

Comments on FASAB Measurement SFFAC ED

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1. I commend the Board and Staff for pursuing this important stage of the development of FASAB's Conceptual Framework. While Concepts cannot directly resolve accounting/reporting issues, they can shape the Board's discussion and keep it focused on key parameters.

2. In the Executive Summary, Question for Respondents #1, ED Paragraphs 2 and 7a, the ED says (with some slight modifications in the various locations) that:

“The principal question addressed is whether and under what circumstances it might be more useful for users' decision making to report an asset or liability in periods after its acquisition or incurrence (a) at the amount initially recorded, subject to appropriate adjustments for amortization, depreciation, or depletion ("initial amount") or (b) at an amount measured at each financial statement date ("remeasured amount").

I believe that (a) this principal question is not answered in the ED (especially the “under what circumstances” component) and (b) this statement of principal question is inconsistent with paragraph 22 of the ED:

“no conclusions are drawn as to which measurement approach or attribute may be preferable either in general or in particular circumstances.”

Given this internal inconsistency in the current ED, it might be better to re-frame the entire ED as a discussion of the circumstances in which a particular set of measurement approaches (a) contribute to the Objectives of federal financial reporting and (b) fulfill the qualitative characteristics of federal reporting information. Part of this structure is already present in the ED. Perhaps the document could be rewritten to emphasize this approach. See also comment #3 following.

3. Although it is not the purpose of SFFACs to set accounting standards, I believe that prior SFFACs have provided more conceptual guidance than this ED. For example, SFFAC #1 focuses on certain Objectives and ignores others; also, SFFAC #6 provides certain directional parameters to consider when distinguishing Basic, RSI and OAI (see for example Table 1 at page 231 of Version 9 of the Codification). As currently written, the Measurement ED is mainly an inventory of possible pros and cons of various measurement approaches. The document often says that things like “supporters of measurement approach X say that it has advantage Y” without sorting out the validity of various claims concerning pros and cons. The ED misses an opportunity to provide some structure and guidance concerning what points of

view appear to be sound and which parameters to consider when the Board takes up particular measurement topics in the future. Providing this structure or guidance would not usurp the decision making authority of future Boards concerning Standards. Rather, it would provide a common foundation and basic reasoning on which to consider the merits of alternatives presented in future situations. Any revision of the ED should include some conceptual guidance concerning the foundations for future decisions in Standards that guide measurement.

4. In terms of clarity of communication, I believe that the SFFAC ED could also be improved if the text was accompanied by a summarizing chart that lists the pros and cons that have the most solid support under varying circumstances. As in the text, the main focus would be on measurement approaches that serve the concepts from the FASAB's Objectives and Qualitative Characteristics documents. That would highlight the parameters that the Board should consider in future deliberations concerning standard-setting, without specifying the trade-offs that might be necessary in resolving specific accounting standard setting issues; i.e., without usurping future Board's prerogatives concerning standard setting. Again, see Table 1 from SFFAC # 6 at page 231 of Version 9 of the Codification for one possible approach.

5. I see that Appendix A is listed as 'an' illustration based on current GAAP. I believe that including such an illustration may have the unfortunate effect of focusing readers/respondents on 'what is' rather than directing their attention to the conceptual foundations of 'what should be'. The Board should take into account that bias when evaluating responses to the ED.

5a. Related to the focus on 'what is': I was not clear about the purpose of paragraphs 18 and 19 in the ED, especially this from paragraph 19:

"Initial amounts for longer lived assets and liabilities generally are allocated to reporting periods. For example, capital assets are depreciated or amortized over their estimated useful lives. Discounts or premiums from issuance of debt are amortized or accreted over the term of the debt. Many of these features present practical questions to be resolved when setting standards. They do not represent advantages or disadvantages within the scope of this Statement."

6. Finally, although these comments have focused on possible improvements that might be made in the ED, I believe that the Board and Staff have made substantial progress on this topic compared to where it was two years ago.