

Federal Accounting Standards Advisory Board

FOR MORE INFORMATION:
Monica Valentine
(202) 512-7362
ValentineM@fasab.gov

September 26, 2016

NEWS RELEASE

FASAB Issues Exposure Draft

Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government and SFFAS 6, Accounting for Property, Plant, and Equipment

The chairman of the Federal Accounting Standards Advisory Board (FASAB or “the Board”), D. Scott Showalter, announced today that FASAB is seeking input on the proposed Statement of Federal Financial Accounting Standards (SFFAS) entitled *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government and SFFAS 6, Accounting for Property, Plant, and Equipment*.

The Board is proposing revisions to the existing federal lease accounting standards. The proposal would provide relevant and meaningful financial information needed by federal financial statement users. The revised standard would include a comprehensive set of lease accounting standards to recognize federal lease activities in the reporting entity’s general purpose federal financial reports, as well as appropriate disclosures.

The Board is proposing that federal lessees recognize a lease liability and a leased asset at the beginning of the lease, unless it is an intragovernmental lease or a short-term lease. A federal lessor would recognize a lease receivable and deferred revenue, unless it is an intragovernmental lease or a short-term lease.

The proposal also provides recognition, measurement, and disclosure requirements for intragovernmental leases. An intragovernmental lease is a contract or agreement that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration occurring within a consolidation entity or between two or more consolidation entities as defined under SFFAS 47, *Reporting Entity*.

“The Board is seeking to provide relevant and decision useful information to federal financial statement users,” noted Chairman Showalter. “The Board strongly considered the costs associated with the lease proposal. Those cost considerations are especially evident with the proposed accounting for short-term and intragovernmental leases.

Additionally, we were able to address some implementation issues resulting from the current standards.”

The Board requests comments on the exposure draft by January 6, 2017, and encourages respondents to provide responses to all of the questions raised and the reasons for their positions. The exposure draft and the specific questions raised are available at the FASAB website in PDF and Word format, respectively (<http://www.fasab.gov/documents-for-comment/>).

ABOUT FASAB

FASAB serves the public interest by improving federal financial reporting through issuing federal financial accounting standards and providing guidance after considering the needs of external and internal users of federal financial information.

Financial reports, which include financial statements prepared in conformity with generally accepted accounting principles, are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, the Board plays a major role in fulfilling the government's responsibility to be publicly accountable. Federal financial reports should be useful in assessing (1) the government's accountability and its efficiency and effectiveness and (2) the economic, political, and social consequences, whether positive or negative, of the allocation and various uses of federal resources.

FASAB issues federal accounting standards after following a due process consistent with the Memorandum of Understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

For more information on FASAB, please visit our website: <http://www.fasab.gov/>.