



FASAB News

Federal Accounting Standards Advisory Board

June/July 2013 TABLE OF CONTENTS

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Current Board Projects

(For more information on any of the current projects, click on the title of the project below to be directed to the related active project page.)

Federal Reporting Entity

The Reporting Entity project was not on the Board's agenda for the June 19, 2013 meeting. The *Reporting Entity* exposure draft requested written comments by July 3, 2013 and almost 40 responses have been received. Comments received after the due date will be conveyed to the Board at later meetings. To review the responses visit - <http://www.fasab.gov/board-activities/documents-for-comment/exposure-drafts-and-documents-for-comment/reporting-entity/>

A public hearing has been scheduled in conjunction with the August 28, 2013 Board meeting and interested respondents are encouraged to participate.

Point of Contact: Melissa Loughan, 202-512-5976, loughanm@fasab.gov

Disclaimer

The staff of the Federal Accounting Standards Advisory Board publishes FASAB News following Board meetings to provide highlights of recent Board actions and issues. When an article refers to a Board decision, it should be understood that Board decisions are tentative until FASAB issues a Statement of Federal Financial Accounting Concepts (SFFAC) or Statement of Federal Financial Accounting Standards (SFFAS).

Please direct newsletter editorial questions to Melissa Loughan, 202-512-5976, loughanm@fasab.gov.

Please direct AAPC technical questions to Monica Valentine, 202-512-7362, valentinem@fasab.gov.

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, jacksoncw1@fasab.gov.

[The Financial Report: MD&A, Statements, Notes, RSI and OAI](#)

The financial reporting model project was not on the Board's agenda for the June 19, 2013 meeting.

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov

[Leases](#)

The Lease Project was not discussed at the December Board meeting. Staff is continuing preliminary research on the project by following the developments of the FASB/IASB lease project and gathering information from federal entities on their leasing activities.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

[Risk Assumed](#)

At the February meeting the Board agreed to address the risk assumed project using a phased approach given the challenges inherent in addressing such a broad topic (i.e., exposures that could result in future outflows of the federal government). Staff is researching the first phase of the project to be addressed – insurance and non-loan guarantees. At the June meeting, staff presented several questions to the Board related to reviewing the current measurement methodology in accounting for direct loans and loan guarantees to consider a similar approach for the accounting for insurance and non-loan guarantees and to the scope of the insurance and non-loan guarantee phase of the overall risk assumed project.

Question 1 related to using “insurance and guarantee program” vs. “insurance and guarantee contract” – How should “insurance and guarantee” be defined in the federal environment? Staff recommended scoping this phase of the project in the context of “federal insurance and guarantee programs” rather than contracts and initially taking a narrow approach to this phase of the project. While the Board generally agreed, several members preferred a broader principle-based approach which would allow the other phases to possibly follow similar accounting. The matter will be considered again as the definitions are developed.

Question 2 related to non-loan guarantee programs and how they should be addressed in conjunction with insurance programs. The Board agreed with staff's recommendation

to further research the underlying characteristics of non-loan guarantee programs to identify the similarities and differences between federal insurance programs and non-loan guarantee programs. The analysis would allow staff to assess the development of the overall scope of this phase and ultimately determine whether different accounting should be proposed for non-loan guarantee programs.

Question 3 related to requesting comments from federal insurance entities currently following FASB GAAP on the FASB proposed standards for insurance contracts – (e.g., what, if any, changes in their financial reporting may result from the FASB standards?). The Board agreed with staff's recommendation to ask the four federal entities identified to respond to specific questions on FASB's insurance contracts proposal. Staff would use those responses to identify application concerns that would be unique to a federal entity.

Question 4 related to staff assessing the conceptual similarities and differences between federal loan guarantee programs and federal insurance and non-loan guarantee programs to consider if they are similar enough to be accounted for similarly. The Board agreed with staff's recommendation to assess the conceptual similarities and differences between federal loan guarantee programs and federal insurance and non-loan guarantee programs to evaluate if the insurance and guarantee standards should mirror those of credit reform accounting for loan guarantees.

The next steps for phase I of the project are as follows.

- Propose a definition for federal insurance and non-loan guarantee programs.
- Develop unique characteristics of federal insurance and non-loan guarantee programs.
- Research and identify federal non-loan guarantee programs and their unique characteristics.
- Follow up with those federal insurance entities currently following FASB GAAP once the FASB insurance contract exposure draft is released.
- Prepare an analysis that assesses the conceptual similarities and differences between federal loan guarantee programs and federal insurance and non-loan guarantee programs to evaluate if the insurance and guarantee standards should mirror those of credit reform accounting for loan guarantees
- Research federal reinsurance to determine if the topic should be included within the project's scope.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

Public-Private Partnerships (P3)

The Public-Private-Partnership (P3) project is in its early stages and the June Board meeting broadly focused on several issues affecting both scope and approach to the project.

Staff noted that for those P3s that are in essence long-term leases, the Board could address such arrangements/transactions through a technical bulletin when the leases project is substantially finalized. However, in those cases where long-term leases are part of a broader set of agreements, P3 risk could create fiscal exposure and such matters would be best addressed through an overarching standard that emphasizes substance over form.

As a result, staff recommended that the Board look at the risks and rewards of P3s (i.e., a P3s' underlying business model) and first consider fiscal exposures before addressing what assets and liabilities may need to be reported.

Board members and staff then discussed 2 areas of concern (1) the relationship of the P3 project to the Risk Assumed project and (2) the financial component of P3s. In addressing these areas of concern, staff and members discussed the P3 touch-points among active projects by reviewing a chart entitled *P3 Project in Relation to the Other Active FASAB Projects* and the *17 Major P3 Accounting Practice Issues* on pages 26 and 29 of the staff briefing paper, respectively.

The Board then reviewed the preliminary *Potential P3-Centric Reporting Characteristics/Criteria* shown on page 49 of the staff briefing paper. Each of these preliminary characteristics/criteria have been organized under very general P3 life-cycle stages and would be used by preparers to distinguish those P3s that should be considered for reporting through disclosures in connection with entity-specific materiality tolerances. The intention of the criteria is to eliminate from this reporting those P3 arrangements/transactions that pose no (1) financial asset/liability recognition or de-recognition concerns, or (2) other fiscal exposure/risk that could lead to a liability. Members agreed to await further development of the characteristics/criteria and asked staff to simplify their presentation so that the potential for increased fiscal exposure/risk can be more readily apparent.

Staff noted that the next steps of the project include finalizing the potential P3-centric reporting characteristics/criteria and further evaluation of the 17 major P3 accounting practice issues. The project was tentatively scheduled to issue guidance on additional disclosures about fiscal exposure/risks in fiscal year 2015 with final standards or technical bulletin(s) following in fiscal year 2017. Some members were concerned that recognition matters were not being addressed before guidance on additional disclosures about fiscal exposure/risks. Staff reassured members that recognition matters were intended to be worked concurrently with other aspects of the project.

During the meeting Mr. Allen stated that a significant value he sees arising from this project is in assisting and guiding preparers to the applicable accounting literature when reporting on P3 arrangements/transactions.

In conclusion, although the Board generally supported the direction of the project of identifying and disclosing P3 risks (fiscal exposure), it deferred specific decisions on other aspects of the project, including pursuing guidance to address the identified 17 major accounting practice issues, pursuing technical bulletins to address P3s that are in essence long-term leases, and determining whether the characteristics/criteria to identify reportable P3s are appropriate.

Point of Contact: Domenic Savini, 202-512-6841, SaviniD@fasab.gov

FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 2 CY2013	Quarter 3 CY2013	Quarter 4 CY2013	Staff Contact
The Reporting Entity		ED	DP and PH	UR	Melissa Loughan (202-512-5976)
Risk Assumed		Research	Research	Research	Monica Valentine (202-512-7362)
Investments and Other Equity Interests in Non-Federal Entities					Wendy Payne (202-512-7357)
Leases		Research	Research	Research	Monica Valentine (202-512-7362)
Financial Reporting Model		Research	Research	Research	Ross Simms (202-512-2512)
Public Private Partnerships		Research	Research	Research	Dominic Savini (202 512 6841)

Key Activities or Status - Note that all estimates of progress assume that exposure drafts are finalized as statements without re-exposure due to significant changes.

Research—Staff Research Phase of Project & Board Deliberations

ED—Exposure Draft Issued

DP—Board Due Process, including review of comment letters, etc.

PH—Public Hearing

PV—Preliminary Views Issued

UR—Under Review, document approved by FASAB and sent to sponsors for 90-day review

Final—Final Standard, Concept, Interpretation, etc. issued final.

Accounting and Auditing Policy Committee

On March 1, 2013 the AAPC released exposure draft, *Implementation Guidance on General Property, Plant, and Equipment Cost Accumulation, Assignment, and Allocation*.

One of the objectives of the proposal is to enable federal reporting entities to use a consistent framework to interpret existing guidance. The proposal also supports the objectives of ensuring that (1) transactions involving G-PP&E are recorded in accordance with federal accounting standards, and (2) the cost of producing federal financial information, as it relates to establishing the cost of G-PP&E, does not outweigh the benefits derived by the users of the financial information. Lastly, it provides a decision framework flowchart to assist entity management in applying the principles described throughout the technical release.

The exposure draft comments were requested by May 1, 2013. The AAPC will be discussing the comments received at its next meeting on July 11, 2013

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

FASAB Meeting Schedule

Schedule for 2013 Meetings:

Wednesday and Thursday, August 28th and 29th
Wednesday and Thursday, October 23rd and 24th
Wednesday and Thursday, December 18th and 19th

Unless otherwise noted, FASAB meetings begin at 9 AM and conclude before 5 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas and briefing materials are available at <http://www.fasab.gov/board-activities/meeting/briefing-materials/> approximately one week before the meetings.

AAPC Meeting Schedule

Schedule for 2013 Meetings:

Thursday, September 19
Thursday, November 21

Unless otherwise noted, AAPC meetings begin at 1 PM and conclude at 3 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas are available at

<http://www.fasab.gov/about/aapc/meetings/> approximately one week before the meetings.

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please [pre-register](#) on our Web site at <http://www.fasab.gov/board-activities/meeting/information-for-observers/pre-registration/> **no later than 8 a.m. the Tuesday before the meeting to be observed.** The Government Accountability Office (GAO), which provides space for our meetings, has increased its security procedures and your name must be provided in advance to the GAO security force before you can enter the building. Thank you.