

SPECIAL MAILING

February 19, 1999

FASAB Issues New Standards

Since the end of last year, the Federal Accounting Standards Advisory Board (FASAB) has issued three new standards. A fourth standard, completed and signed by the Board's three principals, the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General, has been sent for a required Congressional Review. Highlights of the new standards (available on the FASAB web page at <http://www.financenet.gov/fasab.htm>) are as follows:

SFFAS 10 – Accounting for Internal Use Software, June 1998

SFFAS 6, *Accounting for Property, Plant, and Equipment (PP&E)*, provided standards for internally-developed software only. SFFAS 10 rescinds the provisions of SFFAS 6 for that software and provides consistent treatment for all internal use software – purchased off-the-shelf from commercial vendors, commercially-developed, or internally-developed. Internal use software is considered general property, plant, and equipment (PP&E), is considered a long-lived operating asset, and should be capitalized and depreciated. After a mandatory 45-day Congressional review required by the Chief Financial Officers Act for any capital accounting standard, SFFAS 10 will be issued by the Office of Management and Budget; the General Accounting Office will issue the standard as it provides updates to the Codification of Federal Accounting Standards. It will be effective for fiscal year 2001.

SFFAS 11 –Amendments to Accounting for Property, Plant, and Equipment (PP&E)— Definitional Changes, December 15, 1998

This standard amends the definition of Federal mission PP&E in SFFAS 6, *Accounting for Property, Plant, and Equipment (PP&E)*, and SFFAS 8, *Accounting for Stewardship Reporting*, as national defense PP&E. The standards also reclassifies space exploration equipment as general rather than stewardship PP&E. Because of the urgency affecting this standard, legislation enacted waived the 45-day Congressional review required by the Chief Financial Officers Act for any capital accounting standard. It is effective for fiscal year 1999.

SFFAS 12 –Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, December 1998

This standard provides an exception to the contingent liability standard for recognizing loss contingencies for pending or threatened litigation and unasserted claims. Such loss contingencies would recognize a liability when a future outflow or other sacrifice of resources is “likely” to occur rather than when such outflow is “more likely than not” to occur, which is the threshold required by SFFAS 5 for other types of contingencies. It is effective for fiscal year 1998.

SFFAS 13 –Deferral of Paragraph 65.2—Material Revenue-related Transactions Disclosures; Amending SFFAS 7, Accounting for Revenue and Other Financing Sources; January 1999

This standard defers the provisions of paragraph 65.2 of SFFAS 7 that require detailed information disclosures by entities who collect taxes for the Federal Government. The Board will further study the issues surrounding the nature, usefulness, and difficulty of providing the information. The reporting requirements in paragraph 65.2 are deferred until fiscal year 2001.

REMINDER: This month, a small number of **FASAB News** subscribers will receive a short survey in the mail. Please take the time to respond to the survey as your input will assist Dr. James Patton on an important Federal accounting research project. Thank you.

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