

# Federal Accounting Standards Advisory Board

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## NEWS RELEASE

### **FASAB Issues Interpretation of Federal Financial Accounting Standards 11, *Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313***

The chair of the Federal Accounting Standards Advisory Board (FASAB or “the Board”), George A. Scott, announced today that FASAB has 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 provides clarification that will facilitate consistent reporting of debt cancellation on the SCNP,” according to Chairman Scott.

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

## **ABOUT FASAB**

FASAB serves the public interest by improving federal financial reporting through issuing federal financial accounting standards and providing guidance after

considering the needs of external and internal users of federal financial information.

Financial reports, which include financial statements prepared in conformity with generally accepted accounting principles, are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, the Board plays a major role in fulfilling the government's responsibility to be publicly accountable. Federal financial reports should be useful in assessing (1) the government's accountability and its efficiency and effectiveness and (2) the economic, political, and social consequences, whether positive or negative, of the allocation and various uses of federal resources.

FASAB issues federal accounting standards after following a due process consistent with the Memorandum of Understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

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