



## Greater Washington Society of CPAs and GWSCPA Educational Foundation

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November 30, 2010

Wendy Payne, Executive Director  
Federal Accounting Standards Advisory Board  
Mail Stop 6K17V  
441 G Street, NW – Suite 6814  
Washington, DC 20548

Dear Ms. Payne:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) on the proposed Statement of Federal Financial Accounting Concepts (SFFAC or Concept) *Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording*.

The GWSCPA consists of approximately 2,000 members, and the FISC includes 23 GWSCPA members who are active in accounting and auditing in the Federal sector. This comment letter represents the consensus comments of our members. Our responses to the ED questions follow.

- 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.
  - b. Are the benefits and drawbacks of using each approach clear and complete? (See paragraphs 17–33.) If not, please suggest improvements or additions.
  - 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.
- A1. The FISC generally agrees with the narrative in the ED, and provides the following detailed responses to the questions posed in the ED:

- a. Yes. We believe that the distinction is clear, and that the examples provided in the ED assist in clarifying the concepts of initial and remeasured amounts.
- b. Yes. We believe that the benefits and drawbacks are described clearly and as comprehensive as can be reasonably expected. However, we recommend that the discussion in paragraph 24 of the reporting of initial amounts for inventory and capital assets could include recognition of write-downs required for inventory to market and capital for permanent impairment. Also, we recommend that third sentence in paragraph 30 be reconsidered since the link is not clear between remeasured amounts and the capacity of the assets to deliver services.
- c. Yes. We agree that the decision to exclude advantages and disadvantages of inflation-adjusted amounts from this ED is appropriate. The ED leaves the opportunity to revisit the issue in periods of higher inflation. However, even in periods of moderate to high inflation, the advantages of inflation-adjusted amounts may outweigh the disadvantages (e.g., increased complexity).

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

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

A2. The FISC believes that the distinctions among “measurement approach,” “measurement attribute,” and “measurement method” are clear.

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.

A3. The FISC agrees that it is appropriate to measure different categories of assets or liabilities using different measurement approaches, attributes, or methods. The FISC also agrees with the statement in paragraph 33 that, “Requiring the same measurement approach for all assets and/or liabilities and related costs is unlikely to be conceptually appropriate or useful for decision makers.” However, our members caution that each category of asset or liability should be reported on a consistent basis, and that recognition of different measurement approaches within the same category of assets or liabilities should be avoided.

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.
  - 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).
  - 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.
  - 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.
- A4. The FISC agrees with the narrative in the ED, and provides the following detailed responses to the questions posed in the ED:
- a. We believe that the definition of each attribute is clear and understandable. More detail may be necessary for future standards or implementation guides. But, for the purposes of a concept ED, the definitions are sufficient.
  - b. We found the list to be complete. No other attributes were identified by our members.
  - c. We believe that all attributes could be appropriate in some circumstances. However, the concepts, especially those of “Fulfillment Cost” and “Value In Use”, would be clearer if some examples were provided of current use of these measurement attributes in the Federal or non-Federal reporting environment.
  - d. We agree that the discussion is appropriate.

### **Other Comment**

We recommend that the table in Appendix A be useful a separate document, such as in a “users guide” to understanding Federal financial reporting. This would enhance readers’ understanding of the various measurement methods used in Federal financial reporting. This table would be especially useful if it had additional columns to contrast the measurement methods required by the FASB, GASB, and IASB of comparable financial statement captions.

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This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,

A handwritten signature in black ink that reads "Andrew Lewis". The signature is written in a cursive style with a prominent initial "A" and a stylized "L".

Andrew C. Lewis  
FISC Chair