

Federal Accounting Standards Advisory Board

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April 3, 2013

NEWS RELEASE

FASAB Requests Comments on its *Reporting Entity* Proposal

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), Tom Allen, announced today that the FASAB is seeking input on a proposed Statement of Federal Financial Accounting Standards addressing the *Reporting Entity*.

The proposed standards would require the government-wide general purpose federal financial report (GPFFR) to include organizations that are (1) budgeted for by elected officials of the federal government, (2) owned by the federal government, or (3) controlled by the federal government with risk of loss or expectation of benefits. In addition, the Board is proposing that an organization be included in the government-wide GPFFR if it would be misleading to exclude it even though it does not meet one of the three inclusion principles.

“The federal community relies on a concepts document issued in 1995 to determine what organizations should be included in the GPFFR. The federal government and its relationships with organizations have become increasingly complex.” according to Chairman Allen. “This guidance will help ensure users of GPFFRs are provided with comprehensive financial information about federal reporting entities and its complex relationships with other organizations.”

The proposed standards also provide criteria for determining the most appropriate means to include information about organizations included in the GPFFR. Whether information regarding organizations is presented in consolidated financial statements or through disclosures is based on an assessment of the degree to which the following characteristics are met: the organization is financed by taxes or other non-exchange revenue, is governed by the Congress and/or the President, imposes or may impose risks and rewards on the federal government, and/or provides goods and services on a non-market basis.

Organizations to be included in the consolidated financial statements within the GPFFR are referred to as “consolidation entities” and are subject to the hierarchy of generally accepted accounting principles established for “federal entities” in Statement of Federal Financial Accounting Standards 34. Organizations to be disclosed in the GPFFR are

referred to as “disclosure organizations.” While disclosure organizations are not subject to the hierarchy of generally accepted accounting principles established for federal entities, information about such organizations is needed for accountability purposes.

The proposed standards also address organizations to be included in component reporting entity GPFFRs, minimum disclosures regarding central banking activities, and disclosures regarding related parties.

One Board member submitted an alternative view. The Board member does not believe receiverships, conservatorships, and intervention organizations should be equated with other disclosure organizations.

The proposed Statement would be effective for periods beginning after September 30, 2016. Earlier implementation is encouraged.

The exposure draft requests written comments by July 3, 2013, and encourages respondents to provide the reasons for their positions. A public hearing has been scheduled in conjunction with the August 28, 2013 Board meeting interested and participants are encouraged to participate.

The exposure draft in PDF format , the specific questions for respondents in Word format, and information about how to notify staff that you wish to provide comments at the public hearing are available on the FASAB website at <http://www.fasab.gov/board-activities/documents-for-comment/exposure-drafts-and-documentsfor-comment/>.

ABOUT FASAB

Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to assess (1) the government's accountability and its efficiency and effectiveness, and (2) the economic, political, and social consequences 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.