Federal Accounting Standards Advisory Board

April 13, 2012

Memorandum

To: Members of the Board

Monica R. Valentine

From: Monica R. Valentine, Assistant Director

Wendy M. Payne

Through: Wendy M. Payne, Executive Director

Subj: Lease Project - **TAB H - 2**[1]

MEETING OBJECTIVE

The objective of this session is to update the Board on the status of the Lease project. Unless a member requests, the update will not be a discussion item on the agenda.

BRIEFING MATERIALS

The transmittal memorandum includes a discussion of the following project status topics.

- Status of FASB/IASB lease project
- Questionnaire status (a copy of questionnaire is attached)
- Task force status
- Other research efforts

BACKGROUND

During the August 2011 meeting, the Board approved a project plan to review existing federal lease accounting standards. The goal of the project on lease accounting is to

[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

address the needs of the federal community and to develop more comprehensive standards on federal leasing activities than the existing standards.

Current FASAB standards addressing leasing transactions include Statement of Federal Financial Accounting Standard (SFFAS) 5 *Accounting for Liabilities of the Federal Government* [pars. 43 – 46] and SFFAS 6 *Accounting for Property, Plant, and Equipment* [pars. 20 & 29]. These lease standards were originally developed from Financial Accounting Standards Board (FASB) lease standards effective at that time. Currently, the FASB and International Accounting Standards Board (IASB) have undertaken a joint project on lease accounting that focuses on the conveyance of rights to future economic benefits (such as the right of use). In addition, the Governmental Accounting Standards Board (GASB) has recently initiated a research project on lease accounting.

Staff's research efforts include gathering data on current leasing activities and practices throughout the federal government, evaluating the advantages and/or disadvantages of the forthcoming FASB/IASB new lease accounting standards, and ultimately developing federal guidance on the accounting for lease transactions.

PROJECT STATUS

As noted above staff's current project objectives have been to collect data on federal leasing activities/transactions and to follow the progress of the FASB/IASB and GASB lease projects. The following sections describe in more detail the status of those staff objectives.

1: Status of FASB/IASB Lease Project

The FASB/IASB began its joint lease accounting project in mid-2006. The Boards subsequently issued a preliminary views discussion paper in March of 2009 and later issued an exposure draft in August of 2010. The Boards also published a questionnaire in September of 2010 to survey organizations on their use of, and accounting for, leases. The Boards have held numerous public roundtable meetings and educational workshops. Based on the results of the exposure draft comment letters, roundtable meetings, and Board deliberations, the FASB/IASB has decided to re-expose the revised lease accounting proposals. The re-exposure will give the community an opportunity to comment on the revisions to the draft since the August 2010 exposure draft was released. That new exposure draft is expected to be released sometime during the second half of 2012.

Staff will continue to follow the progress of the FASB/IASB lease project and a more in-depth analysis of the proposed FASB/IASB lease accounting concepts can be conducted during the re-exposure period.

2: Questionnaire Status

The lease accounting project plan presented to the Board in August 2011 noted that staff would develop a questionnaire to be used to gather data from federal entities on their leasing activities and practices. On January 17, 2012 the questionnaire was distributed to 27 federal entities. In an effort to gather the necessary data on the leasing activities and practices of federal entities we requested the assistance of Deputy CFOs and Accounting Directors in completing the questionnaire. Staff requested that questionnaire responses be submitted by February 27, 2012. As of April 6, 24 agency responses have been received. Staff is in the process of analyzing the data received from the questionnaire responses.

A copy of the questionnaire is attached.

3: Task Force Status

In addition to the questionnaire, staff also proposed that a task force be organized to include federal individuals with relevant leasing experience or interest, as well as knowledgeable non-federal professionals with federal experience in the area of lease accounting. The following entities have been asked to participate in the task force, the Office of Management and Budget (OMB), Congressional Budget Office (CBO), General Services Administration (GSA), Department of Defense (DoD), Department of Agriculture (USDA), Department of Justice, Department of the Interior, Department of Veterans Affairs (VA), Department of State, National Aeronautics and Space Administration (NASA) and two independent accounting firms. The task force will be used to gather data on current leasing practices throughout the federal government and to evaluate the advantages and disadvantages of the forthcoming FASB/IASB new lease accounting standards, as well as assist in the development of federal accounting guidance. The FASAB chair has approved the list of task force members. Staff expects to hold an initial task force meeting by early summer.

4: Other Research Efforts

Other staff research efforts include reviewing several federal annual financial reports to compile leasing information that is currently being reported by federal entities. Staff is reviewing the reports looking for certain information such as, types of leasing activities; whether the entity is the lessee or lessor or both; any sub-leasing activities; whether the other party to the transaction is another federal entity or a private entity; any other “lease-type” activities not specifically referred to as a capital or operating lease. Staff will share the results of all research efforts with the Board in future Board meeting documents.