GWSCPA

GREATER WASHINGTON SOCIETY OF CPAs

October 13, 2017

Wendy Payne, Executive Director
Federal Accounting Standards Advisory Board
Mail Stop 6H19
441 G Street, NW – Suite 6814
Washington, DC 20548

Dear Ms. Payne:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft (ED) on the proposed Technical Bulletin, *Assigning Assets to Component Reporting Entities*.

The GWSCPA consists of approximately 3,300 members, and the FISC includes nearly 30 GWSCPA members who are active in financial management, accounting, and auditing in the Federal sector. We sincerely appreciate the opportunity by the Board to share our views, and the hard work and dedication by the Board Members and Staff on their contributions to improving federal financial reporting.

Our responses to the ED question is included below.

Q1. The proposed Technical Bulletin (TB) provides that assets may be assigned by a reporting entity to its component reporting entities on a rational and consistent basis. For example, an asset may be assigned to a component reporting entity holding legal title, funding the asset, using the asset in its operations, or another rational and consistent basis. However, assets may only be assigned by a component reporting entity to its own sub-component reporting entities (such as bureaus, components, or responsibility segments within the same larger reporting entity or department). Do you agree or disagree? Please provide the rationale for your answer.

A1. The FISC provides the following comments with respect to the proposed TB:

a. The Executive Summary (page 1) of the ED states that, "The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement." It is not clear whether the Board's intentions permit that the materiality determination can be made at the reporting entity, component, or sub-component reporting entity levels, or that the materiality determination be made solely at the reporting entity level. Stated another way, is the concept of "misleading to exclude" (as used in SFFAS 47, *Reporting Entity*) applicable to the adoption of this TB by component or sub-component reporting entities?

b. The ED allows for assets to be assigned to components "holding legal title, funding the asset, using the asset in its operations, or another rational and consistent basis." The ED could benefit from the identification of a preferred basis of allocation by the Board.

c. Paragraph A6 of the ED provides guidance on changes in determinations in subsequent years. However, the ED could benefit from additional guidance on accounting for this ED in the year of adoption and in subsequent years by components or sub-component reporting entities receiving and removing assets from their respective financial statements. For example, would the transfer of assets in accordance with the adoption of this ED be accounted for as a gain/loss or as a non-exchange transfer?

Q2. The proposed TB requires reporting entities to disclose the policies used to assign significant assets. Do you agree or disagree? Please provide the rationale for your answer.

A2. The FISC generally agrees that disclosure of the policies used to assign assets would be useful to a reader. However, the FISC suggests that the term "significant", as used in Paragraph 13 of the ED, be defined. The FISC suggests that minimum disclosure requirements be included in the final standard, such as a description of the types and quantities of assets excluded from the component or sub-component reporting entity, and the identity of other component or sub-component reporting entities that are responsible for reporting the assets excluded from a component reporting entity. The Board could evaluate whether there should be different minimum disclosure requirements for reporting entities, component reporting entities, and sub-component reporting entities.

Q3. Staff plans to develop guidance regarding assignment of liabilities to components within a larger reporting entity. Thus far, the specific types of liabilities identified where it may be helpful to provide additional guidance are liabilities related to assets such as clean-up costs and possibly all government-related events.

Should such guidance be limited to liabilities related to assets such as clean-up costs or also address all government-related events? Are there other types of liabilities for which guidance would be helpful? Please provide the rationale for your answer.

A3. The FISC suggests that the guidance include information on all categories of accounting transactions, not limited to liabilities, which may be assigned to another component reporting entity.

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This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,

Andrew C. Lewis
FISC Chair