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Sent: Tuesday, November 30, 2010 5:54 PM

To: FASAB

Cc: Karczewski, Stanley - OCFO

Subject: Comments on FASAB SFFAC, "Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording (Exposure Draft)," Dated September 13, 2010

Wendy M. Payne, Executive Director

Federal Accounting Standards Advisory Board

Dear Ms. Payne:

Below please find comments from the U.S. Department of Labor (DOL), Office of the Chief Financial Officer (OCFO), on the Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Concepts, "Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording (Exposure Draft)," dated September 13, 2010.

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, the distinction is understandable. However, we believe that the presentation of a particular element on the balance sheet may be a combination of both initial and remeasured amounts and not an initial amount versus a remeasured amount. For example, the book value/carrying value of General Property Plant & Equipment (G-PP&E) may be influenced by both depreciation expense/amortization expense and impairment loss as it impacts accumulated depreciation/accumulated amortization.. We believe that the recognition of an impairment loss may effect the book value/carrying value of G-PP&E as a remeasured amount. This same concept may also apply to various types of receivables and financial instruments if they become impaired.

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, the benefits and drawbacks were clear and we do not have suggestions at this time.

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.

If the FASAB wishes to exclude the discussion of advantages and disadvantages of inflation-adjusted amounts in the Statement, we consider that within the Board's purview to limit the scope of the document. However, please refer to our comments on other aspects of the Statement regarding deflation.

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, the distinctions among "measurement approach," "measurement attribute," and "measurement method" are clear and we do not have suggestions at this time.

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.

Yes, we believe that it is appropriate to measure items presented in accrual-basis financial statements using different measurement approaches, attributes, and/or methods because we believe that this is already reflected in the generally accepted accounting principles under the jurisdictions of the FASAB, Financial Accounting Standards Board, Governmental Accounting Standards Board, and International Accounting Standards Board.

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, the definition of each attribute was understandable and we do not have suggestions at this time.

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).

We do not have suggestions regarding the attributes at this time. However, please refer to our comments on other aspects of the Statement regarding paragraphs 38 through 42.

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.

We do not have suggestions regarding inappropriate attributes at this time.

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.

We believe that this discussion adequately addressed the qualitative characteristics. However, please refer to our comments on other aspects of the Statement regarding paragraphs 38 through 42.

We offer our comments below as comments on other aspects of the proposed Statement.

- In Paragraph 1, the Exposure Draft (ED) assumes that a Statement of Social Insurance (SOSI) is based on non-accrual basis accounting information. However, DOL's SOSI includes a line for Net Position, an accrual basis item, in addition to the non-accrual basis information, which is inconsistent with the statement in Paragraph 1.
- In Paragraph 3, the ED assumes that the measurement and recognition of changes in assets and liabilities affect reported revenues and expenses. We believe that the measurement and recognition of revenues and expenses may affect assets and liabilities as well. For example, the effective interest method of recognizing interest revenue and interest expense holds the interest revenue and interest expense constant as a percentage of the carrying value of the asset or liability. Then, the amortization of the premium or discount and carrying value of the instrument are adjusted accordingly. In this manner, it is the revenue and expense that adjusts the asset or liability and not the change in the asset or liability that leads to the revenue or expense.
- In Paragraphs 10 through 14, the example which illustrates inflation-adjusted and current cost-adjusted measurements used the sale of land as an example, a transaction which is neither relevant nor typical for DOL and may not be a material type of activity for most Federal entities. The example and discussion may appear one-sided because it could have also dealt with deflation and current cost-adjusted amounts where prices decline instead of assuming only inflation and demand/market appreciation. Any decision to include or exclude inflation should also correspond with a decision to include or exclude deflation.
- In Paragraphs 38 through 42, in making determinations regarding fair value, perhaps consideration could be given to circumstances where the Federal government,
 1. Due to its size, may influence the market price for certain types of items, whether intentionally or unintentionally;
 2. Due to the specialized nature of some of the products it consumes, is a market maker and price maker for these types of items;
 3. Due to its policy and program activities, may be a price taker for certain types of items; and
 4. Due to its policy and program activities, may have varied current and future intentions regarding the item.
- The ED addressed only items presented on the face of the financial statements, as represented in words and numbers. The ED did not discuss how alternative measurements could be presented in the note disclosures or Required Supplementary Information (RSI), which could still provide relevant information, but without the articulation problems of recognition on the financial statements.

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Thank you for giving DOL/OCFO the opportunity to provide comments. If there are any questions, please contact me at (202) 693-6807 or [simpson.cynthia@dol.gov](mailto:simpson.cynthia@dol.gov).

Sincerely,

Cynthia D. Simpson

U.S. Department of Labor

Office of the Chief Financial Officer