



Federal Accounting Standards Advisory Board

November 24, 2020

Memorandum

To: Members of the Board
From: Josh R. Williams, Senior Analyst
Through: Monica R. Valentine, Executive Director
Subject: Intangible Assets – **Tab E**¹

MEMBER ACTIONS REQUESTED:

Please review the technical plan and answer questions by **December 8, 2020**.

MEETING OBJECTIVES

To discuss and approve the proposed technical plan for an intangible assets project.

BRIEFING MATERIAL

You may electronically access all of the briefing material at <https://fasab.gov/board-activities/briefing-materials/>.

The briefing materials include this memorandum and the proposed technical plan.

BACKGROUND

Current FASAB guidance does not explicitly or comprehensively address accounting and financial statement reporting of intangible assets. Staff identified the following existing standards that mention the word “intangible”:

1. Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Financial Management Reporting* and 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements* mention the concept a few times in general terms,
2. Statement of Federal Financial Accounting Standard (SFFAS) 3, *Accounting for Inventory and Related Property* distinguishes between tangible and intangible property in regard to forfeited property,
3. SFFAS 6, *Accounting for Property, Plant, and Equipment* distinguishes between depreciation of tangible assets and amortization of intangible assets.

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.

During past deliberations of SFFAS 54, *Leases* and software licenses, the Board has discussed the need for more guidance for assets perceived to be intangible in nature. Additionally, FASAB staff has conversed with various federal entities recently regarding proper accounting and reporting for perceived intangible assets, such as software as a service, census data, patents, land rights, and subscription-based information technology arrangements (SBITA). Board members have ultimately expressed interest in addressing the need for guidance on intangible assets, as well as SBITAs. Staff will research available options to address SBITAs as either within scope of an intangible assets project or as a related but tangent project.

APPLICABILITY

This project would apply to government-wide reporting entities and their component reporting entities that prepare general-purpose federal financial reports in conformance with SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, including the Application of Standards issued by the Financial Accounting Standards Board*.

NEXT STEPS

Staff requests Board members to approve the project and proposed technical plan so that staff may proceed to the next steps. Staff plans to conduct a survey and form a task force to determine the applicability and significance of intangible assets across federal entities.

Questions for the Board:

- 1) Do members agree with pursuing a project on intangible assets in accordance with the proposed technical plan?
- 2) Do members agree with staff's next steps to conduct a survey and form a task force to determine the applicability and significance of intangible assets across federal entities?
- 3) Do members wish to share any other observations or views regarding guidance on intangible assets?

MEMBER FEEDBACK

If you require additional information or have any questions or comments prior to the meeting, please contact Mr. Williams at WilliamsJR@fasab.gov with a cc to Ms. Valentine at ValentineM@fasab.gov.

Intangible Assets Project FY 2021 Technical Plan

Project Objective: The project objective is to develop accounting and financial reporting guidance for intangible assets that are not within scope of another more appropriate standard. The guidance will potentially amend and/or supersede existing FASAB guidance, including associated implementation guidance.

There is a wide array of possible intangible asset categories applicable to federal entities, some more prevalent and cost significant than others. Future research and task force efforts will identify applicable intangible assets amongst federal entities and develop guidance accordingly. Additionally, developing guidance for several intangible asset categories will require legal, technological, and real estate expertise that staff will ensure is represented in the future task force.

Accounting and Financial Reporting Issues: The project will consider some of the following issues:

1. A definition of “intangible asset”
2. Scope parameters based on the definition of intangible asset
3. Recognition, measurement, and disclosure criteria for intangible assets
4. Potential categories of intangible assets relevant to federal government financial reporting
5. The effect of new intangible asset guidance on existing FASAB guidance

Current Developments: If the Board agrees on the technical plan, staff will commence the research phase of the project by establishing a task force and issuing data call surveys to potential stakeholders.

Work Plan:

Board Meetings	Topics to Be Considered
December 2020	Present technical plan to FASAB Board
2021	Research; Task Force; ED development
2022	ED development; Finalization
2023	Finalization; Issuance