

From: Gasparini, Joanne [mailto:Joanne.Gasparini@ssa.gov]
Sent: Monday, November 15, 2010 8:57 AM
To: FASAB
Cc: Dushel, Annette; Kolb, Kristen; Lilly, Christina; Hull, Stephen
Subject: SSA Comments on FASAB Measurement Exposure Draft

Wendy,

Attached are our responses to the questions on the Exposure Draft on the Statement of Federal Financial Accounting Concepts, *Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording*. Thank you for the opportunity to comment.

Please direct specific questions concerning our responses to Annette Dushel, (410) 965-0073 or Annette.Dushel@ssa.gov.

Joanne Gasparini for Carla Krabbe
Deputy Chief Financial Officer
Social Security Administration

Questions for Respondents

Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording

(issued September 13, 2010 with responses requested by November 30, 2010)

Name: Carla Krabbe

Organization: Social Security Administration

Q1. This Statement discusses whether and under what circumstances it might be more useful to report an asset or liability in periods after its acquisition or incurrence (a) at the amount initially recorded (i.e., "historical cost," subject to appropriate adjustments for amortization, depreciation, or depletion) or (b) at an amount measured at each financial statement date. These two amounts are referred to in this Statement as, respectively, "initial amounts" and "remeasured amounts."

- a. Is the distinction between initial and remeasured amounts understandable and useful to you? If not, please suggest improvements.**

Yes, SSA views the distinction between initial and remeasured amounts as understandable and useful.

- b. Are the benefits and drawbacks of using each approach clear and complete? (See paragraphs 17–33.) If not, please suggest improvements or additions.**

Yes, SSA finds the benefits and drawbacks of using each approach described in the ED clear and complete.

- c. Do you agree with the decision to exclude any discussion of the advantages and disadvantages of inflation-adjusted amounts from this Statement? (See paragraphs 14–15.) Please provide the rationale for your answer.**

We agree with the decision to exclude discussion of the advantages and disadvantages of inflation-adjusted amounts from this Statement. At this point, it is reasonable to focus on non-adjusted amounts, with the understanding that the Board may revisit the issue should circumstances change.

Q2. This Statement distinguishes among "measurement approach," "measurement attribute," and "measurement method." (See paragraph 7.)

Are the distinctions clear? If not, please suggest improvements.

Yes, we believe the Board provides clear distinctions among measurement approach, attribute, and method.

Q3. The Statement asserts that:

[W]hen the goal is to help ensure that reported information meets several financial reporting objectives in response to the various decision-making needs of a range of users, it is necessary to accept that different measurement approaches, measurement attributes, and measurement methods may be appropriate to convey useful information about different transactions and underlying events. (See paragraph 33.)

Do you believe that it is appropriate to measure items presented in accrual-basis financial statements using different measurement approaches, attributes, and/or methods? Please provide the rationale for your answer.

While there is benefit to using multiple approaches as different lines items have different aspects of measurement related to them, the issue of consistency should be considered. If every single line item had a different measurement approach, then a lack of consistency could cause the reader some confusion and confidence issues with the financial reports. If the different measurement techniques were minimal, then there may not be an issue. For SSA, initial amounts would be used for the majority of our activities and remeasured amounts for accounts receivable where there is an allowance for doubtful accounts.

Q4. Beginning in paragraph 34, this Statement presents the definitions of measurement attributes and discusses each attribute in relation to the qualitative characteristics that information in financial reports should demonstrate. These attributes will be relied on in establishing accounting standards in the future.

a. Is the definition of each attribute clear and understandable? If not, please identify the attribute(s) for which you found the definition lacking, explain why, and suggest improvements.

Yes, SSA believes the definition of each attribute is clear and understandable.

b. Is the list of attributes complete? If not, please identify and define the attribute(s) that you would add to this Concepts Statement and explain why you would add it (them).

Yes, the list of attributes appears complete.

c. Are there any attributes in the list that you believe are inappropriate for accrual-basis federal government entity financial statements? If so, please identify the attribute(s) that you would exclude and explain why.

Besides accounts receivable and the settlement attribute, we do not believe that the other measurement attributes (fair value, replacement, value in use, and fulfillment costs) have a place in the reporting of SSA's activity. While we cannot speak to the appropriateness of these attributes for the government as a whole, they do not meet the needs of SSA's accounting environment. One of SSA's major assets is investments, which does not lend itself

to the attributes in the proposed ED. Also, our major liabilities - accounts payable and benefits due and payable - are what they are at the time of the statement.

Another point that should be addressed when looking at the appropriateness of these attributes is materiality, which is not discussed in the proposed ED but should be considered. The cost-benefit of assessing the fair value, settlement, replacement cost etc, may not be worthy for non-material items. Would these attributes be readily available in the time frame needed for statement reporting? Would the costs to obtain these attributes outweigh the benefit of the reporting?

- d. Do you agree with the discussion of the extent to which the measurement attributes and methods fulfill the individual qualitative characteristics? If not, please identify which aspects you view differently and explain why.**

Yes, SSA agrees with the discussion of measurement attributes and methods fulfilling qualitative characteristics.