

The Federal Accounting Standards Advisory Board



FASAB Update

19th Annual Government
Financial Management Conference
August 5, 2009

Disclaimer:

Views expressed are those of the speaker. Official positions of the FASAB are determined only after extensive due process and deliberations.

Agenda

- Recently completed activity
- AAPC Ongoing Work on PP&E
- Active Projects

Recently Completed Activity

SFFAC 6, Distinguishing Basic Information, RSI, and OAI

SFFAS 33, Reporting Gains and Losses from Changes in Assumptions

Effective
(FY 2010)

SFFAS 34, GAAP Hierarchy Including Application of FASB

Effective
(FY 2009)

Recently Completed Activity

(contd.)

SFFAS 35, Estimating Historical Cost
of General PP&E

Effective
(FY 2010)

SFFAS 36, Reporting Comprehensive
Long-Term Fiscal Projections

Fully Effective
(FY 2013)

SIG 31.1, Guidance for
Implementation of SFFAS 31

Effective
(FY 2009)

*SFFAC 6, Distinguishing Basic
Information, Required
Supplementary Information, and
Other Accompanying Information
(Issued February 4, 2009)*

- Concepts Statement
- Defines the three categories
- Describes process for selecting

*SFFAS 33, Reporting the Gains
and Losses from Changes in
Assumptions and Selecting
Discount Rates and Valuation
Dates (Issued October 14, 2008)*

Fully Effective
(FY 2010)

- Provides guidance on displaying changes in assumptions, selecting discount rates, and selecting valuation dates
 - Applies to pensions, ORB, and OPEB only
 - May be applied to assumptions about other activities
 - Provides more transparent and useful information

Component Entity: Pro forma *Statement of Net Cost for the Year Ended September 30, 2007*

	<i>2007 (billions)</i>
ABC Program	
ABC expenses	\$ 223
Less: exchange revenue	<u>24</u>
Net expense before gain/loss from changes in assumptions	199
(Gain)/loss on assumption changes:	
Discount rate assumption	<u>200</u>
Other assumptions	<u>(50)</u>
Net (gain)/loss on assumption changes	150
Net cost	\$349

Pro forma reconciliation of beginning and ending pension, ORB, and OPEB liability balances

Beginning liability balance	\$X,XXX
<u>Expense:</u>	
Normal cost*	XX
Interest on the liability balance	XX
Actuarial (gain)/loss:	
From experience	XX
From assumption changes	XX
Prior service costs*	X
Other	(X)
Total expense	XXX
Less amounts paid	(XX)
Ending liability balance	\$X,XXX

* The normal cost component of expense is the actuarial present value of the future cash outflows for which a reporting entity becomes obligated during the reporting period.

SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by FASB* (Issued July 28, 2009)

Fully Effective
(FY 2009)

- Identifies the sources of accounting principles and the framework for selecting them
 - Incorporates GAAP hierarchy into the accounting literature
 - Level a – FASAB Standards and Interpretations
 - Level b – Technical Bulletins
 - Level c – Technical Releases by AAPC
 - Level d – Staff Implementation Guides and practice
 - Addresses federal entities that currently apply FASB

SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment*
(Under Review)

Fully Effective
(FY 2010)

- Clarifies that reasonable estimates of original historical cost may be used to value G-PP&E
 - Amends SFFASs 6 and 23
 - Reduces implementation costs

*SFFAS 36, Reporting
Comprehensive Long-Term
Fiscal Projections for the U.S.
Government (Under Review)*

Fully Effective
(FY 2013)

- Requires reporting that will help users determine whether future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due
 - Resulted from social insurance project
 - Applies to CFR only
 - Requires a new basic financial statement and a number of disclosures

Standards

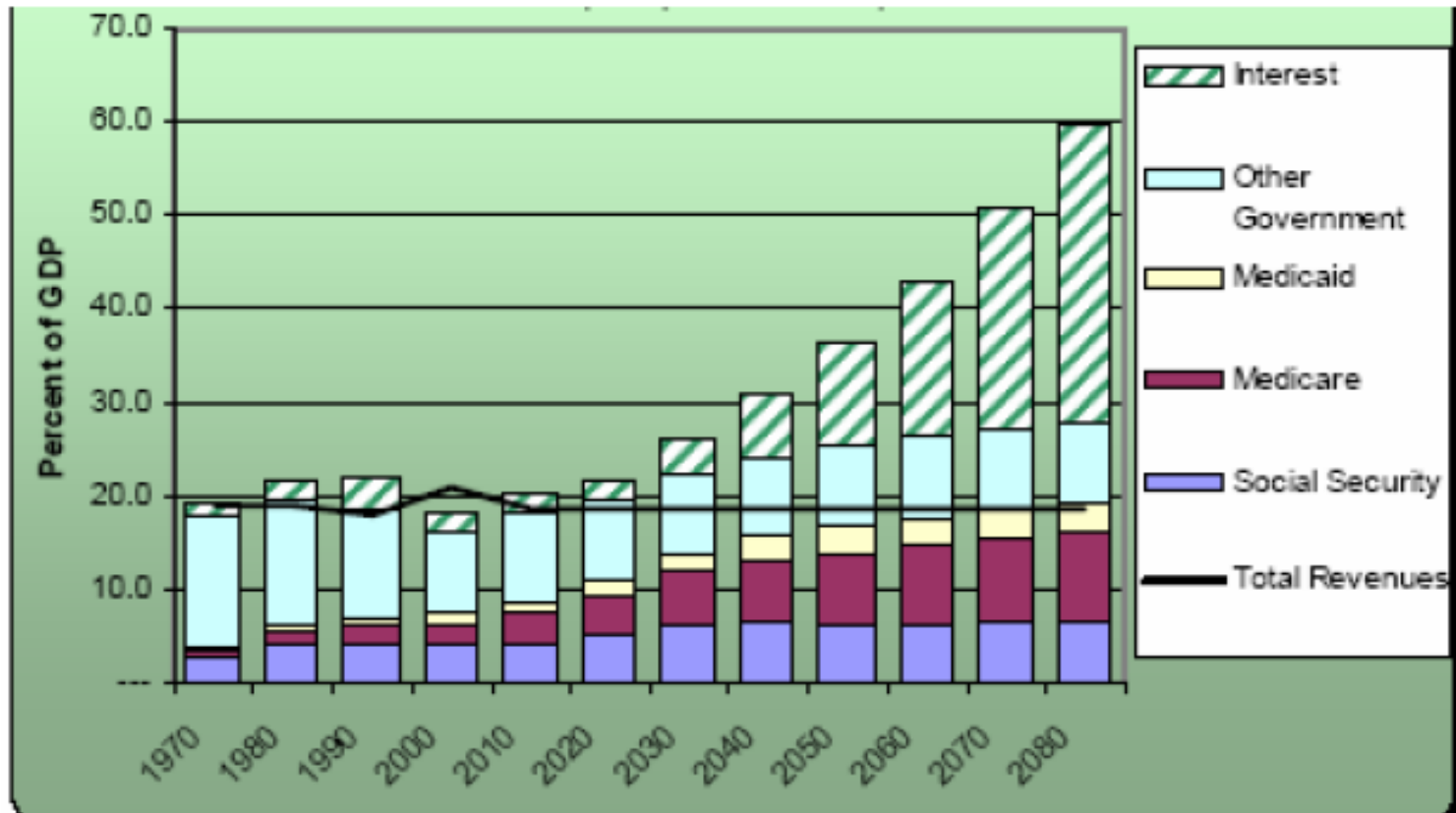
- Guiding principles for selecting assumptions
- Basic financial statement
 - Summary display with net present value of the difference between receipts and spending
- Finite projection period
- Disclosures and RSI
 - Assumptions, narrative discussion, alternative scenarios and sensitivity, impact of delay

Basic Financial Statement Long-Term Fiscal Projections for the U.S. Government

Amounts projected to 75 years

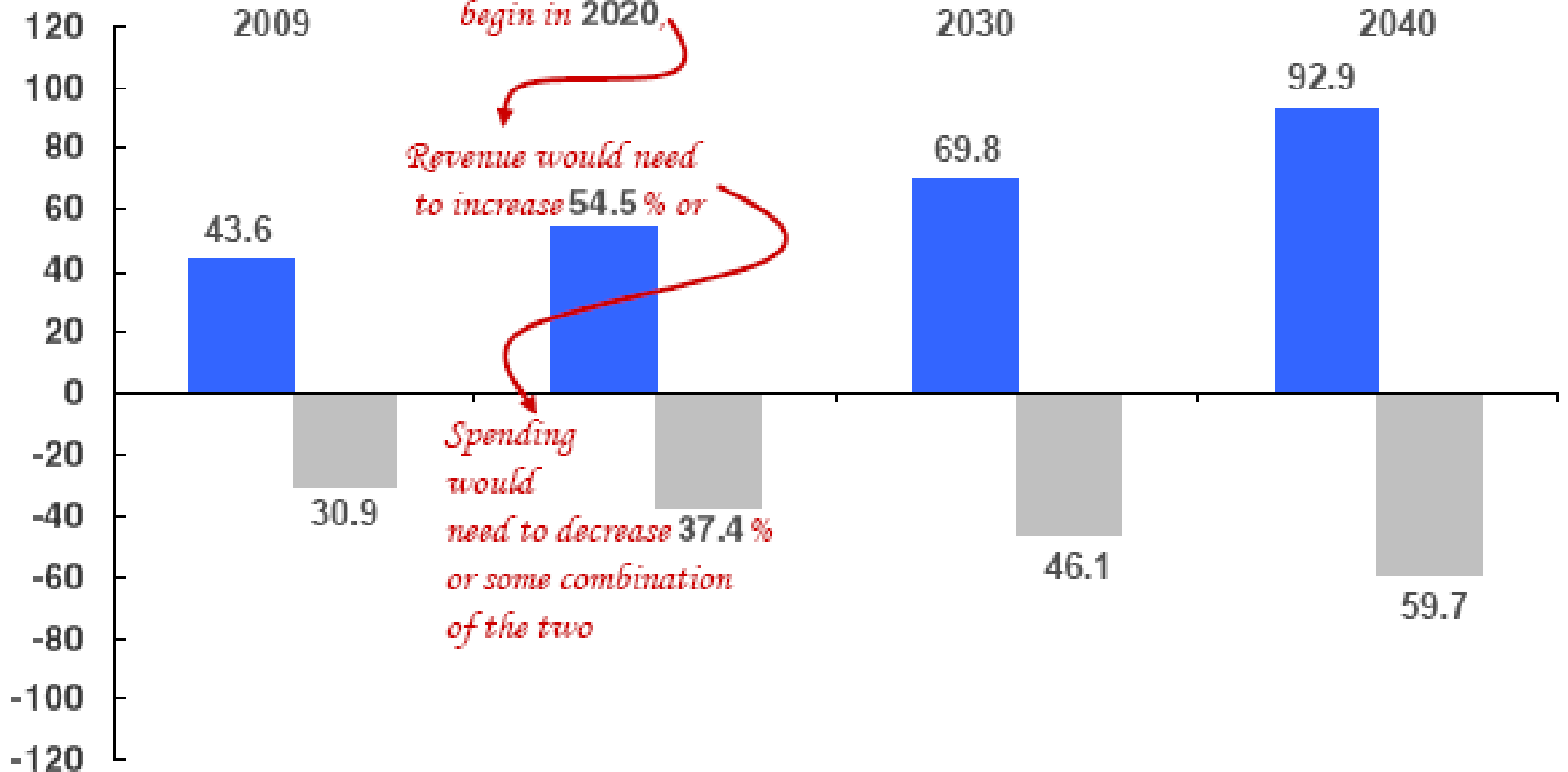
	As of XXXX XX , 20XX (Current Year)		As of XXXX XX, 20XX (Prior Year)		Change from Prior Year	
	PV Dollars <i>in</i> <i>trillions</i>	% of the PV of GDP*	PV Dollars <i>in</i> <i>trillions</i>	% of the PV of GDP*	PV Dollars <i>in</i> <i>trillions</i>	% of the PV of GDP*
Receipts						
Medicare	\$ XX.X	X.X%	\$ XX.X	X.X%	\$ X.X	X.X%
Social Security	XX.X	X.X%	XX.X	X.X%	X.X	X.X%
All Other Receipts	<u>XX.X</u>	<u>X.X%</u>	<u>XX.X</u>	<u>X.X%</u>	<u>X.X</u>	<u>X.X%</u>
Total Receipts	\$ XXX.X	X.X%	\$ XX.X	X.X%	\$ X.X	X.X%
Non-Interest Spending						
Medicare	\$ XX.X	X.X%	\$ XX.X	X.X%	\$ X.X	X.X%
Medicaid	XX.X	X.X%	XX.X	X.X%	X.X	X.X%
Social Security	XX.X	X.X%	XX.X	X.X%	X.X	X.X%
Major Program A	X.X	X.X%	XX.X	X.X%	X.X	X.X%
Major Program B	X.X	X.X%	XX.X	X.X%	X.X	X.X%
Rest of Federal Government**	<u>XX.X</u>	<u>X.X%</u>	<u>XX.X</u>	<u>X.X%</u>	<u>X.X</u>	<u>X.X%</u>
Total Non-Interest Spending	\$ XXX.X	X.X%	\$ XX.X	X.X%	\$ X.X	X.X%
Non-Interest Spending in Excess of Receipts	<u>\$ XX.X</u>	<u>X.X%</u>	<u>\$ XX.X</u>	<u>X.X%</u>	<u>\$ X.X</u>	<u>X.X%</u>

Projected U.S. Government Receipts and Spending (As a percent of GDP)



Source: FY 2007 *Financial Report of the U.S. Government*, Chart H, page 18. Available at <http://fms.treas.gov/fr/index.html> (accessed May 7, 2009).

Percent increase in revenue
needed to close
the fiscal gap



Percent decrease in spending
needed to close
the fiscal gap

Source: GAO's March 2008 Alternative simulation.

SIG 31.1, *Guidance for Implementation of SFFAS 31, Accounting for Fiduciary Activities* (Issued March 19, 2009)

Fully Effective
(FY 2009)

- Provides guidance for implementing the related standard
 - Q&A format
 - Addresses questions raised by federal preparers
 - Does not establish new requirements

AAPC Ongoing Work on PP&E

- In January 2008, AAPC established the General Property, Plant, & Equipment (G-PP&E) Task Force with the following subgroups:
 - Acquisition
 - Use
 - Disposal
 - Records retention

AAPC Ongoing Work on PP&E (contd.)

- Disposal subgroup
 - Implementation Guidance on Cleanup Costs Associated with Equipment
 - Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment

Active FASAB Projects

- Revisiting Conceptual Framework
- Social Insurance
- Natural Resources (Oil and Gas)

Revisiting Conceptual Framework

- Completed Phases:
 - Review Objectives
 - Elements
 - Sustainability Reporting
- Remaining Phases:
 - Financial Reporting Model
 - Entity
 - Measurement Attributes
- Review and Maintenance

Conceptual Framework - Financial Reporting Model

- Revisiting SFFAC 2, *Entity and Display*
 - Validate and explain each financial statement
 - Ensure all objectives are adequately addressed by the model

Conceptual Framework – Financial Reporting Model (contd.)

- Project Approach
 - User Needs Study
 - Alignment of Model with Needs
 - Fill voids
 - Adjust current requirements to improve alignment

Conceptual Framework - Federal Entity

- Defined in SFFAC 2
 - Conclusive criterion
 - Indicative criteria
- Revisiting
 - Questionable or unique entities
 - Consistency, completeness, and accountability
 - Material weakness

Conceptual Framework - Federal Entity (contd.)

- Task Force
- Surveys
 - CFO
 - OIG
 - FFRDCs

Conceptual Framework – Measurement Attributes

- Part of the FASAB's reexamination and expansion of its conceptual framework
- Purpose: to provide guidance on the selection of measurement attributes in future federal financial reporting standards
- A measurement attribute is the aspect of an item that is measured (e.g., historical cost or replacement cost)

Conceptual Framework – Measurement Attributes (contd.)

- FASAB standards currently include at least seven measurement attributes:
 - acquisition cost
 - fair market value
 - amortized acquisition cost
 - market value
 - present value of estimated net cash inflows
 - historical cost, and
 - face or par value net of unamortized discount

Social Insurance

- Preliminary Views issued October 23, 2006
- Exposure Draft issued November 17, 2008
- Board and respondents strongly divided on many aspects
- SI project spawned fiscal sustainability reporting project

Social Insurance (contd.)

- Issues
 - Differing viewpoints
 - Working on a compromise package
 - How should information be displayed?
 - Summary reporting (MD&A)
 - New basic financial statement
- Agree on a statement of changes in social insurance

Natural Resources

- Revised exposure draft issued for comment July 6, 2009
(comments due September 8, 2009)
- Recognizes present value of future federal royalty receipts on oil and gas proved reserves using a risk-free discount rate
- Results in information on:
 - Quantity of proved reserves
 - Value of proved reserves
 - Royalty revenue and depletion of reserves

Other Current Projects

- Appropriate Source of GAAP
- Deferred Maintenance and Asset Impairment
- Evaluation of Current Standards

Stay Informed

- www.fasab.gov
- FASAB listserv
 - Bi-monthly FASAB newsletter
 - Requests for comment
 - Press releases
 - Agendas
 - Invitations to serve on task forces
- Public meetings

FASAB On-Line Resources

www.fasab.gov

- News Releases
- Meetings
- Active Projects
- Exposure Drafts And Documents for Comment
- Strategic Directions
- Agency Financial and Performance Reports
- Reports and Documents
- FASAB News
- FASAB E-Mail Service
- Pronouncements as Amended
- Implementation Guide to Statement of Financing in SFFAS 7: Detailed Information on the Statement of Financing (2002) (PDF)
- Implementation Guide Accounting for Revenue and Other Financing Sources(1996) (PDF)
- Generally Accepted Accounting Principles
- Concepts
- FASAB Staff Members



Welcome to the Federal Accounting Standards Advisory Board

Pronouncements

The [Pronouncements as Amended](#) is a single PDF file providing all Statements of Federal Financial Accounting Concepts and Standards, Interpretations, Technical Bulletins and Releases, and Staff Implementation Guidance [as well as the consolidated glossary of terms](#). This is the best reference for final pronouncements since it is updated for all amendments as of the issue date.

The mission of the FASAB is to promulgate federal accounting standards after considering the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information. Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to assess (1) the government's accountability and its efficiency and effectiveness, and (2) the economic, political, and social consequences of the allocation and various uses of federal resources. This website provides access to all publications issued by FASAB including exposure drafts, the Pronouncements as Amended, project histories, newsletters, minutes and meeting agendas.

If you have questions about state and local governmental entity accounting, please visit <http://www.qasb.org/>.

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Questions?

