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FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

Newsletter

October 1992

Issue 6

STATEMENT OF RECOMMENDED ACCOUNTING STANDARDS NO. 1: ACCOUNTING FOR SELECTED ASSETS AND LIABILITIES

The Board continued to make progress toward the issuance of the Statement, as it made decisions at its October meeting on two issues in the draft. The first issue concerns the criterion for recognizing accounts receivable losses. A Board member proposed the use of the "more likely than not" criterion, in the context that recognition of losses is necessary when it is more likely than not that the receivables would not be totally collected when due. The Board members agreed to incorporate this criterion into the standard for accounts receivable.

The second issue concerned the accounting standard for investments. The Board members discussed whether the fair value approach should be adopted for investments in marketable securities. Most Board members do not believe a conclusion on fair value can be reached at this time. However, they agreed that the scope of the standard should be limited to Treasury securities held to maturity. The standard will use the cost based valuation approach for the investments within the limited scope.

These two decisions will be incorporated into the current draft of Statement No. 1. It is anticipated that the Board will soon reach a final agreement on the document. The draft Statement will then be forwarded to the principals for approval and promulgation of the standards. The Board anticipates publication of the Statement by late 1992 or early 1993.

ACCOUNTING FOR LIABILITIES

The staff presented a summary of the initial draft ED to the Board at the October Board meeting. During the discussion the Board decided to limit this ED to liabilities and explain the nature of future claims on budgetary resources and that they will be included in a future phase of the project.

The initial draft ED will be presented at the November Board meeting. The ED will recommend a definition, criteria for recognition, and categories of liabilities. The ED includes a detailed discussion of the liability recognition criteria (probable, past transaction or event, and measurable) and then applies them to specific types of liabilities.

The ED also includes background information that presents a structure for relating liabilities to other accounting elements - such as assets, resources, expenses, etc. - for conveying accounting information to users.

ACCOUNTING FOR DIRECT LOANS AND LOAN GUARANTEES

Comments on the Board's second Exposure Draft (ED), Accounting for Direct Loans and Loan Guarantees, were due by November 15, 1992. After analysis of comments, the Board will schedule a public hearing for early 1993. Copies of the ED can be obtained by calling (202) 512-7350.

USER NEEDS AND OBJECTIVES

The Board discussed a draft statement of reporting objectives, framed around four ideas: budgetary integrity; operating performance; stewardship; and deterring fraud, waste, and abuse.

The Board directed the staff to make some clarifying revisions. An exposure draft should be issued by the end of the year.

The draft will be the Board's first statement of accounting concepts. Concepts statements will set forth important considerations that the Board will keep in mind in formulating accounting standards. Concepts are intended be helpful not only to the Board but also to those who want to understand and influence the Board's thinking.

The statement of reporting objectives should give the Board a means of judging accounting alternatives. Board members can discuss alternatives in terms of the broad

purposes of financial reporting, seeking to find the alternative that best meets those purposes. Respondents to the Board's proposals can couch their arguments similarly.

The Board intends to issue a series of concepts statements. Several members of the Board, for example, are currently looking at concepts of cost that would help in evaluating the efficiency and effectiveness of programs.

ACCOUNTING FOR TANGIBLE PROPERTY OTHER THAN LONG-TERM FIXED ASSETS HELD BY AGENCIES OF THE FEDERAL GOVERNMENT

The new name for the exposure draft on accounting for tangible property is Accounting for Inventory and Other Related Property. The draft is currently undergoing final review and revision at this time. We anticipate having the document ready for printing by the end of November.

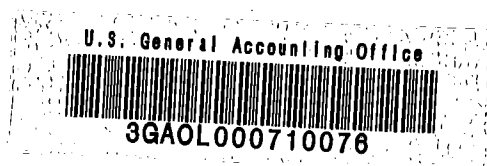
1993 FASAB BOARD MEETINGS

The monthly Board meetings will be held on the following dates in 1993. All of the meetings are currently scheduled to be held in Room 7313, GAO Building, 441 G St., N.W. Because circumstances may require a schedule change, we suggest that the date and place of meetings be confirmed by calling the Board staff on (202) 512-7350 before attending.

Wednesday, January 27 and Thursday, January 28

Wednesday, February 24 and Thursday, February 25

Thursday, March 25



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Wednesday, April 21 and Thursday,
April 22

Wednesday, May 19

Wednesday, June 16 and Thursday, June
17

Wednesday, July 21 and Thursday, July
22

August - No meeting scheduled

Wednesday, September 22 and Thursday,
September 23

Wednesday, October 20 and Thursday,
October 21

Thursday, November 18

Wednesday, December 8 and Thursday,
December 92

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