

# Federal Accounting Standards Advisory Board

FOR MORE INFORMATION:

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## NEWS RELEASE

### **AAPC PUBLISHES EXPOSURE DRAFT OF A NEW FEDERAL FINANCIAL ACCOUNTING TECHNICAL RELEASE ENTITLED CLARIFICATION OF STANDARDS RELATING TO INTER-ENTITY COSTS**

The Chairperson of the Accounting and Auditing Policy Committee (AAPC), Wendy Comes, announced today that the AAPC has issued an exposure draft of a new Federal Financial Accounting Technical Release entitled *Clarification of Standards Relating to Inter-Entity Cost*. The guidance was developed by a task force chaired by Michael McFadden, Director, Office of Accountability Audits, Office of the Inspector General, Department of Labor and Dorrice Roth, Deputy CFO, Financial Management Service, Finance & Internal Control Division, Department of the Treasury. Ms. Comes stated that the proposed technical release “offers implementation guidance intended to attain the goals of inter-entity cost recognition established in the Board’s *Managerial Cost Accounting Standards and Concepts*. The task force should be commended for their thorough research and careful consideration of the goals inherent in the standards.”

Full implementation of the inter-entity cost provisions of Statement of Federal Financial Accounting Standards (SFFAS) 4 is required by SFFAS 30, *Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, which becomes effective September 30, 2008. The purpose of this proposed technical release is to provide guidance to Federal entities on the following three aspects of inter-entity costing as outlined in SFFAS 30: (1) guidance on costs that should be considered Broad and General for all entities, (2) guidance on *Directness of Relationship to the entity’s operations* as used in determining if a transaction should be considered material to the receiving entity, and (3) guidance on *Identifiability* as used in determining if a transaction should be considered material to the receiving entity.

Specific questions for respondents are included in the exposure draft and other comments are welcome. Responses are requested by August 6, 2007. An electronic version of the exposure draft is available on the World Wide Web at [www.fasab.gov/exposure.htm](http://www.fasab.gov/exposure.htm). Printed copies can be obtained from FASAB by calling 202-512-7350.

## **ABOUT AAPC**

The Accounting and Auditing Policy Committee (AAPC) was organized in May 1997 by the Department of the Treasury, the Office of Management and Budget (OMB), the Government Accountability Office (GAO) [formerly the General Accounting Office], the Chief Financial Officers' Council (CFOC), and the President's Council on Integrity and Efficiency (PCIE), as a body to research accounting and auditing issues requiring guidance.

The AAPC serves as a permanent committee established by the Federal Accounting Standards Advisory Board (FASAB). The mission of the FASAB is to develop accounting standards after considering the financial and budgetary information needs of congressional oversight groups, executive agencies, and the needs of other users of Federal financial information. The mission of the AAPC is to assist the Federal government in improving financial reporting through the timely identification, discussion, and recommendation of solutions to accounting and auditing issues as they relate to the specific application of existing authoritative literature.

The AAPC is intended to address issues that arise in implementation, which are not specifically or fully discussed in Federal accounting and auditing standards. The AAPC's guidance is cleared by FASAB before being published.

For more information on AAPC and FASAB, please visit our website: [www.fasab.gov](http://www.fasab.gov).