

Federal Accounting Standards Advisory Board

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NEWS RELEASE

FASAB Issues Statement 62, *Transitional Amendment to SFFAS 54*

The chair of the Federal Accounting Standards Advisory Board (FASAB or “the Board”), George A. Scott, announced today that the Board has issued Statement of Federal Financial Accounting Standards (SFFAS) 62: *Transitional Amendment to SFFAS 54*.

Under the amendments, reporting entities may elect not to assess whether contracts or agreements meeting the specific 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 Statement requires 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—depending on the end of the elected accommodation period selected—beginning October 1, 2023; October 1, 2024; or October 1, 2025.

Leases that do not meet the “embedded leases” eligibility criteria—and those for which the accommodation is not elected—should continue to follow the implementation provisions of paragraphs 96-97 of SFFAS 54. The transitional amendments also require disclosure for reporting entities electing the accommodation.

“These transitional accommodations are meant to provide an appropriate degree of flexibility and allow reporting entities to manageably implement SFFAS 54 requirements for eligible contracts and agreements on a transitional basis,” according to Mr. Scott.

SFFAS 62 is available at <https://fasab.gov/accounting-standards/>.

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.

For more information on FASAB, please visit <https://www.fasab.gov>.