NEWS RELEASE

FASAB Issues an Exposure Draft Interpretation,
Guidance on Recognizing Liabilities Involving Multiple Component Reporting Entities

The chairman of the Federal Accounting Standards Advisory Board (FASAB or “the Board”), D. Scott Showalter, announced today that FASAB is seeking input on a proposed Interpretation, Guidance on Recognizing Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5. The proposed Interpretation would provide guidance to assist in the application of identified general liability standards and principles at the component reporting entity level.

The Interpretation would provide clarification for contingent liabilities when one or more sub-component reporting entities within a single component reporting entity are designated to manage litigation and/or pay any resulting liabilities on behalf of one or more other sub-component reporting entities. The Interpretation would also provide guidance regarding cleanup cost liabilities when the component reporting entity responsible for reporting on an asset during its useful life is different from the component reporting entity that will eventually be responsible for environmental remediation upon disposal of that asset.

“As a result of recent pronouncements, the proposed Interpretation is necessary to provide clarifications when multiple component reporting entities are involved. This will ensure consistent application of the general liability standards and principles,” according to Chairman Showalter.

The Board requests comments on the exposure draft (ED) by January 17, 2019. Respondents are encouraged to provide the reasons for their positions. The ED and the specific questions raised are available on the FASAB website in PDF and Microsoft Word format, respectively (http://www.fasab.gov/documents-for-comment/).

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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