

FASAB Exposure Draft: Questions for Respondents due March 14, 2017

Budget and Accrual Reconciliation

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

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Q1. The Board proposes to replace the current Statement of Finance (SOF) requirement with the new budget and accrual reconciliation (NBAR). The NBAR reconciles the net outlays to net cost of operations. This presentation explains the difference between budgetary and financial accounting. The proposed Statement would apply to component reporting entities and describes the NBAR method and related disclosures. Refer to paragraphs six to nine.

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.

A1. Treasury agrees with the proposal to replace the SOF with the NBAR as described in paragraphs six to nine. Treasury believes that the NBAR should be presented as a footnote to the financial statements rather than an additional financial statement.

The rationale for this decision is based upon a similar decision made to remove the SOF as a basic financial statement and replace it with a footnote disclosure. A footnote disclosure will provide readers with additional information while reducing the possibility of incorrect interpretation as well as provide direct explanation of the required information. Additionally, the NBAR already contains some of the same information currently presented on the Statement of Net Cost and the Statement of Budgetary Resources.

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- Q2.** The Board proposes to require a narrative disclosure regarding the reconciliation and disclosure of the amount and nature of non-cash outlays. Refer to paragraphs six and 12.

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

A2. Treasury agrees that a narrative disclosure should accompany the NBAR. The rationale for our response is similar to the response provided in A1 above. Providing a narrative explanation of the reconciliation and significant reconciling items would enhance the reader's understanding of the information as it is presented in the NBAR.

- Q3.** The Board proposes that this Statement be effective for periods beginning after September 30, 2017 with early adoption permitted. In addition, restatement of comparative prior period information would be required. Refer to paragraph 13.

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.

A3. Treasury agrees with the proposed adoption of the NBAR for periods beginning after September 30, 2017, with early adoption permitted.

The rationale for this decision stems from our understanding of the Statement of Federal Financial Accounting Standards Exposure Draft, Budget and Accrual Reconciliation, dated December 21, 2016, specifically that "The Board agreed on the importance of getting the NBAR crosswalk developed by the Treasury before the NBAR is implemented, as it will reduce agencies' implementation time and facilitate audit efforts."

According to Treasury Bureau of the Fiscal Service, Governmentwide Accounting anticipates that a crosswalk will be available for initial review by the agencies in late 4th quarter 2017. With limited time for development, testing, and implementation, as well as the continued strain on existing resources through proposed new administration changes, the Board may want to consider a FY 2018 adoption.