

# FASAB News

Federal Accounting Standards Advisory Board, 441 G St., 6K17V, NW.Washington, DC 20548  
202-512-7350.FAX-202-512-7366.Web Page <http://www.financenet.gov/fasab.htm>  
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## ***FASAB Begins Changes Resulting From AICPA Rule 203 Designation***

On October 19, 1999, the Council of the American Institute of Certified Public Accountants (AICPA) adopted an amendment to Rule 203 of the AICPA's Code of Professional Ethics. This amendment recognized accounting standards published by the FASAB as generally accepted accounting principles (GAAP) for Federal financial reporting entities. The amendment gave FASAB exclusive jurisdiction to establish GAAP for Federal entities.

As a result of this action, FASAB is making some changes to its procedures. The first several articles in this edition of **FASAB News** discuss some of those changes.

## ***FASAB Transitions to New Document Procedures***

As a result of the AICPA's decision to designate FASAB as the rule 203 standard-setting body for the Federal Government, FASAB has changed the way it issues accounting concepts and standards.

### **Prior to October 1999.**

FASAB issued two main types of accounting and reporting documents:

- . Exposure drafts for public comment on its *proposed* statements of accounting concepts and standards, and
- . *Recommended* statements of accounting concepts and standards for approval by its three principals, the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General. Those statements were Statements of Recommended

Accounting Concepts or Standards (SRAC's and SRAS's, respectively).

Recommended statements were not printed for public use. However, they were posted to FASAB's web site to facilitate planning for implementation as well as to publicize the Board's recommendations. After the principals approved the recommended documents, individual Statements of Federal Financial Accounting Concepts or Standards (SFFAC's and SFFAS's) were published by the Office of Management and Budget through the Government Printing Office and by the General Accounting Office in a single volume.

There is one statement in process that is being completed under these old procedures - SRAS 16, *Amendments to Accounting for PP&E – Multi-Use Heritage Assets*. It has been approved by the three principals and, pursuant to the Chief Financial Officers Act of 1990, as a capital accounting standard, is undergoing a 45-day Congressional review. Assuming no Congressional objections, upon completion of the review, OMB will publish SRAS 16 as SFFAS 16, and FASAB will change the title of SRAS 16 on its website to SFFAS 16.

### **After October 1999.**

FASAB will continue to issue exposure drafts of *proposed* concepts and standards for comment. However, it will no longer produce *recommended* standards for approval. Instead, FASAB will forward final standards to the three principals for a 90-day review. FASAB also will forward final statements that set standards for capital asset accounting to the Congress for the mandatory 45-day review. If there are no objections during these respective review periods, the statements will be considered final and FASAB will publish them on its website and in print as SFFAC's and SFFAS's.

Under the new procedures, when the Board sends a statement to its principals for

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review, it will announce this action in the Federal Register and in a press release. It also will post an article in the **FASAB News** highlighting the significant elements of the concepts and standards.

### ***Use Of FASB Standards by Federal Reporting Entities***

Another issue raised by the AICPA's Rule 203 action is whether financial statements of Federal entities prepared in accordance with standards issued by the Financial Accounting Standards Board (FASB) may be considered prepared in accordance with GAAP. The Board has not deliberated that question and will not have time to do so before the fiscal year 1999 financial statements are issued. FASAB staff is providing this response as immediate guidance.

**Question:** May financial statements issued by Federal entities after October 19, 1999, and prepared in accordance with standards issued by FASB be considered prepared in accordance with generally accepted accounting principles for Federal entities, even in situations where material differences exist in amounts recognized or disclosed, or in the number, form, and content of required financial statements pursuant to FASB and FASAB standards?

**Answer:** The AICPA has designated FASAB as the source of GAAP for Federal entities. In general, therefore, any Federal entity financial statements prepared in accordance with principles that conflict with FASAB standards should not be regarded as being in accordance with GAAP. However, financial statements in accordance with accounting standards published by the FASB also may be regarded as in accordance with GAAP for those Federal entities that have in the past issued such financial statements.

Background: Federal financial reporting concepts and standards have recognized that certain Federal entities prepare financial statements in accordance with FASB standards. This practice developed before FASAB was established and has been widely recognized and prevalent in the Federal government. In SFFAC 2, *Entity and Display*, paragraph 78, and SFFAS 8, *Supplementary Stewardship Reporting*, paragraph 40, the Board speaks to this practice.

At its meeting on December 14, 1999, the Board did not object to the above response and expressed the view that further Board level action was not needed at this time.

For further information, contact Wendy Comes, 202-512-7357, email comesw.fasab@gao.gov.

### ***FASAB Posts Revised Procedures, Minutes, and Technical Agenda***

Additional changes prompted by the October 1999 AICPA recognition of FASAB as the standard setting body for the Federal Government are reflected in its operating documents. Those documents are:

- 1) Memorandum of Agreement Among the General Accounting Office, the Department of the Treasury, and the Office of Management on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board,
- 2) Federal Accounting Standards Advisory Board Rules of Procedure, Amended and Restated Through September 30, 1999, and
- 3) Responsibilities of Members of the Federal Accounting Standards Advisory Board.

Those documents and FASAB's Technical Agenda are posted at FASAB's web site, <http://www.financenet.gov/fasab/htm> under the sidebar menu selection, "Information About FASAB."

Also, as part of the October 1999 changes, FASAB will be posting the minutes of each of its Board meetings on its website. You can find the minutes under the sidebar menu, "Meetings: Agendas/Minutes." Expect to find the minutes 3 to 4 weeks after each Board meeting.

### ***Board Approves SFFAS 18***

The Board unanimously approved Statement of Federal Financial Accounting Standards (SFFAS) 18. This is the first document that the Board has completed under

the new procedures addressed in the article on page 1.

The Statement amends certain accounting standards for direct loans and loan guarantees originally issued in SFFAS 2, August 1993 and requires:

- a) reporting subsidy re-estimates in two distinct components: the interest rate re-estimates and the technical/default re-estimates,
- b) displaying in a note to financial statements a reconciliation between the beginning and ending balances of the direct loan subsidy allowance and the loan guarantee liability, and
- c) disclosing significant events and changes in risk factors that have affected the subsidy costs during the reporting year.

Pursuant to FASAB's Rules and Procedures, SFFAS 18 has been submitted to the FASAB principals for a 90-day review. If there is no objection from any of the principals, SFFAS 18 will be issued as a final FASAB Statement of Federal Financial Accounting Standards. The requirements in SFFAS 18 are effective for periods beginning after September 30, 2000.

The reconciliation required in SFFAS 18 is for the reporting entity as a whole. While affirming the advantages of the entity-wide reconciliation for providing information on the aggregate results of all the credit activities under an entity's management, the Board recognized that the entity-wide reconciliation in itself would not reveal variations in program performance. The Board thus will soon issue an exposure draft to propose a display of a program-by-program reconciliation for major programs within an entity.

For further information, contact Richard Mayo, 202-512-7356, [mayor.fasab@gao.gov](mailto:mayor.fasab@gao.gov).

### ***Board to Review The Reporting Model***

At its December 1999 and February 2000 meetings, the Board expressed interest in pursuing a project on reviewing the Federal reporting model. The Board believes this review

would lend insight to many of the more innovative issues it is currently considering.

For example, in the current Federal reporting model, the Board had created a separate reporting category, Required Supplementary Stewardship Information (RSSI). RSSI was designed to report information that did not necessarily lend itself to balance sheet presentation, but that the Board believed should be considered as essential to fair presentation as basic or primary financial statement information. RSSI has been used primarily to report the stewardship categories of information, such as Stewardship PP&E, Stewardship Investments, and Stewardship Responsibilities

Recently, in a related project, the Board had come to a tentative consensus to do away with the RSSI category and place the stewardship information in the traditional categories of basic and required supplemental information (RSI) [See **FASAB News** of December 1999 for a related article]. In reviewing the placement of these items, some members have seen a need to reevaluate the presentation of financial statement information. Moreover, one Board member has proposed modifying and expanding the current reporting model to include a family of reports.

The Board directed staff to develop a reporting model project plan for consideration at the April meeting. The Board believes that focusing on the reporting model will help resolve some of its interrelated issues more quickly. Although it has not discussed the extent of its review, at a minimum, the Board would likely address issues related to the balance sheet.

For further information, contact Wendy Comes, 202-512-7357, email [comesw.fasab@gao.gov](mailto:comesw.fasab@gao.gov).

### ***National Defense Property, Plant, & Equipment Developments***

#### **Board Reviews Background Information**

At the February Board meeting, staff presented two background papers on: 1) the issues and decisions that led to the current reporting requirements for National Defense PP&E, and 2) the Department of Defense's

characteristics, including its mission, organization, structure, manpower, budget, funding, acquisition life cycle and programs, and performance plan. These papers, intended primarily as information for newer Board members, were used by staff to solicit input from Board Members on possible follow-up work.

After some discussion, the Board concluded that many of the issues in accounting and reporting for National Defense PP&E might be affected by the Board's review of the reporting model. It decided to defer near-term discussion on National Defense PP&E until it begins discussion on the Reporting Model Project.

### Major Acquisitions Project Redirected

In a separate action, the Board decided to include the project on Major Acquisitions as a subproject within the National Defense PP&E Project. Although the focus of the subproject will be National Defense PP&E assets, the Board could consider applying any resulting useful applications to all major acquisitions.

### Defense to Conduct Self-Study

On January 13, 2000, the Department of Defense awarded a contract to KPMG, LLP to study reporting alternatives for National Defense Property, Plant, and Equipment (PP&E). At the Board's February meeting, representatives of the Department of Defense and KPMG LLP told the Board that the study consists of 4 concurrent tasks:

- 1) documenting the life cycle of the National defense PP&E acquisition process;
- 2) performing an abbreviated user needs study to assist in evaluating reporting;
- 3) evaluating condition assessment and reporting methodologies; and,
- 4) evaluating the adequacy of the definition of national defense PP&E.

The study is to be completed by September 30, 2000. The Department of Defense will provide monthly status reports to the FASAB staff and to Board members, as requested.

For further information, contact Rick Wascak, 202-512-7363, email [wascakr.fasab@gao.gov](mailto:wascakr.fasab@gao.gov), Andrea Palmer, 202-512-7360, email [palmera.fasab@gao.gov](mailto:palmera.fasab@gao.gov), or

Richard Fontenrose, 202-512-7358, email [fontenroser.fasab@gao.gov](mailto:fontenroser.fasab@gao.gov).



### FASAB's Next Meeting

FASAB's next meeting will be April 13-14, 2000, in room 7C13, of the General Accounting Office Building, 441 G Street, NW, Washington, DC, 20548. The agenda will be posted to the FASAB web page one-week prior to the meeting. FASAB's web page is at: [www.financenet.gov/fasab.htm](http://www.financenet.gov/fasab.htm).

FASAB meetings for the remainder of calendar year 2000 are:

- April 13-14
- June 8-9
- August 10-11
- October 5-6
- December 7-8

Unless we post information to the contrary, Board meetings will be held in room 7C13 of the General Accounting Office, 441 G Street, NW, Washington, DC 20548.

There also will be a special FASAB meeting held on July 3 in San Francisco at the Association of Government Accountants Professional Development Conference.

### REMINDER

For security reasons, when you plan to attend a FASAB or AAPC meeting, please call Marian Nicholson at 202-512-7350 and leave your name and your agency name.

## AAPC Highlights

The last meeting of the AAPC was November 18, 1999; the January meeting was cancelled because of snow. Highlights of AAPC actions are:

**Allocating Legal Liabilities if More Than One Federal Entity Is Involved.** The AAPC continued developing guidance for allocating legal liabilities among agencies involved in joint litigation. It agreed to expand the guidance to address when there is no basis for cost allocation. It is drafting language to say that if no meaningful allocation can be applied, the costs and related liabilities should be reported only in the Consolidated Financial Statements of the US Government. The guidance will be issued as a Technical Release.

**Liabilities Covered and Not Covered by Budgetary Resources** The AAPC continued discussing its proposed definition of liabilities covered by budgetary resources. It discussed how the definition relates to the Statement of Budgetary Resources and the Statement of Financing, to trust fund payments, and to permanent indefinite budget authority and contract authority.

**Investments in Treasury Securities Not Expected to be Held to Maturity.** AAPC members discussed whether securities not intended to be held to maturity should be valued at market value. The AAPC will continue discussing this issue while working with FASAB as it studies getting certain debt instruments to market.

**Agenda Committee Report: Capitalization Threshold for Property and Equipment.** The AAPC declined addressing the Chief Financial Officers Council request that FASAB consider additional guidance on capitalization thresholds for property and equipment. The AAPC believes that there is already sufficient guidance in this area.

### AAPC Meeting Dates in 2000

January 20 – cancelled because of snow  
March 9 - cancelled  
May 11  
July 13  
September 14

November 9

Location: General Accounting Office,  
441 G Street, NW, in Room 4N30, beginning at  
1:30 PM. For further information, contact Monica  
Valentine, 202-512-7362, email  
[valentinem.fasab@gao.gov](mailto:valentinem.fasab@gao.gov),

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**Note:** FASAB News is published by the staff of the Federal Accounting Standards Advisory Board. This newsletter, highlighting recent Board actions, is issued after Board meetings to provide the public with an understanding of issues that the Board is considering. When an article refers to a Board decision, it should be understood that Board decisions are tentative until FASAB issues a Statement of Federal Financial Accounting Concepts (SFFAC) or Statement of Federal Financial Accounting Standards (SFFAS). Please direct newsletter editorial questions to Lucy Lomax, 202-512-7359. Please direct FASAB and AAPC administrative questions to Dick Tingley, 202-512-7361.

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# FASAB

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441 G Street, NW, Suite 3B18  
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