

# Federal Accounting Standards Advisory Board

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## NEWS RELEASE

### **FASAB Issues an Exposure Draft, *Transitional Amendment to SFFAS 54***

The chair of the Federal Accounting Standards Advisory Board (FASAB), George A. Scott, announced today that the Board is seeking input on the exposure draft (ED) of a proposed Statement of Federal Financial Accounting Standards (SFFAS) titled *Transitional Amendment to SFFAS 54*.

Under the proposal, reporting entities would be able to elect not to assess whether contracts or agreements meeting the eligibility criteria for “embedded leases” are or contain lease component(s) as of October 1, 2023, as well as those subsequently entered into or modified prior to the end of the accommodation period. The contracts or agreements for which this accommodation is applied would be accounted for as nonlease contracts or agreements for their remaining term, unless they are subsequently modified after the end of the accommodation period. The proposal would require reporting entities electing the accommodation to prospectively apply the provisions of SFFAS 54, *Leases*, to lease components of new or modified contracts or agreements meeting the eligibility criteria beginning October 1, 2023; October 1, 2024; or October 1, 2025.

Leases that do not meet the “embedded leases” eligibility criteria under the proposal would continue to follow the implementation provisions of paragraphs 96-98 of SFFAS 54. The proposal would also require disclosure for reporting entities electing the accommodation.

“The Board, Accounting and Auditing Policy Committee (AAPC), and FASAB staff have continued to extensively monitor, carefully study, and responsively address implementation topics since the issuance of SFFAS 54 in April 2018,” according to the Mr. Scott. “These activities will continue as SFFAS 54 goes into effect during fiscal year 2024.”

The Board requests comments on the proposal by July 27, 2023. Respondents are encouraged to provide the reasons for their positions. The ED and the specific questions raised are available in PDF and Word format, respectively, on the [FASAB website](#).

## **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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