



**UNITED STATES DEPARTMENT OF COMMERCE**  
**Chief Financial Officer**  
**Assistant Secretary for Administration**  
Washington, D.C. 20230

DEC - 2 2010

Wendy M. Payne  
Executive Director  
Federal Accounting Standards Advisory Board  
Washington, DC

Dear Ms. Payne:

The Department of Commerce has reviewed the FASAB Exposure Draft, Statement of Federal Financial Accounting Concepts, *Measurement of Elements of Accrual-Basis Financial Statements in Periods After Initial Recording*, dated September 13, 2010.

Please find enclosed answers to the questions that were asked of the respondents.

If you have any questions, please contact me at (202) 482-1207 or [galston@doc.gov](mailto:galston@doc.gov) or Bruce Henshel at (202) 482-0646 or [bhenshel@doc.gov](mailto:bhenshel@doc.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Gordon F. Alston", with a long horizontal flourish extending to the right.

Gordon F. Alston  
Deputy Director for Financial Management

Enclosure

cc: Lisa Casias  
Diane Marston  
Tony Akande  
Bruce Henshel

**Department of Commerce Response****FASAB Exposure Draft, Statement of Federal Financial Accounting Concepts,  
*Measurements of the Elements of Accrual-Basis Financial Statements in Periods After  
Initial Recording*****Prepared by: Department of Commerce, Office of Financial Management****Date Prepared: December 2, 2010****Questions and Answers**

1. 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.

**Department of Commerce Response:**

**The Department believes that the distinction between initial and remeasured amounts is not specific enough, and as a result is unclear. The Department suggests the following revisions:**

- In paragraph 10, first sentence, add *“,or assets and liabilities,”* after *“Prices of goods and services.”* We recommend this because changes in specific prices also include changes in prices for assets and liabilities beyond good and services, such as land, building, and investments.
- In paragraph 10a, after *“A change in the demand for or supply of a specific product”* add *“asset, or liability,”*
- At the end of paragraph 10a, add discussion about changes in market value of investments, such as investments in Treasury securities, common stocks, bonds, etc. The Department recommends this revision because investments have become more common across the U.S. Government.
- In paragraphs 12c and 12d, add *“,or assets or liabilities,”* after *“prices of specific goods or services”* (12c), and after *“current prices of goods and services”* (12d).
- In paragraphs 18 and 20, add an example of a purchase of an investment, such as a Treasury security, common stock, bond, etc (18), and an example of an investment, such as a Treasury security, common stock, bond, etc (20).

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

**Department of Commerce Response:**

The Department recommends that more emphasis/discussion be added for the drawbacks for the remeasured approach. We believe it would be beneficial to discuss the additional resources and/or costs for agencies under the remeasured approach, not only to record the transactions, but also for justifying the remeasured approach from a cost/benefit standpoint, benefits to users of financial statements, etc. The Department also suggests adding examples of investments in Appendix A.

- 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.

**Department of Commerce Response:**

The Department agrees with the decision to exclude any discussion of the advantages and disadvantages of inflation-adjusted amounts from this Statement. Including this discussion would take some of the focus away from what the Board is proposing in the Exposure Draft. The Department believes that if a period of high inflation is experienced, then it would be appropriate to consider if applicable financial statement lines should be recorded at a constant dollar (i.e. remeasured) amount.

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

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

**Department of Commerce Response:**

The Department believes the distinctions are clear, however, suggests adding to paragraph 7a a brief explanation/example of the “remeasured amount” similar to the brief explanation/example included for the initial amount. The Department also suggests a brief explanation/example of both the initial amount and remeasured amount be added under the Executive Summary topic “What is the Board proposing,” second paragraph.

Q3. The Statement asserts that:

When 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.

**Department of Commerce Response:**

**The Department believes it may be appropriate to measure different assets and liabilities using different measurement approaches, attributes, and/or methods, depending upon the characteristics of the asset or liability, for example, what the asset or liability is being held for (i.e. resale, investment, etc.). As an example, if the asset or liability is regularly sold or traded, then it may possibly be measured at a remeasured amount. Certain assets and liabilities may possibly be recorded at a remeasured amount based on market research; for example: buildings, facilities, and land. Some questions to consider with the remeasurement approach: How do you develop remeasurement approaches?; What additional resources and/or costs are required?; Is the remeasurement approach justifiable from a cost versus benefit perspective? The Department recommends that discussion about these questions, and most importantly the question regarding cost versus benefit, be addressed in the Statement. A significant concern could be, that, with two approaches (initial amount or remeasured amount) available for valuation, management could inappropriately select one approach because they did not like the outcome of another approach.**

Q4. Beginning in paragraph 34, this Statement presents the definitions 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.

**Department of Commerce Response:**

**The Department believes that the definitions of each attribute are clear, understandable, and are presented well.**

- 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).

**Department of Commerce Response:**

**The Department believes that 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.

**Department of Commerce Response:**

**The Department believes that the attributes in the list are appropriate for accrual-basis federal government entity financial statements.**

- 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.

**Department of Commerce Response:**

**The Department agrees with the discussion of the extent to which the measurement attributes and the methods fulfill the individual qualitative characteristics seems reasonable.**