

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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Please provide your name.

Name: William Fleming

Please identify your organization, if applicable.

Organization: U.S. Securities and Exchange Commission

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.

SEC Response:

- Agree with the proposal to replace the SOF footnote with the NBAR.
- The NBAR should be presented as a footnote, similar to the placement of the existing Statement of Finance (SOF) reconciliation, rather than as a new basic financial statement. Presentation as a footnote will allow the reconciliation to be presented together with the narrative explanation, making it more understandable to financial statement readers. This is especially important for members of the public who are not familiar with the differences between budgetary and accrual accounting.

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- 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.

SEC Response:

Agree that a narrative disclosure should accompany the NBAR. The example narrative provided in paragraph 9, revision to Entity and Display Appendix 1-G, is a good illustration that provides a concise and clear explanation of the purpose of the reconciliation. The final SFFAS should retain footnote 3 to this Appendix, which makes it clear that Appendix 1-G is an illustrative example.

- 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.

SEC Response:

The effective date should be FY 2019 rather than FY 2018, with early adoption permitted, to allow sufficient lead time for agencies to develop the new footnote and to accumulate the data that will be presented for the restated prior period, which would then be FY 2018 rather than FY 2017. This would also provide sufficient time for Treasury Fiscal Service to develop and test a crosswalk to the reconciliation that would address all funds for all federal reporting entities, including those that did not participate in the Task Force.