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**FEDERAL ACCOUNTING STANDARDS
ADVISORY BOARD**

Newsletter

November 1992

Issue 7

**STATEMENT NO. 1, ACCOUNTING FOR
SELECTED ASSETS AND LIABILITIES**

Final review of this Statement has been completed and submitted to the principals for their approval and adoption. After signatures by the principals, it will be issued to the public.

Accounting standards recommended in Statement No. 1 are based on those proposed in the Board's first Exposure Draft, titled Financial Resources, Funded Liabilities, and Net Financial Resources. The Board has fully considered comments received from the respondents to the Exposure Draft. Modifications to the proposed standards are discussed in "Basis of Board's Conclusions", which is Appendix A to the Statement.

The latest two significant changes under review are related to standards for receivables and investments. The Board agreed to recommend that losses on receivables be recognized when it is more likely than not that the receivables will not be totally collected. The scope of the standard on investments has been narrowed to include Treasury securities only. It is recommended that Treasury securities held to maturity be accounted for on a cost basis.

**ACCOUNTING FOR DIRECT LOANS AND LOAN
GUARANTEES**

Since the Exposure Draft on Accounting for Direct Loans and Loan Guarantees was issued on September 15, 1992, the Board has received letters from 33 respondents commenting on the Exposure Draft. After the analysis of these responses has been completed, the Board plans to hold a public hearing, or a technical issues workshop, in early 1993 for the purpose of hearing views and comments of individuals knowledgeable in the area of credit reform.

**ACCOUNTING FOR INVENTORY AND RELATED
PROPERTY**

The ED on Accounting for Inventory and Related Property is scheduled for public release in the latter part of December.

Staff made the final changes agreed to by the Board and delivered the document to the publisher for formatting and printing.

The final changes to the exposure draft were discussed briefly at the November meeting. The discussion centered on whether to grant one member's request to include an additional request for comments. The



proposed request for more comments pertained to the additional information for measuring operating performance that would be provided under market value accounting. The Board reached agreement on the questions to be posed and they were added to the ED.

REPORTING OBJECTIVES

In November the Board reviewed the draft conceptual statement on objectives of federal financial reporting. Statements on concepts provide general guidance to the Board as it deliberates on specific issues. The Board instructed staff to make some minor changes and to prepare the document for publication, now expected by year's end.

The time and location of a public hearing on objectives will be announced later. Those who wish to address the Board at the public hearing should advise the Executive Director before March 1, 1993.

The exposure draft identifies four groups of users of federal financial reports: citizens (including news media and analysts), Congress, government executives, and program managers. It discusses the objectives of federal financial reporting under four headings: budgetary integrity, operating performance, stewardship, and deterring fraud, waste and abuse.

The objectives are based in large part on the belief that democratic governments must be accountable, and on the belief that accounting and financial reporting can provide useful information to help attain and demonstrate accountability. Accountability is a broad concept that encompasses efficient and effective use

of resources as well as compliance with law and budget.

FUTURE WORK PLAN

At the November meeting the Board explored possible areas for future consideration. The staff will develop a short description for these and other potential projects, including their objectives, the kinds of financial information currently being reported, and issues involved. The Board will review these project descriptions at a future meeting. The potential projects include:

- Entity and display - This project would identify the types of reporting entities and the display of financial information which would meet the Board's reporting objectives. The product of this effort would be two documents - one a standard on entity and a second a working paper illustrating display concepts.
- Future claims on budgetary resources - As an extension of the liabilities project, this effort would cover likely future claims on budgetary resources which do not-as yet meet the definition of liabilities.
- Cost concepts - Work in this area would continue and expand upon the work of the task force on cost concepts. It would identify the purposes for which cost information is used in the federal government and develop concepts and standards which meet those purposes.
- Investments - This effort would comprise two parts: physical capital and intangible capital (including R&D and human capital). It would examine them in light of the Board's reporting objectives and determine how they should be accounted for and reported.

