



FASAB News
Federal Accounting Standards
Advisory Board

August/September 2011

TABLE OF CONTENTS

Current Board Projects	2
Federal Entity	2
The Financial Report: MD&A, Statements, Notes, RSI and OAI.....	3
Asbestos-Related Liabilities.....	3
Deferred Maintenance & Asset Impairment.....	4
Earmarked Funds (Evaluating Existing Standards)	4
Investments and Other Equity Interests in Non-Federal Entities	4
Leases	5
Risk Assumed.....	6
FASAB Current Technical Agenda and Status of Projects	7
Accounting and Auditing Policy Committee.....	8
FASAB Meeting Schedule.....	9
AAPC Meeting Schedule.....	9
Security Notice	9

Current Board Projects

(For more information on any of the current projects, click on the title of the project below to be directed to the related active project page.)

Disclaimer

The staff of the Federal Accounting Standards Advisory Board publishes FASAB News 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 Board decisions are 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 Melissa Loughan, 202-512-5976, loughanm@fasab.gov.

Please direct AAPC technical questions to Monica Valentine, 202-512-7362, valentinem@fasab.gov.

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, jacksoncw1@fasab.gov.

Federal Entity

The Board discussed guidance for the consolidation of information based on Financial Accounting Standards Board (FASB) guidance without conversion to federal financial accounting standards. The Board had earlier tentatively decided FASB-based information could be consolidated with FASAB amounts with disclosure of the accounting policies as needed. The Board had agreed the disclosure would not reconcile the two GAAP based amounts but instead report on material policy differences, related amounts, and describe the accounting policies. Therefore, no amounts would change (other than as a result of eliminations) in preparing the consolidated government-wide statements.

After considering the staff proposed language for the standards and Basis for Conclusion, the Board decided to make clear the above disclosures would be required where the FASB amounts are material to the line item and there is a difference in accounting principle or standards. It will also ensure focus would be on material FASB amounts and ensuring the language is clear that only those that contributed significantly to the separately reported amount are required to be listed.

The Board also considered revisions to the disclosures regarding non-core entities. The Board had previously requested staff to include a reference to non-core entity financial statements in the examples for non-core disclosures and to clarify that the items examples of information that may

be disclosed and are not specific requirements.

The reference was added to the list of examples and the preamble to the list of examples was revised so it was clear the examples are not required. A footnote brought additional clarity that the individual examples were not all required as it stated "No individual example is itself a required disclosure. Therefore, the examples are not alternatives or substitutes one for another. Instead, a disclosure that provides an understanding of the potential financial impact should be provided."

Although the Board agreed the change was clearer in demonstrating they were examples (versus requirements) several members believed the geography could use adjusting while continuing the focus on risks. The Board requested staff prepare a revised disclosure section for non-core entities that focuses on three broad objectives --

the nature of the relationship, nature and magnitude of the activity during the period, and the future risks and exposures--and the examples of information that support those three objectives would be included in their totality to support all three objectives.

The Board also discussed the Component Reporting Entity phase of the project. The primary objective was to review options for approaching the component entity phase of the federal entity project. Staff recommended the overall framework for the component entity standards should be the same and generally consistent with what has been established for the government-wide (principles for inclusion in the component entity and consolidation). For example, the component entity core accountability would be with top management or the organization's head and the boundaries of the entity would be based on the operations for which the head is responsible. The Board requested staff develop more detailed options on the component reporting entity approach for the Board's consideration.

Point of Contact: Melissa Loughan, 202-512-5976, loughanm@fasab.gov

The Financial Report: MD&A, Statements, Notes, RSI and OAI

The Board discussed a project plan to review the reporting model for component entities. Board members discussed the focus of the project and the need to ensure that the project includes input from managers and citizens. Staff will enhance the plan to address the Board's comments.

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov

Asbestos-Related Liabilities

At the August 24, 2011, board meeting, members discussed the thirteen comment letters received on the exposure draft of Technical Bulletin 2011-2, *Extended Deferral of the Effective Date of Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs*. Immediately following the meeting, staff made changes to the draft technical bulletin as discussed at the meeting and emailed another draft to members for a 15-day review period, after which time the final technical bulletin will be issued if the majority of members do not object. Staff expects Technical Bulletin 2011-2 to be issued Thursday, September 22, 2011. Upon issuance, the effective date for Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, will be for reporting periods beginning after September 30, 2012 (beginning in fiscal year 2013).

Point of Contact: Julia Ranagan, 202-512-7377, ranaganj@fasab.gov

Deferred Maintenance & Asset Impairment

At the August 25, 2011 meeting the Board discussed the revised draft Exposure Draft (ED) document incorporating the April Board meeting comments entitled, Accounting and Financial Reporting for Impairment of Capitalized Property, Plant, and Equipment Remaining in Use.

Members reviewed the revised draft ED, proposed impairment illustrations and process flowcharts in connection with recent task force recommendations. As a result of the Board's review, members reaffirm that entities are not expected to apply this proposed standard in a manner that would require them to "survey" their asset portfolios to search for potential impairments. However, there is a presumption and reasonable expectation that entities currently have systems in place that communicate impairment events to senior decision makers. Also, the Board reviewed input from the task force which suggested that certain aspects of the draft ED, when taken together might in effect preclude significant impairments from being reported. The Board examined the use of the replacement/restoration approaches and has asked staff to review the conceptual basis for using these methods on PP&E that will not be remediated. Lastly, the Board has asked staff to further research the area of impairments of internal use software and develop a recommendation.

Staff invites interested parties to feel free and share input or observations at any time. In particular, should you have an interest in joining the task force or a view or comment concerning the impairment of internal use software, please contact the staff person below.

Point of Contact: Domenic Savini, 202-512-6841, SaviniD@fasab.gov

Earmarked Funds (Evaluating Existing Standards)

Comments on the exposure draft (ED), *Revisions to Identifying and Reporting Earmarked Funds: Amending Statement of Federal Financial Accounting Standards 27*, were requested by August 22, 2011. Comments received subsequent to August 22, 2011, will be accepted and will be forwarded to the Board; however, time constraints may not allow the incorporation of late comments into staff's analysis of comments received. The Board will discuss responses to the ED at the October 2011 Board meeting.

Point of Contact: Eileen Parlow, 202-512-7356, parlowe@fasab.gov

Investments and Other Equity Interests in Non-Federal Entities

At the August Board meeting, staff presented a draft project plan that included an in-depth study of reporting requirements by other standard setters, for example, the current joint project by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB).

The Board discussed the project plan and decided that due to the pending nature of the FASB/IASB requirements, the scope of this project should be narrowed to primarily address the federal government's bailout activities, which are distinct from private sector investments because the unique purpose of such activities is to stabilize the economy rather than to earn a profit on the investment.

The planned task force for this approach would primarily include subject matter experts on the federal government's bailout activities and credit reform accounting from Treasury, the Government Accountability Office and Office of Management and Budget.

Staff will revise the project plan and timeline based upon the above changes.

Point of Contact: Eileen Parlow, 202-512-7356, parlowe@fasab.gov

Leases

At its August meeting, the FASAB approved a plan to review existing lease accounting standards and to consider whether changes are needed to address the needs of the federal community and include more comprehensive standards on federal leasing activities than the existing standards.

FASAB staff continues to be asked the following question:

“Once the new FASB/IASB lease standards are issued as final, should federal entities that present general purpose financial reports in conformance with SFFAS 34 follow those new FASB/IASB lease accounting standards?”

The answer to that question is **no**. Currently, the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) have undertaken a joint project on lease accounting that focuses on the conveyance of rights to future economic benefits (such as the right of use). The FASB/IASB lease standards may be released as final during 2012. Issuance of those standards will not automatically change federal financial accounting standards.

Current FASAB standards addressing leasing transactions include Statement of Federal Financial Accounting Standard (SFFAS) 5 *Accounting for Liabilities of the Federal Government* [pars. 43 – 46] and SFFAS 6 *Accounting for Property, Plant, and Equipment* [pars. 20 & 29]. These lease standards were originally developed from FASB lease standards effective at that time.

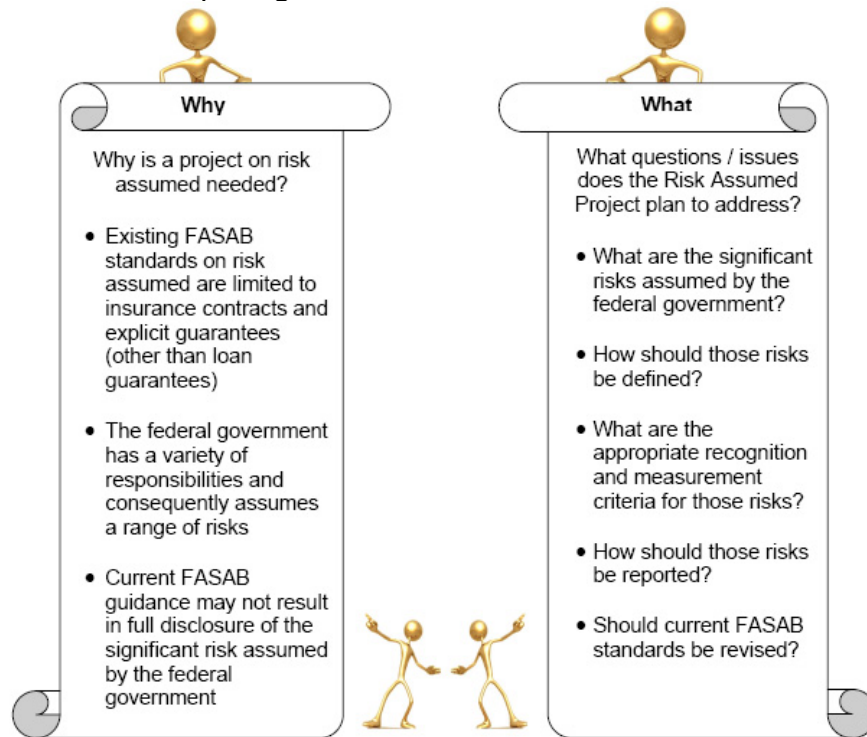
The project plan was approved by the Board. A task force will be formed to assist in consideration of issues and options.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

Risk Assumed

A project on risk assumed was added to the agenda for the August meeting after all members designated it as a high priority during the agenda-setting session held in April 2011 (see the minutes from the technical agenda discussion at the [April 2011 meeting](#)).

FASAB standards on risk assumed are currently limited to insurance contracts and explicit guarantees (other than loan guarantees). In order to meet the stewardship and operating performance objectives of federal financial reporting, it is important that the federal government reports all significant risks assumed, not just risks related to insurance contracts and explicit guarantees.



The primary objective of this project is to study the significant risks assumed by the federal government and develop (a) definitions of risk assumed, (b) related recognition and measurement criteria, and (c) disclosure and/or required supplementary information (RSI) guidance that federal agencies can apply consistently in accordance with GAAP.

At the August 24, 2011, board meeting, members discussed a project plan proposal from staff. Members strongly supported staff's plan so staff will begin preliminary research on the Risk Assumed Project by developing an inventory of risk assumed by the federal government, a detailed task force plan, and a list of potential task force members.

Note: This project will subsume and close the Application of the Liability Definition project. The objective of the Application of the Liability Definition project was to reconsider the recognition, measurement and display of liability and expense, potential new elements/statements, and all related disclosures for commitments of the federal government that could potentially result in a net outflow of resources. In September 2007, the board decided to postpone the project until additional progress could be made in developing conceptual guidance.

Point of Contact: Julia Ranagan, 202-512-7377, ranaganj@fasab.gov

FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 3 CY2011	Quarter 4 CY2011	Quarter 1 CY2012	Quarter 2 CY2012	Staff Contact
Natural Resources	Final SFFAS 38 April 2010	Final SFFAS 41 Final Technical Bulletin				Julia Ranagan (202-512-7377)
The Federal Entity		Research	Research	ED	DP	Melissa Loughan (202-512-5976)
Deferred Maintenance & Asset Impairment	SFFAS: Definition ED: Measurement	DP: Measurement / Research: Impairment	UR: Measurement/ ED: Impairment	DP: Impairment	UR: Impairment	Domenic N. Savini (202-512-6841)
Earmarked Funds	ED	DP	UR			Eileen Parlow (202-512-7356)
Risk Assumed		Research	Research	Research	Research	Julia Ranagan (202-512-7377), Ross Simms (202-512-2512)
Investments and Other Equity Interests in Non-Federal Entities		Research	Research	Research	ED	Eileen Parlow (202-512-7356)
Leases		Research	Research	Research	Research	Monica Valentine (202-512-7362)
Conceptual Framework Project:						
Measurement Attributes			Final SFFAC			Penny Wardlow (202-512-7350)
Financial Reporting Model		Research	Research	Research	Research	Ross Simms (202-512-2512)

Key Activities or Status - Note that all estimates of progress assume that exposure drafts are finalized as statements without re-exposure due to significant changes.

Research—Staff Research Phase of Project & Board Deliberations

ED—Exposure Draft Issued

DP—Board Due Process, including review of comment letters, etc.

PH—Public Hearing

PV—Preliminary Views Issued

UR—Under Review, document approved by FASAB and sent to sponsors for 90-day review

Final—Final Standard, Concept, Interpretation, etc. issued final.

Accounting and Auditing Policy Committee

At its July 21, 2011 meeting the members were presented with a ballot draft of Proposed Technical Release (TR) 14, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment*. The members had until August 4, 2011, to submit ballots to approve the release of TR 14 to the FASAB. Subsequent to the meeting, all current members of the AAPC approved the release of proposed TR 14 to the FASAB. The FASAB 45-day review period will begin August 12, 2011, after the affirmative AAPC ballots were received. At the August 25 FASAB meeting, there were no objections from Board members to the issuance of Technical Release 14, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment*. The technical release will be issued as final sometime after October 1, 2011.

The AAPC meeting scheduled for Thursday, September 15, 2011, was canceled.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

FASAB Meeting Schedule

Schedule for 2011 Meetings:

Wednesday, October 26th and Thursday, October 27th
Monday, December 19th and Tuesday, December 20th

Schedule for 2012 Meetings:

Wednesday and Thursday, February 22nd and 23rd
Wednesday and Thursday, April 25th and 26th
Wednesday and Thursday, June 27th and 28th
Wednesday and Thursday, August 29th and 30th
Wednesday and Thursday, October 24th and 25th
Monday and Tuesday, December 19th and 20th

Unless otherwise noted, FASAB meetings begin at 9 AM and conclude before 5 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas and briefing materials are available at <http://www.fasab.gov/board-activities/meeting/briefing-materials/> approximately one week before the meetings.

AAPC Meeting Schedule

Schedule for 2011 Meetings:

Thursday, September 15th *** CANCELED***
Thursday, November 17th

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

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please [pre-register](#) on our Web site **no later than 8 a.m. the Tuesday before the meeting to be observed**. The Government Accountability Office (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. Thank you.