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FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

FASAB NEWS

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ALL PENDING STANDARDS NOW SIGNED BY PRINCIPALS

The principals have now signed all outstanding recommended standards except the Statements on Revenue and Stewardship, which are expected to be signed by early March. (For a complete list of FASAB Statements issued to date, see the article on this subject on page 4.)

TRAINING ON FASAB STANDARDS

FASAB staff members have conducted a 1-day training session on several occasions over the last few months covering the highlights of all approved and exposed FASAB concepts and standards. This session, conducted at various times under the auspices of the Association of Government Accountants (AGA), the Joint Financial Management Improvement Program, or the Center for Applied Financial Management of the Department of the Treasury, (the Center) has been favorably received.

The AGA has again asked FASAB staff to conduct the session, this time in conjunction with the AGA's upcoming conference entitled "Updates on Financial Reporting and Auditing Initiatives." The FASAB session will take place on January 30 and February 29, 1996. For further information, please contact AGA's Director of Education, Marykate Behan, at (703) 684-6931 or (800) 242-7211.

FASAB is also working with the Center to develop a series of two, 2-day workshops to be presented this year. It will cover all of the standards in more depth. The content is as follows:

Workshop I

Will cover Objectives, Entity and Display, Sample New Reporting Formats; and the standards for Managerial Cost Accounting and Supplementary Stewardship Reporting.

Workshop II

Will cover the standards for Selected Assets and Liabilities; Direct Loans and Loan Guarantees; Inventory and Related Property; Liabilities; Revenue; and Property, Plant, and Equipment.

The schedule for the 2-day workshops will be published in the next newsletter.

REVENUE

In October the Board met for the first time to deliberate on responses to the exposure draft Accounting For Revenue and Other Financing Sources. For this initial consideration, the Board focused on responses to the 18 specific questions posed to respondents. With a few exceptions, noted below, a majority of the responses to each question were supportive of the exposure draft's provisions. All decisions were tentative.

QUESTION 3: Uncollectible amounts

The Board was divided over how to treat uncollectible amounts of exchange revenue due to credit losses (i.e., as an expense or as an adjustment to revenue). The comment letters favored the expense treatment but some Members spoke in favor of the "revenue adjustment" approach proposed in the exposure draft. The Board concluded that the expense treatment would be required for credit losses on exchange

revenue, but not for other uncollectible amounts of exchange revenue, such as sales returns and allowances.

QUESTION 17: Disclosures for earmarked funds other than trust funds

The exposure draft proposed certain disclosures for trust funds, and asked whether similar disclosures should be required for certain other funds. Some asked why most respondents who addressed this question wanted similar disclosures for other earmarked funds. It was agreed that the comment letters would be analyzed and, unless convincing arguments could be identified, no additional disclosures would be required.

Reorganization

The Board agreed to reorganize the Revenue document. Much explanatory and illustrative material will be moved from the Statement of Recommended Accounting Standards to an "implementation guide" to be issued by the Board as an informational document. (See note at end of this article.) Most of this material, which was regarded as necessary for respondents to understand the proposal, was in the Introduction and the Appendices in the exposure draft. Thus it was not regarded as authoritative.

The Board did not illustrate the Statement of Financing in the Entity and Display (E&D) concept statement. The Board agreed that Accounting for Revenue and Other Financing Sources will be expanded to include a separate section on the concept of a Statement of Financing that will parallel the corresponding section and illustration in E&D and will be, in effect, an amendment to E&D. Like Managerial Cost Accounting, the Revenue document will be both a statement of recommended accounting standards and a statement of recommended accounting concepts. The material will all come together in suitable locations in the codification of FASAB standards. OMB expects that there will be two bulletins on form and content co-existing: one to be followed now and another, later, reflecting and

illustrating the new standards for which agencies should prepare.

Implementation at DoD

FASAB staff will meet with DoD staff to address questions about implementation of FASAB standards. The discussion will focus on the changes to the Standard General Ledger that would be caused by the proposed standards.

Effective Date

The Board agreed that all requirements in Accounting Revenue and Other Financing Sources will become effective for FY 1998, which will also be the effective date for Property, Plant, and Equipment and probably for Supplementary Stewardship Reporting. This would eliminate the need for a phased or two-stage implementation for the IRS. This decision, like others made at the October Board meeting, was tentative. This decision, in particular, will be revisited after the staff-DoD meeting at which implementation problems will be discussed.

Note On FASAB Authority To Issue An Informational Document

Paragraph III.I "Pronouncements" of FASAB's approved rules of procedure reads, in part: "In discharging its responsibilities the FASAB issues Recommended Statements of Federal Accounting Standards, Recommended Statements of Federal Accounting Concepts, and other communications of an informational nature related to federal accounting. The FASAB has final and ultimate authority over the subject, style, content, and substance of its communications. All recommendations are issued by the Board to its Sponsors and are solely advisory, not authoritative. They do not establish accounting principles, standards and requirements as authorized by 31 U.S.C. Section 3511 (a). The recommendations take effect only as approved by the three Sponsors and when published by the Comptroller General and the Director, OMB, in the Federal Register. . . ."

Subparagraph 3 of paragraph III.I reads: "The FASAB may, in its discretion and with or without appointment of task forces, research, notice, public hearings, or public exposure, issue in its name or at its direction other communications of an informational nature related to federal accounting and financial reporting, including the FASAB's mission, policies, and activities. Such communications may include, among others, discussion

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memorandums, summary and related documents, research reports, responses to requests and inquiries, and statements of policy dealing with matters of federal accounting and financial reporting."

FASAB MEMBERS OF TASK FORCE GROUPS ON GOVERNMENT-WIDE AUDITED FINANCIAL STATEMENTS

Listed below are the FASAB staff members assigned to the various groups established by OMB, Treasury, and GAO to address substantive cross-cutting accounting and auditing issues which will impact the agency-wide and government-wide financial statements:

-Robert Bramlett - Actuarial projections and audit requirements.

-Phil Calder - Auditing and accounting for elimination entries;

- Overview, footnotes and supplemental information.

-Wendy Comes - Auditing and accounting for clean-up costs;

- Auditing and accounting for PP&E.

-Rich Fontenrose - Overview, footnotes and supplemental information.

-Richard Mayo - Credit reform auditing and accounting issues;

-Interagency confirmations (The focus of this group is to identify information agencies must rely on that is provided by other agencies and the audit assurance that should be provided along with the information.)

Additional groups established to address these cross-

cutting issues include those for:

-Single audit reliance and work required,

-Early FASAB implementation (The focus of this group will be on what impact that early implementation will have on Treasury's collection of agency-wide information.),

-EDP audit requirements, and

-Reconciliation of FACTS transmission.

STATUS OF PROJECTS

The status of current projects FASAB staff members are engaged in is as follows:

-SUPPLEMENTAL STEWARDSHIP REPORTING (includes Human Capital, Research, and Development; Non-federal Physical Property; Future Claims; and Federally-Owned Stewardship Assets). A public hearing was held December 5.

Comments on the exposure draft have been received and are now being reviewed by the staff. It is expected that the final Statement will be issued during the second quarter of FY 1996.

-ACCOUNTING FOR THE COST OF CAPITAL

In early 1994, the FASAB established a task force, chaired by Donald Chapin, to explore the feasibility of accounting for the cost of capital invested in federal agency assets. The task force did its research work and circulated a draft "Invitation for View (IFV)" to the Board members in September 1994. The project was then suspended because of other priorities before the Board.

After having completed the statements on property, plant, and equipment, and managerial cost accounting,

and with the stewardship assets project well underway, the subject on cost of capital resurfaced on its own merits. The FASAB staff has prepared a revised draft IFV to incorporate new developments and the comments from Board members on the previous draft. Mr. Chapin reviewed the draft and made numerous improvements.

The Draft IFV is now under review by the Board members. If they approve, it would be issued early 1996. The IFV is a means to solicit views on issues for which the Board has not taken any positions. It thus provides federal agencies and other interested parties with an opportunity to express their views at the earliest stage of the project.

-MANAGEMENT DISCUSSION AND ANALYSIS

A Task Force has been formed and it met for an initial discussion of the desirability and objectives of a standard on MD&A; it also began consideration of what might be the required components on the suggested components of an MD&A section of a financial report.

The Board has been apprised of the initial thoughts of the Task Force, and is expected to consider the topic at a meeting in early 1996. In the meantime, FASAB staff is developing an outline of a possible exposure draft on the topic for the consideration of the Task Force.

-ACCOUNTING FOR NATURAL RESOURCES

During the discussion stages of the Supplementary Stewardship Reporting Exposure Draft, it was decided by the Board that reporting for natural resources was a complex topic and should be addressed in a separate project. Accordingly, staff has begun initial research on the topic.

In early September, staff prepared an informational discussion paper for the Board that summarized current reporting practices by the private sector for certain natural resources. Staff is currently in the process of distributing to the Board an initial issues

and background paper for discussion at a future FASAB meeting in early 1996. The background section of the paper provides information on those federal agencies who currently have various management, production, reporting, and revenue collection responsibilities for natural resources.

The overall objective of the natural resources project is to adequately report information about those natural resources in which the federal government maintains custodial responsibility. The primary natural resources that are addressed in the issues and background paper are oil and gas, coal, nonfuel hardrock minerals, and timber.

-CODIFICATION PROJECT

The codification project will result in reference material for both Federal preparers and auditors that is clear and easy to use. The Board is currently considering how the standards should be organized and what, if any, new material should be added. It is expected that at least two volumes will be produced -- one presenting the text of the standards and another users guide. As part of the project, any areas that require clarification or development of additional standards will be identified and addressed.

FASAB STATEMENTS ISSUED TO DATE

Accounting for Selected Assets and Liabilities, Accounting Standards Statement #1, issued March 30, 1993. GPO Stock # 041-001-00403-3. \$4. The accounting standards recommended in this Statement are effective for financial statements prepared for fiscal years ending September 30, 1994 and thereafter. Earlier adoption is encouraged.

Accounting for Direct Loans and Loan Guarantees, Accounting Standards Statement #2, issued August 23, 1993. GPO Stock #041-001-00416-5. \$6. The standards in this Statement require that direct loans obligated and loan guarantees committed after September 30, 1991, be accounted for on a present value basis. The accounting standards recommended

in this Statement become effective for fiscal years ending September 30, 1994, and thereafter. Earlier implementation is encouraged.

Objectives of Federal Financial Reporting, Concepts Statement # 1, issued September 2, 1993. GPO Stock # 041-001-00412-2, \$6.

Accounting for Inventory and Related Property, Standards Statement #3, issued October 27, 1993. GPO Stock # 041-001-0415-7. \$3.50. The Board recommends that these accounting standards become effective for fiscal years ending September 30, 1994, and thereafter. Earlier implementation is encouraged.

Entity and Display, Concepts Statement #2, issued June 6, 1995. GPO Stock # 041-001-00456-1. \$3.75.

Managerial Cost Accounting Standards for the Federal Government, Standards Statement #4, issued July 31, 1995. GPO Stock # 041-001-00457-2. \$7.50. The standards in this Statement will be effective for fiscal periods beginning after September 30, 1996. Earlier implementation is encouraged.

Accounting for Liabilities of the Federal Government, Statement #5, approved by Principals December 20, 1995. The accounting standards presented in this Statement become effective with fiscal periods beginning after September 30, 1996. Earlier implementation is encouraged.

Accounting for Property, Plant, and Equipment, Statement # 6, approved by Principals November 30, 1995. The recommended implementation date for

these accounting standards is for periods beginning after September 30, 1997. Earlier implementation is encouraged. This standard will not be available until after a Congressional review period. An announcement will be made in the Federal Register when the document becomes available.

Statements (approved standards) may be purchased from GPO, 202- 512-1800. Exposure Drafts can be obtained from FASAB staff at 202-512-7350. Also, Statements and Exposure Drafts are available on Internet <http://www.financenet.gov>.

1996 BOARD MEETINGS

The schedule for the Board meetings during 1996 is as follows. All meetings will be held in the GAO Building, 441 G St., NW, Washington, DC, room 7C13, unless otherwise indicated. Since it is necessary occasionally to change a date, it is best to confirm it with FASAB before attending.:

February 5, Room 4N30
 February 14
 March 28
 April 25
 May 30
 June 20
 July 25
 August - no meeting
 September 26, Room 4N30
 October 24
 November 21
 December 19

U.S. General Accounting Office



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