



February 11, 2016

Memorandum

To: Members of the Board
From: Ross Simms, Assistant Director
Through: Wendy M. Payne, Executive Director
Subj: Financial Reporting Model – **Tab G**¹

MEETING OBJECTIVES

The objective of the meeting is to discuss a draft concepts statement regarding the federal financial reporting model.

BRIEFING MATERIALS

The briefing materials include this memo which provides background information and questions for the Board and the following attachments:

Attachment I: Draft Concepts Statement provides conceptual guidance that the Board is currently considering. The draft presents the changes since the January 29, 2016 version and includes ‘placeholders’ for sections that will be completed as the project progresses.

Attachment II: Draft Concepts Statement – Clean Version provides the draft concepts statement with the “track changes” removed.

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

BACKGROUND

During the December 17, 2016 meeting, the Board selected an outline or framework to guide development of a concepts statement for the financial reporting model. Subsequently, staff used the outline to start developing the concepts statement and, on January 29, 2016, submitted a draft to Board members. Staff asked members to comment on the Purpose and Scope sections of the draft and to determine whether: the concepts statement should include a discussion on FASAB's role in relation to the reporting objectives; and summary text should introduce each section of the proposed concepts.

Members provided comments regarding the Purpose and Scope sections and staff has proposed revisions for those sections and others in the current draft. Also, members generally supported including a discussion on FASAB's role in relation to the reporting objectives and including summary text to introduce each section. In addition, individual members' comments raised questions which require Board discussion. Those questions are presented in the Questions for the Board section of this memo.

NEXT STEPS

Staff will consider Board member comments and propose revisions and complete additional sections.

MEMBER FEEDBACK

Please contact me as soon as possible to convey your questions or suggestions. Communication before the meeting will help make the meeting more productive. You can contact me by telephone at 202-512-2512 or by e-mail at simmsr@fasab.gov with a cc to paynew@fasab.gov

Questions for the Board

1. Non-Financial Performance Information

Performance information appears to be an important component of a general purpose federal financial report (GPFFR). Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display*, discusses the items that should be included in financial reports and presents desirable displays of financial information. The concepts statement discusses a Statement of Program Performance Measures (SPPM) that presents information such as service efforts and accomplishments measures for each of a reporting entity's significant programs. SFFAC 2 also states that it may be more meaningful and practical to report performance with other than numerical measures.² Although the SPPM is not considered a basic statement, SFFAC 2 states,

...the statement of program performance measures is not only an appropriate statement, but likely to be the most important statement for those persons interested in how a Federal entity is using its resources.³

In addition, the Board requires entities to present management's discussion and analysis (MD&A) of the financial statements and related information. The MD&A should contain a section that addresses the entity's performance goals, objectives, and results.⁴ With respect to this requirement, the Board noted that GPFFRs should include some information about program performance. Specifically, the Board stated,

FASAB agrees that the GPFFR should not address performance, systems, and controls only by means of reference to other reports. The standards for MD&A require that MD&A do more than refer to other documents.⁵

Currently, Figure 1: Information for Assessing Accountability and for Decision-making, of the draft concepts statement reflects the SPPM and MD&A under the "Required Supplementary Information" caption. Presenting the SPPM and MD&A in this manner appears to imply that generally accepted accounting principles (GAAP) directly affects financial and non-financial performance information.

Question 1a: Given that financial reporting standards affects what information is reported and how it is reported,⁶ does the Board believe that GAAP should

² SFFAC 2, par. 111.

³ SFFAC 2, par. 67.

⁴ SFFAS 15, Management's Discussion and Analysis, par. 2.

⁵ SFFAC 3, par. 63.

⁶ SFFAC 1, Objectives of Federal Financial Reporting, par. 193.

directly affect the reporting of performance information, including non-financial performance information? (See Figure 1 on page 8 of the draft concepts statement)

Question 1b: If the Board believes that GAAP should directly affect the reporting of performance information, should the first sentence in paragraph 8 of the Scope section be revised to expand the Board's focus to include financial and non-financial performance of the federal government and its component reporting entities? Essentially, the sentence could read as follows:

With respect to the FASAB's focus, the Board develops GAAP for reporting on the results of operations, financial position, financial condition, and operating performance⁷ of the federal government and its component reporting entities.

Question 1c: Given the operations of the government-wide reporting entity, does the Board agree that performance information should be added to the list of information useful for demonstrating accountability and decision making? (paragraph 37 of the draft concepts statement)

2. Budgetary Information

Figure 1 of the draft concepts statement depicts the items of information directly and indirectly affected by GAAP. The figure indicates that GAAP should directly affect the reporting of budgetary information and shows that GAAP requires a basic statement and disclosures regarding the status of budgetary resources. FASAB currently requires a budgetary financial statement and disclosures and states that recognition and measurement of budgetary resources should be based on budget concepts and definitions.⁸ In addition, auditors express an opinion on whether the statement presents fairly the entity's budgetary resources in conformity with GAAP.

Question 2a: Although the Board does not provide recognition and measurement criteria for budgetary presentations, does the Board agree that: (1) GAAP should directly affect the reporting of budgetary information; and (2) the budgetary information should be presented in a basic financial statement?

Question 2b: If the Board agrees that GAAP should directly affect the reporting of budgetary information and that information should be presented in basic financial statements, should the first sentence in paragraph 8 of the Scope section be revised to expand the Board's focus to include budgetary information? Essentially, the sentence could read as follows:

⁷ Phrases other than operating performance could be used, such as service efforts and accomplishments.

⁸ See Statement of Federal Financial Accounting Standards (SFFAS) 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, pars. 77-79.

With respect to the FASAB's focus, the Board develops GAAP for reporting on the results of operations, financial position, and financial condition of the federal government and its component reporting entities and the budgetary resources of component reporting entities.

3. Objective of the Reporting Model Concepts Statement

During the Board's December 17, 2016 meeting, members discussed different outlines for a reporting model concepts statement. Members selected the present outline, primarily because it was comprehensive – it included the various topics that the Board deliberated over the course of the project, as well as concepts discussed in existing FASAB concepts statements. Consequently, the Board chose an outline that appears to consolidate text from the following:

- SFFAC 1, *Objectives of Federal Financial Reporting*, which discusses the objectives of federal financial reporting, the role of FASAB, how accounting supports federal financial reports, the relationship of financial reporting to budgeting, and how financial reporting supports reporting on operating performance;
- SFFAC 2, *Entity and Display*, discusses the basis for defining reporting entity and the display of component financial statements;
- SFFAC 3, *Management's Discussion and Analysis*, discusses concepts for the management's discussion and analysis section of a financial report;
- SFFAC 4, *Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government*, discusses the primary audience for the government-wide reporting entity and the qualitative characteristics that the Board believes will help in meeting the reporting objectives for the reporting entity;
- SFFAC 6, *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*, discusses factors to consider in distinguishing whether information should be basic information, required supplementary information (RSI), or other accompanying information (OAI).

The concepts statements that were not necessarily reflected in the outline are:

- SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*, defines elements of accrual basis financial statements and establishes two basic recognition criteria that an item must meet to be a candidate for recognition in the body of a financial statement.
- SFFAC 7, *Measurement of the Elements of Accrual-Basis Financial Statements in Periods after Initial Recording*, addresses the measurement of the elements of accrual-basis financial statements in periods after amounts are initially recorded.

Question 3a: Does the Board believe that the objective of the reporting model concepts statement should be to consolidate all the financial reporting concepts into one statement?

Question 3b: If the Board agrees that the objective of the reporting model concepts statement should be to consolidate all the financial reporting concepts into one statement, should SFFACs 5 and 7 be incorporated into the draft?

4. Purpose of a GPFFR

Paragraph 16 of the previous draft reporting model concepts statement stated that GPFFRs provide a single source to aid in meeting the reporting objectives. However, the draft also states,

SFFAC 2: *Entity and Display* identifies the financial information needed to meet the objectives and recognizes that some of the identified information should be presented in a GPFFR prepared in conformity with GAAP.
(par.15)

In addition, the draft acknowledges that GPFFRs are not the only reports that provide financial information to external users of financial information. (par. 20) As a result, staff proposes that paragraph 16 be revised to reflect FASAB's focus or the intent of developing GAAP. The revised paragraph states,

A general purpose report prepared in accordance with GAAP is intended to provide information on the results of operations, financial position, and financial condition of the federal government and its component reporting entities. It includes financial statements, disclosures, and RSI and, in the federal government, this report is frequently referred to as a GPFFR.

Question 4a: Does the Board believe that GPFFRs should provide a single source for helping to achieve the reporting objectives?

Question 4b: If the Board does not believe that GPFFRs should provide a single source for helping to achieve the reporting objectives, should paragraph 16 be revised to reflect that the Board develops GAAP for reporting on items such as the results of operations, financial position, and financial condition of the federal government and its component reporting entities?

5. Flow Statements for Component Reporting Entities

The draft reporting model concepts statement had a placeholder for “flow statements” of component reporting entities on page 15. During earlier stages of the project, the Board considered focusing on flow statements to help achieve the reporting objectives. The Board acknowledged that GPFFR users needed to better understand cost and budgetary information and the relationship between the different presentations and the Board could consider: how cost and budgetary information should be disaggregated; and how to reconcile cost and budget information at a level that would be understandable to GPFFR users.

However, Board members were concerned that the concepts statement would focus on illustrations of financial statements, typically the role of standards rather than conceptual guidance. Thus, the Board decided to develop an inventory of concepts to help guide development of reporting models for the government-wide and component reporting entities rather than continuing the flow statement discussion.

Also, during the December 17, 2015 meeting, the Board noted that financial position was relevant for component reporting entities. Accordingly, staff has proposed text that could be presented in the draft concepts statement. The text does not discuss illustrative flow statements. Rather, it is intended to provide criteria or guidance for disaggregating cost and budgetary information.

Question 5: Does the Board wish to address guidance for disaggregating cost and budgetary information in the reporting model concepts statement?

6. Financial Position and Financial Condition

The draft reporting model concepts statement has a placeholder at paragraph 43 to discuss conceptual guidance regarding how financial position and financial condition should be presented. During the December 17, 2015 meeting, the Board briefly discussed that financial position with respect to a component is not as meaningful as for the federal government because a component is not an independent economic entity. Also, financial position is not listed among the items of information that should be included in a GPFFR for a component reporting entity (paragraph 39) and financial condition is not relevant for all component reporting entities.

Question 6: Does the Board wish to address financial position and financial condition in the reporting model concepts statement?

7. Spending in Relation to the Budget

Paragraph 39e of the draft concepts statement lists spending in relation to budget as an item of information that component level GPFFRs should include. However, the Board has not determined whether spending refers to costs, outlays, or other measures.

Question 7: Does the Board wish to define the term “spending” as used in the concepts statement?

8. The Term, “Program”

Paragraph 46 of the draft concepts statement discusses providing program level information. Although GPFFR users expressed the need for program level information, the term “program” is not defined in the concepts statement. Absent a definition or criteria, the level of reporting that the Board intends may not be clear.

Question 8a: Given that the draft is a concepts statement rather than a standard and is not intended to immediately impact current practices, does the Board believe that paragraph 46 should be less prescriptive and revised?

Question 8b: If the Board agrees that the paragraph is not too prescriptive for a concepts statement, should the term program be defined in the concepts statement?

Question 8c: Paragraph 48 discusses “major” programs. Does the Board believe that the concepts statement should provide criteria to help members determine which programs might be considered major?

9. Special Purpose Financial Reports

Paragraph 27 presented a placeholder for discussing special purpose reports and staff has proposed text for the section.

Question 9a: Does the proposed text address the topics the Board intended?

Question 9b: If the proposed text does not address the topics the Board intended, what topics should be addressed?

10. Communicating with FASAB Constituents

The Governmental Accounting Standards Board (GASB) prepares plain-language documents to assist in communicating with constituents. A plain-

language summary may be prepared to help constituents understand complex issues and provide input for Board consideration.

Question 10: Does the Board wish to prepare a plain-language document, summarizing key topics and providing illustrations, for the reporting model concepts statement?

11. Other

Question 11: Do members have comments or suggestions regarding the draft concepts statement?

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Attachment I: Draft Concepts Statement

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Federal Accounting Standards Advisory Board

TITLE
SUBTITLE

Statement of Federal Financial Accounting Concepts

Exposure Draft

Written comments are requested by [date 90 days after issuance]

Month day, year

Working Draft – Comments Are Not Requested on This Draft

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General, established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. The proposed standards are published in an Exposure Draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information is available from the FASAB or its website:

- ["Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board."](#)
- ["Mission Statement: Federal Accounting Standards Advisory Board"](#), [exposure drafts](#), [Statements of Federal Financial Accounting Standards and Concepts](#), [FASAB newsletters](#), and other items of interest are posted on FASAB's website at: www.fasab.gov.

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Federal Accounting Standards Advisory Board

ISSUE DATE

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

Your comments on the exposure draft of a proposed Statement of Federal Financial Accounting Concepts, entitled **TITLE**, are requested. Specific questions for your consideration appear on page 7 but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by DUE DATE.

All comments received by the FASAB are considered public information. Those comments may be posted to the FASAB's website and will be included in the project's public record.

Mail delivery is delayed by screening procedures. Therefore, please provide your comments in electronic form by e-mail to fasab@fasab.gov. If you are unable to e-mail your responses, we encourage you to fax the comments to (202) 512-7366. Alternatively, you may mail your comments to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop H19
441 G Street, NW, Suite 6814
Washington, DC 20548

We will confirm receipt of your comments. If you do not receive confirmation, please contact our office at 202.512.7350 to determine if your comments were received.

The Board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft. **or** A public hearing has been scheduled at 9:00 AM on Month Day, Year, in Room 7C13 at the GAO Building, 441 G Street, NW, Washington, D.C.

Notice of the date and location of any public hearing on this document will be published in the Federal Register and in the FASAB's newsletter.

Sincerely,

Chairman

STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING CONCEPTS

Statements of Federal Financial Accounting Concepts (SFFAC) set forth objectives and fundamentals on which financial accounting and reporting standards are based. The objectives identify the goals and purposes of financial reporting and the fundamentals are the underlying concepts of financial accounting—concepts that guide the selection of transactions, events, and circumstances to be accounted for; their recognition and measurement; and the means of summarizing and communicating them to interested parties.

Concepts statements guide the Board's development of accounting and reporting standards by providing the Board with a common foundation and basic reasoning on which to consider the merits of alternatives. Also, knowledge of the objectives and concepts the Board considers should help users and others who are affected by or interested in federal financial accounting and reporting standards to understand better the purposes, content, and qualitative characteristics of information provided by federal financial accounting and reporting.

The conceptual framework addresses many of the fundamentals needed to support standards setting. FASAB developed the core of its conceptual framework in the early 1990s. At that time, financial management legislation and administrative directives focused on component level reporting. Hence, the FASAB's second concept statement, Entity and Display, focused on the basis for defining a reporting entity and the display of component financial statements. Other concepts statements address financial reporting objectives; qualitative characteristics of information; the intended audience for the financial report of the U.S. Government (FR); elements of accrual basis statements and their measurement attributes; communication methods; and managerial cost accounting.

Through its ongoing conceptual framework project, the FASAB has reviewed its early concepts statements and is establishing new statements as needed. The FASAB Handbook of Accounting Standards and Other Pronouncements, As Amended (FASAB Handbook) provides a full discussion of FASAB's SFFACs and can be accessed at <http://www.fasab.gov/accounting-standards/authoritative-source-of-gaap/accounting-standards/fasab-handbook/>.

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INTRODUCTION

PURPOSE

1. This Statement discusses concepts to assist the FASAB in developing reporting models for the government-wide and component reporting entities. Also, the proposed concepts may help preparers and users understand the purposes of the information presented in general purpose federal financial reports (GPFFR) prepared in conformity with generally accepted accounting principles (GAAP) and their relationships to other financial reporting.
2. Current concepts have not led to reports that meet users' need to understand: the relationships among budget, cost, and performance information about federal programs and services; and whether the government's financial condition improved or deteriorated during the reporting period. Challenges also remain in understanding component budgetary information and the relationship between the government-wide and component reporting entities' financial statements.
3. Moreover, the means of preparing reports and information has evolved and the volume and type of reports that can be prepared has grown since FASAB developed the earlier concepts statements. For instance, the federal government makes a range of reports available to the public, including GPFFRs prepared in conformity with GAAP, budgetary reports, non-financial performance reports, and reports on systems and controls, and enhancements in technology have expanded access to this information. Users need to understand the relationship among the variety of reports so they can access data from multiple sources, drill-down through different levels of aggregated data, and create their own reports.
4. Consequently, some existing FASAB concepts statements will need to be reemphasized, amended, or rescinded to clarify users' needs and better address the:
 - a. content and presentation of information and how the information relates to other sources;
 - b. availability and impact of electronic data and systems on financial reporting;
 - c. financial reporting objectives specific to the government-wide and component reporting entities; and
 - d. reporting objectives for budgetary and performance information, cost accounting, and summary reporting, as they relate to external financial reporting.
5. Revisiting FASAB concepts statements will ensure that the Board fully considers the concepts that are most important to addressing users' needs.

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<#>Current concepts have not led to reports that meet users need for integrated budget, cost, and performance information about federal programs and services or understandable information about whether the government's financial condition improved or deteriorated for the reporting period. Challenges remain in understanding component budgetary information and the relationship between the government-wide and component reporting entities' financial statements. These concepts will clarify user needs so that standards can be developed that will lead to improvements in integration through clearer relationships among information. ¶

Moreover, in addition to general purpose financial reports prepared in conformity with generally accepted accounting principles (GAAP), the federal government makes a range of reports available to users, including budget and non-financial performance reports and reports on systems and controls. However, users need to understand the relationship among the variety of reports and they may expect to access data from multiple sources, drill-down through different levels of aggregated data, and create their own reports. Thus, the means of preparing reports has evolved and the volume and type of reports that can be prepared has grown since the earlier concepts were developed. These concepts will discuss relationships among these sources and ways to improve the usefulness and qualitative characteristics of various reports.

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SCOPE

6. As intended, the overall financial reporting objectives discussed in SFFAC 1 are broad. SFFAC 1, par. 10 notes that they apply to both internal and external financial reports. The intention being to improve the quality (for example, relevance and consistency) of data available for a wide variety of applications. However, the breadth of the reporting objectives combined with the growth in data sources raise questions regarding the FASAB's role; particularly with regard to setting standards needed to meet the budgetary integrity and systems and controls objectives. These are viewed as unconventional objectives for a GAAP standards-setting body. This Statement clarifies SFFAC 1 by emphasizing those objectives most relevant for external financial reports and, therefore, most important for a GAAP standards-setting body.
7. The Board is charged with giving consideration to "the budgetary information needs of executive agencies and the needs of users of federal financial information"¹ and has committed to supporting efforts to ensure the accuracy and reliability of reporting on the budget. While budgetary and financial accounting information are presented on different bases of accounting, the information is, in effect, about different aspects of the same transaction. Thus, users need to understand the relationships among the information.²
8. With respect to the FASAB's focus,³ the Board develops GAAP for reporting on the results of operations, financial position, and financial condition of the federal government and its component reporting entities. This implies a variety of financial measures and other information that complements the information available in the budget. Together with budgetary reports, these reports will provide a more comprehensive and insightful understanding of the government's financial position, results of operations, and financial condition than either set of reports individually. While reports prepared in conformity with GAAP are part of a larger body of information available to users, this concept statement is limited to the mission of the FASAB and how GAAP reporting relates and supplements this larger body of information.
9. Figure 1: Information for Assessing Accountability and for Decision-Making illustrates the larger body of information available to users and the information directly and indirectly affected by GAAP.

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¹ FASAB Memorandum of Understanding, October 2009.

² SFFAC 1, par. 176.

³ The American Institute of Certified Public Accountants (AICPA) designated FASAB's as the source of GAAP for federal reporting entities.

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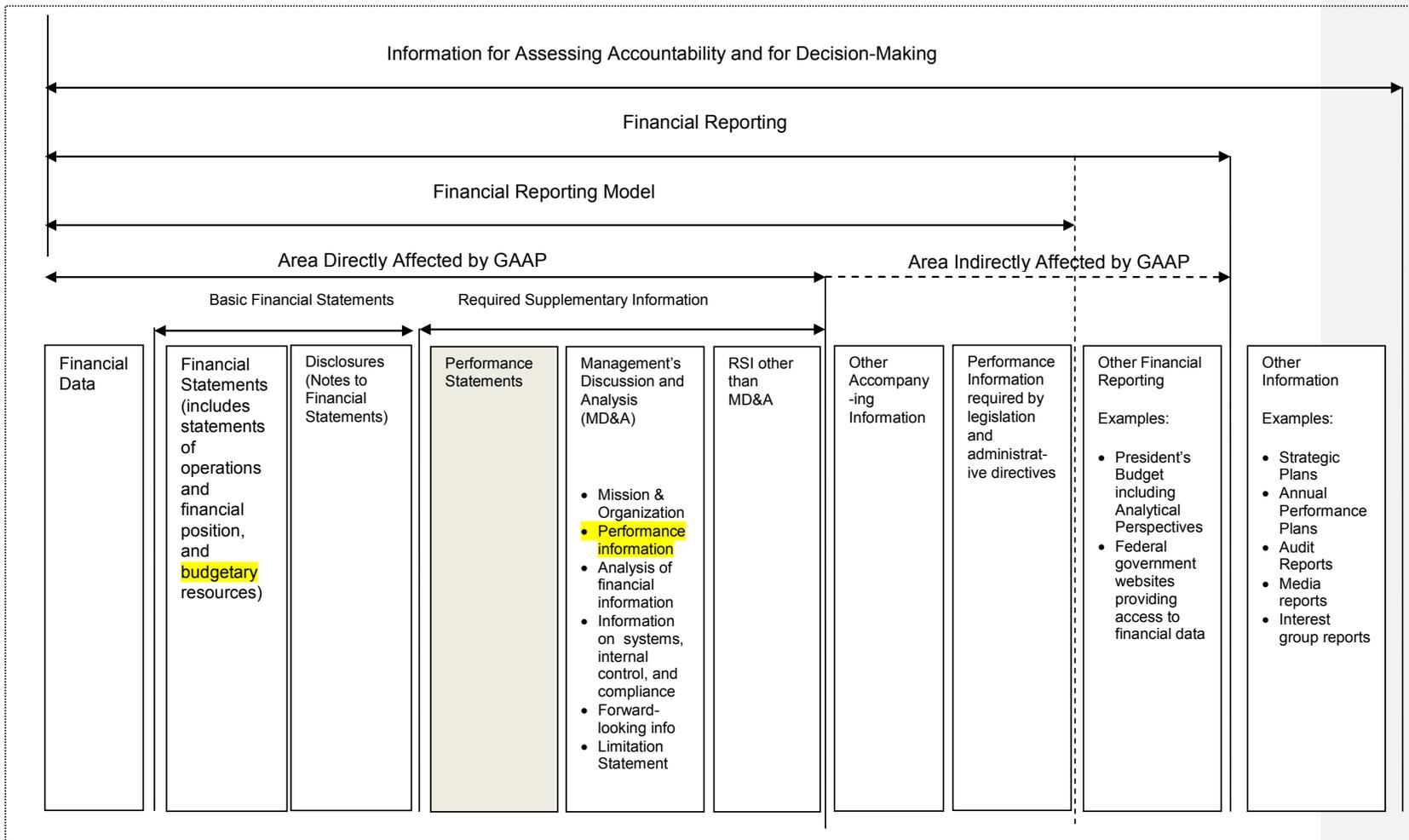


FIGURE 1: INFORMATION FOR ASSESSING ACCOUNTABILITY AND FOR DECISION-MAKING

10. Consequently, this Statement primarily focuses on concepts to support achieving the operating performance and stewardship objectives. Also, this Statement provides concepts for reporting budgetary information in GPFFRs and supporting achievement of the budgetary integrity objective.

11. This Statement rescinds the section: Relationship of Financial Reporting to Budgeting in SFFAC 1, paragraphs 186 to 191.

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PROPOSED CONCEPTS

FEDERAL FINANCIAL REPORTING OBJECTIVES

12. Statement of Federal Financial Accounting Concepts (SFFAC) 1: *Objectives of Federal Financial Reporting* (Objectives) discusses the types of users of financial information, their financial information needs, and the objectives of reporting financial information. The overall financial reporting objectives are:

- a. Budgetary Integrity. Federal financial reporting should assist in fulfilling the government's duty to be publicly accountable for monies raised through taxes and other means and for their expenditure in accordance with the appropriations laws that establish the government's budget for a particular fiscal year and related laws and regulations.
- b. Operating Performance. Federal financial reporting should assist report users in evaluating the service efforts, costs, and accomplishments of the reporting entity; the manner in which these efforts and accomplishments have been financed; and the management of the entity's assets and liabilities.
- c. Stewardship. Federal financial reporting should assist report users in assessing the impact on the country of the government's operations and investments for the period and how, as a result, the government's and the nation's financial condition has changed and may change in the future.
- d. Systems and Controls. Federal financial reporting should assist report users in understanding whether financial management systems and internal accounting and administrative controls are adequate to ensure that: transactions are executed in accordance with budgetary and financial laws and other requirements, consistent with the purposes authorized, and are recorded in accordance with federal accounting standards; assets are properly safeguarded to deter fraud, waste, and abuse; and performance measurement information is adequately supported.

13. These objectives are the foundation for all other concepts and other concepts flow logically from them.

14. FASAB's report, *Clarifying FASAB's Near-Term Role in Achieving the Objectives of Federal Financial Reporting*, confirmed these objectives and clarified that the Board's primary focus should be on the Operating Performance and Stewardship objectives. Also, with respect to the Stewardship objective, the Board's focus is on the government's financial condition.

15. SFFAC 2: *Entity and Display* identifies the financial information needed to meet the objectives and recognizes that some of the identified information should be presented in a GPFRR prepared in conformity with GAAP.

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GENERAL PURPOSE FEDERAL FINANCIAL REPORTS

GPFFRs provide information on the results of operations, financial position, and financial condition of the federal government and its component reporting entities. The reports include explanatory material to help users understand the relationship among the items of information presented in a single source and are prepared in conformity with GAAP. GAAP results from an open and deliberative process involving agreement on criteria for categorizing, recognizing and measuring and depicting the government's financial activities.

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16. A general purpose report prepared in conformity with GAAP is intended to provide information on the results of operations, financial position, and financial condition of the federal government and its component reporting entities. It includes financial statements, disclosures, and RSI and in the federal government, this report is frequently referred to as a GPFFR.

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17. FASAB develops GAAP for federal entities using an open and deliberative process that facilitates agreement on criteria for categorizing, recognizing, measuring, and depicting the government's financial activities in GPFFRs. Also, GPFFRs:

Deleted: by studying issues, considering the work of other standards-setters, and considering the views of stakeholders that participate in the standards-setting process. In addition FASAB considers the cost and benefits to preparers and users of GPFFRs.¶
<#>The Board is also involved in educational efforts and, through communications with preparers and auditors develops implementation guidance for its standards. These efforts contribute to a common understanding of the information provided in GPFFRs. ¶
GPFFRs result from

- a. Are based on a common understanding of terms and elements as well as the relationships among them.
- b. Ensure that the financial information presented is complete; and
- c. Help guide the exchange of information.

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18. GPFFRs are prepared using:

- a. Accrual basis for historical statements;
- b. Budgetary basis for budgetary statements; and
- c. Projections for forward-looking statements.

19. GPFFRs explain the differences in the different types of financial statements and the information they provide, and the different bases of accounting. The explanations assist users in understanding the relationships among the items of information presented and narrative and graphic depictions can be used.

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OTHER REPORTS

20. GPFFRs are designed to meet general objectives and are highly aggregated. Many decisions require more specialized or detailed information. Hence, GPFFRs are not the only reports that provide financial information to external users of financial information. However, there are caveats to consider with respect to these other reports. For instance, other reports might not:
- a. be exposed to the same level of discipline as reports drawn from GAAP-based data sources;
 - b. be consistent with GAAP standards;
 - c. be audited; and
 - d. meet the qualitative characteristics of GAAP-based information.

BUDGETARY REPORTS

21. The budget process is the government's principal mechanism for reaching agreement on goals, for allocating resources among competing uses, and for assessing the government's fiscal effects on economic stability and growth. While most attention is paid to the future-oriented roles of the budget process, budget execution is designed to control and track tax receipts and the use of resources according to the purposes for which budget authority was approved.⁴
22. In developing budget legislation, Congress decides on targets for: spending and receipts; the amount of the deficit or surplus; and the limit on debt. Upon determining the targets, Congress provides component entities with budget authority and enacts changes in laws affecting receipts and spending.⁵
23. Budget authority provided by annual appropriation acts is considered discretionary spending. Appropriations provide components with the authority to incur obligations for specific purposes. An appropriation can be limited to a single year, multiple years, or be available indefinitely.
24. Budget authority provided by permanent laws is considered mandatory spending.
25. Budget authority includes:
- a. Appropriations - Provided in appropriations acts or authorizing laws, permit agencies to incur obligations and make payment;

⁴ SFFAC 1, par. 187-190.

⁵ Analytical Perspectives p.92.

- b. Borrowing Authority - Usually provided in permanent laws, permits agencies to incur obligations but requires them to borrow funds, usually from the general fund of the Treasury;
- c. Contract Authority - Usually provided in permanent law, permits agencies to incur obligations in advance of a separate appropriation of the cash for payment or in anticipation of the collection of receipts that can be used for payment; and
- d. Spending Authority from Offsetting Collections - Usually provided in permanent law, permits agencies to credit offsetting collections to an expenditure account, incur obligations, and make payment using the offsetting collections.⁶ Offsetting collections are deductions from spending to reflect the government's net transactions with the public. They may result from business-like transactions with the public, intragovernmental transactions, voluntary gifts and donations, and offsetting governmental transactions or collections from the public that are governmental in nature such as tax receipts.⁷

26. Budgetary resources include new budget authority, unobligated balances, direct spending authority, and obligation limitations.⁸

SPECIAL PURPOSE FINANCIAL REPORTS

27. Other reporting also includes special purpose financial reports. Federal financial reporting objectives are intended to improve the data available for various applications and they apply to both internal and external financial reports.

28. Internal financial reports are prepared for special purposes and help internal users, such as federal managers, to plan and conduct their responsibilities in an efficient and effective manner.

29. External financial reports are prepared for special purposes as well. For example, external special purpose reports may provide economic data about the nation or analyses of the impact of policy proposals.

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Budgetary resources include new budget authority, unobligated balances, direct spending authority, and obligation limitations

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External

⁶ Analytical Perspectives pp.102-103.

⁷ Analytical Perspectives pp. 99-100.

⁸ GAO A Glossary of Terms Used in the Federal Budget Process

REQUIRED SCHEDULES AND ELECTRONIC ACCESS

30. In addition, components present schedules required by the Office of Management and Budget, such as a schedule of spending. The schedule is intended to provide an overview of how and where a component is obligating its funds.
31. Moreover, there are legislative acts and initiatives intended to enable users to drill-down, access detailed information, and prepare their own reports.
32. The media frequently accesses information and prepares reports designed to inform the public about the government's financial activities.

CONCEPTS FOR GOVERNMENT-WIDE AND COMPONENT REPORTING ENTITIES

THE GOVERNMENT-WIDE REPORTING ENTITY

33. The federal government is responsible for the nation's defense and general welfare and is a single economic entity composed of components that provide services to people.
34. The federal government has unique capabilities to finance the services provided and accomplish its objectives. It has the power to levy taxes, charge fees, and borrow.
35. Also, the federal government may accomplish its objectives without outlaying funds. For example, to encourage home ownership and stimulate residential construction, the federal government may approve tax provisions that reduce the tax liability for taxpayers who have to incur the costs associated with mortgage interest and local property taxes.
36. The federal government can continue to provide services even when the cost of providing those services exceeds the amount of revenues received.
37. Given the operations of the government-wide **reporting entity**, information useful for demonstrating its accountability and decision-making should include :
 - a. Revenues –information to understand the sources and amounts of taxes and other revenue received.
 - b. **Tax Expenditures – information about the taxes the government has forgone.**
 - c. Expenditures – information on how taxes were used.
 - d. Costs – information about how resources were used.
 - e. Overall results of operations – information about the government's net results.

Deleted: <#>Figure 1: Information for Assessing Accountability and for Decision-Making illustrates the relationship among financial statements, disclosures, and RSI and other sources of financial information. ¶

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- f. Financial Position - information that helps them identify the resources of the government and the claims against those resources as of the reporting date.
- g. Budgetary Legislation – information that helps to understand the legislative processes for determining the level of resources to raise from taxes, how the budget resources will be used, and the different measures that may be used to control funds.
- h. Sustainability of services - information to assess the level of future resources needed to sustain public services required by law and policy and to meet obligations as they come due.
- i. Performance – information on how resources provided are managed and used to accomplish a desired level of services

Deleted: <#>Tax Expenditures – information about the taxes the government has foregone in lieu of having to pay for services directly.¶

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COMPONENT REPORTING ENTITIES

- 38. Component reporting entities receive authority through appropriations made in the legislative process. Their missions and reporting requirements are established in various laws enacted over time resulting in a complex network of operations and services. Components across the federal government are diverse and the scope and nature of each component’s activities can be diverse and at times overlap.
- 39. In light of the reporting objectives, component level GPFFRs should help inform users regarding a component’s:
 - a. different sources and amount of funding;
 - b. use of funding for specific goals or services;
 - c. net cost of services;
 - d. gross cost of services;
 - e. spending in relation to the budget;
 - f. status of resources (assets) available to provide future services and obligations (liabilities) that must be met in the future; and
 - g. accomplishments or performance information.

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40. Component reporting entity report users need this information to evaluate the operations of the entity, such as its compliance with budget laws and future resource needs, and the cost of services provided and their performance.

Deleted: Focus of this conceptual update of the reporting model is on flow statements for components. [State Reasons]

41. Information on the entity’s funding and costs needs to be disaggregated in ways to assist users in their analyses and further their understanding of the entity’s operations.

42. [Placeholder for guidance on classifying or disaggregating funding (budgetary) and costs information].

43. [Placeholder for discussion] the manner in which financial position and financial condition should be presented.]

Deleted: Possibility of subsequent conceptual update for

- a. Financial position is the difference between assets and liabilities and is a relevant term for the federal government and its components.
 - i. For components, financial position provides information such as appropriations available, extent of dedicated collections, and cumulative results of operations.
 - ii. However, financial position with respect to a component is not as meaningful as for the federal government because a component is not an independent economic entity.
- b. Financial condition is a projection of the change in financial position over time resulting from the monies coming in and the monies going out as a percent of GDP.
- c. Financial condition is not relevant for component reporting entities.
- d. A third “net position” reflecting national indicators for the country could be presented.

44. Preparers should consider materiality and how best to meet the reporting objectives and not simply engage in a compliance exercise. Preparer judgment regarding context and the level of detail to be presented is needed.

45. Components’ summary information should be for strategic goals, because they reflect the purposes of components.

46. Components’ detail information should be at the program level to show users the amounts expended on programs of interest.

- a. Explain relationship between programs and services
- b. Make distinction between program activities and programs.

47. Comparisons of actual to budget resources provide an understanding of how budget resources are used.

48. Costs, with costs of at least the major programs when possible, is necessary

a. Types of costs to be encompassed

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PERFORMANCE RESULTS

49. Performance results information shows what was obtained for the costs.
- a. Different types of performance information
 - i. Inputs – resources provided
 - ii. Outputs - the quantity of a service or product provided.
 - iii. Outcomes – the accomplishments or results that occurred because of the service.
 - b. Performance results might not occur in the year the costs were incurred.
 - i. Information nonetheless important to show relationship.
 - c. Characteristics of performance information.
 - d. Sources of performance information
 - e. Importance of timeliness and acceptability of estimates.
50. Presenting information for multiple periods to reveal trends, when appropriate. Multiple periods of performance information helps users identify long-term trends. Trend information can be helpful for demonstrating improving or declining performance and for evaluating services and planning future services.

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ELECTRONIC REPORTING

51. Electronic reporting—how it can be used to expand the extent of information made available.

Deleted: extend

SUMMARY REPORTING

52. Role of summary reporting.
- a. Purpose
 - b. Key elements of a summary report, e. g., Overview, program performance , financial performance, challenges

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APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

PROJECT HISTORY

A1. This project is a part of the Board's conceptual framework initiative. After several years of progress in federal financial reporting, FASAB decided to revisit its conceptual framework with a focus on ensuring that accounting standards are based on a sound framework of objectives and concepts. At that time, Board members were concerned that the reporting objectives were broad and some members sought to better determine the role of GAAP-based financial statements in achieving them. Accordingly, the Board began the conceptual framework initiative by revisiting the reporting objectives and engaging the federal reporting community in the discussions.

User Needs and Reporting Community Outreach

A2. FASAB staff conducted a series of roundtable discussions to determine whether the objectives remained valid and appropriate and to help define the role of the Board in achieving them. Roundtable participants provided views on whether the objectives continued to reflect the information needs of users and whether they are being achieved. The participants believed the reporting objectives remained valid and they noted that the objectives could be accomplished by reports and similar materials other than financial statements. Consequently, in 2006, the Board agreed to retain the broad objectives and issue its Strategic Directions report that discusses the Board's primary and secondary focuses relative to the reporting objectives.

A3. Next, the Board began discussing the need for conceptual guidance that describes the reporting model and how it relates to the reporting objectives. The concepts would guide the Board in determining the financial statements necessary for achieving the reporting objectives and help focus on "what should be" versus "what is." The former would ensure that the objectives are adequately addressed and the statements are useful to readers. Also, members were concerned about whether a relationship should exist among financial statements, such as the balance sheet and a statement of net cost, and how the model compares with other reporting models. As a result, staff began researching the diverse needs of users and how they access information; surveying other countries and their reporting models; and conducting discussions with preparers, citizen intermediaries, congressional staff, program managers, executives, auditors, state and local government planners and analysts, and experts in federal financial reporting.

- A4. Meanwhile, the Board continued its deliberations on social insurance and long term sustainability reporting, projects that would significantly impact the existing reporting model and raise conceptual questions that should be addressed in the conceptual framework initiative. Board members discussed conceptual issues such as the purpose of the balance sheet and its elements and eventually the Board determined that the conceptual framework needed to better explain unique accounting issues such as why:
- a. the power to tax is not an asset but nonetheless is relevant to assessing the sustainability or the financial condition of the federal government;
 - b. current deficits are indeed bad and have short and long-term implications;
 - c. the timing of a cash flow problem is important; and
 - d. the point estimates on the balance sheet have limitations for assessing financial condition.
- A5. Accordingly, the Board decided to consider these and other reporting concepts in the reporting model project.
- A6. FASAB staff completed the users' needs and reporting model research and provided the Board with a series of reports and discussion papers. In summary, staff noted that users needed information regarding:
- a. The cost of programs.
 - b. The performance of programs
 - c. The sustainability of programs
 - d. How actual spending compared to the budget
- A7. Also, users needed plain-language, understandable information, and the ability to access information and prepare their own reports.

Task Forces and Additional Research

- A8. The Board organized the Reporting Model Task Force to consider the user needs and reporting community results and provide suggestions for the reporting model. In 2010, the task force completed its work and presented recommendations to enhance the reporting model. In general, the task force focused on what could be accomplished in the near term and on the Financial Report of the U.S. Government (CFR) because the public would likely start with the CFR to learn about the fiscal health of the federal government. Consequently, they recommended the adoption of a centralized, web-based method of reporting financial and performance information, recommended changes to particular financial statements, and recommended additional disclosures. They believed that the success of these recommendations require raising public awareness of federal financial reporting.

- A9. In 2011, the Board discussed the task force recommendations and members discussed systems constraints and challenges and noted that many of the recommendations could be adopted voluntarily by preparers. However, members did note that the conceptual framework that should guide accounting standards remained incomplete and not current. Also, at that time, the Board discussed its priorities and plans and revisited its Strategic Directions report. The Board reaffirmed its conclusions in the Strategic Directions report and noted factors that would likely influence federal financial reporting. Those factors included the notion that citizens and citizen intermediaries are the primary audience for the CFR, which implies that FASAB standards should focus on the CFR and should primarily consider citizens' information needs. Additionally, the factor implies that component reporting entity reports should support the needs identified for the CFR.
- A10. Later in 2011, the Board discussed the report, The Chief Financial Officers Act of 1990 – 20 Years Later: Report to the Congress and the Comptroller General (CFO Act Report). The report recommended that Congress consider directing FASAB, the Office of Management and Budget (OMB), and the Government Accountability Office (GAO) to evolve the financial reporting model. Consequently, the Board decided to review the reporting model of component reporting entities and conduct discussions with CFOs and various groups to help the Board determine the information of value to users.
- A11. Also, other countries were reporting on service performance as well as financial performance. Given the range of issues, the Board decided that the project needed to be segmented into three separate projects – improving cost, performance, and budgetary reporting – and task forces would be organized for each project. This approach would allow members to better focus on issues that needed to be addressed.
- A12. In 2012, the three task forces proceeded to discuss issues and subsequently recommended that the Board revisit SFFAS 4, Managerial Cost Accounting Standards and Concepts. The task forces believed that adequate cost guidance is needed to support users of budget and performance information and provide cost information that meets the expectations of financial information users. Upon reviewing the task force results, the Board determined that the recommended project would involve matters outside of the Board's domain and would require coordination with the OMB and the Department of the Treasury. Also, members again raised concerns about systems constraints and challenges in presenting integrated cost, budget, and performance information.

Developing Ideal Reporting Models without Constraints

- A13. At this point, members noted that models of the ideal presentation are needed to serve as the end-goal for the project and help guide their direction. Also, given that raising concerns about existing systems and challenges directed the discussions away from "what should be," the Board determined that development of ideal models would not be constrained by considering existing systems and what the Board could accomplish immediately. In addition, the models will take a holistic view and consider the other conceptual issues discussed previously and include explanations on why the resulting construct should be considered ideal. Consequently, the Board decided to develop conceptual, ideal models that integrate budget, cost, and service performance information.

Flow Information: The Starting Point for Developing Ideal Models

- A14. During the April 2014 meeting, FASAB members developed and presented their views of ideal reporting models. The presentations addressed the Budgetary Integrity objective, in general, and each of the sub-objectives of the Operating Performance objective. Also, with respect to the Stewardship objective, the Board decided to focus on the federal government as the entity rather than the nation's economy. In addition, in June, the Board decided not to revisit the reporting objectives or clarify the role of FASAB with respect to the objectives. Instead, the Board decided to begin developing the ideal reporting model by focusing on the flows and the flow statements that would help achieve the reporting objectives.
- A15. Users needed to better understand flow information, such as costs and budgetary information, and how they relate. The Board would consider how cost and budgetary information should be disaggregated and address how to reconcile cost and budget at a level that would be understandable to users.
- A16. However, members expressed concern about whether the concepts should include illustrations of financial statements and whether concepts should reflect an 'aspirational' reporting model or simply describe current practice. Consequently, the Board decided to: develop an inventory of concepts and topics that might be included in the concepts statement; and upon completing the inventory, deliberate which items should be retained in the concepts statement.

Inventory of Concepts

- A17. In February 2015, the Board developed an inventory of concepts that would help guide development of the reporting models. The inventory included several topics, including: financial statements and the interrelationships among them and other reporting sources; the differences in information users need for government-wide versus component reporting entity reporting; budgetary information; performance information; cost accounting; and summary reporting. Although the current conceptual framework discusses some features of these topics, the Board believed that specific objectives would help provide the information that users need. Also, the outline proposed a discussion on national indicators. However, the Board decided not to include this topic given that government policies do not always directly influence the indicators.

APPENDIX B: AMENDMENTS TO SFFAC 1

The following text is rescinded:

Relationship Of Financial Reporting To Budgeting

186. “The budget” is a broad term that may include, among other things, a projection of spending authorities and means of financing them for a future period and a report of the actual spending and associated financing for a past period. The FASAB’s recommendations may influence the reporting of actual budgetary data.

187. The Budget of the United States Government is the most widely recognized and used financial report of the federal government. The budget process is the government’s principal mechanism for reaching agreement on goals, for allocating resources among competing uses, and for assessing the government’s fiscal effects on economic stability and growth. Most attention is paid to these future-oriented roles of the budget.

188. Budget execution is designed to control and track tax receipts and the use of resources according to the purposes for which budget authority was approved. Actual receipts, obligations, and outlays are recorded by account, as is the status of budgetary resources at the end of each fiscal year.

189. Budgetary measurement is designed to assist in the control and allocation of resources by showing the cash outlays implied by each decision when the decision is made. In some cases, the budget now also includes accruals for costs in advance of the required cash outlay. Budgetary concepts are under continual review. They may be changed by law or, after consultation with the Congress, in the annual revision of OMB Circular A-11, “Preparation and Submission of Budget Estimates.”

190. The Board’s authority does not extend to recommending budgetary standards or budgetary concepts, but the Board is committed to providing reliable accounting information that supports budget planning and formulation. The Board also supports efforts to ensure the accuracy and reliability of reporting on the budget.

191. The Board’s own focus is on developing generally accepted accounting standards for reporting on the financial operations, financial position, and financial condition of the federal government and its component entities and other useful financial information. This implies a variety of measures of costs and other information that complements the information available in the budget. Together with budgetary reports, these reports will provide a more comprehensive and insightful understanding of the government’s financial position, results of operations, and financial condition than either set of reports alone.

APPENDIX C: ABBREVIATIONS

FR	Financial Report of the U.S. government
ED	Exposure draft
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GASB	Governmental Accounting Standards Board
IPSASB	International Public Sector Accounting Standards Board
OMB	Office of Management and Budget
SFAS	Statement of Financial Accounting Standards (FASB)
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards

APPENDIX D: GLOSSARY

Attachment II: Draft Concepts Statement – Clean Version

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Federal Accounting Standards Advisory Board

TITLE
SUBTITLE

Statement of Federal Financial Accounting Concepts

Exposure Draft

Written comments are requested by [date 90 days after issuance]

Month day, year

Working Draft – Comments Are Not Requested on This Draft

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General, established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. The proposed standards are published in an Exposure Draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information is available from the FASAB or its website:

- [“Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board.”](#)
- [“Mission Statement: Federal Accounting Standards Advisory Board”](#), [exposure drafts](#), [Statements of Federal Financial Accounting Standards and Concepts](#), [FASAB newsletters](#), and other items of interest are posted on FASAB’s website at: www.fasab.gov.

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Federal Accounting Standards Advisory Board

ISSUE DATE

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

Your comments on the exposure draft of a proposed Statement of Federal Financial Accounting Concepts, entitled **TITLE**, are requested. Specific questions for your consideration appear on page 7 but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by DUE DATE.

All comments received by the FASAB are considered public information. Those comments may be posted to the FASAB's website and will be included in the project's public record.

Mail delivery is delayed by screening procedures. Therefore, please provide your comments in electronic form by e-mail to fasab@fasab.gov. If you are unable to e-mail your responses, we encourage you to fax the comments to (202) 512-7366. Alternatively, you may mail your comments to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop H19
441 G Street, NW, Suite 6814
Washington, DC 20548

We will confirm receipt of your comments. If you do not receive confirmation, please contact our office at 202.512.7350 to determine if your comments were received.

The Board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft. **or** A public hearing has been scheduled at 9:00 AM on Month Day, Year, in Room 7C13 at the GAO Building, 441 G Street, NW, Washington, D.C.

Notice of the date and location of any public hearing on this document will be published in the Federal Register and in the FASAB's newsletter.

Sincerely,

Chairman

STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING CONCEPTS

Statements of Federal Financial Accounting Concepts (SFFAC) set forth objectives and fundamentals on which financial accounting and reporting standards are based. The objectives identify the goals and purposes of financial reporting and the fundamentals are the underlying concepts of financial accounting—concepts that guide the selection of transactions, events, and circumstances to be accounted for; their recognition and measurement; and the means of summarizing and communicating them to interested parties.

Concepts statements guide the Board’s development of accounting and reporting standards by providing the Board with a common foundation and basic reasoning on which to consider the merits of alternatives. Also, knowledge of the objectives and concepts the Board considers should help users and others who are affected by or interested in federal financial accounting and reporting standards to understand better the purposes, content, and qualitative characteristics of information provided by federal financial accounting and reporting.

The conceptual framework addresses many of the fundamentals needed to support standards setting. FASAB developed the core of its conceptual framework in the early 1990s. At that time, financial management legislation and administrative directives focused on component level reporting. Hence, the FASAB’s second concept statement, Entity and Display, focused on the basis for defining a reporting entity and the display of component financial statements. Other concepts statements address financial reporting objectives; qualitative characteristics of information; the intended audience for the financial report of the U.S. Government (FR); elements of accrual basis statements and their measurement attributes; communication methods; and managerial cost accounting.

Through its ongoing conceptual framework project, the FASAB has reviewed its early concepts statements and is establishing new statements as needed. The FASAB Handbook of Accounting Standards and Other Pronouncements, As Amended (FASAB Handbook) provides a full discussion of FASAB’s SFFACs and can be accessed at <http://www.fasab.gov/accounting-standards/authoritative-source-of-gaap/accounting-standards/fasab-handbook/>.

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INTRODUCTION

PURPOSE

1. This Statement discusses concepts to assist the FASAB in developing reporting models for the government-wide and component reporting entities. Also, the proposed concepts may help preparers and users understand the purposes of the information presented in general purpose federal financial reports (GPFRR) prepared in conformity with generally accepted accounting principles (GAAP) and their relationships to other financial reporting.
2. Current concepts have not led to reports that meet users' need to understand: the relationships among budget, cost, and performance information about federal programs and services; and whether the government's financial condition improved or deteriorated during the reporting period. Challenges also remain in understanding component budgetary information and the relationship between the government-wide and component reporting entities' financial statements.
3. Moreover, the means of preparing reports and information has evolved and the volume and type of reports that can be prepared has grown since FASAB developed the earlier concepts statements. For instance, the federal government makes a range of reports available to the public, including GPFRRs prepared in conformity with GAAP, budgetary reports, non-financial performance reports, and reports on systems and controls, and enhancements in technology have expanded access to this information. Users need to understand the relationship among the variety of reports so they can access data from multiple sources, drill-down through different levels of aggregated data, and create their own reports.
4. Consequently, some existing FASAB concepts statements will need to be reemphasized, amended, or rescinded to clarify users' needs and better address the:
 - a. content and presentation of information and how the information relates to other sources;
 - b. availability and impact of electronic data and systems on financial reporting;
 - c. financial reporting objectives specific to the government-wide and component reporting entities; and
 - d. reporting objectives for budgetary and performance information, cost accounting, and summary reporting, as they relate to external financial reporting.
5. Revisiting FASAB concepts statements will ensure that the Board fully considers the concepts that are most important to addressing users' needs.

SCOPE

6. As intended, the overall financial reporting objectives discussed in SFFAC 1 are broad. SFFAC 1, par. 10 notes that they apply to both internal and external financial reports. The intention being to improve the quality (for example, relevance and consistency) of data available for a wide variety of applications. However, the breadth of the reporting objectives combined with the growth in data sources raise questions regarding the FASAB's role; particularly with regard to setting standards needed to meet the budgetary integrity and systems and controls objectives. These are viewed as unconventional objectives for a GAAP standards-setting body. This Statement clarifies SFFAC 1 by emphasizing those objectives most relevant for external financial reports and, therefore, most important for a GAAP standards-setting body.
7. The Board is charged with giving consideration to “the budgetary information needs of executive agencies and the needs of users of federal financial information”¹ and has committed to supporting efforts to ensure the accuracy and reliability of reporting on the budget. While budgetary and financial accounting information are presented on different bases of accounting, the information is, in effect, about different aspects of the same transaction. Thus, users need to understand the relationships among the information.²
8. With respect to the FASAB's focus,³ the Board develops GAAP for reporting on the results of operations, financial position, and financial condition of the federal government and its component reporting entities. This implies a variety of financial measures and other information that complements the information available in the budget. Together with budgetary reports, these reports will provide a more comprehensive and insightful understanding of the government's financial position, results of operations, and financial condition than either set of reports individually. While reports prepared in conformity with GAAP are part of a larger body of information available to users, this concept statement is limited to the mission of the FASAB and how GAAP reporting relates and supplements this larger body of information.
9. Figure 1: Information for Assessing Accountability and for Decision-Making illustrates the larger body of information available to users and the information directly and indirectly affected by GAAP.

¹ FASAB Memorandum of Understanding, October 2009.

² SFFAC 1, par. 176.

³ The American Institute of Certified Public Accountants (AICPA) designated FASAB's as the source of GAAP for federal reporting entities.

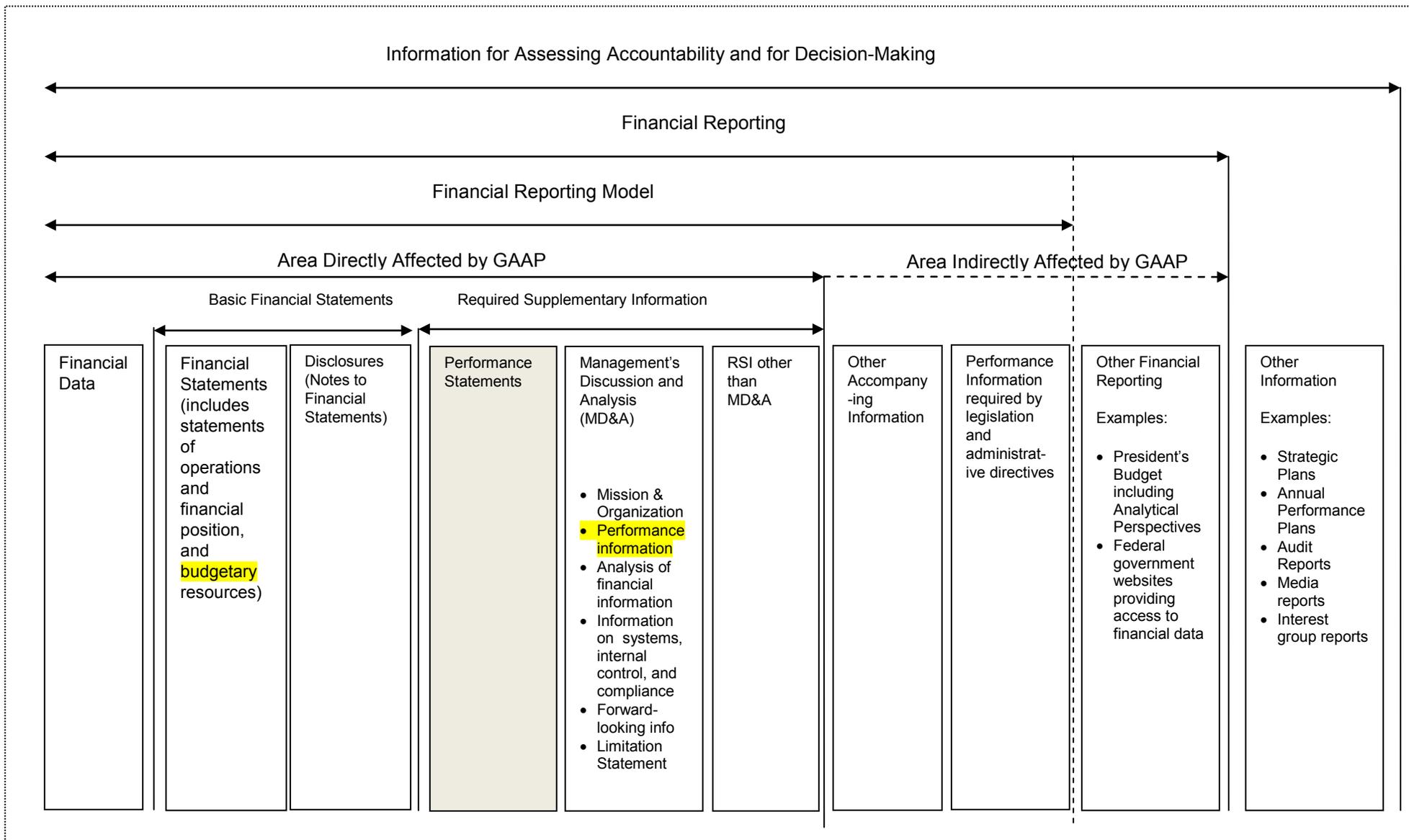


FIGURE 1: INFORMATION FOR ASSESSING ACCOUNTABILITY AND FOR DECISION-MAKING

10. Consequently, this Statement primarily focuses on concepts to support achieving the operating performance and stewardship objectives. Also, this Statement provides concepts for reporting budgetary information in GPFFRs and supporting achievement of the budgetary integrity objective.
11. This Statement rescinds the section: Relationship of Financial Reporting to Budgeting in SFFAC 1, paragraphs 186 to 191.

PROPOSED CONCEPTS

FEDERAL FINANCIAL REPORTING OBJECTIVES

12. Statement of Federal Financial Accounting Concepts (SFFAC) 1: *Objectives of Federal Financial Reporting* (Objectives) discusses the types of users of financial information, their financial information needs, and the objectives of reporting financial information. The overall financial reporting objectives are:
- a. **Budgetary Integrity.** Federal financial reporting should assist in fulfilling the government's duty to be publicly accountable for monies raised through taxes and other means and for their expenditure in accordance with the appropriations laws that establish the government's budget for a particular fiscal year and related laws and regulations.
 - b. **Operating Performance.** Federal financial reporting should assist report users in evaluating the service efforts, costs, and accomplishments of the reporting entity; the manner in which these efforts and accomplishments have been financed; and the management of the entity's assets and liabilities.
 - c. **Stewardship.** Federal financial reporting should assist report users in assessing the impact on the country of the government's operations and investments for the period and how, as a result, the government's and the nation's financial condition has changed and may change in the future.
 - d. **Systems and Controls.** Federal financial reporting should assist report users in understanding whether financial management systems and internal accounting and administrative controls are adequate to ensure that: transactions are executed in accordance with budgetary and financial laws and other requirements, consistent with the purposes authorized, and are recorded in accordance with federal accounting standards; assets are properly safeguarded to deter fraud, waste, and abuse; and performance measurement information is adequately supported.
13. These objectives are the foundation for all other concepts and other concepts flow logically from them.
14. FASAB's report, *Clarifying FASAB's Near-Term Role in Achieving the Objectives of Federal Financial Reporting*, confirmed these objectives and clarified that the Board's primary focus should be on the Operating Performance and Stewardship objectives. Also, with respect to the Stewardship objective, the Board's focus is on the government's financial condition.
15. SFFAC 2: *Entity and Display* identifies the financial information needed to meet the objectives and recognizes that some of the identified information should be presented in a GPFFR prepared in conformity with GAAP.

GENERAL PURPOSE FEDERAL FINANCIAL REPORTS

GPFFRs provide information on the results of operations, financial position, and financial condition of the federal government and its component reporting entities. The reports include explanatory material to help users understand the relationship among the items of information presented in a single source and are prepared in conformity with GAAP. GAAP results from an open and deliberative process involving agreement on criteria for categorizing, recognizing and measuring and depicting the government's financial activities.

16. A general purpose report prepared in conformity with GAAP is intended to provide information on the results of operations, financial position, and financial condition of the federal government and its component reporting entities. It includes financial statements, disclosures, and RSI and, in the federal government, this report is frequently referred to as a GPFFR.
17. FASAB develops GAAP for federal entities using an open and deliberative process that facilitates agreement on criteria for categorizing, recognizing, measuring, and depicting the government's financial activities in GPFFRs. Also, GPFFRs:
 - a. Are based on a common understanding of terms and elements as well as the relationships among them.
 - b. Ensure that the financial information presented is complete; and
 - c. Help guide the exchange of information.
18. GPFFRs are prepared using:
 - a. Accrual basis for historical statements;
 - b. Budgetary basis for budgetary statements; and
 - c. Projections for forward-looking statements.
19. GPFFRs explain the differences in the different types of financial statements and the information they provide, and the different bases of accounting. The explanations assist users in understanding the relationships among the items of information presented and narrative and graphic depictions can be used.

OTHER REPORTS

20. GPFFRs are designed to meet general objectives and are highly aggregated. Many decisions require more specialized or detailed information. Hence, GPFFRs are not the only reports that provide financial information to external users of financial information. However, there are caveats to consider with respect to these other reports. For instance, other reports might not:
- a. be exposed to the same level of discipline as reports drawn from GAAP-based data sources;
 - b. be consistent with GAAP standards;
 - c. be audited; and
 - d. meet the qualitative characteristics of GAAP-based information.

BUDGETARY REPORTS

21. The budget process is the government's principal mechanism for reaching agreement on goals, for allocating resources among competing uses, and for assessing the government's fiscal effects on economic stability and growth. While most attention is paid to the future-oriented roles of the budget process, budget execution is designed to control and track tax receipts and the use of resources according to the purposes for which budget authority was approved.⁴
22. In developing budget legislation, Congress decides on targets for: spending and receipts; the amount of the deficit or surplus; and the limit on debt. Upon determining the targets, Congress provides component entities with budget authority and enacts changes in laws affecting receipts and spending.⁵
23. Budget authority provided by annual appropriation acts is considered discretionary spending. Appropriations provide components with the authority to incur obligations for specific purposes. An appropriation can be limited to a single year, multiple years, or be available indefinitely.
24. Budget authority provided by permanent laws is considered mandatory spending.
25. Budget authority includes:
- a. Appropriations - Provided in appropriations acts or authorizing laws, permit agencies to incur obligations and make payment;

⁴ SFFAC 1, par. 187-190.

⁵ Analytical Perspectives p.92.

- b. Borrowing Authority - Usually provided in permanent laws, permits agencies to incur obligations but requires them to borrow funds, usually from the general fund of the Treasury;
- c. Contract Authority - Usually provided in permanent law, permits agencies to incur obligations in advance of a separate appropriation of the cash for payment or in anticipation of the collection of receipts that can be used for payment; and
- d. Spending Authority from Offsetting Collections - Usually provided in permanent law, permits agencies to credit offsetting collections to an expenditure account, incur obligations, and make payment using the offsetting collections.⁶ Offsetting collections are deductions from spending to reflect the government's net transactions with the public. They may result from business-like transactions with the public, intragovernmental transactions, voluntary gifts and donations, and offsetting governmental transactions or collections from the public that are governmental in nature such as tax receipts.⁷

26. Budgetary resources include new budget authority, unobligated balances, direct spending authority, and obligation limitations.⁸

SPECIAL PURPOSE FINANCIAL REPORTS

- 27. Other reporting also includes special purpose financial reports. Federal financial reporting objectives are intended to improve the data available for various applications and they apply to both internal and external financial reports.
- 28. Internal financial reports are prepared for special purposes and help internal users, such as federal managers, to plan and conduct their responsibilities in an efficient and effective manner.
- 29. External financial reports are prepared for special purposes as well. For example, external special purpose reports may provide economic data about the nation or analyses of the impact of policy proposals.

⁶ Analytical Perspectives pp.102-103.

⁷ Analytical Perspectives pp. 99-100.

⁸ GAO *A Glossary of Terms Used in the Federal Budget Process*

REQUIRED SCHEDULES AND ELECTRONIC ACCESS

30. In addition, components present schedules required by the Office of Management and Budget, such as a schedule of spending. The schedule is intended to provide an overview of how and where a component is obligating its funds.
31. Moreover, there are legislative acts and initiatives intended to enable users to drill-down, access detailed information, and prepare their own reports.
32. The media frequently accesses information and prepares reports designed to inform the public about the government's financial activities.

CONCEPTS FOR GOVERNMENT-WIDE AND COMPONENT REPORTING ENTITIES

THE GOVERNMENT-WIDE REPORTING ENTITY

33. The federal government is responsible for the nation's defense and general welfare and is a single economic entity composed of components that provide services to people.
34. The federal government has unique capabilities to finance the services provided and accomplish its objectives. It has the power to levy taxes, charge fees, and borrow.
35. Also, the federal government may accomplish its objectives without outlaying funds. For example, to encourage home ownership and stimulate residential construction, the federal government may approve tax provisions that reduce the tax liability for taxpayers who have to incur the costs associated with mortgage interest and local property taxes.
36. The federal government can continue to provide services even when the cost of providing those services exceeds the amount of revenues received.
37. Given the operations of the government-wide reporting entity, information useful for demonstrating its accountability and decision-making should include :
 - a. Revenues –information to understand the sources and amounts of taxes and other revenue received.
 - b. Tax Expenditures – information about the taxes the government has forgone.
 - c. Expenditures – information on how taxes were used.
 - d. Costs – information about how resources were used.
 - e. Overall results of operations – information about the government's net results.

- f. Financial Position - information that helps them identify the resources of the government and the claims against those resources as of the reporting date.
- g. Budgetary Legislation – information that helps to understand the legislative processes for determining the level of resources to raise from taxes, how the budget resources will be used, and the different measures that may be used to control funds.
- h. Sustainability of services - information to assess the level of future resources needed to sustain public services required by law and policy and to meet obligations as they come due.
- i. Performance – information on how resources provided are managed and used to accomplish a desired level of services

COMPONENT REPORTING ENTITIES

38. Component reporting entities receive authority through appropriations made in the legislative process. Their missions and reporting requirements are established in various laws enacted over time resulting in a complex network of operations and services. Components across the federal government are diverse and the scope and nature of each component's activities can be diverse and at times overlap.
39. In light of the reporting objectives, component level GPFFRs should help inform users regarding a component's:
- a. different sources and amount of funding;
 - b. use of funding for specific goals or services;
 - c. net cost of services;
 - d. gross cost of services;
 - e. spending in relation to the budget;
 - f. status of resources (assets) available to provide future services and obligations (liabilities) that must be met in the future; and
 - g. accomplishments or performance information.
40. Component reporting entity report users need this information to evaluate the operations of the entity, such as its compliance with budget laws and future resource needs, and the cost of services provided and their performance.
41. Information on the entity's funding and costs needs to be disaggregated in ways to assist users in their analyses and further their understanding of the entity's operations.

42. [Placeholder for guidance on classifying or disaggregating funding (budgetary) and costs information].
43. [Placeholder for discussion the manner in which financial position and financial condition should be presented.]
- a. Financial position is the difference between assets and liabilities and is a relevant term for the federal government and its components.
 - i. For components, financial position provides information such as appropriations available, extent of dedicated collections, and cumulative results of operations.
 - ii. However, financial position with respect to a component is not as meaningful as for the federal government because a component is not an independent economic entity.
 - b. Financial condition is a projection of the change in financial position over time resulting from the monies coming in and the monies going out as a percent of GDP.
 - c. Financial condition is not relevant for component reporting entities.
 - d. A third “net position” reflecting national indicators for the country could be presented.
44. Preparers should consider materiality and how best to meet the reporting objectives and not simply engage in a compliance exercise. Preparer judgment regarding context and the level of detail to be presented is needed.
45. Components’ summary information should be for strategic goals, because they reflect the purposes of components.
46. Components’ detail information should be at the program level to show users the amounts expended on programs of interest.
- a. Explain relationship between programs and services
 - b. Make distinction between program activities and programs.
47. Comparisons of actual to budget resources provide an understanding of how budget resources are used.
48. Costs, with costs of at least the major programs when possible, is necessary
- a. Types of costs to be encompassed

PERFORMANCE RESULTS

49. Performance results information shows what was obtained for the costs.
- a. Different types of performance information
 - i. Inputs – resources provided
 - ii. Outputs - the quantity of a service or product provided.
 - iii. Outcomes – the accomplishments or results that occurred because of the service.
 - b. Performance results might not occur in the year the costs were incurred.
 - i. Information nonetheless important to show relationship.
 - c. Characteristics of performance information.
 - d. Sources of performance information
 - e. Importance of timeliness and acceptability of estimates.
50. Presenting information for multiple periods to reveal trends, when appropriate. Multiple periods of performance information helps users identify long-term trends. Trend information can be helpful for demonstrating improving or declining performance and for evaluating services and planning future services.

ELECTRONIC REPORTING

51. Electronic reporting—how it can be used to expand the extent of information made available.

SUMMARY REPORTING

52. Role of summary reporting.
- a. Purpose
 - b. Key elements of a summary report, e. g., Overview, program performance , financial performance, challenges

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

PROJECT HISTORY

A1. This project is a part of the Board’s conceptual framework initiative. After several years of progress in federal financial reporting, FASAB decided to revisit its conceptual framework with a focus on ensuring that accounting standards are based on a sound framework of objectives and concepts. At that time, Board members were concerned that the reporting objectives were broad and some members sought to better determine the role of GAAP-based financial statements in achieving them. Accordingly, the Board began the conceptual framework initiative by revisiting the reporting objectives and engaging the federal reporting community in the discussions.

User Needs and Reporting Community Outreach

A2. FASAB staff conducted a series of roundtable discussions to determine whether the objectives remained valid and appropriate and to help define the role of the Board in achieving them. Roundtable participants provided views on whether the objectives continued to reflect the information needs of users and whether they are being achieved. The participants believed the reporting objectives remained valid and they noted that the objectives could be accomplished by reports and similar materials other than financial statements. Consequently, in 2006, the Board agreed to retain the broad objectives and issue its Strategic Directions report that discusses the Board’s primary and secondary focuses relative to the reporting objectives.

A3. Next, the Board began discussing the need for conceptual guidance that describes the reporting model and how it relates to the reporting objectives. The concepts would guide the Board in determining the financial statements necessary for achieving the reporting objectives and help focus on “what should be” versus “what is.” The former would ensure that the objectives are adequately addressed and the statements are useful to readers. Also, members were concerned about whether a relationship should exist among financial statements, such as the balance sheet and a statement of net cost, and how the model compares with other reporting models. As a result, staff began researching the diverse needs of users and how they access information; surveying other countries and their reporting models; and conducting discussions with preparers, citizen intermediaries, congressional staff, program managers, executives, auditors, state and local government planners and analysts, and experts in federal financial reporting.

- A4. Meanwhile, the Board continued its deliberations on social insurance and long term sustainability reporting, projects that would significantly impact the existing reporting model and raise conceptual questions that should be addressed in the conceptual framework initiative. Board members discussed conceptual issues such as the purpose of the balance sheet and its elements and eventually the Board determined that the conceptual framework needed to better explain unique accounting issues such as why:
- a. the power to tax is not an asset but nonetheless is relevant to assessing the sustainability or the financial condition of the federal government;
 - b. current deficits are indeed bad and have short and long-term implications;
 - c. the timing of a cash flow problem is important; and
 - d. the point estimates on the balance sheet have limitations for assessing financial condition.
- A5. Accordingly, the Board decided to consider these and other reporting concepts in the reporting model project.
- A6. FASAB staff completed the users' needs and reporting model research and provided the Board with a series of reports and discussion papers. In summary, staff noted that users needed information regarding:
- a. The cost of programs.
 - b. The performance of programs
 - c. The sustainability of programs
 - d. How actual spending compared to the budget
- A7. Also, users needed plain-language, understandable information, and the ability to access information and prepare their own reports.

Task Forces and Additional Research

- A8. The Board organized the Reporting Model Task Force to consider the user needs and reporting community results and provide suggestions for the reporting model. In 2010, the task force completed its work and presented recommendations to enhance the reporting model. In general, the task force focused on what could be accomplished in the near term and on the Financial Report of the U.S. Government (CFR) because the public would likely start with the CFR to learn about the fiscal health of the federal government. Consequently, they recommended the adoption of a centralized, web-based method of reporting financial and performance information, recommended changes to particular financial statements, and recommended additional disclosures. They believed that the success of these recommendations require raising public awareness of federal financial reporting.

- A9. In 2011, the Board discussed the task force recommendations and members discussed systems constraints and challenges and noted that many of the recommendations could be adopted voluntarily by preparers. However, members did note that the conceptual framework that should guide accounting standards remained incomplete and not current. Also, at that time, the Board discussed its priorities and plans and revisited its Strategic Directions report. The Board reaffirmed its conclusions in the Strategic Directions report and noted factors that would likely influence federal financial reporting. Those factors included the notion that citizens and citizen intermediaries are the primary audience for the CFR, which implies that FASAB standards should focus on the CFR and should primarily consider citizens' information needs. Additionally, the factor implies that component reporting entity reports should support the needs identified for the CFR.
- A10. Later in 2011, the Board discussed the report, The Chief Financial Officers Act of 1990 – 20 Years Later: Report to the Congress and the Comptroller General (CFO Act Report). The report recommended that Congress consider directing FASAB, the Office of Management and Budget (OMB), and the Government Accountability Office (GAO) to evolve the financial reporting model. Consequently, the Board decided to review the reporting model of component reporting entities and conduct discussions with CFOs and various groups to help the Board determine the information of value to users.
- A11. Also, other countries were reporting on service performance as well as financial performance. Given the range of issues, the Board decided that the project needed to be segmented into three separate projects – improving cost, performance, and budgetary reporting – and task forces would be organized for each project. This approach would allow members to better focus on issues that needed to be addressed.
- A12. In 2012, the three task forces proceeded to discuss issues and subsequently recommended that the Board revisit SFFAS 4, Managerial Cost Accounting Standards and Concepts. The task forces believed that adequate cost guidance is needed to support users of budget and performance information and provide cost information that meets the expectations of financial information users. Upon reviewing the task force results, the Board determined that the recommended project would involve matters outside of the Board's domain and would require coordination with the OMB and the Department of the Treasury. Also, members again raised concerns about systems constraints and challenges in presenting integrated cost, budget, and performance information.

Developing Ideal Reporting Models without Constraints

- A13. At this point, members noted that models of the ideal presentation are needed to serve as the end-goal for the project and help guide their direction. Also, given that raising concerns about existing systems and challenges directed the discussions away from "what should be," the Board determined that development of ideal models would not be constrained by considering existing systems and what the Board could accomplish immediately. In addition, the models will take a holistic view and consider the other conceptual issues discussed previously and include explanations on why the resulting construct should be considered ideal. Consequently, the Board decided to develop conceptual, ideal models that integrate budget, cost, and service performance information.

Flow Information: The Starting Point for Developing Ideal Models

- A14. During the April 2014 meeting, FASAB members developed and presented their views of ideal reporting models. The presentations addressed the Budgetary Integrity objective, in general, and each of the sub-objectives of the Operating Performance objective. Also, with respect to the Stewardship objective, the Board decided to focus on the federal government as the entity rather than the nation's economy. In addition, in June, the Board decided not to revisit the reporting objectives or clarify the role of FASAB with respect to the objectives. Instead, the Board decided to begin developing the ideal reporting model by focusing on the flows and the flow statements that would help achieve the reporting objectives.
- A15. Users needed to better understand flow information, such as costs and budgetary information, and how they relate. The Board would consider how cost and budgetary information should be disaggregated and address how to reconcile cost and budget at a level that would be understandable to users.
- A16. However, members expressed concern about whether the concepts should include illustrations of financial statements and whether concepts should reflect an 'aspirational' reporting model or simply describe current practice. Consequently, the Board decided to: develop an inventory of concepts and topics that might be included in the concepts statement; and upon completing the inventory, deliberate which items should be retained in the concepts statement.

Inventory of Concepts

- A17. In February 2015, the Board developed an inventory of concepts that would help guide development of the reporting models. The inventory included several topics, including: financial statements and the interrelationships among them and other reporting sources; the differences in information users need for government-wide versus component reporting entity reporting; budgetary information; performance information; cost accounting; and summary reporting. Although the current conceptual framework discusses some features of these topics, the Board believed that specific objectives would help provide the information that users need. Also, the outline proposed a discussion on national indicators. However, the Board decided not to include this topic given that government policies do not always directly influence the indicators.

APPENDIX B: AMENDMENTS TO SFFAC 1

The following text is rescinded:

Relationship Of Financial Reporting To Budgeting

186. “The budget” is a broad term that may include, among other things, a projection of spending authorities and means of financing them for a future period and a report of the actual spending and associated financing for a past period. The FASAB’s recommendations may influence the reporting of actual budgetary data.

187. The Budget of the United States Government is the most widely recognized and used financial report of the federal government. The budget process is the government’s principal mechanism for reaching agreement on goals, for allocating resources among competing uses, and for assessing the government’s fiscal effects on economic stability and growth. Most attention is paid to these future-oriented roles of the budget.

188. Budget execution is designed to control and track tax receipts and the use of resources according to the purposes for which budget authority was approved. Actual receipts, obligations, and outlays are recorded by account, as is the status of budgetary resources at the end of each fiscal year.

189. Budgetary measurement is designed to assist in the control and allocation of resources by showing the cash outlays implied by each decision when the decision is made. In some cases, the budget now also includes accruals for costs in advance of the required cash outlay. Budgetary concepts are under continual review. They may be changed by law or, after consultation with the Congress, in the annual revision of OMB Circular A-11, “Preparation and Submission of Budget Estimates.”

190. The Board’s authority does not extend to recommending budgetary standards or budgetary concepts, but the Board is committed to providing reliable accounting information that supports budget planning and formulation. The Board also supports efforts to ensure the accuracy and reliability of reporting on the budget.

191. The Board’s own focus is on developing generally accepted accounting standards for reporting on the financial operations, financial position, and financial condition of the federal government and its component entities and other useful financial information. This implies a variety of measures of costs and other information that complements the information available in the budget. Together with budgetary reports, these reports will provide a more comprehensive and insightful understanding of the government’s financial position, results of operations, and financial condition than either set of reports alone.

APPENDIX C: ABBREVIATIONS

FR	Financial Report of the U.S. government
ED	Exposure draft
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GASB	Governmental Accounting Standards Board
IPSASB	International Public Sector Accounting Standards Board
OMB	Office of Management and Budget
SFAS	Statement of Financial Accounting Standards (FASB)
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards

APPENDIX D: GLOSSARY
