

Memorandum

Non-Agenda Topics

December 3, 2021

To: Members of the Board
From: Monica R. Valentine, Executive Director
Subject: **Non-Agenda Project Updates** (Topic E)

INTRODUCTION

Staff is providing project updates on all active projects currently on the Board's technical agenda that will not be discussed at the December 2021 meeting.

The briefing material include brief project updates on the following topics.

- Intangible Assets
- Land Implementation
- Leases
- Public-Private Partnerships Phase II – Recognition and Measurement
- Reexamination of Existing Standards
- Reporting Model – Budgetary Information
- Technical Clarifications of Existing Standards – Debt Cancellation

REQUEST FOR FEEDBACK

These topics do not include any questions for the Board or requests for member feedback. These topics will not be on the Board's discussion agenda for December. Members may provide input and submit follow-up questions on any of these projects to the related staff member at any time.

ATTACHMENTS

1. Project updates

Project Updates

Non-Agenda Topics

December 3, 2021

Attachment 1

INTANGIBLE ASSETS

Staff is developing an issues paper that will (1) present a scope of software-related resources for future guidance updates, (2) analyze existing software-related reporting guidance from FASAB and other standard-setters, and (3) consider the pros and cons of amending versus rescinding FASAB software guidance when developing updates. Staff plans to present this paper and a framework for a working definition of intangible assets at the February 2022 Board meeting. The overall intent of the issues paper is to present initial findings on the updates needed to bridge the gap between current FASAB software guidance and guidance that stakeholders need.

As of December 2021, staff continues to communicate with working group volunteers to understand the extent of software-related resources that exist among federal entities in order to develop a scope of resources for future guidance updates. Staff is also performing an analysis to compare and contrast reporting requirements from FASAB and other standard-setters to help identify missing and outdated federal guidance.

LAND IMPLEMENTATION

GAO has begun its work and is beginning to meet with the major land holding agencies to work on designing an audit methodology addressing issues to include applying materiality to non-financial information and ascertaining predominant use.

LEASES

Staff has engaged directly with task force members and relevant stakeholders to research SFFAS 54 implementation challenges and identify viable proposals for addressing two areas: incremental borrowing rate selections and accounting for reimbursable work authorizations.

Research progress has temporarily been at a slower pace due to competing priorities in staff's portfolio of work and scheduled leave. The pace of research and proposal development is expected to accelerate during the second quarter, however, with substantive Board briefing materials and deliberations on these issues expected in February through June.

PUBLIC-PRIVATE PARTNERSHIPS PHASE II – RECOGNITION AND MEASUREMENT

Staff has begun (1) researching potential implementation issues identified by the Board at the August 2021 meeting, (2) assisting entities with any potential measurement and recognition problems, and (3) as appropriate, coordinating with Treasury and OMB to better present the information to help reduce reporting variability.

To that end, staff is scheduling SFFAS 49 (P3 Disclosures) training with federal entities. The training will be interactive and include P3 task Force members to help answer questions. The training will be designed to also better understand the processes used by entities in identifying P3s and those disclosures entities are having difficulty implementing; i.e., understanding how the P3 definition, exclusions, risk-based characteristics, and materiality guidance is being used or understood by preparers and their auditors and gaining additional insight and research into why cash flows were not disclosed.

Moreover, staff has identified the following five broad Balance Sheet measurement and recognition alternatives:

- 1. Capital Asset Classification** has three approaches: a. Treat as a fee-simple acquisition, b. Treat as PP&E acquired through an Exchange, c. Treat as a leased asset acquisition;
- 2. Investment Asset Classification** has three approaches: a. Cost approach – initial plus future investments, b. Fair value approach – percentage of the partnership net assets, c. Equity approach – adjust investment yearly for P&L, dividends, etc.;
- 3. Reporting Entity Classification** has one approach: a. Consolidation;
- 4. Subsidy Classification** has one approach: a. Net Present value of cash flows; and
- 5. Intangible Asset Classification:** a. Leased asset approach.

REEXAMINATION OF EXISTING STANDARDS

Due to competing demands with FASAB's limited staff, work on the Reexamination will resume in January 2022. At the October 2021 meeting, the Board members generally agreed with the framework and topics of potential questions but provided staff feedback and comments to consider when drafting the Invitation to Comment (ITC.) Staff will draft the ITC based upon the feedback of the Board. As agreed at the October meeting, staff will also seek input from the public on the draft ITC by outreach to specific organizations.

REPORTING MODEL – BUDGETARY INFORMATION

The budgetary information project addresses certain issues related to accounting and financial reporting of government-wide and component reporting entity budgetary information. The project will consider improvements to existing guidance related to 1) the usefulness of the required U.S. budget surplus/deficit presentations and 2) the understandability of the required presentation for component reporting entity budgetary resources.

This project was put on hold in mid fiscal year 2021 while other efforts on this topic are being considered by OMB and GAO.

Ms. Carol Johnson has informed me that she expects to propose the following two revisions to the FY 2022 A-136 to address budgetary information:

- adding optional definitions for key budget terms in Note 1 and
- adding an optional statement order presentation so that the statements follow the flow of resources.

FASAB will continue to monitor their work and will assess whether any additional efforts are needed by FASAB.

TECHNICAL CLARIFICATIONS OF EXISTING STANDARDS – DEBT CANCELLATION

On November 29, 2021, FASAB issued Interpretation 11, *Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313*. Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display*, paragraph 100 provides that nonexchange activity is reported on the statement of changes in net position (SCNP). When considering paragraph 313 of SFFAS 7 and SFFAC 2 together, Interpretation 11 clarifies that the standards provide that debt cancellation is a nonexchange activity that should be reported on the SCNP. Interpretation 11 also clarifies that paragraph 313 of SFFAS 7 should not be interpreted to require that a particular line item “gain” or “loss” be displayed on the SCNP.

Although Interpretation 11 does not provide guidance on budgetary accounting, it notes budgetary accounting should be considered. As noted in paragraph 313 of SFFAS 7, the cancellation of debt requires an Act of Congress. Each debt cancellation is governed by the particular language used in the enacted legislation canceling the debt.

Interpretation 11 is available at <https://fasab.gov/accounting-standards/>.