

Memorandum

Intangible Assets

August 5, 2021

To: Members of the Board
From: Josh R. Williams, Senior Analyst
Thru: Monica R. Valentine, Executive Director
Subject: **Intangible Asset Project Proposals** (Topic D)

INTRODUCTION

At the June meeting, staff presented research findings on federal intangible assets to the Board. The presentation highlighted potential intangible assets identified across federal reporting entities along with benefits and concerns of potential financial reporting guidance. The attached recommendations and analyses propose options for the Board to consider in moving forward with an intangible assets project as members consider adding it to the technical agenda.

For this session, staff is seeking the Board's approval on four recommendations that staff developed based on the Board's feedback from the June meeting.

REQUEST FOR FEEDBACK BY August 20, 2021

Prior to the Board's August meeting, please review the attached staff recommendations and analyses and respond to the questions by August 20, 2021.

Please submit responses to Josh Williams at williamsjr@fasab.gov with a cc to Monica Valentine at ValentineM@fasab.gov.

NEXT STEPS

Pending Board approval, staff will begin working with a task force to develop concepts and guidance updates according to the proposed project plan and timeline.

ATTACHMENTS

1. Staff Recommendations and Analyses
2. FASAB Intangible Asset References

Staff Analysis

Intangible Assets

August 5, 2021

CONTEXT

During the June Board meeting, staff presented research findings on federal intangible assets to the Board. The presentation highlighted potential intangible assets identified across federal reporting entities from information gathered from task force survey responses, agency roundtable discussions, and other research. Staff also proposed a potential definition for intangible assets, approaches for scoping future guidance, as well as benefits and concerns with potential financial reporting guidance.

For analysis purposes, staff categorized the potential federal intangible assets into three categories. Intellectual property includes patents, trademarks, and data sets. Software consists of internal use software, licenses, subscription-based information technology arrangements (SBITAs), and other cloud-based software services. Other potential intangible assets include the electromagnetic spectrum and other knowledge- and organization-based resources identified in the survey.

The June agenda topic served as an information session and staff only requested the Board's general thoughts and concerns on the research results and associated guidance approaches. The Board predominantly agreed with staff that research indicates a need for updates to software guidance. The Board also shared staff's concerns with potential recognition challenges associated with the intellectual property and other categories of identified intangible assets and generally concluded that caution is necessary in moving forward with developing reporting guidance without further considering the costs versus benefits. Some members discussed the merits of first addressing an intangible asset definition in existing Statements and requested that staff determine the best options for the Board to consider.

Staff then analyzed member comments to provide specific recommendations for the Board during the August meeting, as members deliberate adding an intangible assets project to the technical agenda. The following questions request the Board's approval on specific ways to move forward with an intangible assets project.

RECOMMENDATIONS AND ANALYSES

Staff initially researched the need for an all-encompassing intangible asset reporting guidance applicable to a wide variety of intangible assets that exist throughout federal entities. However, the research and Board meeting deliberations have lead staff to recommend breaking down the intangible assets project into separate sub-projects with individual objectives and deliverable timelines. The following three recommendations

address those specific sub-projects and the fourth recommendation addresses the project plan and timeline of all three. These four recommendations represent the intangible assets project that the Board will later consider adding to the technical agenda.

RECOMMENDATION

SOFTWARE GUIDANCE UPDATES

The most certain takeaway from the task force research efforts and prior Board deliberations is that there is a need for updated software guidance that addresses financial reporting issues for the current information technology environment of federal organizations. Staff is confident in this observation and does not think it is necessary to further research whether there is a need for updated software guidance. Staff therefore proposes that the Board approve moving forward with developing updates to financial reporting guidance for software.

ANALYSIS

Based upon prior Board deliberations, task force efforts, technical inquiries, and current task force research, staff is confident there is a need to update software guidance. A previous FASAB working group determined that current software guidance is insufficient at comprehensively, consistently, and cohesively addressing the breadth of accounting issues that agencies encounter. Additionally, staff observed from survey responses that there are inconsistent recognition practices amongst federal reporting entities. These findings signal a need for additional guidance.

The fast and constantly changing software environment for federal entities likely necessitates frequent updates to reporting guidance. The updates should address inconsistencies with current reporting practices and the need for new guidance to address resources now prevalent throughout the federal government. Staff initially intends to consider the following topics when developing updates for software guidance.

- a. Software licenses
- b. SBITAs
- c. Websites
- d. Software development life cycle
- e. Modernization and enhancements

SBITAs include cloud-based technology services, such as infrastructure, platform, and software as a service. This is just an initial list of items to consider based on prior

research and it is likely that staff will identify other issues to address as the project progresses.

During the June Board meeting, a few members mentioned the need to consider whether to amend or rescind existing software guidance when issuing updates. One member preferred to rescind and issue new guidance because of lessons learned from prior guidance updates. Staff agrees this is an important decision to consider early in the project and initially thinks that rescinding existing guidance and issuing new guidance is the most simple and efficient method. However, staff recommends the Board not officially determine a course of action until we are more certain of the breadth of necessary guidance updates.

Pending the Board's approval, staff will begin working with a task force to identify specific guidance needs. This will include a thorough analysis of existing FASAB software Statements to identify gaps in guidance that do not currently address relevant federal software assets. Additionally, the analysis will pinpoint existing guidance that is still relevant and sufficient. Finally, the analysis will also identify outdated guidance that needs updating.

Question for the Board:

1. Do members agree to begin developing updates for software guidance?

RECOMMENDATION

INTANGIBLE ASSET CONCEPTS

During the June Board meeting, members generally shared staff concerns that caution and further deliberation is warranted before developing comprehensive reporting guidance for intangible assets. Additionally, some members discussed the value in first defining and addressing the characteristics of intangible assets in the federal government and asked staff to consider the best approaches for doing so. After considering various options, staff proposes that the Board approve moving forward to develop concepts for intangible resources in SFFAC5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*.

ANALYSIS

During the June Board meeting, some members discussed the need to first address fundamental characteristics of intangible assets and potentially develop a definition. One member supported developing a definition of intangible assets pertaining to federal entities and requested that staff consider options to recommend a best approach during the August meeting.

Staff analyzed existing FASAB Statements to identify existing language that uses the term “intangible” (see Attachment 2). The term is referenced approximately 20 times throughout Concept Statements, Standards, Technical Bulletins, and the Glossary. The Statements reference “intangibles” in the primary language, footnotes, and Basis for Conclusions.

In general, Concept Statements currently use “intangible” to describe non-physical or untouchable aspects of a resource. For example, SFFAC 1, *Objectives of Federal Financial Reporting* refers to intangible factors of a private entity’s financial condition such as information, analysis capabilities, and human resource development. Additionally, SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements* mentions a right or property easement as examples of intangible resources. The Basis for Conclusions section of SFFAC 5 acknowledges that an asset can be both tangible and intangible.

Some standards also use “intangible” when addressing specific issues. For example, SFFAS 3, *Accounting for Inventory and Related Property* uses the term when providing examples of forfeited property. Additionally, a footnote in SFFAS 6, *Accounting of Property, Plant, and Equipment* states that amortization is applied to intangible assets in the same manner that depreciation is applied to tangible assets. Finally, *Technical Bulletin 2017-1, Intragovernmental Exchange Transactions* refers to information systems, written materials, and information as intangible value sometimes sacrificed in intragovernmental exchange transactions.

Staff recommends the Board refer to Attachment 2 for a complete list of “intangible” references in current FASAB Statements. The Board has acknowledged a difference between tangible and intangible resources and has described the term “intangible” periodically when addressing other topics but has not specifically addressed the existence and role of federal intangible resources at the foundational level. Therefore, there are benefits to developing fundamental characteristics for intangible resources in the federal environment before considering reporting guidance.

Staff considered several approaches to developing intangible resource characteristics and a definition for intangible assets. One approach is to develop an intangible asset definition as part of the software update sub-project discussed in the first recommendation. Staff’s opinion is that software is a quintessential intangible asset. Therefore, the Board could develop a definition for intangible assets within the software standard since software is an already recognized and significant intangible asset in the federal government. A drawback to this approach is that developing an intangible asset definition within the scope of only software assets could lead to an overly narrow definition that would potentially require amending in the future if the Board later decides to expand the scope of intangible assets as part of a larger recognition guidance. Additionally, a definition in software guidance could overlook intangible-like assets for which guidance already exists.

Staff also considered amending SFFAS 1, *Accounting for Selected Assets and Liabilities* to include a definition for intangible assets. Like the first approach, this would

provide level A guidance for preparers and could offer introductory and fundamental information without requiring financial statement recognition. One drawback to this approach is that intangible assets would not fit into the asset categories covered by SFFAS 1. This standard covers liquid and short-term based assets, such as cash and accounts receivable. Intangible assets relate more to capitalized, long-term assets such as property, plant, and equipment (PP&E). Additionally, like the first approach, there is merit in waiting to develop a definition until the Board is more certain of the breadth of resources it should cover. Issuing an overly narrow definition now could lead to myopic scope considerations when potentially developing recognition guidance in the future.

Another option is SFFAS 6, *Accounting for Property, Plant, and Equipment*. As stated previously, intangible assets would most closely fit with characteristics of PP&E since they both relate to property that provides long-term benefits. Additionally, SFFAS 6 already alludes to software and rights as possible intangible assets and states that intangible assets are amortized in the same manner that tangible assets are depreciated. One concern for this approach is that SFFAS 6 specifically states that PP&E consists of tangible assets. Therefore, adding an intangible asset definition to this standard could cause confusion and undermine the basic principle of the guidance. Additionally, the previously stated concerns with prematurely developing a definition for intangible assets in level A guidance also apply here. Developing a generally accepted accounting principles (GAAP) definition before there is an understanding of the full need for guidance may accomplish little in the short-term and could cause issues in the long-term if the Board eventually chooses to develop recognition guidance for intangible assets.

Ultimately, staff recommends developing concepts and fundamental characteristics of federal intangible resources in SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*. The concepts currently acknowledge but do not consider the inherent and underlying features that differentiate a tangible and intangible federal resource and the role they serve amongst federal entities. Some may argue that, due to limited staff resources, the costs outweigh the benefits of developing intangible resource concepts that would not constitute as GAAP. Staff acknowledges this as a valid concern but thinks the context of this situation warrants beginning with concept updates. The task force research did not indicate a strong desire or need for intangible asset reporting guidance and preparers voiced significant concerns with requirements being overly burdensome relative to the derived user benefits. It therefore seems an incremental approach is most appropriate. Staff thinks it is optimal to establish essential, foundational concepts for intangible resources applicable to the federal environment before further considering the need for recognition guidance.

Pending the Board's approval, staff will begin working with a task force to analyze SFFAC 5 to determine the best approach to develop intangible resource concepts and then begin developing language for the Board's consideration. This effort could potentially result in the need to amend other existing Statements if it is determined their references to intangible resources or assets is no longer appropriate based on the developed concepts.

Question for the Board:

2. Do members agree to begin developing intangible resource concepts in SFFAC 5?

RECOMMENDATION**PUBLIC INPUT ON INTANGIBLE ASSET GUIDANCE APPROACHES**

During the June Board meeting, staff suggested that members consider further the benefits, challenges, and complexities of developing guidance for intellectual property and other categories of intangible assets by issuing an invitation to comment (ITC). Members generally agreed with staff concerns regarding the need to consider further the identified cost-benefit issues before deciding whether to begin developing financial reporting guidance. However, some members questioned whether an ITC would provide the Board any useful information not already provided by prior research. One member acknowledged the importance of encouraging stakeholder involvement early in the due process but stated that there could be more effective methods to gather additional input. Therefore, staff recommends that the Board eventually seek further stakeholder input on potential recognition approaches for intangible assets by issuing either an ITC or preliminary views (PV) document.

ANALYSIS

Research has indicated there is a need to consider further the benefits, challenges, and complexities of developing financial reporting guidance for intellectual property and other categories of intangible assets. According to the FASAB Rules of Procedure, ITCs and PVs are preliminary documents that the Board can issue prior to exposure drafts to communicate formal proposals of the Board for public comment. Staff thinks that the Board should utilize either an ITC or PV to propose specific guidance approaches to the public to seek their feedback after first establishing intangible asset concepts in SFFAC 5. The following paragraphs will discuss the pros and cons of issuing an ITC or PV.

The FASAB Rules of Procedure states “ITCs present issues that might be addressed by the Board in the future or alternative solutions to issues under consideration.” An ITC can request comments on either approaches from other standard setting bodies or proposals developed by the Board. Additionally, the Rules of Procedure states “PVs present the Board’s preliminary selection of a solution, although alternative solutions may be presented.” A PV requests stakeholder comments on initial guidance approaches shared by at least a majority of the Board members. While both documents similarly seek stakeholder comments on potential guidance approaches, a key difference is that a PV establishes the Board’s initial majority opinion on guidance

approaches while an ITC requests stakeholder comments on various guidance options without establishing a majority view of the Board.

Staff understands some member positions that issuing an ITC may not result in additional information from what prior research discovered. It is important to consider if the effort would produce duplicative information, creating unnecessary work for staff and the Board. However, staff thinks there is benefit in seeking further input from the public on specific guidance approaches before the Board decides whether to move forward with drafting an exposure draft for intangible asset guidance. This is because stakeholders in general did not express a need for intangible asset reporting guidance during prior research efforts, other than software, and have expressed significant recognition concerns with such reporting requirements. This warrants further stakeholder input before deciding to devote Board and staff resources to develop reporting guidance.

Staff also thinks that issuing an ITC or PV would result in additional, more formal input from stakeholders if the documents request input for specific guidance approaches, such as the options that staff briefed to the Board during the June meeting. Staff recommends the Board consider these potential approaches to include in a future ITC or PV after they establish intangible asset characteristics and concepts. Once these characteristics and concepts are established, the Board could better assess if they want to establish a formal majority approved guidance approach in a PV or if they would prefer to request feedback on different approaches in an ITC without stating a preliminary position. Pending the Board's approval, staff will anticipate drafting an ITC or PV following the completion of recommendation two. Staff will discuss project plans and timelines of each sub-project in recommendation four.

Question for the Board:

3. Do members agree to seek further public input on potential guidance approaches for intangible assets through either an ITC or PV?

RECOMMENDATION

PROJECT PLAN AND TIMELINES

Based on the analysis from the three prior recommendations, staff has divided the intangible assets project into three distinct sub-projects with individual plans and timelines. All three sub-projects relate to an encompassing intangible asset guidance effort, but can also occur exclusive from one another. Staff recommends that the Board review and approve the project plan and timelines below.

ANALYSIS

Staff initially envisioned a single intangible assets project that included software updates and new reporting guidance for intellectual property and other types of intangible assets. However, after conducting research, staff determined it is most appropriate to divide the project into sub-projects with separate deliverables and timelines. During the June Board meeting, a member expressed concerns with trying to develop guidance for software and intellectual property/other intangible assets on the same timeline because they are at different points in the process and attempting to develop and issue them together could hinder progress. Staff agrees with this observation and thinks that dividing the project into separate deliverables is the most efficient use of Board and staff resources to accomplish the set goals. The project plan and timelines are below.

Project Plan

Project: Intangible Assets

Assigned staff: Josh R. Williams

Purpose/Objectives:

Based on the previous analysis and consideration of staff resources, staff recommends separating the Intangible Assets project into the following three sub-projects with individual timelines.

1. Update software guidance: The objective is to develop software standard updates to eventually issue for public comment.
2. Develop intangible asset concepts: The objective is to develop characteristics and concepts for intangible assets in SFFAC 5 to eventually issue for public comment.
3. Seek further public input on developing intangible asset guidance: The objective is to eventually request public input on specific approaches for recognition guidance by issuing either an ITC or PV. Staff recommends this sub-project not commence until sub-project number two is complete because establishing agreed upon concepts of federal intangible resources will form a foundation for the Board to eventually consider approaches for recognition guidance.

Applicability:

This project applies to the government-wide reporting entity and to 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*.

Resources:

Resources will include a task force already established during the research effort as well as new volunteers that wish to participate. Staff will particularly seek task force volunteers with a wide range of information technology expertise from a financial reporting, procurement, and operational viewpoint to work on the software update sub-project. Staff will also coordinate with the Executive Director and other staff with particular expertise in areas under consideration to develop updates and ensure consistency across other existing guidance regarding any overlapping issues.

Project timeline:

Intangible Asset Project Schedule																		
Sub-project	Feb	Apr	Jun	Aug	Oct	Dec	Feb	Apr	Jun	Aug	Oct	Dec	Feb	Apr	Jun	Aug	Oct	Dec
	21	21	21	21	21	21	22	22	22	22	22	22	23	23	23	23	23	23
Software Guidance Update	RE	RE	RE	RE	RE	RE	DE	DE	DE	DE	DE	DE	FI	FI	FI	FI	FI	IS
Intangible Asset Concepts	RE	RE	RE	RE	RE	RE	DE	DE	DE	FI	FI	FI	FI	IS				
Intangible Asset Guidance	RE																	

The above Intangible Asset Project Schedule depicts a high-level timeline for each recommended sub-project phase. The acronym “RE” represents research phase, “DE” represents development phase, “FI” represents finalization phase, and “IS” represents issuance. Additionally, the yellow bars represent ongoing phases and the blue bars represent scheduled phases. Staff will update this chart as the sub-projects progress.

(Detailed project plan on next page)

Intangible Asset Project Plan																							
Activity	Status	Oct	Dec	Feb	Apr	Jun	Aug	Oct	Dec	Feb	Apr	Jun	Aug	Oct	Dec	Feb	Apr	Jun	Aug	Oct	Dec	Feb	Apr
		20	20	21	21	21	21	21	21	22	22	22	22	22	22	23	23	23	23	23	23	23	24
Intangible Asset Research																							
Pre-Research	Complete	█	█																				
Technical Plan Approval	Complete		█	█																			
Form Task Force	Complete		█	█	█																		
Task Force Survey	Complete			█	█	█																	
Further Research	Ongoing				█	█	█																
Present Research to Board	Complete					█	█																
Software Guidance Update																							
Request Board Approve Project	Current						█																
Develop Issue Paper	Scheduled						█	█	█	█	█	█	█										
Develop Exposure Draft (ED)	Scheduled									█	█	█	█	█	█	█	█	█	█				
Issue ED for Comment	Scheduled															█	█	█	█				
Issue Podcast on ED	Scheduled															█	█	█	█				
Publish articles on ED	Scheduled															█	█	█	█				
Apply Comments to ED	Scheduled																█	█	█				
Final Edits	Scheduled																	█	█	█	█	█	█
Publish and Issue Guidance	Scheduled																				█	█	█
Issue Podcast on Guidance	Scheduled																					█	█
Issue Articles on Guidance	Scheduled																					█	█
Intangible Asset Concepts																							
Request Board Approve Project	Current						█																
Develop Concept Approaches	Scheduled						█	█	█	█	█	█	█										
Develop ED	Scheduled									█	█	█	█										
Issue ED for Comment	Scheduled											█	█										
Apply Comments to ED	Scheduled												█	█									
Final Edits	Scheduled															█	█	█	█				
Publish and Issue Concepts	Scheduled																█	█	█				
Intangible Asset Guidance																							
Develop ITC or PV	Scheduled																				█	█	█
Issue ITC or PV for Comment	Scheduled																					█	█
Present Comments to Board	Scheduled																						█

The above Intangible Asset Project Plan is a type of Gantt chart that illustrates the sub-project schedules, their status, and the dependency relationships between project activities. Green bars represent completed activities, yellow bars represent ongoing activities, and blue bars represent scheduled activities. Staff will update this chart as the sub-projects progress.

Pending the Board's approval, staff will begin sub-projects one and two in accordance with the project plan and timeline. The project plan and timeline serve as a management tool by establishing goals and milestones. Staff notes that these milestones are not set in stone and could change based on future findings, developments, and priorities. Staff will keep the Board updated on the progress of each sub-project throughout each phase.

Question for the Board:

4. Does the Board agree with the proposed project plan and timeline?

FASAB Intangible Asset References

Statement of Federal Financial Accounting Concepts 1: Objectives of Federal Financial Reporting

182. Increasingly, managers and investors in the private sector are attending to other factors that may sometimes be useful indicators of an entity's financial condition, including such **intangible** factors as the quality of the entity's
- information and analysis capabilities,
 - strategic planning,
 - human resource development and management, and
 - constituent satisfaction.

Statement of Federal Financial Accounting Concepts 5: Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements

25. The federal government's resources often are tangible and exchangeable, and the government often has legally enforceable rights of access to the resulting benefits. But the absence of those features is not sufficient to preclude an item from qualifying as an asset. For example, an **intangible** resource, such as an easement on property, is an asset if the federal government can benefit from it and regulate or deny the access of other entities. A resource may embody economic benefits even though the federal government cannot exchange it or sell it—for example a machine that continues to provide a needed service even though there is no market for the machine. Similarly, the fact that the government's ability to access or use a resource is not legally enforceable does not mean that the resource is not an asset, if the government nevertheless can obtain the economic benefits or services it embodies and deny or regulate other entities' access to or use of those economic benefits or services.
27. The economic benefits or services that a property can provide can be distinguished from the property itself, whether it is tangible or **intangible**, such as a right. Not all properties embody economic benefits or services and the assumption that a particular type of property will always be an asset is not justified.

Appendix A: Basis for Conclusions

- A7. Assets: Tangible or **intangible** items owned by the federal government which would have probable economic benefits that can be obtained or controlled by a federal government entity.

Statement of Federal Financial Accounting Standards 3: Accounting for Inventory and Related Property

67. This subsection defines “forfeited property” and presents the accounting and reporting standards for it. Presented below are examples of forfeited property.
- monetary instruments,
 - intangible property,
 - real property and tangible personal property,
 - property acquired by the government in satisfaction of a tax liability, and
 - unclaimed and abandoned merchandise.
68. Definition. “Forfeited property” consists of (1) monetary instruments, intangible property, real property, and tangible personal property acquired through forfeiture proceedings; (2) property acquired by the government to satisfy a tax liability; and (3) unclaimed and abandoned merchandise.
70. Intangible property, real property and tangible personal property shall be recorded with an offsetting deferred revenue when forfeiture judgment is obtained. The property shall be valued at its fair value at the time of forfeiture. A valuation allowance shall be established for liens or claims from a third-party. This allowance shall be credited for the amount of any expected payments to third-party claimants.

Appendix A: Basis for Conclusions

150. One respondent noted that the definitions of seized and forfeited property seem to be limited to monetary instruments, real property and tangible personal property. The respondent asked that this definition be extended to intangible assets (e.g., savings and loan charters). The Board did broaden the definition to address intangible property.

Statement of Federal Financial Accounting Standards 6: Accounting of Property, Plant, and Equipment

35. Footnote 41 - Software and land [See SFFAS 10 for standard regarding internally developed software] rights, while associated with tangible assets, may be classified as intangible assets by some entities. In this event, they would be subject to amortization rather than depreciation. “Amortization” is applied to intangible assets in the same manner that depreciation is applied to general PP&E—tangible assets.

Statement of Federal Financial Accounting Standards 10: Accounting for Internal Use Software

Appendix A: Basis for Conclusions

69. The issue of whether to capitalize all, some, or no data conversion cost is a difficult one. Some argue that the cost of converting existing data to a new software system is analogous to the types of cost that the Accounting Principles Board Opinion (APB) No. 17, **Intangible Assets**, requires to be expensed as incurred because they are not specifically identifiable, have indeterminate lives, or are inherent in a continuing business and related to an enterprise as a whole—such as goodwill (APB 17, par. 24). The Board is persuaded that data conversion costs are operating costs and should be expensed.

Statement of Federal Financial Accounting Standards 54: Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government and SFFAS 6, Accounting for Property, Plant, and Equipment

Appendix A: Basis for Conclusions

A33. The Board also reconsidered the broad scope of the lease definition, which included all nonfinancial assets not specifically excluded in the standards. During deliberations after receiving comment letters, the Board determined that the broader lease definition would necessitate the development of a definition of “nonmonetary assets” and “**intangibles**,” plus the inclusion of a more developed list of excluded transactions. Also, several respondents and task force members advocated a more narrow definition of leases. In an effort to reduce preparer burden, the Board reconsidered its decision and reevaluated the benefits of a narrower lease definition. The Board decided to narrow the scope of the definition to only include PP&E.

Technical Bulletin 2017-1: Intragovernmental Exchange Transactions

15. What types of value may be considered sacrificed and received for an intragovernmental transaction to be classified as an exchange transaction?

18. Parties considering whether they sacrificed and received value may consider value that is:

- a. direct (such as goods or services made available to them through the actions of the other party);
- b. indirect (such as goods or services made available to support their mission as a result of the actions of the other party);
- c. tangible (such as property, plant, or equipment);

- d. **intangible** (such as information systems, written materials, or information);
- e. quantitative (such as a specific amount of a good or service); or
- f. qualitative (such as guidance or advice that may not be measurable).

Appendix A: Basis for Conclusions

A21. Certain respondents requested clarity regarding if the receiving entity is directly billed by the vendor. Staff notes that that paragraph 13 explains the ways value may be sacrificed [making a payment, providing something of value, performing a service, or arranging a contract or agreement or coordinating funding on behalf of another party] and paragraph 18 explains the type of value that should be considered [direct, indirect, tangible, **intangible**, quantitative, and qualitative]. If no value is sacrificed, such as for amounts directly billed to and paid by the receiving entity, then the transaction would not meet the definition of an exchange transaction.

Appendix E: Consolidated Glossary

Assets - Tangible or **intangible** items owned by the federal government which would have probable economic benefits that can be obtained or controlled by a federal government entity. (Adapted from Financial Accounting Standards Board, Statement of Concepts No. 6, Elements of Financial Statements)

Forfeited property - is property for which title has passed to the Government. Forfeited property includes (1) monetary instruments, **intangible** property, real property, and tangible personal property acquired through forfeiture proceedings; (2) property acquired by the government to satisfy a tax liability; and (3) unclaimed and abandoned merchandise.

Product - Any discrete, traceable, or measurable good or service provided to a customer. Often goods are referred to as tangible products, and services are referred to as **intangible** products. A good or service is the product of a process resulting from the consumption of resources.

Property, Forfeited - Property of any type (currency, monetary interests, realty, **intangible** property, and tangible personal property) for which title has vested in the Federal government, over any other asserted legal interest in the property, by exercise of a legal forfeiture process.

Property, Seized - Property of any type (currency, monetary interests, realty, **intangible** property, and tangible personal property) over which the federal government has exercised its power under law to assert possession and control in opposition to any other party asserting a legal interest in the property.

Service - An **intangible** product or task rendered directly to a customer.