

Memorandum

MD&A

February 11, 2025

To: Members of the Board
From: Robin M. Gilliam, Assistant Director
Thru: Monica R. Valentine, Executive Director
Subject: MD&A Implementation Guidance - **Topic E**

OBJECTIVE

The meeting objective is for the Board to review and consider staff's recommendation to develop staff implementation guidance (SIG) for [SFFAS 64, *Management's Discussion and Analysis: Rescinding and Replacing SFFAS 15*](#) (SFFAS 64). A SIG is level D guidance in the generally accepted accounting principles (GAAP) hierarchy.¹ The implementation guidance will provide best practices guidance to assist with MD&A reporting in accordance with SFFAS 64.

REQUEST FOR FEEDBACK BY FEBRUARY 19, 2025

Prior to the Board's February meeting, please review the attached staff analyses and respond to the ensuing question by February 19, 2025.

Please submit responses to Robin Gilliam at GilliamR@fasab.gov with a cc to me at ValentineM@fasab.gov.

NEXT STEPS

Pending Board member feedback, staff will develop the SIG to assist with MD&A reporting in accordance with SFFAS 64.

ATTACHMENTS

1. Staff Analysis and Recommendation

¹ [SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*](#)

Staff Analysis

MD&A

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Attachment 1

INTRODUCTION

On September 27, 2024, the Board released [SFFAS 64, Management's Discussion and Analysis: Rescinding and Replacing SFFAS 15](#) (SFFAS 64), effective for periods after September 30, 2025. Early implementation is permitted.

SFFAS 64, Basis for Conclusion par. A48.states: *The Board agreed to consider implementation guidance and training after the issuance of this Statement.*

This memo will discuss the training that staff is currently providing to federal entities and the implementation guidance staff would like to provide as entities prepare to report MD&A in accordance with SFFAS 64.

Training to Transition MD&A Reporting from SFFAS 15 to SFFAS 64:

Staff is providing two-hour dynamic training sessions for federal entities between February and May 2025. During the first hour of the training FASAB staff presents a recommended method for transitioning from SFFAS 15 to SFFAS 62. During the second hour staff reviews the entity's current MD&A with suggestions for an effective transition. Staff has signed up 25 agencies for this training.

The training serves two purposes. The first is to provide governmentwide implementation training on the transition from SFFAS 15 to SFFAS 64 MD&A reporting. The second is to gain more knowledge about the entity's challenges and best practices to eventually develop implementation guidance to include both question & answer guidance as well as scenario examples.

In addition to training, staff believes that providing staff implementation guidance (SIG) will benefit entities in preparing to report MD&A in accordance with SFFAS 64. Staff plans to collect and consolidate feedback and questions from the four months of training to develop a comprehensive SIG to provide a best practices implementation guide.

STAFF ANALYSIS AND RECOMMENDATION

Staff considered four possible GAAP pronouncement options – interpretations, technical bulletins, technical releases and SIGs. Staff believes that a SIG is the most appropriate pronouncement given the proposed MD&A implementation guidance is not intended to amend existing standards, promulgate new standards, or issue specific guidance on existing standards. The purpose of this SIG is to provide federal entities with a best practice guide for reporting MD&A in accordance with the SFFAS 64 standards. The proposed guidance is intended to support the fiscal year (FY) 2026 effective date.

The following is staff's analysis of four pronouncement options and why staff believes a SIG is the most appropriate pronouncement for the proposed SFFAS 64 implementation guidance.

Interpretations are level A in the GAAP hierarchy that clarify the original meaning, add definitions, and provide other guidance for existing Statements of Federal Financial Accounting Standards (SFFAS).² Interpretations are normally narrow in scope.

For example, Interpretation of Federal Financial Accounting Standards 11, *Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313*, clarifies, SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. SFFAS 7, paragraph 313.

The implementation guidance for reporting MD&A will take a holistic view to address all of the SFFAS 64 standards. The proposed MD&A implementation guidance is not intended to clarify the original meaning, add definitions, nor provide other specific guidance for SFFAS 64, but to provide best practices guidance obtained from the training sessions. Therefore, staff believes an interpretation would not be the appropriate pronouncement for SFFAS 64 implementation guidance.

Technical Bulletins (TB) are level B in the GAAP hierarchy and provide guidance for applying FASAB statements and interpretations and resolve accounting issues not directly addressed by the statements or interpretations.

For example, Technical Bulletin 2024-1: *Seized and Forfeited Digital Assets*, clarifies that SFFAS 3, *Accounting for Inventory and Related Property*, paragraphs 57-78, do apply to seized and forfeited digital assets. The TB was needed to clarify the existing reporting requirements regarding the unique characteristics of digital assets that the Board did not consider when developing SFFAS 3.

The proposed implementation guidance for MD&A reporting is intended to address all of the SFFAS 64 standards and not just a specific accounting issue. Therefore, staff believes a TB would not be the appropriate pronouncement for SFFAS 64 implementation guidance.

² FASAB Handbook of Federal Accounting Standards and Other Pronouncements, as Amended, as of June 30, 2024, the Forward, page 2.

Federal Financial Accounting Technical Releases (TR) are level C in the GAAP hierarchy and are developed by the Accounting Standards Implementation Committee (ASIC).

The ASIC recommends guidance for applying existing SFFAS, Interpretations, and TBs. ASIC may not amend existing standards, promulgate new standards, or issue guidance that conflicts with existing standards.³

For example, Technical Release 18: *Implementation Guidance for Establishing Opening Balances* provides additional guidance in applying the alternative methods in establishing opening balances for general property, plant, and equipment (PP&E) that are permitted in SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment*.

The proposed implementation guidance for MD&A reporting in accordance with SFFAS 64 is intended to help federal entities by providing best practices observed during the federal entity training sessions. Therefore, staff believes that a TR would not be the most appropriate pronouncement for SFFAS 64 implementation guidance.

Staff Implementation Guidance (SIG) is level D in the GAAP hierarchy. A SIG is developed by staff and is issued if a majority of the Board does not object to its issuance, after an exposure draft (ED) comment period, and 15-day Board review period.

Staff recommends a SIG for the proposed MD&A implementation guidance for two primary reasons. First, a SIG will provide a useful tool to help federal entities apply the SFFAS 64 standards with best practice scenarios for MD&A reporting. Second, providing a SIG will provide timely implementation guidance for the FY 2026 effective date of SFFAS 64.

Estimated Timeframe

- Federal entity training – collect questions and feedback: February – May 2025
- Develop SIG ED: June – July 2025
- ED Comment period – August 2025
- Board Review – October 2025
- Issue SIG – December 2025

³<https://fasab.gov/about-asic/>

Question for the Board:

Do members have any feedback regarding staff's plans on developing staff implementation guidance for MD&A reporting in accordance with SFFAS 64?