

**Harold I. Steinberg
1881 N. Nash Street
Apt. 711
Arlington, VA 22209**

January 10, 2016

Ms. Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 6814
Mail Stop 6H19
Washington, D. C. 20548

Dear Wendy,

The following are my responses to the questions for the Budget and Accrual Reconciliation exposure draft, plus some other comments.

Q1. Do you agree or disagree with the proposal to replace the SOF with the NBAR? If you agree, should the NBAR be presented as a part of basic financial statements or as a footnote? Please provide the rationale for your answer.

I agree with the proposal to replace the Statement of Financing with the New Budget to Accrual Reconciliation (NBAR). Furthermore, the NBAR should be presented as a footnote. The ED proposes that the NBAR be accompanied by explanatory narrative. The presentation of narrative in the footnotes is more appropriate than on the face of the financial statements.

Q2. Do you agree or disagree that a narrative disclosure should accompany the NBAR? Please provide the rationale for your answer.

I agree that a narrative disclosure should accompany the NBAR. It would help with understanding the purpose of the NBAR and the rationale for the components

Q3. Do you agree or disagree that the effective date, the early adoption, and restatement of comparative prior period information are reasonable? Please provide the rationale for your answer.

I agree with the proposed effective date, provided the standard can be issued prior to the beginning of the fiscal year for which it is effective. Earlier adoption should be permissible since it would be an improvement in the present presentation. Restatement of prior period should not be required since it a) adds nothing, and b) would reinforce how ineffective the prior approach is.

Other comments I have are as follows:

1. Page 9, paragraph 6. I would revise the sentence “Budgetary and financial accounting information are complementary, but both the types of information and the timing of their

recognition are different, causing differences in the bases of accounting.” While the types of information and the timing of their recognition are different, they are not the causes of the differences in the basis of accounting. The types of information and the timing of their recognition are different because of the different bases of accounting.

2. Page 11, Example financial statement formats. I think the definition of budgetary accounting is useful for macro purposes, but not to draw the distinction from financial accounting. A better definition would be along the lines of “Budgetary accounting recognizes the legal commitment or obligation of funds in advance of the incurrence of an expense or acquisition of an asset and facilitates compliance with legal constraints and controls over the use of federal funds.

I also think the sentence “Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis.” is circular reasoning. Presenting information on an accrual basis is what enables financial accounting to provide a picture of financial operations and financial position. I would stop the sentence at “financial position,” and then have a footnote defining financial operations and financial position in terms of the basis of accounting that assures that all assets, liabilities, revenues, and expenses are recognized, regardless of the impact on the budget.

3. Page 13, Example Schedule. There are several lines that would normally be in brackets, e. g., Property, plant and equipment depreciation, Other imputed financing. I think the example schedule would be easier to understand if brackets were inserted on lines likely to have brackets. Better yet, why not include, properly qualified, an actual NBAR developed by one of the pilot agencies?

I hope the above is useful.

Sincerely

Hal Steinberg