment of its responsibility for the accuracy of the information in the financial statements, the completeness and fairness of the presentation of the information, the accuracy of the information in all material respects, and the reporting of the information in a manner designed to fairly present financial position and results of operations. The assertion could also include a statement regarding the adequacy of the entity's systems and controls, accompanied by the auditor's concurrence with the assertion.

Distinguishing Basic Information, RSI, and OAI

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⁴² ~~Required supplemental information is information that would be reported outside the principal financial statements that the Federal Accounting Standards Advisory Board considers an essential part of a reporting entity's financial reporting, and therefore recommends authoritative guidelines for the measurement and presentation of the information. It is analogous to the required supplementary information discussed in Statement on Auditing Standards AU Section 558.06, which addresses pronouncements of the FASAB, Financial Accounting Standards Board and the Governmental Accounting Standards Board~~

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Determining Required Information

73A. Selecting a category for communicating information may involve a process that begins with determining what information should be required. Required information is information that consists of basic information and RSI. An item of information is a candidate for Required Information if it is consistent with the objectives of federal financial reporting and meets certain qualitative characteristics and cost-benefit considerations. The Board developed these factors earlier in the conceptual framework. SFFAC 1 identifies the reporting objectives (paragraphs 112 to 150), and the qualitative characteristics (paragraphs 157 to 164). It also discusses cost versus benefit considerations (paragraphs 151 to 155).

73B. Information that meets the criteria for Required Information is a candidate for basic information or RSI. Basic information is that which is essential for the financial statements and notes to be presented in conformity with GAAP. The FASAB standards are the core^{12.1} of GAAP and auditors express an opinion as to whether basic financial statements and notes are presented in conformity with those criteria.

73C. RSI is information that GAAP requires to accompany basic information. It may be experimental in nature to permit the communication of information that is relevant and important to the reporting objectives while more experience is gained through resolution of accounting issues. Also, the information may be expressed in other than financial measures or may not be subject to reliable estimation. As issues are resolved, the information may be considered basic at some point in the future.

73D. Assessing whether information is a candidate for basic information or RSI may involve considering a range of factors which are listed in Table 1: *Factors to Consider in Distinguishing Basic from RSI*. The factors are not listed in a particular order and some may convey similar ideas. In addition, different individuals may assign different weight to each factor. Thus, the factors provide a general framework for each individual's judgment and are not considered to present a decision tree, hierarchy, or precise algorithm for classifying items.

12.1 The first and highest level of the GAAP hierarchy comprises standards and interpretations. Lower level GAAP may not conflict with standards or interpretations.

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Deleted: RSI may be experimental in nature to permit the communication of information that is relevant and important to the reporting objectives while additional accounting issues are being further researched. Also, the information may not be subject to reliable estimation. As issues are resolved, the information may be considered basic at some point in the future.

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1 73E. For example, one may consider the relevance of the information to fair
 2 presentation. If the information has a high relevance to fair presentation it may
 3 be a candidate for basic information communicated by financial statements
 4 and notes to the financial statements. The financial statements and notes
 5 could not be considered fairly presented if the information is missing or
 6 materially misstated.

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 OAI¶

7 OAI

9 73F. If an item of information does not meet the criteria for Required Information, it
 10 becomes a candidate for OAI. OAI is information that accompanies basic
 11 information and RSI, but is not required by a body that establishes GAAP.
 12 Some entities may desire to report information to support Required Information
 13 and enhance a user’s understanding of the entity’s operations or financial
 14 condition. This may include information on delivery times, turnover, and
 15 wastage of inventories; expected replacement of physical capital; and
 16 delinquency, aging, and default rates for loan portfolios. In addition, entities
 17 report information required by laws or administrative directives. This
 18 information is also considered OAI.

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19 73G. Although the FASAB does not require OAI to be presented, the FASAB may at
 20 times encourage voluntary reporting of items to help in the development of
 21 information that may enhance overall federal financial reporting. For example,
 22 the Board may consider an item to be relevant to entity operations but, for the
 23 moment, does not meet other criteria for Required Information.

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Deleted: Entities may report other information to accompany basic and RSI. They may report this information at their own discretion or at the direction of a body that does not establish GAAP. Also, at times, the FASAB may encourage the reporting of items to help in the development of information that may enhance overall federal financial reporting. This information is considered as OAI.

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1. **Table 1: Factors to Consider in Distinguishing Basic from RSI**

FACTORS TO CONSIDER IN DISTINGUISHING BASIC FROM RSI		
Low (implies RSI)	Factor	High (implies Basic)
	<Relevance to fair presentation>	
	<Connection with elements of financial reporting>	
	<Use of various types of financial data or financial transaction data>	
	<Strength of signal Board wishes to be sent in the financial report>	
	<Significance, relevance, or importance of the item in light of <i>Objectives</i> >	
	<Strength of signal the Board wishes to be sent in the auditor's report>	
	<Relevance to measuring financial condition or changes in financial condition>	
	<Extent to which the information interests a wide audience (rather than specialists)>	
	<Extent to which there are not alternative sources of reliable information>	
	<Agreement on criteria that permit comparable and consistent reporting>	
	<Experience among users, preparers, and auditors with the information>	
	<Extent to which the information is aggregated (lacking detail)>	
	<Benefit/cost ratio of using resources to ensure accuracy>	
	<Connection with basic financial statements>	
	<Reliability and/or precision possible>	
	<Reliability and/or precision needed>	

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1 Financial Reporting for an Organizational Entity

2

3 74. Meeting the four objectives of Federal financial reporting in the most efficient
4 manner suggests that reporting entities issue a financial report that would include
5 the following:

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- 8 • Management’s discussion and analysis;
- 9 • balance sheet statement of financial position (commonly referred to as
10 balance sheet);
- 11 • statement of net costs;
- 12 • statement of changes in net position;
- 13 • statement of custodial activities, when appropriate;
- 14 • statement of budgetary resources;
- 15 • statement of financing;^{12a}
- 16 • statement of program performance measures;¹³
- 17 • accompanying footnotes;
- 18 • required supplemental supplementary information pertaining to physical,
19 human, and research and development capital and selected claims on future
20 resources, when appropriate; and
- 21 • other supplemental financial and management information, when appropriate
22 accompanying information.

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75. With some organizations, and even suborganizations, the activities of one or more programs or other components are as important to the readers of the financial statements as are the activities of the entity as a whole. This would be particularly true for a Department composed of many bureaus, administrations, agencies, services, etc., and particularly if their programs are dissimilar. In those instances, consideration should be given to the preferability of reporting the assets, liabilities, revenues, expenses, etc. of both the significant components individually and of the entity in its entirety. Hence, larger organizations, and particularly those composed of many bureaus, administrations, agencies, etc.,

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12a The Statement of Financing may be presented as a financial statement or as a schedule in the notes to financial statements. OMB will provide guidance regarding details of the display for the Statement of Financing, including whether it shall be presented as a basic financial statement or as a schedule in the notes to the basic financial statements.

13 The statement of program performance measures is not a basic financial statement. Nevertheless, it is an important component of the financial reports.

would prepare not only consolidated financial statements for the organizational entity, but also provide information pertaining to their individual significant components.¹⁴ The information for the individual components could be provided with separate columns in consolidating financial statements¹⁵ (with the information for the less significant components, and possibly the entity's management component, aggregated into a single separate column), in separate financial statements for each significant component, or in the accompanying footnotes. The significant components can be suborganizations or programs. If they are suborganizations, information regarding programs should be provided in some manner.

76. Furthermore, there are frequently instances when one or more of the suborganizations conduct a very visible or critical activity and there is a high level of public interest, e.g., ~~Internal Revenue Service~~ tax collection activity; maintains complex accounts with large fund flows, e.g., ~~Defense Business Operations Fund~~; has major responsibilities for the appropriate use of earmarked taxes, e.g., ~~Health Care Financing Administration~~; or its financial viability is of special concern to the Executive Branch or the Congress, e.g., deposit insurance funds. In those situations, it may be desirable for the sub-organization to prepare and issue a separate financial statement that is consistent with the concepts presented in this concepts statement.¹⁶ In doing so, it would need to identify the parent entity and describe the sub-organization's relationship to the parent.

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77. The components of any reporting entity are likely to conduct transactions with other components in the reporting entity, other Federal entities, and persons and organizations outside the Federal Government. Likewise, they are likely to have assets due from and liabilities due to other Federal components and entities and to non-Federal persons and organizations. In reporting the transactions and balances of a Federal reporting entity in its entirety, it is conceptually desirable, although not always practicable, to eliminate the intra-entity transactions and balances. ~~Factors to consider are the utility of the information for the entity in its entirety if the intra-entity balances are not eliminated, the misunderstanding that~~

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¹⁴ Such components are similar to responsibility segments as referred to in ~~FASAB Exposure Draft SFFAS 4, "Managerial Cost Accounting for the Federal Government" (see pages 26-30) Concepts and Standards, par. 78-81.~~ Responsibility segments are used to accumulate costs and outputs for major lines of activity.

¹⁵ A **consolidated financial statement** presents the transactions and balances for a reporting entity's components in a single column. In arriving at the consolidated amounts, the transactions and balances among the entities are eliminated. A **consolidating financial statement** presents the information for the reporting entity's components as well as the consolidated amounts in individual columns. The elimination of the ~~inter-entity~~ transactions and balances needed to arrive at the consolidated amounts might or might not be presented in a separate column.

¹⁶ Sub-organizations required by statute to prepare and issue a separate financial statement would, by definition, also need to do so.

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might result if the balances are not eliminated, and the cost benefit of making the eliminations.¹⁷

78. Some of a reporting entity's components are likely to be required by law or policy to prepare and issue financial statements in accordance with accounting standards other than those recommended by FASAB's and issued by OMB and GAO, e.g., accounting standards issued by the Financial Accounting Standards Board or accounting standards established by a regulatory agency. Those components should continue to issue the required reports. The reporting entities of which the components are a part can issue consolidated, consolidating, or combining statements that include the components' financial information prepared in accordance with the other accounting standards. They need to be sensitive, however, to differences resulting from applying different accounting standards that could be material to the users of the reporting entity's financial statements. If these differences are material, the standards recommended issued by FASAB and issued by OMB and GAO should be applied. The components would need to provide any additional disclosures recommended required by FASAB and included in the OMB-issued standards guidance that would not be required by the other standards.

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Financial Reporting for the Entire Government

79. In addition to budgetary integrity, operating performance, and systems and control information, readers of the financial statements for the entire government are likely to be concerned primarily with whether the government has been a proper steward. This can best be achieved with the preparation and issuance of the following:

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- Management's discussion and analysis;
- ~~balance sheet statement of financial position (commonly referred to as balance sheet);~~
- statement of operations or net costs;
- statement of operations and changes in net position;

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¹⁷ A reporting entity that eliminates none of the intra-entity transactions or balances and still desires to present the information for its individual components in separate columns could do so by preparing and issuing a combining financial statement. If the individual columns are added to a total column without elimination of the intra-entity transactions or balances, the total column would have to be labeled "Memorandum Only" to signify that it is not net of eliminations. Recognizing that the U. S. Standard General Ledger does not presently provide accounts for identifying intra-entity transactions, the decision as to when the information for a reporting entity other than the Federal Government as a whole should be presented in a consolidating financial statement rather than a combining financial statement would be specified by OMB in a Form and Content Bulletin.

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- 1 • reconciliation of net operating revenue (or cost) and unified budget surplus (or
- 2 deficit);
- 3 • statement of changes in cash balance from unified budget and other
- 4 activities;
- 5 • comparison of budgeted and actual use of resources;
- 6 • statement of program performance measures;
- 7 • accompanying footnotes;
- 8 • required supplemental supplementary information pertaining to physical,
- 9 human, and research and development capital and selected claims on future
- 10 resources; and
- 11 • other supplemental financial and management information, when appropriate
- 12 accompanying information.

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14 80. The readers should be made aware of whether the financial statements for the
15 entire government exclude any significant entities that are included in the budget
16 or include significant entities that are not included in the budget.

18 ~~81. Readers of the financial statements for the entire government are also likely to be~~
19 ~~concerned with the results of the budget process. This interest can be fulfilled by~~
20 ~~providing a comparison of budgeted and actual use of resources, presented on~~
21 ~~the same basis as the budget is accounted for; and a reconciliation of accrual-~~
22 ~~based operating results to the budget-based operating results. The budget would~~
23 ~~be the amounts included in the President's Budget or the Mid-session Review of~~
24 ~~the budget, whichever is appropriate.~~

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26 82. The financial statements for the entire government could also be used to provide
27 information on Presidential initiatives or crosscutting programs that is not
28 available in financial statements for individual organizations or programs.

30 83. Because the government is a complete and integral economic entity, in contrast
31 to the departments and major agencies whose components frequently have
32 nothing in common other than belonging to the same department, it would be
33 appropriate that the financial statement for the entire government be a
34 consolidated financial statement. However, it might also be appropriate to display
35 selected information for the components, funds, etc., either within the
36 consolidated financial statement, in accompanying footnotes, and/or as
37 supplemental supplementary information.

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38 Paragraphs 84 – 112 are omitted.

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1	Appendix C: Abbreviations	
2	AICPA	American Institute of Certified Public Accountants
3	AU	Audit Standards codified and published by the AICPA
4	FASAB	Federal Accounting Standards Advisory Board
5	FASB	Financial Accounting Standards Board
6	GAAP	Generally Accepted Accounting Principles
7	GASB	Governmental Accounting Standards Board
8	<u>GPPFR</u>	<u>General Purpose Federal Financial Report</u>
9	MD&A	Management's Discussion and Analysis
10	RSI	Required Supplementary Information
11	SFAS	Statement of Financial Accounting Standards
12	SFFAC	Statement of Federal Financial Accounting Concepts
13	SFFAS	Statement of Federal Financial Accounting Standards

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1 Appendix C: Glossary

2

3 | **Basic Information:** Information that is essential for financial statements and
4 accompanying notes to be presented in accordance with generally accepted accounting
5 principles (GAAP).

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6 **Other Accompanying Information:** Information that accompanies basic information
7 and required supplementary information but is not required by a body that establishes
8 GAAP.

9 **Required Information:** Information that consists of basic and required supplementary
10 information.

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11 **Required Supplementary Information:** Information that GAAP requires to accompany
12 basic information.

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required to meet reporting objectives		
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. In addition, the Board may at times encourage the reporting of

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to users, preparers and auditors

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scrutiny by auditors

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while

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is

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. OAI is also unaudited, but

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read for consistency with basic information.

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To distinguish items of *required* information, the Board considers several factors. Table 1: *Factors to Consider in Distinguishing Basic from RSI* presents those factors.

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Required supplemental information is information that would be reported outside the principal financial statements that the Federal Accounting Standards Advisory Board considers an essential part of a reporting entity's financial reporting, and therefore recommends authoritative guidelines for the measurement and presentation of the information. It is analogous to the required supplementary information discussed in Statement on Auditing Standards-AU Section 558.06, which addresses pronouncements of the FASAB, Financial Accounting Standards Board, and the Governmental Accounting Standards Board.

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statement of financial position (commonly referred to as balance sheet)

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Assessing whether information is a candidate for basic information or RSI may involve considering a range of factors which are listed in Table 1: *Factors to Consider in Distinguishing Basic from RSI*. The factors are not listed in a

particular order and some may convey similar ideas. In addition, different individuals may assign different weight to each factor. Thus, the factors provide a general framework for each individual's judgment and are not considered to present a decision tree, hierarchy, or precise algorithm for classifying items.



Federal Accounting Standards Advisory Board

CLEAN VERSION

**Distinguishing Basic Information, Required Supplementary
Information, and Other Accompanying Information**

Statement of Federal Financial Accounting Concepts

Exposure Draft

Written comments are requested by [date 90 days after issuance]

[Month day, year]

Staff Draft

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.

Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 6814
Mail stop 6K17V
Washington, DC 20548
Telephone 202-512-7350
FAX – 202-512-7366
www.fasab.gov

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1 **ISSUE DATE**

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

3 The Federal Accounting Standards Advisory Board (FASAB or the Board) is requesting
4 comments on the exposure draft of a proposed Statement of Federal Financial
5 Accounting Standards entitled, *Distinguishing Basic Information from Required*
6 *Supplementary Information*. Specific questions for your consideration appear on page 8
7 but you are welcome to comment on any aspect of this proposal. If you do not agree
8 with the proposed approach, your response would be more helpful to the Board if you
9 explain the reasons for your position and any alternative you propose. Responses are
10 requested by **DUE DATE**.

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

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

19 Wendy M. Payne, Executive Director
20 Federal Accounting Standards Advisory Board
21 Mailstop 6K17V
22 441 G Street, NW, Suite 6814
23 Washington, DC 20548
24

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

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

29

30 Tom L. Allen
31 Chairman

1 **STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING CONCEPTS**

2
3 This Statement of Federal Financial Accounting Concepts (SFFAC) is the sixth in a
4 series of concepts statements intended to set forth objectives and fundamentals on
5 which financial accounting and reporting standards will be based. The objectives
6 identify the goals and purposes of financial reporting. The fundamentals are the
7 underlying concepts of financial accounting—concepts that guide the selection of
8 transactions, events, and circumstances to be accounted for; their recognition and
9 measurement; and the means of summarizing and communicating them to interested
10 parties.

11 The Federal Accounting Standards Advisory Board’s (FASAB or “the Board”)
12 conceptual framework enhances the consistency of standards and serves the public
13 interest by providing structure and direction to federal financial accounting and
14 reporting. The most direct beneficiaries of the FASAB’s concepts statements are the
15 Board itself and preparers and auditors of federal financial reports. The statements
16 guide the Board’s development of accounting and reporting standards by providing the
17 Board with a common foundation and basic reasoning on which to consider the merits
18 of alternatives.

19 Knowledge of the objectives and concepts the Board considers should help users and
20 others who are affected by or interested in federal financial accounting and reporting
21 standards to understand better the purposes, content, and qualitative characteristics of
22 information provided by federal financial accounting and reporting. That knowledge
23 should enhance the usefulness of, and confidence in, federal financial accounting and
24 reporting.

25 Concepts statements enhance preparers’ and auditors’ understanding of the common
26 foundation and reasoning employed in considering alternatives. The generally accepted
27 accounting principles (GAAP) hierarchy provides that statements of federal financial
28 accounting standards constitute level A (the highest level) guidance. Statements of
29 federal financial accounting concepts are not GAAP. Instead, concepts statements
30 constitute “other literature” and may only be relied upon by financial statement
31 preparers and auditors to resolve specific accounting issues in the absence of GAAP
32 literature. In developing and amending accounting standards, the Board looks to
33 concepts statements for guiding principles and also considers relevant existing
34 standards and guidance issued by the Board and other standard setting bodies. Until
35 the Board amends existing standards, the Board expects practice to be governed by the

1 accounting principles embodied in the four levels of the GAAP hierarchy. Thus, the
2 Board distinguishes between material presented in concepts which are used to guide
3 Board deliberations on future GAAP and accounting principles presented in standards
4 which constitute current GAAP.

5 For federal entities, in the absence of specific authoritative literature applicable to a
6 transaction or event, it should be possible to report the event or transaction by selecting
7 an established accounting principle for an analogous transaction or event that appears
8 appropriate when applied in a similar manner. In the unusual case where an analogy
9 cannot be drawn to established authoritative literature, the American Institute of CPAs
10 permits consideration of other literature including concepts statements. Consideration of
11 individual concepts statements will be helpful but often may not provide sufficient
12 guidance in resolving emerging issues. Therefore, the Board encourages careful study
13 of the conceptual framework and established practice in resolving such issues.

14 Statements in this series describe concepts and relations that will underlie future federal
15 financial accounting standards and practices and in due course will serve as a basis for
16 evaluating existing standards and practices. The series of concepts statements
17 comprises:

- 18 • SFFAC 1, *Objectives of Federal Financial Reporting* (includes the qualitative
19 characteristics of information in financial reports)
 - 20 • SFFAC 2, *Entity and Display*
 - 21 • SFFAC 3, *Management's Discussion and Analysis*
 - 22 • SFFAC 4, *Intended Audience and Qualitative Characteristics for the*
23 *Consolidated Financial Report of the United States Government*
 - 24 • SFFAC 5, *Elements of Accrual-Basis Financial Statements and Basic*
25 *Recognition Criteria.*
- 26

27 Like other pronouncements of the FASAB, Statements of Federal Financial Accounting
28 Concepts remain in effect until amended, superseded, or withdrawn by appropriate
29 action under the Board's Rules of Procedure.

1 Executive Summary

2 What is the Board proposing?

3

4 This Statement would amend SFFAC 2, *Entity and Display*, to provide guidance
5 on determining whether information should be basic information, required
6 supplementary information (RSI), or other accompanying information (OAI).

7 How would this proposal improve federal financial reporting and contribute 8 to meeting the federal financial reporting objectives?

9

10 A number of recent complex financial reporting issues have highlighted the need
11 to enhance existing concepts. For example, conditions have developed that
12 have elevated the need for information concerning the federal government's
13 fiscal sustainability. Also, methods for providing operating performance
14 information continue to evolve and the financial reporting community is
15 experimenting with various presentations. Along with deciding *what* information
16 should be reported regarding these topics, the Board must determine whether
17 the information should be considered basic information, RSI, or OAI. Whether
18 information is defined as basic, RSI, or OAI may be important to preparers,
19 auditors, and users.

20 For example, when an auditor is engaged to audit an entity's financial
21 statements, the auditor may audit the basic information and provide a report on
22 the results. However, the RSI and OAI are unaudited, but subjected to certain
23 procedures and reporting requirements in accordance with auditing standards for
24 RSI and OAI respectively. To inform users of the differences, financial report
25 preparers may separate the information within the report or label RSI and OAI as
26 "unaudited."

27 The Board believes a conceptual framework should provide guidance for
28 considering how information should be categorized. This statement would
29 provide such guidance and help those affected by or interested in standards to
30 understand better the purposes, content, and characteristics of information
31 provided in federal financial reports. The Board anticipates that ultimately this
32 Concepts Statement will facilitate the understandability, consistency, and
33 comparability of financial reporting.

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1 Question for Respondents

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

6 The Board believes that this proposal would improve Federal financial reporting and
7 contribute to meeting the Federal financial reporting objectives. Because the proposals
8 may be modified before a final Statement is issued, it is important that you comment on
9 proposals that you favor as well as any that you do not favor. Comments that include
10 the reasons for your views will be especially appreciated.

11 The question in this section is available in a Word file for your use at
12 www.fasab.gov/exposure.html. Your responses to the Request for Comments should be
13 sent by e-mail to fasab@fasab.gov. If you are unable to respond electronically, please
14 fax your responses to (202) 512-7366 and follow up by mailing your responses to:

15 Wendy M. Payne, Executive Director
16 Federal Accounting Standards Advisory Board
17 Mailstop 6K17V
18 441 G Street, NW, Suite 6814
19 Washington, DC 20548

20 All responses are requested by **[insert date]**.

21 Q1. The Statement identifies a process and criteria to consider in deciding whether
22 information should be considered basic information, required supplementary information
23 or other accompanying information (See paragraph 15).

24 a. Do you agree with the process presented? If not, please explain your
25 reasons.

26 b. Do you agree with the factors presented for distinguishing basic
27 information from required supplementary information (See Table 1:
28 Distinguishing Basic Information from Required Supplementary
29 Information)?

30 c. Are there additional factors that should be considered? If so, what are
31 they, and how would you describe them?

32

1 Introduction

2 Purpose

3

- 4 1. The existing conceptual framework provides guidance on what
5 information should be reported and identifies a number of methods that
6 may be used to communicate this information within a general purpose
7 federal financial report (GPFFR).¹ For example, SFFAC 1, *Objectives*
8 *of Federal Financial Reporting*, provides guidance on the information
9 that should be reported and SFFAC 2, *Entity and Display*, discusses
10 the **financial statements** and other mehtods that may be used to
11 provide the information and which entities should prepare them. In
12 addition, SFFAC 3, *Management’s Discussion and Analysis*, describes
13 the **management’s discussion and analysis** (MD&A) of significant
14 topics.
- 15 2. Given the various alternatives for communicating information, this
16 Statement expands the existing conceptual framework. This
17 Statement amends SFFAC 2 to discuss a process and criteria to
18 consider when deciding whether the information should be considered
19 basic information, RSI, or OAI. Discussing each of these categories
20 may help those engaged in federal financial reporting to better
21 understand the nature of the information being communicated and their
22 importance to the financial reporting objectives.

23

¹ The term general purpose federal financial report, abbreviated “GPFFR” is used throughout this Statement as a generic term to refer to the report that contains the entity’s financial statements that are prepared pursuant to generally accepted accounting principles. The report may be known as a Performance and Accountability Report or Accountability Report.

1 **Proposed Concepts**

2 **Scope**

- 3
- 4 3. This Statement specifically affects SFFAC 2, par. 2, 3, 55, 69, 72, 74, 76,
5 77, 78, 79, 81, and 108, and footnotes 11, 12, 12a, 14, and 17. Also, this
6 Statement affects the section of SFFAC 2 titled, "Displaying Financial
7 Information."

8 **Definitions**

- 9
- 10 4. Required Information: Information that consists of basic and required
11 supplementary information.
- 12 a. Basic Information: Information that is essential for financial
13 statements and notes to be presented in conformity with generally
14 accepted accounting principles (GAAP).
- 15 b. Required Supplementary Information: Information that GAAP
16 requires to accompany basic information.
- 17 5. Other Accompanying Information: Information that accompanies basic
18 information and required supplementary information but is not required by a
19 body that establishes GAAP.

20 **Amending SFFAC 2 to Distinguish Basic Information, RSI, and Other**
21 **Accompanying Information**

- 22
- 23 6. SFFAC 2, par. 2 is amended as follows.
- 24 The purpose of this statement of accounting concepts is to provide guidance as to
25 what would be encompassed by a Federal Government entity's financial report.
26 The statement specifies the types of entities for which there ought to be financial
27 reports (hereinafter called reporting entities), establishes guidelines for defining the
28 makeup of each type of reporting entity, identifies types of financial reports for
29 communicating the information for each type of reporting entity, and suggests the
30 types of information each type of report would convey, and identifies criteria the

1 Board considers in determining whether information should be basic, required
2 supplementary information (RSI), or other accompanying information (OAI).

3
4 7. SFFAC 2, par. 3 is amended as follows.

5 A statement of financial accounting concepts is intended to guide the members of the
6 Federal Accounting Standards Advisory Board (FASAB) as they deliberate and recommend
7 accounting standards for the Federal Government. The concepts in this Statement are
8 consistent with those established in SFFAC 1 which are not superseded or modified by this
9 Statement. The concepts in this Statement also are generally consistent with current
10 practice and do not imply radical change. However, they are expected to guide the Board's
11 future deliberations. In addition, concepts statements constitute "other literature" and may
12 only be relied upon by financial statement preparers and auditors to resolve specific
13 accounting issues in the absence of GAAP literature. It also would be useful to the Office
14 of Management and Budget (OMB), when it carries out its statutory responsibilities for
15 specifying who should prepare financial statements and the form and content of those
16 statements; ~~and as broad guidance for preparers, auditors, and users of financial~~
17 ~~statements of Federal agencies. A statement of financial accounting concepts does not, in~~
18 ~~and of itself, represent standards that would be considered generally accepted accounting~~
19 ~~principles for Federal agencies to be followed for the preparation of financial statements.~~

20 8. SFFAC 2, par. 55 is amended as follows.

21 To enhance confidence in the reliability of information presented in financial
22 statements, the statements are often, but not always, audited by Inspectors
23 General, independent accounting firms, or the ~~General Accounting Office~~
24 Government Accountability Office. Some financial reporting by management, both
25 within and outside the financial statements, is audited, or is ~~reviewed~~ subject to
26 certain procedures required by auditing standards, but not audited; and some
27 information is presented by management without audit or ~~review~~ being subjected to
28 certain procedures by persons independent of those who prepared the statements
29 or information auditors.

30 9. The following paragraphs are added to SFFAC 2, following paragraph 55.

31 55A. In developing accounting standards, the Board considers whether
32 information should be considered basic information, required
33 supplementary information (RSI), or other accompanying information
34 (OAI). Distinguishing these categories is important because each
35 category is subject to different levels of scrutiny. When an auditor is
36 engaged to audit an entity's financial statements, an item of basic
37 information is audited. However, RSI and OAI are unaudited, but
38 subject to certain procedures specified by auditing standards for RSI
39 and OAI respectively. These differences must be conveyed to users
40 and can be accomplished in a variety of ways. The traditional

1 approach is to separate the categories of information. However, the
2 information may be integrated if the RSI and OAI are clearly labeled
3 as “unaudited.”

4 55B. Classification of the information as basic, RSI, or OAI does not
5 constrain the form of presentation. For example, financial statements
6 may be presented as basic financial statements, RSI, or OAI.
7 Information can be required or encouraged to be in the form of
8 financial statements, narrative, graphs, or tables. To clearly
9 communicate the intended status, the Board must specify whether
10 the information is to be considered basic, RSI, or OAI. Selecting a
11 category may involve a process which is described in paragraphs
12 73A to 73G.

13

14 10. SFFAC 2, footnote 11 is rescinded.

15 11. SFFAC 2, footnote 12 is rescinded.

16 12. SFFAC 2, footnote 12a is amended as follows:

17 The Statement of Financing may be presented as a financial statement or as a schedule in
18 the notes to financial statements. OMB will provide guidance regarding details of the
19 display for the Statement of Financing, ~~including whether it shall be presented as a basic~~
20 ~~financial statement or as a schedule in the notes to the basic financial statements.~~

21 13. SFFAC 2, paragraph 72 is rescinded.

22 14. SFFAC 2, paragraphs 69, 74, 79 and 108 are amended to conform the term
23 “management discussion and analysis” to the term established in SFFAC 3 -
24 “management’s discussion and analysis” – each time it appears in these
25 paragraphs.

26 15. The following headings, paragraphs, and table are added to SFFAC 2,
27 following paragraph 73.

28

29 Distinguishing Basic Information, RSI, and OAI

30 Determining Required Information

31 73A. Selecting a category for communicating information may involve a
32 process that begins with determining what information should be

1 required. Required information is information that consists of basic
2 information and RSI. An item of information is a candidate for
3 Required Information if it is consistent with the objectives of federal
4 financial reporting and meets certain qualitative characteristics and
5 cost-benefit considerations. The Board developed these factors
6 earlier in the conceptual framework. SFFAC 1 identifies the reporting
7 objectives (paragraphs 112 to 150) and the qualitative characteristics
8 (paragraphs 157 to 164). It also discusses cost versus benefit
9 considerations (paragraphs 151 to 155).

10

11 Determining Basic versus RSI

12 73B. Information that meets the criteria for Required Information is a
13 candidate for basic information or RSI. Basic information is
14 information which is essential for the financial statements and notes
15 to be presented in conformity with GAAP. The FASAB standards are
16 the core^{12.1} of GAAP and auditors may be engaged to express an
17 opinion as to whether basic financial statements and notes are
18 presented in conformity with those criteria.

19 73C. RSI is information that GAAP requires to accompany basic
20 information. It may be experimental in nature to permit the
21 communication of information that is relevant and important to the
22 reporting objectives while more experience is gained through
23 resolution of accounting issues. Also, the information may be
24 expressed in other than financial measures or may not be subject to
25 reliable estimation. As issues are resolved, the information may be
26 considered basic at some point in the future.

27 73D. Assessing whether required information is a candidate for basic
28 information or RSI may involve considering a range of factors which
29 are listed in Table 1: *Factors to Consider in Distinguishing Basic*
30 *Information from RSI* on page 15. The factors are not listed in a
31 particular order and some may convey similar ideas. In addition,
32 different individuals may assign different weight to each factor. Thus,
33 the factors provide a general framework for each individual's

12.1 The first and highest level of the GAAP hierarchy comprises standards and interpretations. Lower level GAAP may not conflict with standards or interpretations.

- 1 judgment and are not considered to present a decision tree,
2 hierarchy, or precise algorithm for classifying items.
- 3 73E. For example, one may consider the relevance of the information to
4 fair presentation. If the information has a high relevance to fair
5 presentation it may be a candidate for basic information
6 communicated by financial statements and notes to the financial
7 statements. The financial statements and notes could not be
8 considered fairly presented if the information is missing or materially
9 misstated.
- 10 OAI
- 11 73F. If an item of information does not meet the criteria for Required
12 Information, it becomes a candidate for OAI. OAI is information that
13 accompanies basic information and RSI, but is not required by a
14 body that establishes GAAP. Some entities may desire to report
15 information to support Required Information and enhance a user's
16 understanding of the entity's operations or financial condition. This
17 may include information on delivery times, turnover, and wastage of
18 inventories; expected replacement of physical capital; and
19 delinquency, aging, and default rates for loan portfolios. In addition,
20 entities report information required by laws or administrative
21 directives. This information is also considered OAI.
- 22 73G. Although the FASAB does not require OAI to be presented, the
23 FASAB may at times encourage voluntary reporting of items to help
24 in the development of information that may enhance overall federal
25 financial reporting. For example, the Board may consider an item to
26 be relevant to entity operations but, for the moment, does not meet
27 other criteria for Required Information.

1 **Table 1: Factors to Consider in Distinguishing Basic Information from RSI**

FACTORS TO CONSIDER IN DISTINGUISHING BASIC INFORMATION FROM RSI		
Low (implies RSI)	Factor	High (implies Basic)
	<Relevance to fair presentation>	
	<Connection with elements of financial reporting>	
	<Use of various types of financial data or financial transaction data>	
	<Strength of signal Board wishes to be sent in the financial report>	
	<Significance, relevance, or importance of the item in light of <i>Objectives</i> >	
	<Strength of signal the Board wishes to be sent in the auditor's report>	
	<Relevance to measuring financial condition or changes in financial condition>	
	<Extent to which the information interests a wide audience (rather than specialists)>	
	<Extent to which there are not alternative sources of reliable information>	
	<Agreement on criteria that permit comparable and consistent reporting>	
	<Experience among users, preparers, and auditors with the information>	
	<Extent to which the information is aggregated (lacking detail)>	
	<Benefit/cost ratio of using resources to ensure accuracy>	
	<Connection with basic financial statements>	
	<Reliability and/or precision possible>	
	<Reliability and/or precision needed>	

2

3

4

1 16. SFFAC 2, paragraph 74 is amended as follows.

2 Meeting the four objectives of Federal financial reporting in the most efficient manner
3 suggests that reporting entities issue a ~~financial~~ report that would include the following:

- 4 • management's discussion and analysis;
- 5 • ~~balance sheet~~ statement of financial position (commonly referred to as balance
6 sheet);
- 7 • statement of net costs;
- 8 • statement of changes in net position;
- 9 • statement of custodial activities, when appropriate;
- 10 • statement of budgetary resources;
- 11 • statement of financing; [footnote retained but not presented]
- 12 • statement of program performance measures; [footnote retained but not presented]
- 13 • accompanying footnotes;
- 14 • required ~~supplemental~~ supplementary information ~~pertaining to physical, human, and~~
15 ~~research and development capital and selected claims on future resources, when~~
16 ~~appropriate; and~~
- 17 • other ~~supplemental financial and management information, when appropriate~~
18 accompanying information.

19

20 17. SFFAC 2, footnote 14 is amended as follows.

21 Such components are similar to responsibility segments as referred to in ~~FASAB Exposure~~
22 ~~Draft SFFAS 4, "Managerial Cost Accounting for the Federal Government" (see pages 26-~~
23 ~~30) Concepts and Standards, par. 78-81. Responsibility segments are used to accumulate~~
24 ~~costs and outputs for major lines of activity.~~

25 18. SFFAC 2, paragraph 76 is amended as follows.

26 Furthermore, there are frequently instances when one or more of the suborganizations
27 conduct a very visible or critical activity and there is a high level of public interest, e.g.,
28 ~~Internal Revenue Service~~ tax collection activity; maintains complex accounts with large
29 fund flows, e.g., ~~Defense Business Operations Fund~~; has major responsibilities for the
30 appropriate use of earmarked taxes, e.g., ~~Health Care Financing Administration~~; or its
31 financial viability is of special concern to the Executive Branch or the Congress, e.g.,
32 deposit insurance funds. In those situations, it may be desirable for the sub-organization to

1 prepare and issue a separate financial statement that is consistent with the concepts
2 presented in this concepts statement. [footnote retained but not presented] In doing so, it
3 would need to identify the parent entity and describe the sub-organization's relationship to
4 the parent.

5 19. SFFAC 2, paragraph 77 is amended as follows.

6 The components of any reporting entity are likely to conduct transactions with other
7 components in the reporting entity, other Federal entities, and persons and organizations
8 outside the Federal Government. Likewise, they are likely to have assets due from and
9 liabilities due to other Federal components and entities and to non-Federal persons and
10 organizations. In reporting the transactions and balances of a Federal reporting entity in its
11 entirety, it is conceptually desirable, although not always practicable, to eliminate the intra-
12 entity transactions and balances. ~~Factors to consider are the utility of the information for the~~
13 ~~entity in its entirety if the intra-entity balances are not eliminated, the misunderstanding that~~
14 ~~might result if the balances are not eliminated, and the cost-benefit of making the~~
15 ~~eliminations.~~

16 20. SFFAC 2, footnote 17 (presented below) is deleted.

17 ~~A reporting entity that eliminates none of the intra-entity transactions or balances and still desires to~~
18 ~~present the information for its individual components in separate columns could do so by preparing~~
19 ~~and issuing a **combining financial statement**. If the individual columns are added to a total column~~
20 ~~without elimination of the intra-entity transactions or balances, the total column would have to be~~
21 ~~labeled "Memorandum Only" to signify that it is not net of eliminations. Recognizing that the U. S.~~
22 ~~Standard General Ledger does not presently provide accounts for identifying intra-entity transactions,~~
23 ~~the decision as to when the information for a reporting entity other than the Federal Government as a~~
24 ~~whole should be presented in a consolidating financial statement rather than a combining financial~~
25 ~~statement would be specified by OMB in a Form and Content Bulletin.~~

27 21. SFFAC 2, paragraph 78 is amended as follows.

28 Some of a reporting entity's components are likely to be required by law or policy to prepare and
29 issue financial statements in accordance with accounting standards other than ~~those recommended~~
30 ~~by FASAB's and issued by OMB and GAO, e.g.,~~ accounting standards issued by the Financial
31 Accounting Standards Board or accounting standards established by a regulatory agency. Those
32 components should continue to issue the required reports. The reporting entities of which the
33 components are a part can issue consolidated, consolidating, or combining statements that include
34 the components' financial information prepared in accordance with the other accounting standards.
35 They need to be sensitive, however, to differences resulting from applying different accounting
36 standards that could be material to the users of the reporting entity's financial statements. If these
37 differences are material, the standards ~~recommended~~ issued by FASAB and ~~issued by OMB and~~
38 ~~GAO~~ should be applied. The components would need to provide any additional disclosures
39 ~~recommended~~ required by FASAB and included in the OMB-issued ~~standards~~ guidance that would
40 not be required by the other standards.

41 22. SFFAC 2, paragraph 79 is amended as follows.

42 In addition to budgetary integrity, operating performance, and systems and control
43 information, Readers of the financial statements for the entire government are likely to be

1 concerned primarily with whether the government has been a proper steward. This can
2 best be achieved with the preparation and issuance of the following:

- 3 • Management's discussion and analysis;
- 4 • ~~balance sheet~~ statement of financial position (commonly referred to as balance
5 sheet);
- 6 • statement of ~~operations or~~ net costs;
- 7 • statement of operations and changes in net position;
- 8 • reconciliation of net operating revenue (or cost) and unified budget surplus (or
9 deficit);
- 10 • statement of changes in cash balance from unified budget and other activities;
- 11 • comparison of budgeted and actual use of resources;
- 12 • statement of program performance measures;
- 13 • accompanying footnotes;
- 14 • ~~required supplemental supplementary information pertaining to physical, human,~~
15 ~~and research and development capital and selected claims on future resources;~~
16 and
- 17 • ~~other supplemental financial and management information, when appropriate~~
18 accompanying information.

19
20 23. SFFAC 2, paragraph 81 is rescinded.

1 Appendix A: Basis for Conclusions

2 This appendix discusses some factors considered significant by members in reaching
3 the conclusions in this Statement. It includes reasons for accepting certain approaches
4 and rejecting others. Some factors were given greater weight than other factors.

5 Project History
6

- 7 A1. The FASAB developed a core set of accounting standards and initial
8 concepts statements on reporting objectives and entity and display early in
9 its first six years of operation. Concepts were developed as initial
10 standards were developed. In 2003, the Board began to actively review
11 and add to or modify its concepts statements as needed. The Board's
12 desire to evaluate its concepts after more than twelve years of successful
13 progress is stimulated by a realization that (a) some critical concepts that
14 have been relied on are not yet included in a concepts statement, (b)
15 certain aspects of the concepts are not widely understood or accepted, and
16 (c) an expansion or modification of its concepts statements will help the
17 Board communicate more effectively with the growing community of federal
18 financial report users, preparers, and auditors.
- 19 A2. As part of the overall project to review and expand its conceptual
20 framework, the FASAB began deliberations on this Statement in October
21 2006. The FASAB noted that, in the past, it had relied on certain concepts
22 to distinguish between basic information, RSI, and OAI. However, those
23 concepts had not been incorporated into a concepts statement. This
24 Statement amends SFFAC 2 to include those concepts. The Board
25 believes that this Statement is an important part of its conceptual
26 framework and will provide more consistent, useful, and enduring guidance
27 to the Board.
- 28 A3. The Board focused on this Statement, in part, because of the issues that
29 developed regarding how to communicate complex information in the most
30 useful manner to financial report users. There are several broad financial
31 reporting objectives each with sub-objectives that require financial and
32 non-financial information. In addition, reporting information to achieve
33 those objectives raises the issue of how the information should be
34 classified. This Statement provides guidance on addressing such issues
35 and selecting the means of communicating information necessary to help
36 achieve the reporting objectives.

1 **Appendix B: Concepts as Amended**

2

3 This Appendix reproduces SFFAC 2, as if amended. The paragraph numbers are
4 based on the original numbers in the statement. The strikethrough, underlined text, and
5 the insertion of Table 1: *Factors to Consider in Distinguishing Basic Information from*
6 *RSI* indicates the proposed amendments.

7

8 **INTRODUCTION**

- 9 1. A basic postulate of accounting is that accounting information pertains to
10 entities, i.e., circumscribed legal, administrative, fiduciary, or other
11 organizational structures. Another basic postulate is that entities use financial
12 reports to communicate financial and related information about the entity to
13 persons concerned with the entity.
- 14 2. The purpose of this statement of accounting concepts is to provide guidance
15 as to what would be encompassed by a Federal Government entity's financial
16 report. The statement specifies the types of entities for which there ought to
17 be financial reports (hereinafter called reporting entities), establishes
18 guidelines for defining the makeup of each type of reporting entity, identifies
19 types of financial reports for communicating the information for each type of
20 reporting entity, ~~and suggests the types of information each type of report~~
21 ~~would convey, and identifies the criteria the Board considers in determining~~
22 whether information should be basic or required supplementary information
23 (RSI), or other accompanying information (OAI).
- 24 3. A statement of financial accounting concepts is intended to guide the
25 members of the Federal Accounting Standards Advisory Board (FASAB) as
26 they deliberate ~~and recommend~~ accounting standards for the ~~F~~ederal
27 ~~G~~overnment. The concepts in this Statement are consistent with those
28 established in SFFAC 1 which are not superseded or modified by this
29 Statement. The concepts in this Statement also are generally consistent with
30 current practice and do not imply radical change. However, they are
31 expected to guide the Board's future deliberations. In addition, concepts
32 statements constitute "other literature" and may only be relied upon by
33 financial statement preparers and auditors to resolve specific accounting
34 issues in the absence of GAAP literature. It also would be useful to the Office
35 of Management and Budget (OMB), when it carries out its statutory
36 responsibilities for specifying who should prepare financial statements and

1 the form and content of those statements; ~~and as broad guidance for~~
2 ~~preparers, auditors, and users of financial statements of Federal agencies. A~~
3 ~~statement of financial accounting concepts does not, in and of itself, represent~~
4 ~~standards that would be considered generally accepted accounting principles~~
5 ~~for Federal agencies to be followed for the preparation of financial~~
6 ~~statements.~~

7 4. This statement does not try to define which reporting entities must prepare
8 and issue financial statements. That authority and responsibility resides with
9 the Congress, OMB, and other oversight organizations and resource
10 providers.

11 Paragraphs 5 – 53 are omitted. They address the reporting objectives, the structure
12 of the federal government and reporting entities.

13

14 **DISPLAYING FINANCIAL INFORMATION**

15

16 54. Financial information is typically provided by or for a reporting entity through
17 financial statements. Financial statements represent the principal means of
18 communicating accounting information about an entity's resources,
19 obligations, revenues, costs, etc. to those outside the entity. However,
20 financial statements, and particularly those prepared for governmental and
21 other not-for-profit organizations, may also contain information from sources
22 other than accounting records. Also, management may communicate
23 information to those outside the entity by means of financial reporting other
24 than financial statements, either because the information is required to be
25 disclosed by statute, regulation, or custom; or because management believes
26 the information would be useful to those outside the entity and discloses it
27 voluntarily.

28 55. To enhance confidence in the reliability of information presented in financial
29 statements, the statements are often, but not always, audited by Inspectors
30 General, independent accounting firms, or the ~~General Accounting Office~~
31 Government Accountability Office. Some financial reporting by management,
32 both within and outside the financial statements, is audited, or is reviewed but
33 not audited; and some information is presented by management without audit
34 or review by ~~persons independent of those who prepared the statements or~~
35 ~~information~~ auditors.

- 1 55A. In developing accounting standards, the Board considers whether information
2 should be considered basic information, required supplementary information
3 (RSI), or other accompanying information (OAI). Distinguishing these
4 categories is important because each category is subject to different levels of
5 scrutiny. When an auditor is engaged to audit an entity's financial
6 statements, an item of basic information is audited. However, RSI and OAI
7 are unaudited, but subject to certain procedures specified by auditing
8 standards for RSI and OAI respectively. These differences must be conveyed
9 to users and can be accomplished in a variety of ways. The traditional
10 approach is to separate the categories of information. However, the
11 information may be integrated if the RSI and OAI are clearly labeled as
12 "unaudited."
- 13 55B. Classification of the information as basic, RSI, or OAI does not constrain the
14 form of presentation. For example, financial statements may be presented as
15 basic financial statements, RSI, or OAI. Information can be required or
16 encouraged to be in the form of financial statements, narrative, graphs, or
17 tables. To clearly communicate the intended status, the Board must specify
18 whether the information is to be considered basic, RSI, or OAI. Selecting a
19 category may involve a process which is described in paragraphs 73A to 73G.
- 20 56. In the Federal Government, there are several types of reporting entities
21 (organizations, suborganizations, programs, and the government as a whole)
22 and several financial reporting objectives (budgetary integrity, operating
23 performance, stewardship, and systems and control). Each of the reporting
24 objectives can be met to a certain degree by the statements prepared by or
25 for one type of reporting entity and to a greater or lesser degree by the
26 statements prepared by or for the other types of reporting entities. For
27 example, the objective of budgetary integrity can be best met with the
28 program and financing schedules prepared for individual budget accounts.
29 The objective of operating performance can be best met with financial
30 statements from organizations/suborganizations and programs (although
31 financial statements at this level can also help readers evaluate the reporting
32 entity's budgetary integrity). The objective of stewardship can be best met
33 with a financial statement for the entire government. Meeting the financial
34 reporting objectives in their totality requires financial statements from all of the
35 types of reporting entities.

36 Paragraphs 57 – 67 are omitted. They describe types of financial statements.

37 **Other Information**

38

- 1 68. Financial information is also conveyed with **accompanying footnotes**, which
2 are an integral part of the financial statements. Footnotes typically provide
3 additional disclosures that are necessary to make the financial statements
4 more informative and not misleading.
5
- 6 69. It is also necessary to convey more general information about the reporting
7 entity. This could entail such matters as a brief description of the reporting
8 entity; its missions, goals, and objectives; the programs it provides and the
9 major recipients for the program; its major sources of funding; the manner in
10 which the reporting entity is organized; its personnel resources; highlights of
11 the entity's accomplishments during the reporting period; selected measures of
12 program performance abstracted from the statement of program performance;
13 problems encountered or targets missed and the reasons why; financial
14 highlights and trends; expected problems and challenges; future targets the
15 entity is setting for itself; and any other information the agency head or CFO
16 considers necessary to fully and fairly provide an understanding of the entity's
17 financial affairs. This type of information is typically presented in what has
18 come to be known as a **management's discussion and analysis** or
19 **overview** of the reporting entity.
20
- 21 70. The third objective of Federal financial reporting is that it "should assist report
22 users in assessing the impact on the country of the government's operations
23 and investments for the period and how, as a result, the government's and the
24 nation's financial conditions have changed and may change in the future."¹⁰
25 This objective requires a reporting of information concerning investments in
26 education, training, research, and development and certain types of property,
27 plant, and equipment that can affect the nation's future wealth, and to the
28 claims on future budgetary resources resulting from prior decisions and
29 actions.
30
- 31 71. The information pertaining to the aforementioned investments, certain types of
32 property, plant, and equipment,¹¹ and claims on future budgetary resources is

¹⁰ A complete discussion of the third objective for Federal financial reporting, which is called the "stewardship objective," is contained on pages 41-45 in Statement of Federal Financial Accounting Concepts No. 1, "Objectives of Federal Financial Reporting

¹¹ ~~The Board is currently considering accounting standards for Federally owned property, plant, and equipment. These standards will address placement of information related to various types of PP&E. The Board is considering placing information about some types of PP&E in footnotes with information about other types in required supplemental information. The Board's proposals will be presented in an exposure draft on stewardship reporting.~~

1 maintained in part in the entities' general ledgers and, in part, external to the
2 general ledgers. Some of the information is recorded in units other than
3 dollars, e.g., acres, millions of square feet. Finally, some of the information is
4 not subject to the types of controls present in a system of double entry
5 recordkeeping. Accordingly, a more suitable way to fulfill the third reporting
6 objective would be to display the appropriate information as **required**
7 **supplemental supplementary information** rather than attempting to include
8 it in financial statements.⁴²
9

10 ~~72. Finally, some reporting entities desire or need to report information to support~~
11 ~~information in the overview or to enhance the understanding of the entity's~~
12 ~~operations or financial condition. That additional information would not always~~
13 ~~be appropriate for the overview or the financial statements or accompanying~~
14 ~~footnotes. Examples are delivery times, turnover, and wastage of inventories;~~
15 ~~condition, maintenance, and expected replacement of physical capital; and~~
16 ~~delinquency, aging, and default rates for loan portfolios. This information is~~
17 ~~typically reported as **supplemental financial and management information**.~~
18 ~~It can be reported in the form of schedules, charts, tables, and/or narrative~~
19 ~~text.~~

20
21 73. The fourth objective, systems and controls, is fulfilled, in part, by the act of
22 preparing the financial statements. Other ways the fourth objective could be
23 fulfilled through the audited financial reporting process is by a management
24 assertion that would accompany the financial statements and/or an auditor's
25 attestation on the financial statements. The management assertion would be
26 an acknowledgment of its responsibility for the accuracy of the information in
27 the financial statements, the completeness and fairness of the presentation of
28 the information, the accuracy of the information in all material respects, and
29 the reporting of the information in a manner designed to fairly present financial
30 position and results of operations. The assertion could also include a
31 statement regarding the adequacy of the entity's systems and controls,
32 accompanied by the auditor's concurrence with the assertion.
33

34 Distinguishing Basic Information, RSI, and OAI

⁴²~~Required supplemental information is information that would be reported outside the principal financial statements that the Federal Accounting Standards Advisory Board considers an essential part of a reporting entity's financial reporting, and therefore recommends authoritative guidelines for the measurement and presentation of the information. It is analogous to the required supplementary information discussed in Statement on Auditing Standards AU Section 558.06, which addresses pronouncements of the FASAB, Financial Accounting Standards Board and the Governmental Accounting Standards Board~~

1 Determining Required Information

2 73A. Selecting a category for communicating information may involve a process that
3 begins with determining what information should be required. Required
4 information is information that consists of basic information and RSI. An item
5 of information is a candidate for Required Information if it is consistent with the
6 objectives of federal financial reporting and meets certain qualitative
7 characteristics and cost-benefit considerations. The Board developed these
8 factors earlier in the conceptual framework. SFFAC 1 identifies the reporting
9 objectives (paragraphs 112 to 150) and the qualitative characteristics
10 (paragraphs 157 to 164). It also discusses cost versus benefit considerations
11 (paragraphs 151 to 155).

12 73B. Information that meets the criteria for Required Information is a candidate for
13 basic information or RSI. Basic information is that which is essential for the
14 financial statements and notes to be presented in conformity with GAAP. The
15 FASAB standards are the core^{12.1} of GAAP and auditors express an opinion as
16 to whether basic financial statements and notes are presented in conformity
17 with those criteria.

18 73C. RSI is information that GAAP requires to accompany basic information. It may
19 be experimental in nature to permit the communication of information that is
20 relevant and important to the reporting objectives while more experience is
21 gained through resolution of accounting issues. Also, the information may be
22 expressed in other than financial measures or may not be subject to reliable
23 estimation. As issues are resolved, the information may be considered basic
24 at some point in the future.

25 73D. Assessing whether information is a candidate for basic information or RSI may
26 involve considering a range of factors which are listed in Table 1: *Factors to*
27 *Consider in Distinguishing Basic from RSI*. The factors are not listed in a
28 particular order and some may convey similar ideas. In addition, different
29 individuals may assign different weight to each factor. Thus, the factors
30 provide a general framework for each individual's judgment and are not
31 considered to present a decision tree, hierarchy, or precise algorithm for
32 classifying items.

12.1 The first and highest level of the GAAP hierarchy comprises standards and interpretations. Lower level GAAP may not conflict with standards or interpretations.

1 73E. For example, one may consider the relevance of the information to fair
2 presentation. If the information has a high relevance to fair presentation it may
3 be a candidate for basic information communicated by financial statements
4 and notes to the financial statements. The financial statements and notes
5 could not be considered fairly presented if the information is missing or
6 materially misstated.

7 OAI

8
9 73F. If an item of information does not meet the criteria for Required Information, it
10 becomes a candidate for OAI. OAI is information that accompanies basic
11 information and RSI, but is not required by a body that establishes GAAP.
12 Some entities may desire to report information to support Required Information
13 and enhance a user's understanding of the entity's operations or financial
14 condition. This may include information on delivery times, turnover, and
15 wastage of inventories; expected replacement of physical capital; and
16 delinquency, aging, and default rates for loan portfolios. In addition, entities
17 report information required by laws or administrative directives. This
18 information is also considered OAI.

19 73G. Although the FASAB does not require OAI to be presented, the FASAB may at
20 times encourage voluntary reporting of items to help in the development of
21 information that may enhance overall federal financial reporting. For example,
22 the Board may consider an item to be relevant to entity operations but, for the
23 moment, does not meet other criteria for Required Information.

1 **1. Table 1: Factors to Consider in Distinguishing Basic from RSI**

FACTORS TO CONSIDER IN DISTINGUISHING BASIC FROM RSI		
Low (implies RSI)	Factor	High (implies Basic)
	<Relevance to fair presentation>	
	<Connection with elements of financial reporting>	
	<Use of various types of financial data or financial transaction data>	
	<Strength of signal Board wishes to be sent in the financial report>	
	<Significance, relevance, or importance of the item in light of <i>Objectives</i> >	
	<Strength of signal the Board wishes to be sent in the auditor's report>	
	<Relevance to measuring financial condition or changes in financial condition>	
	<Extent to which the information interests a wide audience (rather than specialists)>	
	<Extent to which there are not alternative sources of reliable information>	
	<Agreement on criteria that permit comparable and consistent reporting>	
	<Experience among users, preparers, and auditors with the information>	
	<Extent to which the information is aggregated (lacking detail)>	
	<Benefit/cost ratio of using resources to ensure accuracy>	
	<Connection with basic financial statements>	
	<Reliability and/or precision possible>	
	<Reliability and/or precision needed>	

2

3

1 Financial Reporting for an Organizational Entity

2

3 74. Meeting the four objectives of Federal financial reporting in the most efficient
4 manner suggests that reporting entities issue a financial report that would include
5 the following:

6

7 • Management's discussion and analysis;

8 • ~~balance sheet~~ statement of financial position (commonly referred to as
9 balance sheet);

10 • statement of net costs;

11 • statement of changes in net position;

12 • statement of custodial activities, when appropriate;

13 • statement of budgetary resources;

14 • statement of financing;^{12a}

15 • statement of program performance measures;¹³

16 • accompanying footnotes;

17 • ~~required supplemental~~ supplementary information ~~pertaining to physical,~~
18 ~~human, and research and development capital and selected claims on future~~
19 ~~resources, when appropriate;~~ and

20 • ~~other supplemental financial and management information, when appropriate~~
21 accompanying information.

22

23

24 75. With some organizations, and even suborganizations, the activities of one or
25 more programs or other components are as important to the readers of the
26 financial statements as are the activities of the entity as a whole. This would be
27 particularly true for a Department composed of many bureaus, administrations,
28 agencies, services, etc., and particularly if their programs are dissimilar. In those
29 instances, consideration should be given to the preferability of reporting the
30 assets, liabilities, revenues, expenses, etc. of both the significant components
31 individually and of the entity in its entirety. Hence, larger organizations, and
32 particularly those composed of many bureaus, administrations, agencies, etc.,

^{12a} The Statement of Financing may be presented as a financial statement or as a schedule in the notes to financial statements. OMB will provide guidance regarding details of the display for the Statement of Financing, including whether it shall be presented as a basic financial statement or as a schedule in the notes to the basic financial statements.

¹³ The statement of program performance measures is not a basic financial statement. Nevertheless, it is an important component of the financial reports.

1 would prepare not only consolidated financial statements for the organizational
2 entity, but also provide information pertaining to their individual significant
3 components.¹⁴ The information for the individual components could be provided
4 with separate columns in consolidating financial statements¹⁵ (with the
5 information for the less significant components, and possibly the entity's
6 management component, aggregated into a single separate column), in separate
7 financial statements for each significant component, or in the accompanying
8 footnotes. The significant components can be suborganizations or programs. If
9 they are suborganizations, information regarding programs should be provided in
10 some manner.

11
12 76. Furthermore, there are frequently instances when one or more of the
13 suborganizations conduct a very visible or critical activity and there is a high level
14 of public interest, e.g., ~~Internal Revenue Service~~ tax collection activity; maintains
15 complex accounts with large fund flows, e.g., ~~Defense Business Operations~~
16 ~~Fund~~; has major responsibilities for the appropriate use of earmarked taxes, e.g.,
17 ~~Health Care Financing Administration~~; or its financial viability is of special
18 concern to the Executive Branch or the Congress, e.g., deposit insurance funds.
19 In those situations, it may be desirable for the sub-organization to prepare and
20 issue a separate financial statement that is consistent with the concepts
21 presented in this concepts statement.¹⁶ In doing so, it would need to identify the
22 parent entity and describe the sub-organization's relationship to the parent.

23
24 77. The components of any reporting entity are likely to conduct transactions with
25 other components in the reporting entity, other Federal entities, and persons and
26 organizations outside the Federal Government. Likewise, they are likely to have
27 assets due from and liabilities due to other Federal components and entities and
28 to non-Federal persons and organizations. In reporting the transactions and
29 balances of a Federal reporting entity in its entirety, it is conceptually desirable,
30 although not always practicable, to eliminate the intra-entity transactions and
31 balances. ~~Factors to consider are the utility of the information for the entity in its~~
32 ~~entirety if the intra-entity balances are not eliminated, the misunderstanding that~~

¹⁴ Such components are similar to responsibility segments as referred to in ~~FASAB Exposure Draft SFFAS 4,~~
~~"Managerial Cost Accounting for the Federal Government" (see pages 26-30) Concepts and Standards, par. 78-81.~~
Responsibility segments are used to accumulate costs and outputs for major lines of activity.

¹⁵ A **consolidated financial statement** presents the transactions and balances for a reporting entity's components
in a single column. In arriving at the consolidated amounts, the transactions and balances among the entities are
eliminated. A **consolidating financial statement** presents the information for the reporting entity's components as
well as the consolidated amounts in individual columns. The elimination of the inter-entity transactions and balances
needed to arrive at the consolidated amounts might or might not be presented in a separate column.

¹⁶ Sub-organizations required by statute to prepare and issue a separate financial statement would, by definition,
also need to do so.

1 might result if the balances are not eliminated, and the cost-benefit of making the
 2 eliminations.¹⁷
 3

4 78. Some of a reporting entity's components are likely to be required by law or policy
 5 to prepare and issue financial statements in accordance with accounting
 6 standards other than those recommended by FASAB's and issued by OMB and
 7 GAO, e.g., accounting standards issued by the Financial Accounting Standards
 8 Board or accounting standards established by a regulatory agency. Those
 9 components should continue to issue the required reports. The reporting entities
 10 of which the components are a part can issue consolidated, consolidating, or
 11 combining statements that include the components' financial information
 12 prepared in accordance with the other accounting standards. They need to be
 13 sensitive, however, to differences resulting from applying different accounting
 14 standards that could be material to the users of the reporting entity's financial
 15 statements. If these differences are material, the standards recommended issued
 16 by FASAB and issued by OMB and GAO should be applied. The components
 17 would need to provide any additional disclosures recommended required by
 18 FASAB and included in the OMB-issued standards guidance that would not be
 19 required by the other standards.
 20
 21

22 Financial Reporting for the Entire Government

23
 24 79. In addition to budgetary integrity, operating performance, and systems and
 25 control information, Readers of the financial statements for the entire
 26 government are likely to be concerned primarily with whether the government
 27 has been a proper steward. This can best be achieved with the preparation and
 28 issuance of the following:
 29

- 30 • Management's discussion and analysis;
- 31 • balance sheet statement of financial position (commonly referred to as
 32 balance sheet);
- 33 • statement of operations or net costs;
- 34 • statement of operations and changes in net position;

¹⁷—A reporting entity that eliminates none of the intra-entity transactions or balances and still desires to present the information for its individual components in separate columns could do so by preparing and issuing a **combining financial statement**. If the individual columns are added to a total column without elimination of the intra-entity transactions or balances, the total column would have to be labeled "Memorandum Only" to signify that it is not net of eliminations. Recognizing that the U. S. Standard General Ledger does not presently provide accounts for identifying intra-entity transactions, the decision as to when the information for a reporting entity other than the Federal Government as a whole should be presented in a consolidating financial statement rather than a combining financial statement would be specified by OMB in a Form and Content Bulletin.

- 1 • reconciliation of net operating revenue (or cost) and unified budget surplus (or
2 deficit);
3 • statement of changes in cash balance from unified budget and other
4 activities;
5 • comparison of budgeted and actual use of resources;
6 • statement of program performance measures;
7 • accompanying footnotes;
8 • ~~required supplemental~~ supplementary information pertaining to physical,
9 human, and research and development capital and selected claims on future
10 resources; and
11 • ~~other supplemental financial and management information, when appropriate~~
12 accompanying information.
13
14 80. The readers should be made aware of whether the financial statements for the
15 entire government exclude any significant entities that are included in the budget
16 or include significant entities that are not included in the budget.
17
18 ~~81. Readers of the financial statements for the entire government are also likely to be~~
19 ~~concerned with the results of the budget process. This interest can be fulfilled by~~
20 ~~providing a comparison of budgeted and actual use of resources, presented on~~
21 ~~the same basis as the budget is accounted for; and a reconciliation of accrual-~~
22 ~~based operating results to the budget based operating results. The budget would~~
23 ~~be the amounts included in the President's Budget or the Mid-session Review of~~
24 ~~the budget, whichever is appropriate.~~
25
26 82. The financial statements for the entire government could also be used to provide
27 information on Presidential initiatives or crosscutting programs that is not
28 available in financial statements for individual organizations or programs.
29
30 83. Because the government is a complete and integral economic entity, in contrast
31 to the departments and major agencies whose components frequently have
32 nothing in common other than belonging to the same department, it would be
33 appropriate that the financial statement for the entire government be a
34 consolidated financial statement. However, it might also be appropriate to display
35 selected information for the components, funds, etc., either within the
36 consolidated financial statement, in accompanying footnotes, and/or as
37 ~~supplemental~~ supplementary information.
38
39 Paragraphs 84 – 112 are omitted.

1	Appendix C: Abbreviations	
2	AICPA	American Institute of Certified Public Accountants
3	AU	Audit Standards codified and published by the AICPA
4	FASAB	Federal Accounting Standards Advisory Board
5	FASB	Financial Accounting Standards Board
6	GAAP	Generally Accepted Accounting Principles
7	GASB	Governmental Accounting Standards Board
8	GPFRR	General Purpose Federal Financial Report
9	MD&A	Management's Discussion and Analysis
10	RSI	Required Supplementary Information
11	SFAS	Statement of Financial Accounting Standards
12	SFFAC	Statement of Federal Financial Accounting Concepts
13	SFFAS	Statement of Federal Financial Accounting Standards

1 **Appendix C: Glossary**

2

3 **Basic Information:** Information that is essential for financial statements and
4 accompanying notes to be presented in accordance with generally accepted accounting
5 principles (GAAP).

6 **Other Accompanying Information:** Information that accompanies basic information
7 and required supplementary information but is not required by a body that establishes
8 GAAP.

9 **Required Information:** Information that consists of basic and required supplementary
10 information.

11 **Required Supplementary Information:** Information that GAAP requires to accompany
12 basic information.

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