



# *FASAB Newsletter*

## *Federal Accounting Standards Advisory Board*

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#### Disclaimer

The staff of the Federal Accounting Standards Advisory Board publishes the FASAB newsletter following Board meetings to provide highlights of recent Board actions and issues. When an article refers to a Board decision, it should be understood that this is tentative until FASAB issues a Statement of Federal Financial Accounting Concepts (SFFAC) or Statement of Federal Financial Accounting Standards (SFFAS).

Please direct newsletter editorial questions to Leigha Kiger at 202-512-7358 or [kigerl@fasab.gov](mailto:kigerl@fasab.gov).

Please direct AAPC technical questions to Grace Wu at 202-512-7377 or [wug@fasab.gov](mailto:wug@fasab.gov).

Please direct FASAB and AAPC administrative questions to Romona Parker at 202-512-7350 or [parkerr1@fasab.gov](mailto:parkerr1@fasab.gov).

## Member News

### FASAB Bids Farewell to Department of the Treasury Representative Christina Ho

Ms. Christina Ho is leaving her post as the deputy assistant secretary for accounting policy and financial transparency. As such, August was Ms. Ho's final Board meeting as the Department of the Treasury (Treasury) representative for the Federal Accounting Standards Advisory Board (FASAB or "the Board").

The Board thanks Ms. Ho for her contributions during her three-year tenure as the Treasury representative. Mr. R. Scott Bell, who has worked closely with FASAB in the past, will serve as the interim Treasury representative on the Board until the deputy assistant secretary position is filled.

# Staff News

## [FASAB Welcomes Hamayun Bajwa](#)

Hamayun Bajwa joined the FASAB staff as a management and program analyst intern on September 5. Mr. Bajwa will work with Grace Wu, the assistant director leading the note disclosure project. He will be supporting the project by performing research and analysis on the Chief Financial Officers Council agencies' notes. Mr. Bajwa is currently an undergraduate finance major at George Mason University. He has been inducted into several honor societies for his academic achievements and looks forward to graduating in December 2017.

Prior to joining FASAB, Mr. Bajwa worked at Capital One Bank as a retail bank associate. He regularly provided unique solutions to complex problems by researching and analyzing feedback received from clients. With over four years of experience, Mr. Bajwa took on the additional role of compliance ambassador, ensuring the bank complied with rules and regulations. In 2016, he was named the top associate in performance (sales and service) for his achievements.

## Current Board Projects

*(For more information, click on the title of the project to be directed to the related active project page.)*

### [Financial Reporting Model](#)

The Board issued Statement of Federal Financial Accounting Concepts 8, *Federal Financial Reporting*, on September 22. The concepts provide a platform for the Board's deliberation of standards.

During the August meeting, FASAB staff presented a proposal to require reporting entities to inform readers where to obtain the entity's annual performance report (APR) rather than providing detailed performance information in management's discussion and analysis (MD&A). The Board supported providing flexibilities to reporting entities and noted that conditions have changed since FASAB developed the MD&A reporting standards in the early 1990s. Component reporting entities currently issue separate financial and performance reports and issue the reports at different times. In addition, the Board's concepts acknowledge that information that users need may not reside in a single report. Consequently, the Board plans to develop an exposure draft (ED) to amend the existing MD&A reporting standards, explain the rationale for the proposal, and obtain comments from users, preparers, and auditors.

The Board also discussed an initial draft ED proposing to rescind required supplementary stewardship information (RSSI) reporting requirements. The draft ED acknowledged that users do not review the RSSI provided in financial reports. Users can access the information from other sources, such as the Budget of the U.S. and APRs. However, the Board discussed the history and complexities of RSSI and noted that the draft ED needed to include a comprehensive discussion of the rationale for

rescinding RSSI. Thus, FASAB staff will present a revised draft ED during the October meeting.

Point of Contact: Ross Simms, 202-512-2512, [simmsr@fasab.gov](mailto:simmsr@fasab.gov)

## Leases

The Board reviewed a draft *Leases* Statement and gave staff feedback on technical issues so that a pre-ballot draft could be provided to the Board by the October meeting. Staff discussed the following issues with the Board:

- Definition of a lease
- Service contracts
- Lease-term determination
- Effective date of the standards
- Possibility of re-exposure
- Other revisions to the standards

The Board agreed on the following:

- The scope of the lease definition should be narrowed to “*a contract or agreement that conveys the right to control the use of another entity’s identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration.*”
- The definition of service contracts should be included in the leases standards.
- Language should be added to clarify the “noncancelable period.”
- Both the lessee and the lessor’s options to extend or terminate the lease contract or agreement, if probable, should be included in the lease term at its commencement.
- When the lessee or lessor is assessing its own options to extend or terminate the contract or agreement, the level of probability is at the probable threshold. In contrast, when the lessee or lessor is assessing the other party’s options to extend or terminate the contract or agreement, the level of probability is at a higher threshold, like reasonably certain. This requires significant evidence of the other party’s future action.

- The effective date of the *Leases Statement* should be changed to reporting periods beginning after September 30, 2020 (fiscal year 2021).
- The Board agreed to several editorial changes.
- Re-exposure of the leases standards is not necessary.

**Next steps:** Staff will make the necessary revisions to the draft standards based on all Board discussions since the release of the ED and present a pre-ballot draft to the Board by the October meeting.

Point of Contact: Monica Valentine, 202-512-7362, [valentinem@fasab.gov](mailto:valentinem@fasab.gov)

### Accounting and Reporting of Government Land

At the August 31, 2017, Board meeting, members offered edits on a draft ED, as well as suggested additional matters to be included in a revised draft ED for subsequent deliberations.

Concerning land rights, members agreed to treat permanent land rights consistent with proposed requirements for owned land. However, they did not agree to limit the reporting of remaining land rights to those only with a fixed term. The Board also did not come to a consensus on how to best address remaining land rights.

Some members believe that a disclosure should be added to the draft ED to concisely explain, in broad terms, what other remaining land rights an entity possesses. Members agreed to explore and evaluate available options regarding potential disclosure for these remaining land rights. Members agreed to retain the current stewardship land (SL) and general property, plant, and equipment (G-PP&E) distinctions accompanied by the three proposed sub-categories. Members asked that the draft ED clarify the intent that land be categorized based on predominant use in one of the three sub-categories to avoid duplication. Members asked staff to develop either a definition of predominant use or a list of factors for use in assessing predominant use.

The Board generally agreed with the proposed amendments and also agreed to consider amending Statement of Federal Financial Accounting Standards (SFFAS) 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*. Current deferred maintenance and repairs (DM&R) requirements apply to capitalized G-PP&E and stewardship property, plant, and equipment (PP&E), whereas reporting is optional for non-capitalized G-PP&E or fully depreciated assets. As a result of the proposed amendment to SFFAS 6, *Accounting for Property, Plant and Equipment*, paragraph 25 that excludes land from capitalization, G-PP&E land would be unintentionally exempted from DM&R reporting. Amending SFFAS 42 would ensure that any DM&R on (non-capitalized) G-PP&E land would be measured and reported along with other (capitalized) general PP&E and SL.

Staff was tasked with developing a revised draft ED for further consideration at the next Board meeting.

If you have any questions or would like to offer any insight concerning the matters currently under consideration, please contact Mr. Savini using the contact information below. Thank you.

Point of Contact: Domenic Savini, 202-512-6841, [savinid@fasab.gov](mailto:savinid@fasab.gov)

### Risk Assumed

The Board did not discuss the risk assumed project at the August Board meeting. Staff has been researching the reporting and disclosures for direct loans and loan guarantees, one of the risk assumed categories under consideration for update. Staff thanks the Department of Education, the Department of Housing and Urban Development's Federal Housing Administration, and the Small Business Administration for meeting to discuss their credit models and reporting. Agency information will be consolidated and presented to the Board.

Point of Contact: Robin Gilliam, 202-512-7356, [gilliamr@fasab.gov](mailto:gilliamr@fasab.gov)

### Evaluation of Existing Standards

A new project was added to accommodate requests for guidance, especially when benefits clearly exceed costs. When appropriate, the Board explores opportunities for burden reduction by considering feedback from the community on changes and clarification to existing standards and areas.

### Amending Inter-entity Cost Provisions

SFFAS 4, *Managerial Cost Accounting Standards and Concepts*, and Interpretation 6, *Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4*, require reporting entities to recognize the full costs of services received from other federal reporting entities, even if there is no requirement to reimburse the providing reporting entity for the full cost of such services. Consideration of the implementation challenges faced by the Department of Defense (DoD) and the experiences of other federal reporting entities led FASAB to reconsider certain inter-entity cost provisions for all federal reporting entities.

The Board approved an ED at the August 2017 meeting, and the proposed SFFAS entitled *Amending Inter-entity Cost Provisions* was released. This Statement would revise SFFAS 4 to provide for recognition of inter-entity costs by business-type activities and rescind the following:

- SFFAS 30, *Inter-entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*

- Interpretation 6, *Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4*

The Board requests comments on the ED by November 30, 2017.

### Assigning Assets to Component Reporting Entities

Assets may be owned by one component of a larger reporting entity, such as a department, but used and/or funded by another component of the same entity. Individual standards addressing asset recognition and related reporting do not provide detailed guidance to resolve the question of which component reporting entity should report an asset. This is especially challenging for large, complex departments, such as DoD, that have numerous components and sub-components.

A proposed Technical Bulletin (TB), entitled *Assigning Assets to Component Reporting Entities*, was released for comments. The TB would provide that assets may be assigned by a reporting entity to its component reporting entities on a rational and consistent basis. For example, an asset would be assigned to the component reporting entity holding legal title, funding the asset, using the asset in its operations, or on another rational and consistent basis. There should be a process in place to ensure all assets within a reporting entity are assigned to a component reporting entity.

Comments are requested by October 13, 2017.

Point of Contact: Melissa Batchelor, 202-512-5976, [batchelorm@fasab.gov](mailto:batchelorm@fasab.gov)

### Note Disclosures

Note disclosures are an integral part of financial statements; users rely on them to understand the financial statements and reach conclusions about the operating performance and stewardship of government resources. Standards setters are evaluating the effectiveness of disclosures in light of the number of disclosures presented. During the February meeting, the Board agreed to consider opportunities for streamlining note disclosures and looking at the disclosure principles. On August 31, 2017, the Board initiated an online note disclosure survey. The objective of the note disclosure survey was to solicit ideas for improving note disclosures and identify areas where FASAB's guidance could aid in streamlining the reporting of note disclosures in financial reports. A project plan formed by the note disclosure task force will be presented during the October Board meeting.

If you are interested in joining the note disclosure task force, please reach out to Grace Wu, assistant director.

Point of Contact: Grace Wu, 202-512-7377, [wug@fasab.gov](mailto:wug@fasab.gov)

# Accounting and Auditing Policy Committee

Proposed Technical Release (TR) 18, *Implementation Guidance for Establishing Opening Balances*, was approved by the Accounting and Auditing Policy Committee (AAPC) for submission to FASAB. The document is currently under the 45-day Board review but is anticipated to be issued on October 2, 2017.

Questions regarding TR 18 should be directed to Melissa Batchelor, 202-512-5976, [batchelorm@fasab.gov](mailto:batchelorm@fasab.gov)

AAPC Point of Contact: Grace Wu, 202-512-7377, [wug@fasab.gov](mailto:wug@fasab.gov)

# FASAB Meeting Schedule

## Schedule for 2017 Meetings

October 25 and 26  
December 20 and 21

Unless otherwise noted, FASAB meetings begin at 9 a.m. and conclude before 5 p.m. Meetings are held at the Government Accountability Office (GAO) at 441 G Street, NW in room 7C13. Agendas and briefing materials are available at <http://www.fasab.gov/briefing-materials/> approximately one week before the meetings.

# AAPC Meeting Schedule

## Schedule for 2017 Meetings

November 16

Unless otherwise noted, AAPC meetings begin at 1 p.m. and conclude at 3 p.m. Meetings are held at GAO at 441 G Street, NW in room 7C13. Agendas are available at <http://www.fasab.gov/aapc-activities/> approximately one week before the meetings.

# Security Notice

If you wish to attend a FASAB or an AAPC meeting, please pre-register on our website at <http://www.fasab.gov/pre-registration/> **no later than 8 a.m. the Tuesday before the meeting to be observed.** GAO, which provides space for our meetings, has increased its security procedures, and your name must be provided in advance to the GAO security force before you can enter the building. **When you arrive, please advise the security officer that you are attending either a FASAB or an AAPC meeting. Doing so will assist the officer in locating the correct security list.** Thank you.