Federal Accounting Standards Advisory Board

Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording

Statement of Federal Financial Accounting Concepts 7

BALLOT DRAFT

MM dd, 2011

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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STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING CONCEPTS

This Statement of Federal Financial Accounting Concepts (SFFAC) is the seventh in a series of concepts statements intended to set forth objectives and fundamentals on which financial accounting and reporting standards will be based. The objectives identify the goals and purposes of financial reporting. 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.

The Federal Accounting Standards Advisory Board's (FASAB or "the Board") conceptual framework enhances the consistency of standards and serves the public interest by providing structure and direction to federal financial accounting and reporting. The most direct beneficiaries of the FASAB's concepts statements are the Board itself and preparers and auditors of federal financial reports. The 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.

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. That knowledge should enhance the usefulness of, and confidence in, federal financial accounting and reporting.

Concepts statements enhance preparers' and auditors' understanding of the common foundation and reasoning employed in considering alternatives. The generally accepted accounting principles (GAAP) hierarchy provides that statements of federal financial accounting standards constitute level A (the highest level) guidance. Statements of federal financial accounting concepts are not GAAP. Instead, concepts statements constitute "other literature." Other literature may only be relied upon by financial statement preparers and auditors under the circumstances indicated in Statement of Federal Financial Accounting Standards 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board* (SFFAS 34).

In developing and amending accounting standards, the Board looks to concepts statements for guiding principles and also considers relevant existing standards and guidance issued by the Board and other standard-setting bodies. Until the Board

amends an existing standard, the Board expects the principles and practices addressed by that standard to be governed by the accounting principles embodied in the four levels of the GAAP hierarchy specified in SFFAS 34. Thus, the Board distinguishes between material presented in concepts, which are used to guide Board deliberations on future GAAP, and accounting principles presented in standards, which constitute current GAAP.

For federal entities, in the absence of specific authoritative literature applicable to a transaction or event, it should be possible to report the event or transaction by selecting an established accounting principle for a similar transaction or event that appears appropriate when applied in a similar manner. In the unusual case where an analogy cannot be drawn to established authoritative literature, the GAAP hierarchy established in SFFAS 34 permits consideration of other literature including concepts statements. Consideration of individual concepts statements will be helpful but often may not provide sufficient guidance in resolving emerging issues. Therefore, the Board encourages careful study of the conceptual framework and established practice in resolving such issues.

Statements in this series describe concepts and relations that will underlie future federal financial accounting standards and practices and in due course will serve as a basis for evaluating existing standards and practices. With issuance of this statement, the series of concepts statements comprises:

- SFFAC 1, *Objectives of Federal Financial Reporting* (includes the qualitative characteristics of information in financial reports)
- SFFAC 2, *Entity and Display*
- SFFAC 3, *Management's Discussion and Analysis*
- SFFAC 4, *Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government*
- SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*.
- SFFAC 6, *Distinguishing Basic Information, Required Supplementary*
- *Information, and Other Accompanying Information*
- SFFAC 7, *Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording*

Like other pronouncements of the FASAB, Statements of Federal Financial Accounting Concepts remain in effect until amended, superseded, or withdrawn by appropriate action under the Board's Rules of Procedure.

Executive Summary

In financial reporting, measurement is the act or process of assigning dollar amounts to the elements of the financial statements (assets, liabilities, and so forth). This Concepts Statement addresses the measurement of the elements of accrual-basis financial statements of federal government entities in periods after amounts are initially recorded. It identifies and elucidates conceptual issues for the Board to consider when deliberating measurement standards in the future. It does not change existing standards.

A principal question for the Board to resolve in future standards is whether and under what circumstances it might be more useful for users' decision making to report an asset or liability in periods after its acquisition or incurrence (a) at the amount initially recorded ("initial amount"), i.e., the historical cost or historical proceeds (which may be adjusted subsequently for amortization, depreciation, or depletion, if applicable) or (b) at an amount measured at each financial statement date ("remeasured amount"), such as the fair value. This Concepts Statement discusses the advantages and disadvantages of different alternatives for measurement. However, conclusions as to which measurement approach or attribute may be selected for reporting an element under different circumstances are deferred for consideration in the standard-setting process. Standard-setting deliberations also would appropriately consider cost–benefit implications and other practical reporting concerns.

The measurement approach (initial or remeasured amounts), attributes, and methods used for measuring assets and liabilities affect how the information is reported and interpreted. The analysis in this Concepts Statement includes a comparison of the advantages and disadvantages for achieving the federal financial reporting objectives (SFFAC 1) of continuing to report an initial amount after the recognition period versus remeasuring an asset or liability at each financial statement date. Also included is a discussion of how well attributes that are commonly applied or available for measuring assets and liabilities, such as fair value and settlement amount, comply with the qualitative characteristics (SFFAC 1). The analysis suggests that, when the goal is to help ensure that reported information achieves several financial reporting objectives in response to the various decision-making needs of a range of users, it is necessary to accept that different measurement approaches, attributes, and methods may be needed to convey useful information about different transactions and underlying events. The identification and discussion of the different measurement possibilities is expected to enhance the understanding of users and preparers as well as the Board's deliberations of future standards.

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Introduction

1. In financial reporting, measurement is the act or process of assigning dollar amounts to the elements of the financial statements. This Concepts Statement addresses the measurement of the elements of accrual-basis financial statements of federal government entities in periods after their initial recording. The elements are assets, liabilities, net position, revenues, and expenses, as defined in Statement of Federal Financial Accounting Concepts 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements.* Different measurements and considerations may apply for financial statements that are not presented on the accrual basis, such as a statement of budgetary resources, statement of social insurance, or statement of long-range fiscal projections, and for required supplementary information and other types of general purpose financial reporting.

Objective

2. The objective of this Statement is to identify and elucidate the conceptual issues relevant to establishing measurement standards in the future for accrual-basis financial statements.[1] A principal question for the Board to resolve in future standards is whether and under what circumstances it might be more useful for users' decision making[2] to report an asset or liability in periods after its acquisition or incurrence (a) at the amount initially recorded ("initial amount"), i.e., the historical cost or historical proceeds (which may be adjusted subsequently for amortization, depreciation, or depletion, if applicable) or (b) at an amount measured at each financial statement date ("remeasured amount"), such as the fair value. This Concepts Statement discusses the advantages and disadvantages of different alternatives for measurement. However, conclusions as to which measurement approach or attribute may be selected for reporting an element under different circumstances are deferred for consideration in the standard-setting process. Standard-setting deliberations also would appropriately consider cost–benefit implications and other practical reporting concerns.

Focus on Assets and Liabilities

3. The measurement concepts in this Statement focus on assets and liabilities because remeasuring elements after their initial recording is directly applicable

[1] This Statement does not establish federal financial accounting standards or change existing standards.
[2] References in this Statement to usefulness for decision making encompass decisions related to accountability, management, and other needs of internal and external users, as discussed in Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting* (SFFAC 1).

only to assets and liabilities, insofar as the other elements are derived from them.[3] That is, balance sheets and operating statements articulate and, therefore, the measurement and recognition of changes in assets and liabilities affect reported revenues and expenses.

4. Expenses for a reporting period result from consuming assets and incurring liabilities, as well as from accounting adjustments that increase existing liabilities or decrease existing assets. Revenues result from acquiring assets and from accounting adjustments that increase existing assets or decrease existing liabilities. Consequently, expenses and revenues arise either from current-period transactions in which the resulting initial and remeasured amounts are the same (e.g., salaries expense and tax revenue), or from adjustments to existing assets and liabilities, such as for changes in the applicable discount rate (e.g., increases in pension liabilities), or for decreases in liabilities due to recognizing revenues for amounts previously reported as deferred revenues.

Financial Reporting Objectives and Qualitative Characteristics

5. The concepts in this Statement are considered with reference to the federal financial reporting objectives and the qualitative characteristics of information in financial reports.[4] The most relevant objectives to the questions discussed in this Statement are:

   a. *Budgetary Integrity*. To help the reader determine how information on the use of budgetary resources relates to information on the costs of program operations and whether information on the status of budgetary resources is consistent with other accounting information on assets and liabilities

   b. *Operating Performance.* To help the reader determine

      (1) The costs of providing specific programs and activities and the composition of, and changes in, these costs

      (2) The efforts and accomplishments associated with federal programs and the changes over time and in relation to costs

      (3) The efficiency and effectiveness of the government's management of its assets and liabilities

[3] The balance sheet element of net position is not separately addressed because it is defined as the difference between total assets and total liabilities.
[4] SFFAC 1.

c. *Stewardship.* To help the reader determine whether

(1) The government's financial position improved or deteriorated over the period

(2) Future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due

(3) Government operations have contributed to the nation's current and future well-being

6. The qualitative characteristics of information in financial reports are:

a. *Relevance*—The capacity of information to make a difference in a decision by helping users to form predictions about the outcomes of past, present, and future events or to confirm or correct prior expectations

b. *Understandability*—The quality of information that enables users to perceive its significance

c. *Reliability*—The quality of information that assures that information is reasonably free from error and bias and faithfully represents what it purports to represent

d. *Comparability*—The quality of information that enables users to identify similarities in and differences between two sets of economic phenomena

e. *Consistency*—Conformity from period to period with unchanging policies and procedures

f. *Timeliness*—Having information available to a decision maker before it loses its capacity to influence decisions

Concepts

Measurement Approaches and Attributes

7. The questions surrounding the measurement of assets and liabilities in accrual-basis financial statements can be grouped into two broad areas of consideration:

   a. **Measurement Approach**

      The *measurement approach* is how an asset or liability is measured in periods after initial recording—i.e., at the historical cost or initial transaction amount (with subsequent adjustments for amortization, depreciation, or depletion, if applicable) or at an amount, such as fair value, measured at each financial statement date. A different measurement approach may be appropriate for different assets and liabilities. This Statement refers to the amount initially recorded as the "initial amount" and to amounts measured at each subsequent financial statement date as "remeasured amounts."

   b. **Measurement Attribute and Method**

      The *measurement attribute* (or measurement basis)[5] is a measurable characteristic of an asset or liability, such as its fair value or settlement amount.[6] Major questions are: Which attributes result in more useful information for decision making, and what factors and circumstances may contribute to that result, such as the class of asset or liability, the type of transaction, and variations in users' decision-making needs? Also, the selection of a measurement attribute often entails the selection of a *measurement method*. For example, if the measurement approach for a particular asset is to report a remeasured amount and the measurement attribute selected is fair value, possible measurement methods could be to research quoted market prices, if available, or to obtain a professional appraisal. Different measurement attributes and methods may be used for different assets and liabilities, and the selections made can affect the usefulness of reported information for decision making.

8. The next section discusses different measurement approaches with reference to the financial reporting objectives. A later section discusses measurement attributes and methods with reference to the qualitative characteristics.

[5] Both terms are currently in use in the accounting measurement literature and convey a similar concept.
[6] These and other measurement attributes are defined and discussed in a later section.

Measurement Approaches

9. The most basic accounting and financial reporting questions relate to recognition and measurement. When should a government measure the existence of, or changes in, the value of an asset or liability? When and how should revenues and expenses resulting from these changes be measured and recognized? Should a government record changes in economic values that have occurred, even though no transaction by the government has taken place? Would the reliability of financial statements suffer if such changes were accounted for as they occur, or would the failure to account for them reduce the decision-usefulness and representational faithfulness of financial statements? Financial reporting standards traditionally have permitted or required recognition of value changes for some assets and liabilities but not for others. The issues are complicated because value changes may be due to changes in interest rates or service potential, or to different types of price changes.

Changes in Specific Prices Versus Changes in the General Price Level

10. Prices of goods and services increase or decrease for primarily two reasons:

    a. *A change in the demand for or supply of a specific product*, such as materials or equipment, which affects the market value of the product. The accounting and financial reporting question is whether these changes should be included in the balance sheet in the period in which they occur or entirely in the period when an asset or liability is disposed of or settled. For flows statements, the question is whether they should report only realized gains and losses or also the unrealized gains and losses generated by price changes before disposition of the assets or liabilities ("holding" gains and losses).

    b. *A change in the purchasing power of the monetary unit* (e.g., the dollar). That is, taking into account all goods and services bought and sold in the economy, the general price level might change such that the monetary unit buys more or less today than in a previous period. Although the number of monetary units required to buy a product might change, the relationship between the price of that product and the price of other goods or services will remain the same. For example, if the price of machine A was higher than that of machine B before the change in purchasing power, it would also be higher afterward, because the change in purchasing power would affect both prices equally. Increases (or decreases) in the number of monetary units required to purchase goods and services are referred to as inflation (or deflation).

11. Whether inflation is taken into account can affect how information is reported and interpreted. For example, assume that a federal agency acquired land for $100,000 in December 20x0 and sold it in December 20x1 for $125,000—an apparent gain of $25,000. Suppose, however, that during the year the general level of prices increased by 15 percent. That is, goods and services that could have been purchased in December 20x0 for $1,000 would have cost $1,150 in December 20x1.[7] Thus, in the example, the land acquired for $100,000 in 20x0 dollars can be thought of as having a remeasured cost of $115,000 ($100,000 x 115/100) in 20x1 dollars. The gain on sale, expressed in *constant* dollars—in this case, 20x1 dollars—is therefore only $10,000 ($125,000 - 115,000), rather than $25,000 in *nominal* (unadjusted) dollars. The $15,000 difference between reporting the gain on sale in nominal dollars and reporting it in constant dollars is relevant to users' assessment of the stewardship and operating performance of the agency's management.

Four Possible Measurement Approaches

12. The distinction between changes in *specific prices* (or values) and changes in the *general price level* (purchasing power of the dollar) suggests four possible measurement approaches:

    a. *Initial amounts/nominal dollars*. This is the traditional measurement approach. Assets and liabilities are stated at their initial (historical cost or historical proceeds) amounts, without adjustment for changes in prices, whether general or specific.

    b. *Initial amounts/constant dollars*. Assets and liabilities are stated at their initial amounts expressed in dollars as of the balance sheet (current) date, rather than dollars of the acquisition date, so that general price level adjustments are recognized.

    c. *Remeasured amounts/nominal dollars*. Assets and liabilities are adjusted to take into account changes in the prices of specific goods or services, but no separate recognition is given to changes in the general price level.

    d. *Remeasured amounts/constant dollars*. Assets and liabilities are remeasured to take into account the current prices of goods and services—

[7] Changes in the general price level generally are stated as an index value. For example, the implicit price deflator for gross domestic product (GDP deflator), maintained by the U.S. Department of Commerce, Bureau of Economic Analysis, expresses prices of various years as percentages of prices of a selected base year, which is assigned a value of 100. If, for example, 20x0 is the base year (100) and prices in 20x1 are 15 percent higher, then the GDP deflator for 20x1 would be 115.

that is, adjustments are required for changes in the general price level as well as for changes in specific prices.

13. The following expansion of the earlier example compares results for the four measurement approaches. The results are illustrated in Table A.

Example

A federal entity purchased land for $100,000 in December 20x0. The land increased in value to $125,000 by December 20x1. The entity retained the land for another year and sold it on December 31, 20x2 for $130,000. The general price level was 100 when the entity acquired the land, 115 on December 31, 20x1, and 127 on December 31, 20x2.

On December 31, 20x1, the land was worth $125,000—meaning, the entity could have realized a $25,000 nominal dollar gain by selling it. Further analysis reveals, that $15,000 of that gain resulted from general price level changes ($100,000 x 115/100) while the remaining $10,000 resulted from specific price increases. The next year, 20x2, the land reached a value of $130,000 and management sold it for a net gain of $30,000 over the two-year period.

All four measurement approaches result in a $30,000 gain being reported, but different information is available for each of the two years. Under the initial amounts/nominal dollars approach, the entire $30,000 gain is reported in 20x2. Using the initial amounts/constant dollars approach, $15,000 of the gain ($115,000 - 100,000) is reported in 20x1 and $15,000 in 20x2 ($130,000 - 115,000). Under both the remeasured amounts approaches, $25,000 of the gain ($125,000 - 100,000) is reported in 20x1 and $5,000 in 20x2 ($130,000 - 125,000). Further analysis reveals that, under both approaches reported using constant dollars, the purchasing power gain in 20x2 is $13,043 [$125,000 x (127/115) – 125,000]. Thus, under the initial amounts/constant dollars approach, the remainder of the 20x2 gain ($15,000 – 13,043 = $1,957) is attributed to a specific price increase. In contrast, under the remeasured amounts/constant dollars approach, the specific price change in 20x2 is a loss of $8,043 ($5,000 – 13,043).

Such differences can affect users' evaluation of operating performance. For example, the increase in the value of the land attributable to the 20x1 management team would be either zero or $15,000 under the initial amounts approaches versus $25,000 under the two remeasured amounts approaches.

TABLE A. Purchase and Sale of Land: Comparative Results under Four Measurement Approaches

	Measurement Approach			
	Initial amounts/ Nominal dollars	Initial amounts/ Constant dollars	Remeasured amounts/ Nominal dollars	Remeasured amounts/ Constant dollars
Acquisition cost = book value at 12/31/x0 (20x0 dollars)	$100,000	$100,000	$100,000	$100,000
Reported book value of land, 12/31/x1	100,000	115,000[1]	125,000[2]	125,000[2]
Current value of land, 12/31/x1	125,000	125,000	125,000	125,000
Reported total gain, 20x1	0	15,000[3]	25,000[4]	25,000[4]
— Purchasing power gain	0	15,000	0	15,000[5]
— Specific price gain	0	0	25,000	10,000
Sale price of land, 12/31/x2	130,000	130,000	130,000	130,000
Reported total gain, 20x2	30,000[6]	15,000[7]	5,000[8]	5,000[8]
— Purchasing power gain	0	13,043[9]	0	13,043[9]
— Specific price gain/(loss)	30,000	1,957	5,000	(8,043)

[1]$100,000 x 115/100 = $115,000
[2]Market value at 12/31/x1
[3]$115,000 – 100,000 = $15,000
[4]$125,000 – 100,000 = $25,000
[5]($100,000 x 115/100) – 100,000 = $15,000
[6]$130,000 – 100,000 = $30,000
[7]$130,000 – 115,000 = $15,000
[8]$130,000 – 125,000 = $5,000
[9]($125,000 x 127/115) – 125,000) = $13,043

14. Although certain federal government statistics are reported in constant dollars, there has not been a strong call to adjust the financial statements in recent decades, when inflation has been low. However, should high inflation be experienced in the future, consideration might be given to reporting financial statement information in constant dollars to assist users in assessing an entity's financial position and operating results after adjusting for inflation. If so, an examination of the advantages and disadvantages of reporting in constant dollars would be appropriate at that time.

Focus of This Statement

15. The remainder of this Statement focuses on the differences between reporting initial amounts and remeasured amounts in nominal dollars (measurement approaches a. and c. in the previous section). Under approach a., initial amounts are not adjusted for changes in either general or specific prices. Under approach c., remeasured amounts and resulting holding gains and losses incorporate the combined effects of both general and specific price changes without separately identifying them.

16. The analysis in this Statement addresses assets and liabilities in general. However, a particular financial reporting standard may permit or require the reporting of initial amounts for some assets and liabilities and remeasured amounts for others, based on the anticipated usefulness to decision makers of one approach versus the other for the reporting issues addressed in the standard.

Initial Amounts, Remeasured Amounts, and the Financial Reporting Objectives

17. This section discusses initial amounts and remeasured amounts in general and the extent to which each measurement approach helps achieve the federal financial reporting objectives. Different measurement attributes are discussed in a later section on "Measurement Attributes and Qualitative Characteristics."

Initial Amounts Versus Remeasured Amounts

18. Traditionally, the amount at which a transaction is reported has been determined in a manner appropriate to the nature of the transaction. For example, assets acquired by purchase are initially reported at the amount of the consideration surrendered by the purchaser (plus any additional costs incurred to bring the asset to a serviceable condition). Assets acquired through donation are reported at their fair value at the date of donation. Accounts receivable and payable are reported at their anticipated net settlement amounts, which are

future exit values.[8] Examples include reporting accounts receivable at net realizable value and reporting accounts payable at invoice amount less any discounts (e.g., for prompt payment). Once recorded, the amounts initially determined are often referred to as the "historical cost" of an asset or "historical proceeds" of a liability, regardless of how they were determined. In this Statement they are referred to as *initial amounts*.

19. Certain features of a transaction may make identification of an initial amount more difficult. For example, transactions may have associated costs, such as legal fees, which generally are reported as part of the initial amount. A single transaction may involve more than one asset or liability, requiring the total transaction amount to be allocated to the components. Indirect costs, such as certain labor costs, may need to be allocated to constructed assets through cost accounting procedures. Initial amounts for longer lived assets and liabilities generally are allocated to reporting periods. For example, capital assets are depreciated or amortized over their estimated useful lives. Discounts or premiums from issuance of debt are amortized or accreted over the term of the debt. Many of these features present practical questions to be resolved when setting standards.

20. Remeasured amounts of assets and liabilities are determined using one of several possible measurement attributes that reflect economic conditions at the financial statement date, including, for example, fair value or settlement amount. Remeasurement updates a previously determined carrying amount to reflect a change in the economic value of an asset or liability that has occurred since the previous financial statement date. A remeasured amount thus differs from an adjustment to an initial amount that does not reflect a change in value. For example, an increase in the accumulated depreciation balance on a building does not change the economic value of the building and does not constitute remeasurement of its carrying amount. Unless the value of the building itself is remeasured at, for example, its fair value, the reported amount will continue to be considered the initial amount. In contrast, an adjustment to an allowance for uncollectible accounts receivable due to an increased risk of noncollection constitutes remeasurement of the carrying amount, even when the gross amount of receivables is not remeasured, because the adjustment reflects a change in the economic value of the receivables—the anticipated net settlement amount.

[8] An exit value is the price or amount at which an asset could be sold or a liability extinguished. An entry value is the estimated price at which an asset which is currently on the books may be purchased. (*Kohler's Dictionary for Accountants*, sixth edition, W. W. Cooper and Yuji Ijiri, eds.; Prentice-Hall, Inc., Englewood Cliffs, N.J., 1983). Entry and exit values are referred to again in the section on measurement attributes.

Achieving the Financial Reporting Objectives

21. Assessments of which nominal-dollar measurement approach—initial amounts or remeasured amounts—better enables achievement of one or more of the financial reporting objectives vary according to the kinds of information users need and the decisions to be made.[9] In practice, federal financial statements traditionally have followed a "mixed-attribute" model. That is, some assets and liabilities, such as general property, plant, and equipment, have been reported at initial amounts (adjusted for depreciation, depletion, or amortization, if applicable), and others, such as direct loans and loan guarantees, have been reported at remeasured amounts.

22. Given the objective of reporting information that is useful for accountability and users' decision-making needs and the range of different users and information needs to be addressed, it is likely that federal financial statements will continue to include both measurement approaches as well as different measurement attributes and measurement methods under each approach. Consequently, this Concepts Statement identifies advantages and disadvantages of reporting initial amounts and remeasured amounts and of applying different measurement attributes, but no conclusions are drawn as to which measurement approach or attribute may be preferable either in general or in particular circumstances. Such conclusions are the province of the standard-setting process, in the course of which the concepts in this Statement will be considered on a project-by-project basis, along with cost–benefit considerations and other practical reporting concerns that may arise under different alternatives.

23. Continuing to report assets and liabilities at their initially recorded amounts in periods following their acquisition or incurrence is a long-established approach to financial reporting and users are accustomed to that approach. Initial amounts generally are reliable and objective, based on documented evidence, although subjectivity subsequently may be introduced through the assumptions or methods adopted for calculating depreciation or amortization, such as depreciable lives and salvage values, or, as previously indicated, through the allocation of indirect costs. Initial amounts establish a historical record of transactions that have occurred that facilitates the control and safeguarding of resources.

24. Proponents cite these advantages in support of reporting at their initial amounts the costs of inventory and capital assets and the resultant costs of providing programs and activities (referred to in the operating performance objective).

[9] SFFAC 1 describes the users of federal financial reporting and their decision-making needs.

These proponents believe that it is not useful to remeasure and report assets at their potential sales prices or settlement amounts when they are being held to provide services, rather than for sale. In this view, assets held to provide services should be reported at the amounts paid for them (or other initial amounts), and the reported cost of using them each period should be a function of that amount. With this approach, the initial amounts of assets will be allocated to service costs over the periods when the assets are used to provide services, based on the prices paid for the assets.

25. Many also support reporting initial amounts for assets used to provide services because they believe that the adequacy of taxes and other revenues should be assessed based on the amounts actually expended to acquire existing assets, rather than on the current-period costs of equivalent assets or service potential. These proponents suggest that reporting program and activity costs based on the initial amounts facilitates users' ability to assess how the use of budgetary resources relates to the costs of operations (budgetary integrity objective), whereas reporting costs each period at remeasured amounts does not. Initial amounts also may be advocated when there are significant barriers to the realization or settlement of a remeasured amount.

26. Proponents of reporting initial amounts hold that the reliability and objectivity of initial amounts is critical for users' decisions. Reporting remeasured amounts may introduce significant uncertainties and subjectivity into the information provided to users because of the extent of judgment involved in developing these estimates. Those who hold these views point out that remeasured information may reduce the reliability of financial statements. Further, they note that information that is not reliable is rarely relevant.

27. Supporters of remeasurement believe that users require up-to-date information about the price of assets held for sale or to generate future cash inflows. Further, they believe that users also need information about the costs of programs and other ongoing activities based on the current costs of the underlying assets, particularly infrastructure and other capital assets that likely were acquired many years ago. In this view, a comparison of current-period taxes and other revenues with remeasured (current) costs of the resources consumed in providing goods and services is more relevant for assessing operating performance, stewardship, and the sustainability of services than is a comparison with initial amounts that are no longer current. To provide up-to-date information on the costs of services, the underlying assets need to be reported at a remeasured amount, such as replacement cost.

28. Similarly, supporters of remeasurement believe that remeasured amounts of assets and liabilities, especially for assets acquired many years ago, are more

relevant than initial amounts for assessing an entity's current financial position, service potential, and ability to meet obligations when due, as well as the magnitude of the entity's current and probable future resource needs. Over time, critical factors, such as prices and interest rates, change, yet initial amounts reflect the prices and interest rates in effect at the various transaction dates, not at the reporting date. For example, it is possible for assets acquired at different dates to be reported at different amounts, even though they have the same service potential. Similarly, it is possible for liabilities incurred at different dates to be reported at the same initial amount, even though they do not represent equivalent economic claims on the entity's resources, because they bear different interest rates.

29. The contrasting views about the usefulness of initial amounts versus remeasured amounts suggest that an important consideration is whether the reporting objectives generally are more concerned with informing users about how efficiently and effectively budgetary resources were ultimately used to deliver goods and services, or about how all economic resources were used. The principal difference between the two goals is the treatment of the effects of price changes (unrealized or "holding" gains and losses) on reported assets and liabilities and related operating costs. The different treatments provide different information to users of the financial statements.

30. If an entity reports initial amounts, the statement of net cost reports the expiring benefits from previously expended budgetary resources only when the underlying assets are consumed or sold. The statement of net cost does not provide information about changes that occur in resource prices or the values of existing assets in the intervening periods. In contrast, if the entity reports remeasured amounts, the information reflects the capacity of the underlying assets to provide goods and services in changing circumstances. The statement of net cost captures the period-to-period changes in asset amounts (holding gains and losses) in the periods in which they occur and reports the resources consumed at current amounts, information that can help users assess stewardship and operating results each period.

31. The reporting of holding gains and losses can help fulfill the financial reporting objectives by providing information about management’s performance that is useful to agency and program managers as well as to taxpayers and other users of financial reports, including, for example, the economic results of decisions to hold rather than to sell assets. This information may enhance understanding of the costs of programs and activities based on current costs, how costs are changing, the sufficiency of current resources, and future resource needs. The information also may help users assess the efficiency and effectiveness of the management of the entity’s assets and liabilities,

including whether a change in financial position resulted from management's operating decisions or from changes in prices beyond management's control. These kinds of information are available from the financial statements when holding gains and losses are separately displayed in the statement of net cost. Reporting initial amounts without adjustment for holding gains and losses (and excluding amortization, depreciation, and depletion) may help users compare the resources consumed for goods and services with the resources provided for those purposes. On the other hand, without information about current prices it is difficult for users to assess future resource needs and whether the entity's financial position has improved or deteriorated.

32. The expenses related to capital assets that are reported in a resource flows statement are a component of the cost of current-year services. Initial amounts may be more useful than remeasured amounts for reporting certain costs of services when the objective is to enable tracking of budgetary resources expended. For example, costs, such as amortization or depreciation of capital assets, may be viewed as the expiration of benefits derived from prior expenditures of budgetary resources. Remeasured amounts may be more useful than initial amounts for assessing operating performance when the objective is to consider the economic costs of providing specific programs and activities and to compare costs with accomplishments. Remeasured amounts also may be more useful for assessing stewardship, including whether the entity's financial position improved or deteriorated over the period, whether public services are sustainable, whether obligations can be met as they come due, and for assessing future resource needs.

33. The previous discussion suggests that there are different views and factors to be considered concerning whether the financial reporting objectives are better achieved by reporting initial amounts or remeasured amounts. Also, some individuals believe that a mixed measurement approach, whereby some assets or liabilities are reported at initial amounts and others at remeasured amounts, serves a wider range of decision-making needs than either of the two measurement approaches alone.[10] Ultimately, which measurement approach is more useful depends on the types of transactions and other events that have occurred and the information needed for the decisions to be made. Requiring the same measurement approach for all assets and/or liabilities and related costs is unlikely to be conceptually appropriate or useful for decision makers. Rather, when the goal is to help ensure that reported information meets several financial reporting objectives in response to the various decision-making needs of a range of users, it is necessary to accept that different measurement

[10] For example, some who support reporting initial amounts for assets used to provide services also support reporting remeasured amounts for assets expected to be converted into cash.

approaches, measurement attributes, and measurement methods may be appropriate to convey useful information about different transactions and underlying events.

Measurement Attributes and Qualitative Characteristics

34. The previous section evaluates two measurement approaches—reporting initial amounts and reporting remeasured amounts—in relation to the financial reporting objectives. This section examines initial and remeasured amounts in relation to the qualitative characteristics that information in financial reports should demonstrate.[11]

35. Initial amounts are referred to in general terms because they are not changed from period to period (except for appropriate adjustments for amortization, depreciation, or depletion). Remeasured amounts are discussed with reference to the attribute measured because the attribute selected may affect the degree to which a particular qualitative characteristic is met. Also, different attributes may be selected for different assets and liabilities and, because the amounts are remeasured each period, it is possible to change the attribute, if appropriate to achieve the financial reporting objectives under changed circumstances.

36. The measurement attributes discussed are those most commonly applied or available for use: *fair value, settlement amount, replacement cost, value in use,* and *fulfillment cost*. Additional measurement attributes may be developed in the future. Fair value and settlement amount may be used to determine either the initial amount (historical cost or historical proceeds) or the remeasured amount of an asset or liability. Replacement cost and value in use (for assets) and fulfillment cost (for liabilities) are not applicable for assessing initial amounts because they are attributes of assets and liabilities that an entity already has recorded. These attributes may be used to remeasure recorded amounts at subsequent financial statement dates.

37. Different measurement methods, with varying degrees of precision, may be used in applying measurement attributes. For example, fair value may be measured by selecting a market price from applicable quotations, by estimating the present value of future resource flows, through a professional appraisal, or by applying a variety of other estimation techniques. The methods used may introduce different degrees of uncertainty in the resultant amounts and may, therefore, affect the degree to which the qualitative characteristics are met.

[11] The qualitative characteristics are discussed in SFFAC 1.

Fair Value

38. *Fair value is the amount at which an asset or liability could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.*

39. The fair value of an asset or liability may be measured at the market value in established markets, such as those for certain investment or debt securities, or it may be estimated when there is no active market. Estimated fair value is commonly used for the initial amounts of assets acquired through donation or other types of nonexchange transactions.

40. The fair value may be an entry (purchase) value or an exit (selling or settlement) value. For exchanges in established markets, the entry and exit values for the same item should be the same except for transaction costs and differences attributable to the value of services provided by the seller of an asset (e.g., a merchandise vendor) to the buyer.[12] When there is no established market for the exchange, differences between entry and exit prices may arise due to the use of different assumptions in arriving at an estimate of market value. Also, when a federal entity acquires or constructs an asset for a specific public purpose, the exit value may be lower than the entry value if, for example, a potential purchaser would expect to pay a reduced price to allow for the cost of adapting the asset to an alternative use.

41. Methods used to measure fair value include calculating the present value of estimated future cash flows and estimating the fair value by reference to the current purchase or selling prices or other settlement amounts of similar assets or liabilities. A present value measurement that fully captures the economic differences among different assets and liabilities would most often include the following factors:

    a. An estimate of the future cash flow, or in more complex cases, series of future cash flows at different times
    b. Expectations about possible variations in the amount or timing of those cash flows
    c. The time value of money, represented by the risk-free rate of interest
    d. The price for bearing the uncertainty inherent in the asset or liability

[12] For example, a PX acquires a variety of goods at a wholesale (entry value) price, provides the service of assembling the goods in a location and display that is convenient to customers, and sells them at a retail (exit value) price.

e. Other, sometimes unidentifiable, factors including illiquidity and market imperfections.[13]

42. When fair value is used to measure and report an initial transaction, the amount becomes the historical cost or historical proceeds of the resulting asset or liability. The relevance, reliability, understandability, and comparability across entities of the reported amount are high in the initial reporting period, but they may decline with each successive period when compared with remeasured amounts. When market values can be used, amounts that are remeasured at fair value generally are high in relevance, reliability, and understandability, and in their comparability to equivalent amounts reported by other entities and their contribution to timely reporting. When fair values must be estimated, the degree to which the qualitative characteristics are met may vary depending on the availability of information about similar assets and liabilities and the degree of estimation required.

Settlement Amount

43. *Settlement amount is the amount at which an asset can be realized or a liability can be liquidated.*

44. Settlement amounts are exit values that are based on transactions and may be adjusted by the reporting entity for expectations regarding circumstances that may influence future settlement. When used to report receivables, the settlement amount is often referred to as the net realizable value. For example, the settlement amount or net realizable value for a receivable would be the invoiced amount adjusted for expectations regarding credit losses. For accounts payable, the settlement amount is the amount that the creditor will accept in settlement of its claim for compensation for goods or services provided. For long-term liabilities, the settlement amount is often calculated by applying net present value techniques to expected future cash flows. For example, the settlement amount for loan guarantees may be measured by projecting defaults, and subsequent recoveries, on guaranteed loans and applying an entity-specific discount rate to the resultant cash flows. The resultant measure represents the amount of cash that would need to be invested at the stated interest rate (i.e., the discount rate) to provide cash flows equal to the expected future cash payments required to settle the guaranteed loans. In contrast to fair value, the settlement amount would not take into account the price that the market would charge for bearing the risk or uncertainty associated with the asset or liability.

[13] Financial Accounting Standards Board, Statement of Financial Accounting Concepts No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*, February 2000, par. 23.

45. When used for initially recording and reporting short-term assets and liabilities, the degree of relevance, reliability, and understandability of settlement amounts could be similar to that afforded by fair values. However, the relevance of initial amounts for longer term assets and liabilities would decline in subsequent periods, as the amount required to realize the asset or settle the liability approaches the stated or face value while the initial amount is not remeasured. Remeasured settlement amounts would seem to be more appropriate because their relevance and reliability would be maintained or enhanced as the reporting dates approached the final settlement date. For some long-term liabilities, remeasurement may require the professional expertise of disciplines such as, for example, that of actuaries with respect to pension liabilities.

Replacement Cost

46. *Replacement cost is the amount required for an entity to replace the remaining service potential of an existing asset in a current transaction at the reporting date, including the amount that the entity would receive from disposing of the asset at the end of its useful life.*

47. Replacement cost is a remeasured amount, an entry value that is often advocated for assets used in providing services, such as capital assets and inventory not held for sale. Replacing the remaining service potential of an existing asset is not the same as acquiring an identical asset. However, in practice, it may be difficult to measure remaining service potential directly. There may be several ways of arriving at an approximation. For example, one way would be to measure the current cost of a similar asset, reduced by an appropriate amount to allow for the lower service potential of the existing asset due to its age and condition. Thus, the replacement cost of an asset is not the same as the fair value of either an equivalent new asset or the existing asset at the reporting date. For example, to arrive at the replacement cost of a fifty-year-old office building at the mid-point of its expected life, the fair value of an equivalent, newly constructed office building would have to be adjusted for the value of the difference in age or service potential. In addition, the fair value of the existing building may be higher than the replacement cost because the building can be put to alternative uses that produce greater benefits to the owner.

48. The relevance of replacement cost is high, especially for assessments of financial position and future resource needs. The level of understandability, reliability, and comparability across entities of reported replacement cost amounts may vary according to the data used and the complexity of the calculation.

49. Reporting the replacement cost of capital assets used in providing services and related service costs can facilitate comparisons between program and activity costs and accomplishments related to the same period. An objection sometimes raised is that replacement cost is not an attribute of the asset that is actually owned. However, the asset being measured is not the physical asset but the services it can provide.

Value in Use

50. *Value in use is the benefit to be obtained by an entity from the continuing use of an asset and from its disposal at the end of its useful life.*

51. Value in use is a remeasured amount for assets used to provide services. It can be measured at the present value of future cash flows that the entity expects to derive from the asset, including cash flows from use of the asset and eventual disposition. Value in use is entity specific and differs from fair value. Fair value is intended to be an objective, market-based estimate of the exchange price of an asset between willing parties. Value in use is an entity's own estimation of the service potential of an asset that it holds to provide a specific service. Examples include inventory and equipment with a unique design and purpose, and special-purpose buildings, such as prisons. In those cases, the value in use may be greater than the amount the entity could obtain from selling the asset because the selling price would need to accommodate the purchaser's need to adapt the asset to another purpose.

52. The service potential of an asset may be difficult to assess when the asset is used in combination with other assets and the total assessment must be allocated to the individual assets. In those cases, the reliability, consistency, and understandability of the remeasured amounts may be lower than when a direct assessment can be made of the value in use of each asset. The relevance of value in use is high for assessments of an individual entity, both with regard to the entity's management and for users' evaluations of operating performance, especially the entity's efficiency and effectiveness in managing its assets. However, the entity-specific nature of value in use reduces inter-entity comparability.

Fulfillment Cost

53. *Fulfillment cost includes all costs that an entity will incur in fulfilling the promises that constitute a liability.*

54. Fulfillment cost is a remeasured, entity-specific amount. It is an exit value that includes payments to the counterparty and other costs that arise from fulfilling the promises that constitute a liability assumed by an entity, such as for

environmental remediation. The fulfillment cost differs from the settlement amount. The settlement amount is based on a transaction with an external party, potentially adjusted by the entity for circumstances that may affect the payment amount. The fulfillment cost, in contrast, is the value to the entity of the resources that will be used in liquidating the entity's assumed liability and is not necessarily equal to the carrying amount or the fair value of those resources. Thus, the fulfillment cost of an entity's liability is analogous to the value in use of an entity's asset.

55. When the fulfillment cost depends on uncertain future events, possible alternative outcomes need to be considered when developing the estimated cost to reduce the potential for bias in the assessment. When fulfillment requires work to be done—for example, when the liability is for environmental remediation—the relevant costs are those that the entity will incur for either doing the work itself or employing a contractor. The fulfillment costs of long-term liabilities would be discounted to the reporting date, adjusting for risk at the risk-free rate, if appropriate.

56. Fulfillment costs are relevant to assessments of an entity's financial position but, because they are entity specific, they may not be comparable for assessments of other entities. Their reliability and understandability may vary depending on the complexities and uncertainties reflected in their measurement.

Appendix A: Basis for Conclusions

This appendix discusses factors considered significant by members in reaching the conclusions in this Concepts Statement. It includes the Board's reasons for accepting certain proposals and rejecting others. Some factors were given greater weight than other factors. The concepts enunciated in this Concepts Statement—not the material in this appendix—should guide the resolution of measurement issues that affect specific transactions, events, or conditions.

BACKGROUND

A1. Early in its operations, the FASAB developed a core set of accounting standards and initial statements of federal financial accounting concepts (SFFACs or concepts statements) on reporting objectives and entity and display. Concepts were developed as initial standards were developed. In 2003, the Board decided that it should review and add to or modify its concepts statements as needed. In addition to the initial SFFACs, the Board has issued concepts statements on management's discussion and analysis; the consolidated financial report of the U.S. government; the definition of elements and basic recognition criteria for accrual-basis financial statements; and distinguishing among basic information, required supplementary information, and other accompanying information. This Concepts Statement further expands the Board's conceptual framework.

A2. SFFAC 1, *Objectives of Federal Financial Reporting* (September 1993), defined the users and objectives of federal financial reporting, as well as the qualitative characteristics of reported financial information. SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements* (December 2007) identified and defined the elements of accrual-basis financial statements and established basic criteria for recognizing them. This Concepts Statement builds on the concepts established in SFFACs 1 and 5 by discussing different alternatives for measuring assets and liabilities (and, by extension, revenues and expenses) and the extent to which the alternatives meet the objectives and qualitative characteristics established in SFFAC 1.

A3. FASAB has established requirements for measuring certain assets, liabilities, revenues and expenses through federal financial reporting standards without the benefit of an underlying, cohesive framework of measurement concepts. Such a framework can provide significant guidance to the current and successor Boards when establishing financial reporting standards in the future. As a result, the consistency, understandability, and usefulness of reported information to decision makers, including preparers and users of financial information, should be enhanced. Consistent with the role of the Board's conceptual framework, this

Concepts Statement does not change current financial reporting standards or establish new standards.

STATEMENT OBJECTIVES AND CONTENT

A4. This Concepts Statement identifies and elucidates conceptual issues for the Board to consider when deliberating measurement standards in the future. A principal question for the Board to resolve in future standards is whether and under what circumstances it might be more useful for users' decision making to report an asset or liability in periods after its acquisition or incurrence at the amount initially recorded ("initial amount") or at an amount measured at each financial statement date ("remeasured amount"). The measurement approach (initial or remeasured amounts), measurement attributes, and measurement methods used for measuring assets and liabilities affect how the information is reported and interpreted.

A5. The analysis in this Concepts Statement includes a comparison of the advantages and disadvantages for achieving the federal financial reporting objectives of different measurement approaches and attributes. The analysis suggests that, when the goal is to help ensure that reported information achieves several financial reporting objectives, different measurement approaches, attributes, and methods may be needed to convey decision-useful information about different transactions and underlying events.

A6. The Board considered whether it should indicate that some of the measurement alternatives discussed in this Concepts Statement are preferred to others in certain specified circumstances. The Board concluded, however, that to indicate preferences would effectively result in establishing financial reporting standards in a concepts statement. The Board reasoned that decisions concerning whether certain measurement alternatives are preferred should be made in the context of deliberations on specific financial reporting standards. That context will enable the Board to focus on the specific reporting issues to be addressed and to consider the benefit vs. the cost of different measurement alternatives and other practical concerns, as well as the conceptual guidance provided by this statement.

A7. In developing this Concepts Statement, the Board benefited from research conducted in similar projects on measurement concepts under development by the Governmental Accounting Standards Board (GASB), the International Public Sector Accounting Standards Board, and the Financial Accounting Standards Board in collaboration with the International Accounting Standards Board. The FASAB met several times in joint session with the GASB on matters of mutual interest in their respective measurement concepts projects.

OUTREACH, RESPONSES, AND BOARD CONCLUSIONS

A8. An Exposure Draft (ED) of this Concepts Statement was issued September 13, 2010, with a comment deadline of November 30, 2010. The issuance was announced in the *Federal Register*, *FASAB News*, the *Journal of Accountancy*, and *AGA Today*. Listserv notices announced the ED and periodically reminded subscribers about the comment deadline. Notices were sent directly to organizations responding to past EDs. In addition, the ED was included in updates provided to liaison groups, such as the Financial Statement Audit Network.

A9. The Board received a total of 16 responses from these sources:

	FEDERAL (Internal)	**NON-FEDERAL (External)**	**TOTAL**
Users, academics, others		3	3
Auditors	3	1	4
Preparers and financial managers	9		9
Totals	12	4	16

A10. A large majority of the respondents supported the ED and the measurement concepts proposed by the Board, including the measurement approaches, attributes, and methods. Very few concerns were expressed. A few respondents' comments appeared to be based on an assumption that the Board was proposing new measurement standards. The Board may consider those comments when it deliberates future measurement standards. However, the purpose of this Concepts Statement is to establish measurement concepts to guide the standard-setting process in the future.

A11. No concerns were raised by a majority of the respondents. However, the Board does not rely on the number in favor of or opposed to a given position. The Board considered the arguments in each response and weighed the merits of the points raised. The following points were raised by a minority of the respondents and the Board reached the conclusions indicated.

a. *The Concepts Statement should discuss cost–benefit issues* (four respondents). As discussed in paragraph 22, the Board concluded that the cost–benefit of different measurement alternatives should be addressed in deliberations on specific measurement standards.

b. *The ED refers to the selection of an initial amount or a remeasured amount for reporting as the "principal question," but the ED does not answer the question* (two respondents). The Board reaffirmed that it did not intend to establish preferred measurement approaches or attributes, which would be addressed in the standard-setting process. The Board revised certain wording in the Executive Summary and in paragraph 2 of this Statement to avoid potential misunderstandings.

c. *The list of measurement attributes should include "going-concern"—"the value of the entity as a whole"* (one respondent). The Board reaffirmed that the goal of this Concepts Statement is to present concepts that the Board should consider when setting standards that include requirements for measuring the elements of the financial statements. Consistent with that goal, a measurement attribute is defined in paragraph 7b as "a measurable characteristic of an asset or liability, such as its fair value or settlement amount." The Board concluded that "going-concern" is not an attribute of an individual asset or liability. Rather, it is a concept that applies to the entity as a whole. Moreover, financial reporting standards do not address the direct measurement of the current value of entities as a whole. When setting standards, a going-concern is assumed.

d. *Delete the attributes "replacement cost" and "fulfillment cost" because they "are not intended to reflect the current value or historical cost of an asset or liability"* (one respondent). *Delete "value in use" because of its "inherent subjective nature"* (one respondent). *Delete "fair value," "replacement cost," "value in use," and "fulfillment cost" because they do not meet the needs of the respondent's agency* (one respondent). The Board reaffirmed that the purpose of this Concepts Statement is to present measurement concepts that the Board will consider when establishing future financial reporting standards. The Board concluded that this Concepts Statement should be comprehensive in terms of available measurement attributes, even though the Board may decide when setting financial reporting standards that certain attributes may not be appropriate for a particular measurement standard or for certain agencies' activities.

e. *Provide examples of how the attributes are used currently* (one respondent). Some of the measurement attributes are not currently used in the federal reporting environment. The Board agreed, however, that more descriptive information about the attributes would be useful. The Board has added language in the discussion of attributes (paragraphs 38–56) to clarify how certain attributes could provide useful information.

f. *Provide a comparative chart or table to illustrate the pros and cons of different measurement alternatives, including, for example, preferred alternatives under various circumstances or pros and cons for different accounting line items* (two respondents). As discussed in paragraph A6, the Board concluded that to indicate preferences for particular alternatives would effectively result in establishing financial reporting standards in a concepts statement. In this Concepts Statement, the Board has provided a balanced discussion of the different measurement approaches and attributes, leaving decisions on which approach and attribute may be preferred for particular classes of assets or liabilities or for specific types of transactions to be made when setting standards.

A12. In deliberating the final Concepts Statement, the Board concluded that the attribute "settlement amount" could be usefully applied for reporting non-financial as well as financial assets and liabilities. As a result, the definition of this attribute (paragraph 43) was reworded to: "Settlement amount is the amount at which an asset can be realized or a liability can be liquidated." The Board also added language to the discussion of settlement amount and fulfillment cost to clarify the differences among settlement amount, fair value, and fulfillment cost.

BOARD APPROVAL

This Concepts Statement was approved for issuance by all members of the Board.

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