

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."

Accounting Firm	<input type="checkbox"/>	
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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.

SBA Response: SBA agrees with the proposal to replace the SOF with the NBAR. The NBAR should be a footnote.

Rational: The NBAR format reduces the burden on agencies in the compilation of the statement while providing a reconciliation of net cost and budget that is easier to understand. The proposed NBAR reconciles budgetary and proprietary accounting primarily through changes in asset and liability balances and identifies differences that are uniquely federal.

The NBAR should be included in a footnote as the SOF currently is presented. There is no compelling reason to increase the weight of the information to the status of a basic statement. FASAB can continue to provide OMB with the option to elevate the level of the statement to a basic statement if determined appropriate in the future without a requisite amendment to the standard.

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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.

SBA Response: SBA agrees with the proposal to require narrative disclosure with the NBAR.

Rational: Providing narrative disclosure is consistent with agencies' practices related to other disclosures. Narrative tells the story that the reconciliation presents to assist the public and other users understand what the numbers represent. SBA considers this type of narrative to be a financial statement best practice whether inside or outside of government.

- 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.

SBA Response: SBA agrees with the effective date and permitting early adoption. However, restatement of prior period information in the initial year should be at the discretion of the agency.

Rational: SBA is confident that it could fully comply with the provisions to present comparable reporting in the time frame specified by the standard.

During the agency tryouts there were some agencies which struggled with the new format. In order to maximize agency success rate in adopting the new standard, implementation guidance should be provided to agencies as soon as possible, complemented by flexibility during the transition period.