

Federal Accounting Standards Advisory Board

FOR MORE INFORMATION:

June 2, 2015

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NEWS RELEASE

FASAB Releases Exposure Draft

Opening Balances for Inventory, Operating Materials and Supplies (OM&S) and Stockpile Materials

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), Tom Allen, announced today that the FASAB is seeking input on the exposure draft of a proposed Statement of Federal Financial Accounting Standards (SFFAS), entitled *Opening Balances for Inventory, Operating Materials and Supplies and Stockpile Materials*.

The Department of Defense (DoD) requested FASAB's guidance on the use of reasonable baseline estimates for the valuation of legacy inventory, operating materials and supplies (OM&S), and stockpile materials because SFFAS 3, *Accounting for Inventory and Related Property*, requires valuation at historical cost (initial amounts). The proposed Statement would allow a reporting entity to apply an alternative valuation method in establishing opening balances for inventory, OM&S, and stockpile materials. The alternative valuation method is available only when presenting information following generally accepted accounting principles (GAAP) either (1) for the first-time or (2) after a period during which existing systems could not provide the information necessary for producing such GAAP- based financial statements without use of the alternative valuation method.

"The FASAB is committed to providing for cost-effective adoption of GAAP when historical records and systems do not provide a basis for valuation of opening balances in accordance with SFFAS 3," according to Chairman Allen. "We considered the costs and benefits and collective strain on DoD's resources to provide a cost-effective go forward approach to the adoption of SFFAS 3."

The exposure draft requests comments by **July 20, 2015**. Respondents are encouraged to provide the reasons for their positions. The exposure draft in PDF format and the specific question raised in Word format are available at the FASAB website (<http://www.fasab.gov/exposure.html>).

ABOUT FASAB

The FASAB serves the public interest by improving federal financial reporting through issuing federal financial accounting standards and providing guidance after considering the needs of external and internal users of federal financial information.

Financial reports, which include financial statements prepared in conformity with generally accepted accounting principles, are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, the Board plays a major role in fulfilling the government's responsibility to be publicly accountable. Federal financial reports should be useful in assessing (1) the government's accountability and its efficiency and effectiveness, and (2) the economic, political, and social consequences, whether positive or negative, of the allocation and various uses of federal resources.

The FASAB issues federal accounting standards after following a due process consistent with the Memorandum of Understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

For more information on FASAB, please visit our website: www.fasab.gov.