

## Memorandum

### **Omnibus Concepts Amendments**

November 17, 2021

To: Members of the Board  
From: Monica R. Valentine, Executive Director and  
Robin M. Gilliam, Assistant Director  
Subject: **Omnibus Concepts Amendments Draft Exposure Draft** (Topic C)

#### **INTRODUCTION**

The note disclosures and management's discussion and analysis (MD&A) projects are segments of the Board's reporting model initiative. To address reporting model gaps in concepts, both the note disclosures and MD&A projects require updates to the concepts. Attachment 2 contains a draft exposure draft, which proposes amending paragraphs 68 and 69 of Statement of Federal Financial Accounting Concepts (SFFAC) 2 and rescinding SFFAC 3 in its entirety.

#### **REQUEST FOR FEEDBACK BY DECEMBER 3, 2021**

**Prior to the Board's December meeting**, please review the attached draft *Omnibus Concepts Amendments* exposure draft and respond to the ensuing questions by December 3, 2021.

Please submit responses to Monica Valentine at [ValentineM@fasab.gov](mailto:ValentineM@fasab.gov) and Robin Gilliam at [gilliamr@fasab.gov](mailto:gilliamr@fasab.gov).

#### **NEXT STEPS**

Staff is concurrently drafting an exposure draft for MD&A standards. Once the Board approves the updated draft *Omnibus Concepts Amendments* exposure draft, staff will wait to expose the document until the MD&A standards exposure draft is ready for release. Then both proposals will be released for public comment together.

#### **ATTACHMENTS**

1. Staff Recommendation
2. *Omnibus Concepts Amendments* draft exposure draft – **tracked version**
3. *Omnibus Concepts Amendments* draft exposure draft – **clean version**

# Staff Recommendation

## Omnibus Concepts Amendments

November 17, 2021

Attachment 1

### CONTEXT

The Board last reviewed the draft *Omnibus Concepts Amendments* exposure draft at the June 2021 meeting. During the meeting, the Board continued to deliberate on the amendments to paragraphs 68 and 69 in Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display*, to update note disclosures and MD&A concepts. The members agreed to several edits to the draft ED. The members also agreed to rescind SFFAC 3 in its entirety.

### RECOMMENDATION

#### Approve the Updated Draft Concepts Omnibus Exposure Draft

Staff recommends the Board approve the updated *Omnibus Concepts Amendments* exposure draft. As previously noted, staff plans to wait to expose the document until the MD&A standards exposure draft is ready for release so that the two proposals can be released for public comment together.

### ANALYSIS

Concepts statements 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 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 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. Concepts statements enhance preparers' and auditors' understanding of the common foundation and reasoning employed in considering alternatives.

The common practice is for standard setters to develop their conceptual framework before developing the related standards. However, in this instance most of the standards-based language for developing MD&A resides in SFFAC 3 rather than in Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management's Discussions and Analysis*. Staff recommends exposing both the updated MD&A

concepts and updated MD&A standards together so as not to create a void in the guidance since SFFAC 3 would be rescinded with this omnibus.

The Board has been deliberating the updated note disclosures and MD&A concepts since 2019. Staff has continued to revise the document based on Board deliberations. In addition, the outcome of the MD&A pilot conducted earlier this year demonstrated to staff the federal financial community's desire to update the MD&A guidance.

Therefore, staff recommends that the Board approve the updated *Omnibus Concepts Amendments* exposure draft.

**Questions for the Board:**

1. Are the proposed concepts amendments sufficient to guide the Board in developing standards for note disclosures and MD&A?
2. Does the Board approve the *Omnibus Concepts Amendments* exposure draft?

**Draft Exposure Draft – tracked version**  
**Omnibus Concept Amendments 2021**

November 17, 2021

Attachment 2



**OMNIBUS  
CONCEPTS AMENDMENTS 2021**

AMENDING STATEMENT OF FEDERAL FINANCIAL ACCOUNTING CONCEPTS (SFFAC) 2,  
ENTITY AND DISPLAY, WITH NOTE DISCLOSURES AND MANAGEMENT DISCUSSION AND  
ANALYSIS (MD&A) CONCEPTS AND RESCISSION OF SFFAC 3, MANAGEMENT'S  
DISCUSSION AND ANALYSIS

**Statement of Federal Financial Accounting Concepts**

**Exposure Draft**

Written comments are requested by [date 90 days after issuance]

Month day, year

**Working Draft – Comments Are Not Requested on This Draft**

---

## 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.

Accounting standards are 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](http://www.fasab.gov).

### Copyright Information

This is a work of the U. S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from FASAB. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

### Contact us:

Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 1155  
Washington, DC 20548  
Telephone 202-512-7350  
FAX – 202-512-7366  
[www.fasab.gov](http://www.fasab.gov)



## ISSUE DATE

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

Your comments on the exposure draft of a proposed Statement of Federal Financial Accounting Concepts, entitled *Omnibus Concepts Amendments*, are requested. Specific questions for your consideration appear on page 7 but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by **DUE DATE**.

All comments received by the FASAB are considered public information. Those comments may be posted to the FASAB's website and will be included in the project's public record.

Mail delivery is delayed by screening procedures. Therefore, please provide your comments in electronic form by e-mail to [fasab@fasab.gov](mailto:fasab@fasab.gov). If you are unable to e-mail your responses, please contact us at 202.512.7350.

We will confirm receipt of your comments. If you do not receive confirmation, please contact our office at 202.512.7350 to determine if your comments were received.

The Board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft. FASAB will publish notice of the date and location of any public hearing on this document in the Federal Register and in its newsletter.

Sincerely,

George A. Scott  
Chairman

## STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING CONCEPTS

---

Statements of Federal Financial Accounting Concepts (SFFACs) set forth objectives and fundamentals on which financial accounting and reporting standards are based. The objectives identify the goals and purposes of financial reporting and 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.

Concepts 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. Also, 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.

The conceptual framework addresses many of the fundamentals needed to support standards setting. FASAB developed the core of its conceptual framework in the early 1990s. At that time, financial management legislation and administrative directives focused on component entity reporting. Hence, FASAB's second concepts statement, *Entity and Display*, focused on the basis for defining a reporting entity and the display of component entity financial statements. Other concepts statements address financial reporting objectives, qualitative characteristics of information, the intended audience for the financial report of the U.S. Government (FR), elements of accrual basis statements and their measurement attributes, communication methods, and managerial cost accounting.

Through its ongoing conceptual framework project, FASAB has reviewed its early concepts statements and is establishing new statements as needed. The *FASAB Handbook of Accounting Standards and Other Pronouncements, As Amended (FASAB Handbook)* provides a full discussion of FASAB's SFFACs. The FASAB Handbook discusses the difference between SFFACs and generally accepted accounting principles and can be accessed at <https://fasab.gov/accounting-standards/>.

## EXECUTIVE SUMMARY

---

### WHAT IS THE BOARD PROPOSING?

---

This proposal would

- expand concepts in SFFAC 2 to include the ~~fundamental~~ types of useful information that may be presented in note disclosures and the role of note disclosures as an integral part of the basic financial statements; and
- amend MD&A concepts in SFFAC 2 and rescind MD&A concepts in SFFAC 3 to consolidate MD&A concepts into one SFFAC.

### HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL REPORTING OBJECTIVES?

---

Users rely on note disclosures to better understand the financial statements and reach conclusions about the operating performance and stewardship of government resources. ~~Improvements in Note disclosures are necessary to enhance understandability of in the financial statement to readers for users, as well as and to balance enhancing assessing provide insight into~~ the complexity and amount of information ~~disclosed reported~~. This proposal identifies and develops a set of principles for note disclosures to be used by the Board to reduce repetition and improve relevance, clarity, comparability, and consistency of note disclosures.

Users rely on MD&A ~~for communicating to communicate reporting entity's management's srs'~~ insights about the reporting entity's financial position and condition ~~and to increasing increase~~ the understandability and usefulness of the agency financial report. This proposal consolidates guidance for the Board on developing MD&A standards by rescinding SFFAC 3, *Management's Discussion and Analysis*, and amending SFFAC 2, paragraph 69.



## TABLE OF CONTENTS

---

|  |          |
|--|----------|
| <b>Statements of Federal Financial Accounting Concepts .....</b>   | <b>4</b> |
| <b>Executive Summary .....</b>   | <b>1</b> |
| What is the Board proposing? .....   | 1        |
| How would this proposal improve federal financial reporting and<br>contribute to meeting the federal financial reporting objectives? ..... | 1        |
| <b>Questions for Respondents .....</b>   | <b>3</b> |
| <b>Proposed concepts .....</b>   | <b>4</b> |
| Scope .....  | 4        |
| <b>Appendix A: Basis for Conclusions .....</b>   | <b>7</b> |
| Project history .....  | 7        |
| Amending Note Disclosures Concepts .....   | 7        |
| Rescission of SFFAC 3 .....  | 8        |
| Consolidating MD&A Concepts .....  | 8        |
| <b>Appendix B: Abbreviations .....</b>   | <b>9</b> |

## QUESTIONS FOR RESPONDENTS

---

The Board encourages you to become familiar with all proposals in the Statement before responding to the questions below. In addition to the questions below, the Board also would welcome your comments on other aspects of the proposed Statement. Because the proposals may be modified before a final Statement is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views will be especially appreciated.

The Board believes that this proposal would improve federal financial reporting and contribute to meeting the Federal financial reporting objectives. The Board has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have regarding implementing this proposal.

The questions in this section are available in a Word file for your use at [www.fasab.gov/exposure.html](http://www.fasab.gov/exposure.html). Your responses should be sent by e-mail to [fasab@fasab.gov](mailto:fasab@fasab.gov). If you are unable to respond by e-mail, please contact us at (202) 512-7350.

All responses are requested by **[insert date]**.

- Q1. The Board is proposing to amend the note disclosures concepts in SFFAC 2, paragraph 68 to guide the Board in developing standards for what to present in note disclosures. Please refer to paragraphs 4-5.

**Do you agree or disagree with the proposed concepts? Please provide the rationale for your answer.**

- Q2. The Board is proposing rescinding SFFAC 3 and consolidated MD&A concepts by amending SFFAC 2, paragraph 69 to guide the Board to developing standards for MD&A. Please refer to paragraphs 6-8.

**Do you agree or disagree with the proposed concepts? Please provide the rationale for your answer.**

## PROPOSED CONCEPTS

---

### SCOPE

---

1. ~~This Statement focuses primarily on concepts surrounding the role of note disclosures as an integral part of the basic financial statements and the fundamental types of useful information that may be presented in note disclosures.~~
2. This Statement updates ~~basic note disclosures~~ concepts related to the role of note disclosures as an integral part of the basic financial statements and the fundamental types of useful information that may be presented to provide the Board with the fundamental types of information needed to establish consistent accounting and financial reporting standards for notes included in basic financial statements. The Board may also use these concepts to help to identify efficient and effective ways information supporting the fair presentation of amounts in the financial statements can be disclosed.
3. This Statement consolidates the Board's concepts for MD&A by rescinding SFFAC 3 and updating SFFAC 2 paragraph 69 to ensure facilitate the presentation of provide a conceptual overview of information that may be included MD&A, useful and understandable information about the reporting entity's financial position, condition, and performance results is presented in the MD&A. ~~The updated concepts can also be used by the Board to encourage a more streamlined MD&A.~~

### NOTE DISCLOSURES AMENDMENTS TO SFFAC 2, PARAGRAPH 68

---

4. This paragraph updates the title from "Other Information" to "Note Disclosures."
5. This paragraph amends SFFAC 2, paragraph 68 by replacing the current text with the following title and text.

#### Note Disclosures

68. Financial information is also conveyed with **note disclosures**, which are an integral part of the basic financial statements. Note disclosures may explain, describe, or supplement

- information recognized in financial statements,
- information about the reporting entity;
- information about events and conditions not recognized in the statements, and

- information to assist in understanding and assessing the government's accountability<sup>1</sup>.

The ~~fundamental~~ types of useful information that may be presented in note disclosures are as follows:

- A. **Relevant information integral to understanding financial statements**—Note disclosures may explain or further describe information recognized in financial statements. Note disclosures may include, but are not limited to such information as the nature or terms regarding an item, restrictions on the use of an item, relevant disaggregation of an item, uncertainties in measuring items, methods and assumptions used in estimating an item and/or significant accounting policies affecting items.
- B. **Context or background information regarding the reporting entity and its activities**—Note disclosures may supplement financial statements to provide information regarding the entity's mission, programs, significant relationships with other entities, and any special restrictions or privileges that apply to the entity in executing programs and the accountability for resources. Note disclosures may also communicate information regarding the legislative purpose behind governmental activities and the related accounting impact.
- C. **Past events and current conditions not recognized**—Note disclosures may present information about past events, current conditions, and uncertainties that have not been recognized in financial statements but may affect the entity's future resources or use of resources. This information may be used to assess the government's ability to continue operating at its current levels.
- D. **Financial and non-financial related information to demonstrate accountability**—Note disclosures may also provide quantitative and qualitative information that demonstrates an entity's accountability to its citizens, including information that may be helpful in assessing the results of management's decision-making on the entity.

---

<sup>1</sup> Refer to SFFAC 1, *Objectives of Federal Financial Reporting*, paragraphs 71-104 for a further understanding of accountability.

## RESCISSION OF SFFAC 3

---

6. This paragraph rescinds SFFAC 3 in its entirety.

## MD&A AMENDMENTS TO SFFAC 2, PARAGRAPH 69

---

7. This paragraph amends SFFAC 2, by adding the title: **Management's Discussion and Analysis and Other Required Supplementary Information**
8. This paragraph amends SFFAC 2 paragraph 69 with the following text.

69. In addition to the financial information conveyed in basic information, general information about the reporting entity is included as required supplementary information (RSI):

- A. RSI includes management's discussion and analysis (MD&A) of the reporting entity. MD&A is an important vehicle ~~for to communicating~~ communicate managers' management's insights about the reporting entity, including the reliability of information -reported and increasing to increase the understandability and usefulness of the agency financial report.
- B. MD&A should summarize information about the financial position, financial and condition, and performance of the reporting entity by discussing the entity's mission, organization, and key financial and performance results outcomes information.
- ~~B. to inform users of its financial health and sustainability of major programs.~~
- ~~C. MD&A should summarize how the reporting entity maintains reliable information through systems and controls.~~

## APPENDIX A: BASIS FOR CONCLUSIONS

---

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The concepts enunciated in this Statement—not the material in this appendix—should guide the Board in the development of standards for specific transactions, events, or conditions.

### PROJECT HISTORY

---

#### AMENDING NOTE DISCLOSURES CONCEPTS

---

- A1. The Board added the note disclosures project to its agenda in October 2017 with the objective of improving the relevance, clarity, consistency, and comparability of note disclosures among federal entities. Staff formed a task force to assist the Board with the related research. The Board also conducted a survey on note disclosures in which a majority of respondents indicated that materiality-based judgment might assist them in eliminating redundant and unnecessary note disclosures. Thus, the Board developed materiality concepts and on May 4, 2020, issued SFFAC 9, *Materiality: Amending Statement of Federal Financial Accounting Concepts (SFFAC) 1, Objectives of Federal Financial Reporting, and SFFAC 3, Management's Discussion and Analysis*.
- A2. SFFAC 9 clarified existing materiality concepts by discussing the needs of reasonable users, clarifying the concept of misstatement, and identifying specific federal environment considerations.
- A3. Next, the Board focused on a two-phased approach for improving note disclosures. The initial phase involves developing note disclosures concepts and in the second phase, the Board will apply the concepts to reexamine existing note disclosures requirements.
- A4. Note disclosures ~~assure that~~contribute to the usefulness of financial statement line items ~~are useful~~ and help users understand the information in the proper context.<sup>2</sup> Note disclosures also help users understand the underlying assumptions and uncertainties inherent in the process of measuring the items.<sup>3</sup>
- A5. This Statement amends note disclosures concepts to assist the Board in the reexamination of note disclosure requirements in existing standards ~~and as well as~~ the development of future requirements.

---

<sup>2</sup> SFFAC 1, paragraph 158.

<sup>3</sup> SFFAC 1, paragraph 160.

## RESCISSION OF SFFAC 3

---

- A6. On June 8, 1999, FASAB published the Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management's Discussion and Analysis*, as part of the initial federal financial framework. The SFFAC 3 concepts were written using standards-based language instead of concepts-based language for MD&A. Given that concepts are not considered authoritative guidance in the GAAP hierarchy, SFFAC 3 could not require MD&A as part of the agency financial reports.
- A7. On August 12, 1999, FASAB published an outline of SFFAC 3, as standards in SFFAS 15, *Management's Discussions and Analysis*, to require MD&A as part of the agency financial report. The Board expected agencies to use SFFAC 3 in conjunction with SFFAS 15 to prepare MD&As. Practice has shown that agencies have only used SFFAS 15 for preparing MD&As and the standards-based language in SFFAC 3 is ignored.
- A8. This statement rescinds SFFAC 3 and the Board's work on the current MD&A project proposes to consolidate the standards from SFFAC 3 and SFFAS 15 into updated MD&A standards. [See discussion in the *Consolidating MD&A Concepts* section below.]

## CONSOLIDATING MD&A CONCEPTS

---

- A9. The Board added the ~~Management's~~ management's discussion and analysis (MD&A) project to its agenda in June 2019 to merge work completed by the Risk Reporting and Reporting Model-Phase I: MD&A and Stewardship Investments Improvements projects.
- A10. The Board's goals for the MD&A project are to streamline the MD&A, reduce preparer burden, and provide users with easy to understand information about an agency's financial position and condition.
- A11. From August 2019 through June 2020 the Board developed 11 MD&A objectives based on the four reporting objectives in SFFAC 1, *Objectives of Federal Financial Reporting*: budgetary integrity, operating performance, stewardship, and systems and controls, and a review of SFFAC 3.
- A12. The Board then prepared a draft MD&A vision framework to consolidate and remove any duplication from the 11 MD&A objectives. The vision framework was then tested with pilot agencies.
- A13. Staff conducted a pilot from January through March, 2021, with 17 pilot agencies and 16 user reviewers to determine if the draft MD&A vision framework could streamline the MD&A and provide an easily readable and understandable report.
- A14. The Board reviewed the pilot results in June 2021 and agreed that the MD&A vision was a good framework for updating the MD&A standards and that the MD&A concepts should be consolidated into paragraph 69 of SFFAC 2—in tandem with the note disclosures concept updates.

## APPENDIX B: ABBREVIATIONS

---

|        |   |
|--------|---|
| ED     | Exposure draft                                      |
| FASAB  | Federal Accounting Standards Advisory Board         |
| GPFFRs | General Purpose Federal Financial Reports           |
| GAAP   | Generally Accepted Accounting Principles            |
| OMB    | Office of Management and Budget                     |
| SFFAC  | Statement of Federal Financial Accounting Concepts  |
| SFFAS  | Statement of Federal Financial Accounting Standards |



### **FASAB Board Members**

George A. Scott, Chair

R. Scott Bell

Gila J. Bronner

Robert F. Dacey

Sallyanne Harper

Carol S. Johnson

Patrick McNamee

Terry K. Patton

Graylin E. Smith

### **FASAB Staff**

Monica R. Valentine, Executive Director

Robin M. Gilliam, Assistant Director

### **Federal Accounting Standards Advisory Board**

441 G Street NW  
Suite 1155  
Washington, DC 20548  
Telephone 202-512-7350  
FAX 202-512-7366  
[www.fasab.gov](http://www.fasab.gov)

**Draft Exposure Draft – clean version**  
**Omnibus Concept Amendments 2021**

November 17, 2021

Attachment 3



**OMNIBUS  
CONCEPTS AMENDMENTS 2021**

AMENDING STATEMENT OF FEDERAL FINANCIAL ACCOUNTING CONCEPTS (SFFAC) 2,  
ENTITY AND DISPLAY, WITH NOTE DISCLOSURES AND MANAGEMENT DISCUSSION AND  
ANALYSIS (MD&A) CONCEPTS AND RESCISSION OF SFFAC 3, MANAGEMENT'S  
DISCUSSION AND ANALYSIS

**Statement of Federal Financial Accounting Concepts**

**Exposure Draft**

Written comments are requested by [date 90 days after issuance]

Month day, year

**Working Draft – Comments Are Not Requested on This Draft**

---

## 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.

Accounting standards are 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](http://www.fasab.gov).

### Copyright Information

This is a work of the U. S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from FASAB. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

### Contact us:

Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 1155  
Washington, DC 20548  
Telephone 202-512-7350  
FAX – 202-512-7366  
[www.fasab.gov](http://www.fasab.gov)



## ISSUE DATE

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

Your comments on the exposure draft of a proposed Statement of Federal Financial Accounting Concepts, entitled *Omnibus Concepts Amendments*, are requested. Specific questions for your consideration appear on page 7 but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by **DUE DATE**.

All comments received by the FASAB are considered public information. Those comments may be posted to the FASAB's website and will be included in the project's public record.

Mail delivery is delayed by screening procedures. Therefore, please provide your comments in electronic form by e-mail to [fasab@fasab.gov](mailto:fasab@fasab.gov). If you are unable to e-mail your responses, please contact us at 202.512.7350.

We will confirm receipt of your comments. If you do not receive confirmation, please contact our office at 202.512.7350 to determine if your comments were received.

The Board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft. FASAB will publish notice of the date and location of any public hearing on this document in the Federal Register and in its newsletter.

Sincerely,

George A. Scott  
Chairman

## STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING CONCEPTS

---

Statements of Federal Financial Accounting Concepts (SFFACs) set forth objectives and fundamentals on which financial accounting and reporting standards are based. The objectives identify the goals and purposes of financial reporting and 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.

Concepts 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. Also, 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.

The conceptual framework addresses many of the fundamentals needed to support standards setting. FASAB developed the core of its conceptual framework in the early 1990s. At that time, financial management legislation and administrative directives focused on component entity reporting. Hence, FASAB's second concepts statement, *Entity and Display*, focused on the basis for defining a reporting entity and the display of component entity financial statements. Other concepts statements address financial reporting objectives, qualitative characteristics of information, the intended audience for the financial report of the U.S. Government (FR), elements of accrual basis statements and their measurement attributes, communication methods, and managerial cost accounting.

Through its ongoing conceptual framework project, FASAB has reviewed its early concepts statements and is establishing new statements as needed. The *FASAB Handbook of Accounting Standards and Other Pronouncements, As Amended (FASAB Handbook)* provides a full discussion of FASAB's SFFACs. The FASAB Handbook discusses the difference between SFFACs and generally accepted accounting principles and can be accessed at <https://fasab.gov/accounting-standards/>.

## EXECUTIVE SUMMARY

---

### WHAT IS THE BOARD PROPOSING?

---

This proposal would

- expand concepts in SFFAC 2 to include the types of useful information that may be presented in note disclosures and the role of note disclosures as an integral part of the basic financial statements; and
- amend MD&A concepts in SFFAC 2 and rescind MD&A concepts in SFFAC 3 to consolidate MD&A concepts into one SFFAC.

### HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL REPORTING OBJECTIVES?

---

Users rely on note disclosures to better understand the financial statements and reach conclusions about the operating performance and stewardship of government resources. Note disclosures are necessary to enhance understandability of the financial statement for users, and to provide insight into the complexity and amount of information reported. This proposal identifies and develops a set of principles for note disclosures to be used by the Board to reduce repetition and improve relevance, clarity, comparability, and consistency of note disclosures.

Users rely on MD&A to communicate management's insights about the reporting entity's financial position and condition to increase the understandability and usefulness of the agency financial report. This proposal consolidates guidance for the Board on developing MD&A standards by rescinding SFFAC 3, *Management's Discussion and Analysis*, and amending SFFAC 2, paragraph 69.

## TABLE OF CONTENTS

---

|  |          |
|--|----------|
| <b>Statements of Federal Financial Accounting Concepts .....</b>   | <b>4</b> |
| <b>Executive Summary .....</b>   | <b>1</b> |
| What is the Board proposing? .....   | 1        |
| How would this proposal improve federal financial reporting and<br>contribute to meeting the federal financial reporting objectives? ..... | 1        |
| <b>Questions for Respondents .....</b>   | <b>3</b> |
| <b>Proposed concepts .....</b>   | <b>4</b> |
| Scope .....  | 4        |
| <b>Appendix A: Basis for Conclusions .....</b>   | <b>7</b> |
| Project history .....  | 7        |
| Amending Note Disclosures Concepts .....   | 7        |
| Rescission of SFFAC 3 .....  | 8        |
| Consolidating MD&A Concepts .....  | 8        |
| <b>Appendix B: Abbreviations .....</b>   | <b>9</b> |

## QUESTIONS FOR RESPONDENTS

---

The Board encourages you to become familiar with all proposals in the Statement before responding to the questions below. In addition to the questions below, the Board also would welcome your comments on other aspects of the proposed Statement. Because the proposals may be modified before a final Statement is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views will be especially appreciated.

The Board believes that this proposal would improve federal financial reporting and contribute to meeting the Federal financial reporting objectives. The Board has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have regarding implementing this proposal.

The questions in this section are available in a Word file for your use at [www.fasab.gov/exposure.html](http://www.fasab.gov/exposure.html). Your responses should be sent by e-mail to [fasab@fasab.gov](mailto:fasab@fasab.gov). If you are unable to respond by e-mail, please contact us at (202) 512-7350.

All responses are requested by **[insert date]**.

- Q1. The Board is proposing to amend the note disclosures concepts in SFFAC 2, paragraph 68 to guide the Board in developing standards for what to present in note disclosures. Please refer to paragraphs 4-5.

**Do you agree or disagree with the proposed concepts? Please provide the rationale for your answer.**

- Q2. The Board is proposing rescinding SFFAC 3 and consolidated MD&A concepts by amending SFFAC 2, paragraph 69 to guide the Board to developing standards for MD&A. Please refer to paragraphs 6-8.

**Do you agree or disagree with the proposed concepts? Please provide the rationale for your answer.**



## PROPOSED CONCEPTS

---

### SCOPE

---

1. This Statement updates concepts related to the role of note disclosures as an integral part of the basic financial statements and the types of useful information that may be presented. The Board may use these concepts to help to identify efficient and effective ways information supporting the fair presentation of amounts in the financial statements can be disclosed.
2. This Statement consolidates the Board's concepts for MD&A by rescinding SFFAC 3 and updating SFFAC 2 paragraph 69 to provide a conceptual overview of information that may be included MD&A.

### NOTE DISCLOSURES AMENDMENTS TO SFFAC 2, PARAGRAPH 68

---

3. This paragraph updates the title from "Other Information" to "Note Disclosures."
4. This paragraph amends SFFAC 2, paragraph 68 by replacing the current text with the following title and text.

#### Note Disclosures

68. Financial information is also conveyed with **note disclosures**, which are an integral part of the basic financial statements. Note disclosures may explain, describe, or supplement

- information recognized in financial statements,
- information about the reporting entity;
- information about events and conditions not recognized in the statements, and
- information to assist in understanding and assessing the government's accountability<sup>1</sup>.

The types of useful information that may be presented in note disclosures are as follows:

- A. **Relevant information integral to understanding financial statements**—Note disclosures may explain or further describe information recognized in financial statements. Note disclosures may include, but are not limited to such information as the nature or terms regarding an item, restrictions on the use of an item, relevant disaggregation of an item, uncertainties in measuring items, methods

---

<sup>1</sup> Refer to SFFAC 1, *Objectives of Federal Financial Reporting*, paragraphs 71-104 for a further understanding of accountability.

and assumptions used in estimating an item and/or significant accounting policies affecting items.

- B. **Context or background information regarding the reporting entity and its activities**—Note disclosures may supplement financial statements to provide information regarding the entity’s mission, programs, significant relationships with other entities, and any special restrictions or privileges that apply to the entity in executing programs and the accountability for resources. Note disclosures may also communicate information regarding the legislative purpose behind governmental activities and the related accounting impact.
- C. **Past events and current conditions not recognized**—Note disclosures may present information about past events, current conditions, and uncertainties that have not been recognized in financial statements but may affect the entity’s future resources or use of resources. This information may be used to assess the government’s ability to continue operating at its current levels.
- D. **Financial and non-financial related information to demonstrate accountability**—Note disclosures may also provide quantitative and qualitative information that demonstrates an entity’s accountability to its citizens, including information that may be helpful in assessing the results of management’s decision-making on the entity.

## RESCISSION OF SFFAC 3

---

5. This paragraph rescinds SFFAC 3 in its entirety.

## MD&A AMENDMENTS TO SFFAC 2, PARAGRAPH 69

---

6. This paragraph amends SFFAC 2, by adding the title: **Management's Discussion and Analysis and Other Required Supplementary Information**
7. This paragraph amends SFFAC 2 paragraph 69 with the following text.

69. In addition to the financial information conveyed in basic information, general information about the reporting entity is included as required supplementary information (RSI):

- A. RSI includes management's discussion and analysis (MD&A) of the reporting entity. MD&A is an important vehicle to communicate management's insights about the reporting entity, including the reliability of information reported to increase the understandability and usefulness of the agency financial report.
- B. MD&A summarizes information about the financial position, financial condition, and performance of the reporting entity by discussing the entity's mission, organization, and key financial and performance information.

## APPENDIX A: BASIS FOR CONCLUSIONS

---

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The concepts enunciated in this Statement—not the material in this appendix—should guide the Board in the development of standards for specific transactions, events, or conditions.

### PROJECT HISTORY

---

#### AMENDING NOTE DISCLOSURES CONCEPTS

---

- A1. The Board added the note disclosures project to its agenda in October 2017 with the objective of improving the relevance, clarity, consistency, and comparability of note disclosures among federal entities. Staff formed a task force to assist the Board with the related research. The Board also conducted a survey on note disclosures in which a majority of respondents indicated that materiality-based judgment might assist them in eliminating redundant and unnecessary note disclosures. Thus, the Board developed materiality concepts and on May 4, 2020, issued SFFAC 9, *Materiality: Amending Statement of Federal Financial Accounting Concepts (SFFAC) 1, Objectives of Federal Financial Reporting, and SFFAC 3, Management's Discussion and Analysis*.
- A2. SFFAC 9 clarified existing materiality concepts by discussing the needs of reasonable users, clarifying the concept of misstatement, and identifying specific federal environment considerations.
- A3. Next, the Board focused on a two-phased approach for improving note disclosures. The initial phase involves developing note disclosures concepts and in the second phase, the Board will apply the concepts to reexamine existing note disclosures requirements.
- A4. Note disclosures contribute to the usefulness of financial statement line items and help users understand the information in the proper context.<sup>2</sup> Note disclosures also help users understand the underlying assumptions and uncertainties inherent in the process of measuring the items.<sup>3</sup>
- A5. This Statement amends note disclosures concepts to assist the Board in the reexamination of note disclosure requirements in existing standards as well as the development of future requirements.

---

<sup>2</sup> SFFAC 1, paragraph 158.

<sup>3</sup> SFFAC 1, paragraph 160.

## RESCISSION OF SFFAC 3

---

- A6. On June 8, 1999, FASAB published the Statement of Federal Financial Accounting Concepts (SFFAC) 3, *Management's Discussion and Analysis*, as part of the initial federal financial framework. The SFFAC 3 concepts were written using standards-based language instead of concepts-based language for MD&A. Given that concepts are not considered authoritative guidance in the GAAP hierarchy, SFFAC 3 could not require MD&A as part of the agency financial reports.
- A7. On August 12, 1999, FASAB published an outline of SFFAC 3, as standards in SFFAS 15, *Management's Discussions and Analysis*, to require MD&A as part of the agency financial report. The Board expected agencies to use SFFAC 3 in conjunction with SFFAS 15 to prepare MD&As. Practice has shown that agencies have only used SFFAS 15 for preparing MD&As and the standards-based language in SFFAC 3 is ignored.
- A8. This statement rescinds SFFAC 3 and the Board's work on the current MD&A project proposes to consolidate the standards from SFFAC 3 and SFFAS 15 into updated MD&A standards. [See discussion in the *Consolidating MD&A Concepts* section below.]

## CONSOLIDATING MD&A CONCEPTS

---

- A9. The Board added the management's discussion and analysis (MD&A) project to its agenda in June 2019 to merge work completed by the Risk Reporting and Reporting Model-Phase I: MD&A and Stewardship Investments Improvements projects.
- A10. The Board's goals for the MD&A project are to streamline the MD&A, reduce preparer burden, and provide users with easy to understand information about an agency's financial position and condition.
- A11. From August 2019 through June 2020 the Board developed 11 MD&A objectives based on the four reporting objectives in SFFAC 1, *Objectives of Federal Financial Reporting*: budgetary integrity, operating performance, stewardship, and systems and controls, and a review of SFFAC 3.
- A12. The Board then prepared a draft MD&A vision framework to consolidate and remove any duplication from the 11 MD&A objectives. The vision framework was then tested with pilot agencies.
- A13. Staff conducted a pilot from January through March, 2021, with 17 pilot agencies and 16 user reviewers to determine if the draft MD&A vision framework could streamline the MD&A and provide an easily readable and understandable report.
- A14. The Board reviewed the pilot results in June 2021 and agreed that the MD&A vision was a good framework for updating the MD&A standards and that the MD&A concepts should be consolidated into paragraph 69 of SFFAC 2—in tandem with the note disclosures concept updates.

## APPENDIX B: ABBREVIATIONS

---

|        |   |
|--------|---|
| ED     | Exposure draft                                      |
| FASAB  | Federal Accounting Standards Advisory Board         |
| GPFFRs | General Purpose Federal Financial Reports           |
| GAAP   | Generally Accepted Accounting Principles            |
| OMB    | Office of Management and Budget                     |
| SFFAC  | Statement of Federal Financial Accounting Concepts  |
| SFFAS  | Statement of Federal Financial Accounting Standards |

### **FASAB Board Members**

George A. Scott, Chair

R. Scott Bell

Gila J. Bronner

Robert F. Dacey

Sallyanne Harper

Carol Johnson

Patrick McNamee

Terry Patton

Graylin E. Smith

### **FASAB Staff**

Monica R. Valentine, Executive Director

Robin M. Gilliam, Assistant Director

### **Federal Accounting Standards Advisory Board**

441 G Street NW  
Suite 1155  
Washington, DC 20548  
Telephone 202-512-7350  
FAX 202-512-7366  
[www.fasab.gov](http://www.fasab.gov)