

**Questions for Respondents****Responses Due: September 15, 2023**

**Invitation to Comment**  
***Reexamination of Existing Standards***

**Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select “individual.”**

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input checked="" type="checkbox"/>	If other, please specify: <input type="text" value="Financial management policy"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

**Please provide your name.**

Name:

**Please identify your organization, if applicable.**

Organization:

*Please email your responses to [fasab@fasab.gov](mailto:fasab@fasab.gov). If you are unable to respond by email, please call (202) 512-7350 to make alternate arrangements.*

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### **FASAB GAAP HIERARCHY QUESTIONS**

**QUESTION 1.1:** The federal GAAP hierarchy in SFFAS 34 provides the sources of accounting principles and the framework for selecting the principles used in the preparation of general purpose financial reports of federal entities that conform with GAAP. **Do you agree that SFFAS 34 clearly and sufficiently explains the federal GAAP hierarchy and its application to federal accounting and reporting?**

**Choose an item.**

**Please explain your response. [Click here to enter text.](#)**

**QUESTION 1.2:** Have you experienced challenges in applying and using the federal GAAP hierarchy in SFFAS 34 to resolve accounting or reporting issues?

**Choose an item.**

**Please explain your response,** including any perceived challenges with applying SFFAS 34 (for example, utility in applying SFFAS 34 to resolving accounting and reporting issues, need to clarify authoritative vs non-authoritative guidance, relationship to other standard setters when FASAB guidance is silent, inconsistencies with different

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levels of GAAP, or questions regarding the application of “practices that are widely recognized and prevalent in the federal government.”) [Click here to enter text.](#)

**REEXAMINATION OF FASAB STANDARDS QUESTION**

**QUESTION 2:** Below are the 23 reexamination topic areas for which the Board is requesting your response. Respondents may review [Appendix A: Reexamination Table of Pronouncements](#)<sup>1</sup> in its entirety for a full understanding. **For each reexamination topic (column 1), please indicate the priority level for reexamination from the following options:**

**(1) High priority:** topic and related SFFASs are of significant concern and should be included in the reexamination with priority. Please provide ***no more than five*** high priority topics.

**(2) Medium priority:** topic and related SFFASs are of concern and should be included in the reexamination, but after high priority topics are addressed.

**(3) Low priority:** topic and related SFFASs are not of concern and do not need to be reexamined at this time.<sup>2</sup>

**Please explain your response, including specific details<sup>3</sup> and examples to support your rationale, especially those ranked high priority and medium priority.** Provide information (including specific SFFAS references where appropriate) that would help the Board understand why the reexamination of a particular SFFAS might take precedence or be considered more important than other SFFASs. To accomplish this, the Board is seeking feedback from respondents on where they believe there are opportunities for the Board to improve guidance within the 23 reexamination topics. This includes the following potential improvements:

- Streamlining authoritative guidance
- Eliminating or revising unclear requirements
- Eliminating disclosures and other required information that may no longer benefit users
- Filling gaps in the standards where the guidance either does not address or does not adequately address areas where federal financial reporting objectives are not being met
- Resolving inconsistencies in current practice
- Clarifying the standards (including addressing areas where the standards are difficult to apply)

<sup>1</sup> [Appendix A: Reexamination Table of Pronouncements](#) provides more details regarding how the 61 SFFASs result in 23 reexamination topics for consideration.

<sup>2</sup> The Board anticipates that the topics for reexamination will need to be reassessed in the future.

<sup>3</sup> For example, respondents may offer detail in terms of materiality, audit findings, cost-benefit, or other significant information to explain the need for reexamination of the SFFAS.

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- Reconsidering areas where there is significant preparer or audit burden versus perceived value of the information or other cost/benefit concerns
- Considering overlaps or redundancy in requirements

Please be explicit regarding opportunities to eliminate or revise requirements, whether those are in the standards or elsewhere. Stakeholder feedback will give the Board insight on respondent's views on these matters.

<b>Topic #1</b>	<a href="#">SFFAS 1, Accounting for Selected Assets and Liabilities Interpretation 10, Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31</a> <a href="#">TB 2020-1, Loss Allowance for Intragovernmental Receivables</a>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #2</b>	<a href="#">SFFAS 2, Accounting for Direct Loans and Loan Guarantees</a> AS AMENDED BY: <a href="#">SFFAS 18</a> , <a href="#">SFFAS 19</a>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #3</b>	<a href="#">SFFAS 3, Accounting for Inventory and Related Property</a> AS AMENDED BY: <a href="#">SFFAS 48</a> <a href="#">Interpretation 7, Items Held for Manufacture</a>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #4</b>	<a href="#">SFFAS 4, Managerial Cost Accounting Standards and Concepts</a> AS AMENDED BY: <a href="#">SFFAS 55</a>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #5</b>	<a href="#">SFFAS 5, Accounting for Liabilities of The Federal Government</a> AS AMENDED BY: <a href="#">SFFAS 12</a> , <a href="#">SFFAS 25</a> <a href="#">Interpretation 2, Accounting for Treasury Judgment Fund Transactions: An Interpretation of SFFAS 4 and SFFAS 5</a> <a href="#">Interpretation 4, Accounting for Pension Payments in Excess of Pension Expense</a> <a href="#">TB 2002-1, Assigning to Component Entities Costs and Liabilities that Result from Legal Claims Against the Federal Government</a> <a href="#">TB 2017-1, Intragovernmental Exchange Transactions</a>
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### High Priority

With the conforming amendments published in SFFAS 54 and 60, SFFAS 5 will not include any language related to leases. Without a section or paragraph related to leases, the definition of liability and contingent liability in SFFAS 5 are inconsistent with SFFAS 54 and the lease liabilities required to be recognized under SFFAS 54.

SFFAS 5 defines the standards for recognizing liabilities, including contingent liabilities.

1. For general liabilities: para 19 – “A liability for federal accounting purposes is a probable future outflow or other sacrifice of resources as a result of past transactions or events. General purpose federal financial reports should recognize probable and measurable future outflows or other sacrifices of resources arising from (1) past exchange transactions, (2) government-related events, (3) government-acknowledged events, or (4) nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date.”

Leases are exchange transactions (SFFAS 5 para 22 - each party to the transaction sacrifices value and receives value in return. There is a two-way flow of resources or of promises to provide resources) as the use of the underlying asset must be compensated with measurable consideration for it to be recognized as a lease in SFFAS 54 (definition of a lease, para 6).

SFFAS 5 para 22 states that “In an exchange transaction, a liability is recognized when one party receives goods or services in return for a promise to provide money or other resources in the future.” The inconsistency with SFFAS 54 arises related to measurement of the lease term and lease liability in SFFAS 54, and the requirement in SFFAS 5 that the liability must be based on past events in an exchange transaction. Paragraph 20 of SFFAS 5 states that “The existence of a past event (which includes transactions) is essential for liability recognition. An event is a happening of financial consequence to an entity...An event may also be an external event that involves interaction between an entity and its environment, such as a transaction with another entity.” SFFAS 54 requires the lease term (defined in paragraph 14-16) to include all probable periods, including option periods in the measurement of the lease liability for lessees. Option periods for contracts and agreements are not “past” events as they have not yet been executed – they have no financial consequence to the entity until they are executed. We do not currently recognize probable, and measurable liabilities for options periods on standard non-lease procurement contracts under SFFAS 5.

2. Contingent liability definition – lease liability measurement related to option periods could be considered a contingent liability of the agency as they are probable and measurable but are contingent on a future event (execution of an option period) to become an obligation and liability of the agency. That being said, the definition of contingent liability in SFFAS 5 does not fit with the recognition of the liability for probable unexercised option periods for leases (or any other procurement contract).

SFFAS 5 defines a contingency as “an existing condition, situation, or set of circumstances

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involving uncertainty as to possible gain or loss to an entity.” (paragraph 35). An option period for a lease or contract is not a possible loss for an entity as if it is executed, it will be an exchange transaction without gain or loss recognition. Contingent liability are also only recognized if a “past event or exchange transaction has occurred” and the contingency is probable and measurable (paragraph 38). With the requirement for a past event or transaction, and the requirement to involve the possible loss to an entity, the definition of contingent liability does not match the recognition criteria of liabilities for option periods for leases in SFFAS 54.

3. Footnote 19 states “In the case of government-acknowledged events giving rise to nonexchange or exchange transactions, there must be a formal acceptance of financial responsibility by the federal government, as when the Congress has appropriated or authorized (i.e., through authorization legislation) resources. Furthermore, exchange transactions that arise from government-acknowledged events would be recognized as a liability when goods or services are provided.” This further emphasizes that liabilities result from a formal acceptance of financial responsibility – which has not yet occurred for lease option periods until the option period is exercised. Absent specific statutory authority, agencies of the Federal government cannot enter a binding contract that exceeds the period of availability of the underlying appropriation unless the contract is for non-severable services or for severable services that do not exceed the period of obligation by more than 12 months under the Federal Acquisition Streamlining Act of 1994 (FASA).

FASA was in part addressing the Leiter Supreme Court decision. In *Leiter v. United States*, 271 U.S. 204 (1926), an agency had entered a long-term lease for office space with 1-year (i.e., fiscal year) funds, but its contract specifically provided that payment for periods after the first year was subject to the availability of future appropriations. The Court held that the lease was binding on the government only for one fiscal year, and it ceased to exist at the end of the fiscal year in which the obligation was incurred. It takes affirmative action to bring the obligation back to life.

Absent specific statutory authority to enter a contract in advance of appropriations, the Government does not have a legal liability associated with unexercised options until both an appropriation is enacted and the Government’s duly authorized officers affirmatively continue the lease (exercise the option). Until these two events occur no legal liability exists that can be recorded.

<b>Topic #6</b>	<a href="#">SFFAS 6, Accounting for Property, Plant, and Equipment</a> AS AMENDED BY: <a href="#">SFFAS 23</a> , <a href="#">SFFAS 40</a> , <a href="#">SFFAS 50</a> <a href="#">Interpretation 9, Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 &amp; SFFAS 6</a> <a href="#">TB 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs</a> (as amended by <a href="#">TB 2009-1</a> and <a href="#">TB 2011-2</a> ) <a href="#">TB 2017-2, Assigning Assets to Component Reporting Entities</a>
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**Choose a priority level.**

**Please explain your response. [Click here to enter text.](#)**

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<b>Topic #7</b>	<p><a href="#">SFFAS 7</a>, <i>Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</i>  AS AMENDED BY: <a href="#">SFFAS 20</a>, <a href="#">SFFAS 21</a>, <a href="#">SFFAS 53</a>  <a href="#">Interpretation 5</a>, <i>Recognition by Recipient Entities of Receivable Nonexchange Revenue: An Interpretation of SFFAS 7</i>  <a href="#">Interpretation 11</a>, <i>Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313</i>  TB 2002-2, <i>Disclosures Required by Paragraph 79(g) of SFFAS 7 Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</i>  TB 2017-1, <i>Intragovernmental Exchange Transactions</i></p>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #8</b>	<a href="#">SFFAS 10</a> , <i>Accounting for Internal Use Software</i>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

	<a href="#">SFFAS 15</a> , <i>Management's Discussions and Analysis</i> <sup>4</sup>
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Please provide feedback if you wish to do so. [Click here to enter text.](#)

<b>Topic #9</b>	<p><a href="#">SFFAS 17</a>, <i>Accounting for Social Insurance</i>  AS AMENDED BY: <a href="#">SFFAS 26</a>, <a href="#">SFFAS 37</a></p>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #10</b>	<p><a href="#">SFFAS 24</a>, <i>Selected Standards for the Consolidated Financial Report of the United States Government</i>  <a href="#">SFFAS 32</a>, <i>Consolidated Financial Report of the United States Government Requirements: Implementing Statement of Federal Financial Accounting Concepts 4</i>  <i>"Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government"</i></p>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<sup>4</sup> SFFAS 15, *Management's Discussions and Analysis*, is excluded from reexamination because the SFFAS is currently being reviewed under an active Board project. Respondents may provide general comments and feedback for the Board's consideration.

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<b>Topic #11</b>	<a href="#">SFFAS 27</a> , <i>Identifying and Reporting Funds from Dedicated Collections</i> AS AMENDED BY: <a href="#">SFFAS 43</a>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #12</b>	<a href="#">SFFAS 29</a> , <i>Heritage Assets and Stewardship Land</i>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #13</b>	<a href="#">SFFAS 31</a> , <i>Accounting for Fiduciary Activities</i>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #14</b>	<a href="#">SFFAS 33</a> , <i>Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates</i>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #15</b>	<a href="#">SFFAS 34</a> , <i>The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board</i>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #16</b>	<a href="#">SFFAS 36</a> , <i>Comprehensive Long-Term Projections for the U.S. Government</i>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #17</b>	<a href="#">SFFAS 38</a> , <i>Accounting for Federal Oil and Gas Resources</i> <a href="#">TB 2011-1</a> , <i>Accounting for Federal Natural Resources Other Than Oil and Gas</i>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)



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<b>Topic #18</b>	<a href="#">SFFAS 39</a> , <i>Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statement on Auditing Standards</i>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #19</b>	<a href="#">SFFAS 44</a> , <i>Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use</i>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #20</b>	<a href="#">SFFAS 47</a> , <i>Reporting Entity</i>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #21</b>	<a href="#">SFFAS 49</a> , <i>Public-Private Partnerships: Disclosure Requirements</i>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #22</b>	<a href="#">SFFAS 51</a> , <i>Insurance Programs</i>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

<b>Topic #23</b>	<a href="#">SFFAS 52</a> , <i>Tax Expenditures</i>
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Choose a priority level.

Please explain your response. [Click here to enter text.](#)

	<a href="#">SFFAS 54</a> , <i>Leases</i> <sup>5</sup> AS AMENDED BY: <a href="#">SFFAS 57</a> , <a href="#">SFFAS 60</a> , <a href="#">SFFAS 61</a> <a href="#">TB 2023-1</a> , <i>Intragovernmental Leasehold Reimbursable Work Agreements</i>
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Please provide feedback if you wish to do so. [Click here to enter text.](#)

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<sup>5</sup> SFFAS 54, *Leases*, is excluded from the reexamination project because the SFFAS is not yet effective. Respondents may provide general comments and feedback for the Board's consideration.



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	<a href="#">SFFAS 56, Classified Activities</a> <sup>6</sup> <a href="#">Interpretation 8, An Interpretation of Statement of Federal Financial Accounting Standards 56, Classified Activities</a>
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Please provide feedback if you wish to do so. [Click here to enter text.](#)

	<a href="#">SFFAS 59, Accounting and Reporting of Government Land</a> <sup>7</sup>
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Please provide feedback if you wish to do so. [Click here to enter text.](#)

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<sup>6</sup> SFFAS 56, *Classified Activities*, is excluded from the reexamination project due to the topic. Respondents may provide general comments and feedback for the Board's consideration.

<sup>7</sup> SFFAS 59, *Accounting and Reporting of Government Land*, is excluded from the reexamination project because the SFFAS is not yet effective. Respondents may provide general comments and feedback for the Board's consideration.