

FASAB Exposure Draft: Questions for Respondents due March 14, 2017

Budget and Accrual Reconciliation

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

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Q1. The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

FCC Response:

We agree with the proposal to replace the SOF with the NBAR. Presenting information on outlays rather than obligations incurred would be more helpful for the reader to understand how budgetary resources (outlays) have financed the cost of operations.

The SOF seems confusing to the user and has been a challenge to report and compile for the financial statement preparers. This is mainly due to a few factors; the Department of Treasury has not issued an updated Crosswalk for the SOF since FY 2008 and the guidance provided from FASAB & OMB A-136 since FY 2008 to the present hasn't been updated to provide a clear and concise way for transferring the information at the

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USSGL level to the statement level. As a result of this, it has been very difficult to prepare and compile the SOF.

We believe the NBAR would be better presented as a footnote since it is a reconciliation between two financial statements (SONC & SBR) and two bases of financial reporting (budgetary and proprietary). However, we prefer presenting NBAR for the entity as whole. It could be optional for an agency to segregate the format between intragovernmental and with the public.

- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

FCC Response:

A narrative disclosure should be optional. The agency could provide general information to help the user understand the reconciliation between two financial statements (SONC & SBR) and two bases of financial reporting (budgetary & proprietary).

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

FCC Response:

We agree that the effective date is reasonable as long as The Department of Treasury releases a crosswalk and OMB updates A-136 for NBAR before 10/01/2017. The crosswalk is critical for all agencies to ensure proper USSGL flowing into each line.

Early adoption should not be permissible. Restatement of comparative prior period information does not seem reasonable since NBAR is a new reconciliation and restatement adds no value.