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."

Accounting Firm			
Federal Entity (user)			
Federal Entity (preparer)		X	
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Nonprofit organization/Foundation			
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Individual			

Please provide your name.

Name: Gary Wood

Please identify your organization, if applicable.

Organization: Department of Education

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.

We agree with the proposal to replace the SOF with the NBAR because requiring both would be overly burdensome on agencies to prepare and the information presented is somewhat duplicative and therefore both reconciliations are not needed by the statement users.

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.

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We agree with the requirement for narrative disclosure to accompany 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.

We agree that the effective date, the early adoption, and restatement of comparative prior period information requirements are reasonable.

Additional Comments

1. The inclusion of subsections for "Increase/(decrease) in assets" and "(Increase/decrease in liabilities" within the section "Components of Net Costs That Are Not Part of Net Outlays" is unnecessary and can lead to confusion. The reconciliation would by streamlined and simplified if the sections "Increase/(decrease) in assets" and "(Increase)/decrease in liabilities" were moved to the beginning of the reconciliation and then followed by the section "Components of Net Cost That Are Not Part of Net Outlays".

   This proposed change would resolve a number of issues including the following:

   A. Changes in assets and liabilities are not necessarily a component of net cost as shown on the proposed reconciliation. For example, reductions in receivables due solely to collections are an example of net outlays that are not part of Net Cost. Similarly, reductions in payables resulting from disbursements are an example of net outlays that are not part of Net Cost.

   B. Changes to property, plant and equipment would be shown on one line within the Increase/(decrease) to assets section rather than on potentially the following four lines as proposed in the Exposure Draft:

      Components of Net Cost That Are Not part of Net Outlays:

- Property, plant and equipment depreciation	XXX
- Property, plant and equipment disposal and revaluation	XXX

      Other financing sources:

- Transfers out (in) without reimbursement	XXX

      Components of Net Outlays that Are Not Part of Net Costs

- Acquisition of capital assets	XXX

   C. Changes to inventory would be added to the Increase/(decrease) in assets section and the separate line for acquisition of inventory would be removed. It is not clear where it was intended that the consumption of inventory capitalized in a previous period would be reported on the proposed reconciliation, but that amount should be included on the single line proposed for change in inventory.

D. Changes to loans receivable would all be shown on one line within the Increase/(decrease) to assets section rather than having two additional lines as proposed – one for Year-end credit reform re-estimates, and one for Effect of prior-year agencies credit reform subsidy re-estimates.

2. All assets (except Fund Balance with Treasury) and all liabilities should be included in the reconciliation so that the amounts will fully and directly tie to changes in the amounts shown on each agency's comparative balance sheet. This may necessitate inclusion of additional lines to fully reconcile net cost to net outlays. As an example, if a line for Debt were included in the (Increase)/decrease in liabilities section, a new line for (Increase)/Decrease in Borrowing, Net would need to be added to other timing differences since borrowing activity is not a component of either net costs or net outlays.