



FASAB News
Federal Accounting Standards
Advisory Board

JUNE/JULY 2008

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[FASAB Staff Member Receives National Award](#)

Julia Ranagan, a FASAB staff member since March 2004, was selected as this year's recipient of the Association of Government Accountants (AGA) Emerging Leader Award of Excellence. Ms. Ranagan will be presented with the national award at AGA's 57th Annual Professional Development Conference & Exposition in Atlanta, Georgia at the end of July.

The award citation reads as follows: "In recognition of Ms. Ranagan's continuing contributions to the federal financial management community. She leads government-wide working groups made up of individuals from diverse agencies and fosters success by providing clear communication and setting challenging, but attainable, targets for participants. Through her research and analysis and leadership skills, FASAB receives high-quality input on complicated government-wide accounting

issues. She consistently strives to involve the community early in the process to achieve the best possible results.”

Ms. Ranagan was nominated for the national award by the Washington, DC Chapter of AGA. She was presented with the chapter’s Emerging Leader Award at its annual awards dinner at the Washington Grand Hyatt on May 31, 2008.

Disclaimer

The staff of the Federal Accounting Standards Advisory Board publishes FASAB News following Board meetings to provide highlights of recent Board actions and issues. 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 Melissa Loughan, 202-512-5976, loughanm@fasab.gov.

Please direct AAPC technical questions to Monica Valentine, 202-512-7362, valentinem@fasab.gov.

Please direct FASAB and AAPC administrative questions to Charles Jackson, 202-512-7352, jacksoncw1@fasab.gov.

Current Board Projects

(For more information on any of the current projects, click on the title of the project below to be directed to the related active project page.)

Concepts Projects

Federal Entity

The Federal Entity project was not on the agenda for the June Board meeting. However, staff provided the Board with an update to explain the status and provide an opportunity for members to discuss any issues or questions during the Administrative session of the Board meeting.

Staff explained that the Survey on Boundaries of Federal Reporting Entities was distributed to the financial management community in mid-May. The survey seeks information on organizations considered questionable or unique when assessed in relation to the boundaries of the reporting entity and criteria used in the assessment. The survey also seeks feedback on certain aspects of SFFAC 2 as well as input on current proposals.

Staff also explained that staff developed and distributed a separate survey directly to (Federally Funded Research and Development Centers) FFRDCs on June 16, 2008. The survey seeks information to gain a better understanding of FFRDCs’ perspective of how they view their relationship with the federal government. The survey seeks information on the relationship with the federal government, other organizations that may influence the FFRDC, and current financial reporting.

Staff explained results from the surveys would be presented to the Board at the next meeting.

Point of Contact: Melissa Loughan, 202-512-5976, loughanm@fasab.gov

The Financial Report Phase: MD&A, Statements, Notes, RSI and OAI

During the June 19, 2008 meeting, the Board approved a plan for expanding the reporting model project. Staff developed the plan as a result of members' technical agenda discussions regarding the appropriate model for agency level reporting. The plan calls for conducting the project in four phases: 1) determine user needs within certain cost/benefit constraints; 2) determine the inventory of user needs and how they relate to the reporting objective; 3) determine methods for meeting user needs; and 4) determine presentation. In addition, while the plan involves both agency level and government-wide reporting, it does not advocate for a particular model. Members believed that potential users as well as current users should be surveyed. Also, some members discussed the need to consider internal users, such as managers, while others noted that addressing both internal and external users would be challenging. Staff will consider member's comments in initiating Phase I of the plan, determining user needs.

Point of Contact: Ross Simms, 202-512-2512, simmsr@fasab.gov,

Fiscal Sustainability Reporting

At the June 2008 Board meeting, the Board considered a proposal by the Treasury Department to consider developing a broader principle-based or concepts-type statement for fiscal sustainability reporting in lieu of the specific reporting requirements that the Board has been developing in the current draft exposure draft (ED). The consensus was to continue to develop specific reporting requirements but to be open to consideration of some of the ideas in the Treasury proposal. For example, the concept of inter-period or inter-generational equity could be "encouraged" in the proposed accounting standard section rather than mentioned only in the objectives section of the draft ED.

The Board also discussed the concepts of "fiscal imbalance" and "fiscal gap" and tentatively decided to omit both measures from the face of the proposed basic financial statement and instead to have a simpler bottom line indicating the difference between projected receipts and projected (noninterest) spending. The concepts of fiscal imbalance and fiscal gap would be addressed in depth in the required disclosures.

The Board also discussed several edits recommended by members intended to streamline and clarify the draft ED.

The Board will review a revised preballot draft ED at the August 2008 Board meeting.

Point of Contact: Eileen Parlow, 202-512-7356, parlowe@fasab.gov

Natural Resources

At the June 19, 2008, meeting, the board directed staff to continue with the development of a final standard on oil and gas after considering a staff proposal to delay implementation of the oil and gas standard in favor of a comprehensive, principles-based standard on all natural resources. Several of the board members indicated that they were willing to consider a less prescriptive standard that allows for more flexibility provided that staff can develop one that would meet the objectives of the standard as well as the needs of the preparers. Staff will address the remaining issues raised in the comment letters to the May 2007 exposure draft (ED) and the Department of Interior's fieldwork test results and present the board with a revised ED.

Point of Contact: Julia Ranagan, 202-512-7377, ranaganj@fasab.gov

Reporting the Gains and Losses from Changes in Assumptions and Other Requirements for Accounting for Post-Employment Benefits

At the June 19, 2008, FASAB meeting the Board approved the issuance of *Reporting Gains and Losses from Changes in Assumptions and Selection of Discount Rates and Valuation Dates*, as a final Statement of Federal Financial Accounting Standards (SFFAS). The Board decided to exclude FECA/workers' compensation from the standard and to retain the requirement for "five historical rates" in developing the average historical Treasury rates. The Statement has been submitted to the Board's sponsors for a ninety-day review which will conclude in late October. The Statement will be issued after successful completion of the review.

Point of Contact: Richard Fontenrose, 202-512-7358, fontenroser@fasab.gov

Social Insurance

The objective for the June meeting was to approve specific components of additional social insurance reporting as outlined in this memorandum, after which staff would develop an exposure draft. With respect to a summary of key financial information for a highlights display, the Board decided to require all the major line items on the pro forma highlights table in the June briefing book to be displayed, analyzed and discussed in the entity's MD&A section, excepting the open group measure. The major line items are the key items the Board would like to see discussed in a summary highlights section. The standard will amend SFFAS 15 under the MD&A category "financial statements." The standard will not require specific sub-line items like "federal employee benefits." The standard will neither require nor preclude tabular format. Accompanying examples may include a non-mandatory table.

With respect to the questions about a new line item on the balance sheet for the net present value of social insurance commitments, a new summary section of the statement of social insurance, a new statement of changes in social insurance, and a note disclosure of a liability-type number, the Board answered affirmatively.

Question six, regarding the reconsideration of a line item on the operating statement for the change in the social insurance commitment during the reporting period, was answered negatively. There were no objections to including a discussion of the issue in the basis for conclusions and a question for respondents on the subject.

As the exposure draft is developed, the basis for conclusions section will include a discussion and analysis of due process responses received during the preliminary views phase of the project and of the rationale for the compromise position. There will be an explicit and extensive discussion of why certain Board members concluded that this was not a liability before the due and payable date and others thought that it was.

Point of Contact: Richard Fontenrose, 202-512-7358, fontenroser@fasab.gov

Appropriate Source of GAAP

Staff is currently considering the options for developing guidance that will reflect the views of the members as communicated at the February 2008 meeting. Refer to the [February-March 2008 issue](#) of *FASAB News* for further information on the February 2008 meeting.

Point of Contact: Julia Ranagan, 202-512-7377, ranaganj@fasab.gov

General PP&E Valuation

At the June 18, 2008 meeting, staff presented a draft exposure draft (ED) to the Board. The ED proposes amendments to SFFAS 6 and 23 to provide guidance for (1) estimating the original transaction data historical cost and accumulated depreciation of G-PP&E upon initial capitalization and (2) estimating the historical cost of existing G-PP&E, if obtaining historical cost based on the original transaction data is not practical (i.e., not cost effective or supporting historical cost original transaction data documentation does not exist).

The Board directed staff to make edits to the draft that would better clarify the intent of the Board. Several members agreed that the standard should also allow for the use of estimates when original transaction data has not been maintained in a form that makes the data readily available. There was also agreement that cost effectiveness can mean that systems and business processes are not in place to collect data for the purpose of ready valuation of the asset and that there needed to be more specific illustrations of “not cost effective” in the standard. Several members agreed that allowing the use of estimation methods should not be viewed as a “give away” because the standard states that the estimates must be reasonable. In addition, agency financials are filled with estimates (i.e., certain liabilities, accounts receivables, etc.) and it is difficult to argue that reasonable estimates would not generally be permissible in this case. The question that will have to be addressed as agencies implement the standard is – are methods being used that provide for the reasonable estimation of historical costs.

Staff will make the edits agreed to by the Board and present the Board with a revised ED.

Point of Contact: Monica Valentine, 202-512-7362, ValentineM@fasab.gov

FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 3 2008	Quarter 4 2008	Quarter 1 2009	Quarter 2 2009	Staff Contact
Natural Resources	ED – May 2007	Oil & Gas DP	Oil & Gas DP	Oil & Gas DP	UR	Julia Ranagan, 202-512-7377
Fiduciary Activity	SFFAS 31 Issued – October 2006		Develop Q&As	Implementation Guidance Finalized		Eileen Parlow, 202-512-7356
Fiscal Sustainability		ED	DP	DP	UR	Eileen Parlow, 202-512-7356
The Federal Entity		Research	Research	ED		Melissa Loughan, 202-512-5976
Social Insurance Liabilities	PV -- October 2006	DP	DP	ED		Richard Fontenrose, 202-512-7358
Reporting Gains & Losses from Changes in Assumptions	ED – August 2007	UR	Final			Richard Fontenrose, 202-512-7358
Appropriate Source of GAAP		Research	Research	Research	ED	Julia Ranagan, 202-512-7377
Conceptual Framework Project:						
Measurement Attributes		Research	Research	Research	Research	Penny Wardlow, 202-512-7350
Financial Reporting Communications Methods		DP	DP	UR		Ross Simms, 202-512-2512

Key Activities or Status

Note that all estimates of progress assume that exposure drafts are finalized as statements without re-exposure due to significant changes.

Research—Staff Research Phase of Project & Board Deliberations

ED—Exposure Draft Issued

DP—Board Due Process, including review of comment letters, etc.

PH—Public Hearing

PV—Preliminary Views Issued

UR—Under Review, document approved by FASAB and sent to sponsors for 90-day review

Final—Final Standard, Concept, Interpretation, etc. issued final.

Accounting and Auditing Policy Committee

At its May 2008 meeting the AAPC honored the hard work and dedication of one of its long time members, Stephen D. Dingbaum, Assistant Inspector General for Audits with the U.S. Nuclear Regulatory Commission. Mr. Dingbaum has been a member of the AAPC representing the PCIE since May 2002 and has completed the maximum six-year term allowed on the Committee. Mr. Dingbaum has also served on the AAPC's agenda committee for several years and recently served as the agenda committee chair. The AAPC also welcomed a new CFOC representative, John Brewer, Associate Chief Financial Officer – Financial Operations with the Department of Agriculture, to the AAPC. Mr. Brewer replaces CFOC representative Ms. Pat Healy, who retired from federal service in January.

Also at the May 2008 AAPC meeting, general PP&E task force co-chair Donjette Gilmore gave an update on the progress of the task force that had its kick off meeting on March 18. The task force was formed to assist in developing implementation guidance for federal G-PP&E as it relates to SFFAS 6, *Accounting for PP&E*, SFFAS 23, *Eliminating the Category National Defense Property Plant, & Equipment*, and other related G-PP&E guidance developed by the FASAB. The task force meets monthly and has separated into four sub-groups that are named for the group of issues to be addressed by each sub-group. The G-PP&E sub-groups are Acquisition, Use, Disposal, and Records Retention and meet monthly separate from the full task meetings. The task force also has setup a web page on the FASAB website under the AAPC task forces link. The web page includes specific information about the task force as a whole, as well as each of the sub-groups, such as the list of members, list of potential issues to be addressed, and scope information for each sub-group.

The task force has over sixty members and is represented by over 20 federal entities and continues to welcome additional members to participate. Broad participation is important to ensuring that the guidance developed is appropriate for all impacted. If interested please contact FASAB Project Director Monica Valentine by email at valentinem@fasab.gov, with your information (email, phone number, etc.). Additional information on the work of the task, a list of issues being address, meetings, and other contact information can be found at the AAPC G-PP&E Task Force web portal at <http://fasab.gov/aapc/genproptaskforce.html> .

Updates on all AAPC projects can be found on the AAPC website. The minutes for all meetings can be found on the FASAB/AAPC website at <http://fasab.gov/aapc/meeting.html>.

Point of Contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov

FASAB Meeting Schedule

Schedule for 2008 Meetings:

Wednesday, August 20th and Thursday, August 21st
Wednesday, October 22nd and Thursday, October 23rd
Wednesday, December 17th and Thursday, December 18th

Schedule for 2009 Meetings:

Wednesday, February 25th and Thursday, February 26th
Wednesday, April 22nd and Thursday, April 23rd
Wednesday, June 17th and Thursday, June 18th
Wednesday, August 26th and Thursday, August 27th
Wednesday, October 21st and Thursday, October 22nd
Wednesday, December 16th and Thursday, December 17th

Unless otherwise noted, meetings begin at 9 AM and conclude at 4 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas are available at <http://www.fasab.gov/meeting.html> approximately one week before the meetings.

AAPC Meeting Schedule

Schedule for 2008 Meetings:

Thursday, July 17th
Thursday, September 18th
Thursday, November 20th

Schedule for 2009 Meetings:

Thursday, January 15th
Thursday, March 19th
Thursday, May 21st
Thursday, July 16th
Thursday, September 17th
Thursday, November 19th

Unless otherwise noted, meetings begin at 1 PM and conclude at 3 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas are available at <http://fasab.gov/aapc/meeting.html> approximately one week before the meetings.

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please provide your name, organization, and phone number to staff at 202-512-7350 or fasab@fasab.gov **at least two days before the meeting**. The Government Accountability Office, which provides space for our meetings, has increased its security procedures and your name must be provided to the security force before you can enter the building. Thank you.



Concepts - Federal Entity

- News Releases
- Meetings
- Active Projects
- Exposure Drafts And Documents for Comment
- Listing of Documents
- Strategic Directions
- Reports and Documents
- FASAB News
- FASAB E-Mail Service
- Original 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)
- 2004 Current Text
- Generally Accepted Accounting Principles
- Concepts
- FASAB Staff Members
- Accounting and Auditing Policy Committee
- Archived Projects

[CLICK HERE for Survey on Boundaries of Federal Reporting Entities](#)

PROJECT OBJECTIVE:

FASAB addresses the entity issue in its Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display*. SFFAC 2 addresses:

- Reasons for Defining Reporting Entities
- Structure of the Federal Government
- Identifying the Reporting Entities for General Purpose Financial Reporting
- Criteria for Including Components in a Reporting Entity
- Other Aspects Concerning the Completeness of the Entity

The Board is aware of a number of entity issues. While SFFAC 2 provides criteria for determining if an entity should be included as a federal entity, questions continue regarding whether certain activities should be included with an entity. The Federal Entity project will address both the conceptual framework and standards issues. Ultimately this phase will result in potentially both a proposed concept and one or more proposed standards. A high level issue that will be considered throughout the project is what information regarding Entity and Consolidation should be in a Concepts Statement versus a Standard.

The Board will consider the following issues:

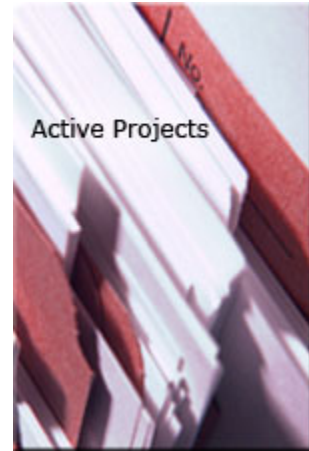
Issues that may be best addressed through Concepts:

- Definition of entity / reporting entity
- Guidance / characteristics for identifying reporting entities
- Criteria for including entities / boundary of the entities

Issues that may be best addressed through Standards:

- Criteria for consolidating entities
- Reporting on other relationships--joint ventures, non-profit partnerships, other relationships that lead to an assumption of federal support without consolidation being required, etc
- Potential disclosures

While this project includes a review of the above issues and foundational



notions of reporting entity contained in SFFAC 2, it focuses most heavily on the conclusive and indicative criteria. Thus, we anticipate a focus on questions relating to inclusion or exclusion of entities from the reporting entity. Nonetheless, staff will review SFFAC 2 in its entirety to identify any additional issues (such as clarity of SFFAC 2 explanations regarding entity, reporting entity and the forms taken by entities). This project will address both the conceptual framework and standards issues.

STAFF CONTACT:

Melissa Loughan, loughanm@fasab.gov, 202-512-5976

History of Board Deliberations (reverse chronology)**May 2008--Survey distributed to CFO & IG community**

FASAB sent out a survey to the Chief Financial Officers and Inspectors Generals. The survey (Survey on Boundaries of Federal Reporting Entities) will assist FASAB in the Federal Entity project. FASAB formed a task force with representatives from the financial management community to assist staff in developing the standards. The task force agreed it would be helpful to survey the community to determine organizations considered questionable or unique when assessed. The survey seeks information on those types of organizations, current financial reporting treatment, and criteria used to assess whether to include the organization in the reporting entity or not. The survey also seeks feedback on certain aspects of SFFAC 2 as well as input on current proposals.

The community's input will assist us in more efficiently and effectively developing new standards related to the boundaries of the federal entity and consolidation. We are requesting responses be emailed to loughanm@fasab.gov or faxed to 202-512-7366 by June 30, 2008.

[Survey on Boundaries of Federal Reporting Entities](#)

April 16-17, 2008 Board Meeting

At the April 2008 Board meeting, staff provided the Board with an update on the project and the Federal Entity Task Force. The Federal Entity Task Force held its first meeting in late February. The summary of key points developed by the task force included:

- A survey of the community to identify organizations would be helpful
- Preference for a principles-based approach in the standard
- Proposed standard should address consolidation and other disclosures

- General principles stand alone
- All branches of the federal government should report
- Ownership is separate from control
- Control is key factor in assessing boundaries
- Exceptions and other organizations to be considered at future federal entity task force meetings
- Separate meeting with intelligence representatives to occur

The Board approved staff recommendations for next steps in the Federal Entity project. Specifically, staff will distribute a survey to the federal financial management community to obtain feedback and examples of 'questionable' organizations that have been considered in determining the boundaries of entities. The survey will also assess current treatment and criteria used. Staff will also send a separate survey directly to FFRDCs to gather information. Additionally, staff plans to work with Treasury, GAO and the task force to further research issues with the legislative and judicial branches and assess whether it is material to the CFS. Staff will also continue work with the task force on developing specific definitions, finalizing the principles and developing criteria for the boundaries of the reporting entity.

[Issue Paper for April 2008](#)

February 13-14, 2008 Board Meeting

FASAB formed the Federal Entity Task Force to assist in developing the proposed standards on the boundaries of the reporting entity and consolidation. The task force has approximately 20 members with representatives from various CFO and OIG organizations as well as OMB, GAO, and Treasury. The task force also has representatives from agencies that deal with hybrid organizations (such as FFRDCs) and intelligence agencies because of their unique nature. The first task force meeting is February 20, 2008. Staff will report back to the Board after meeting with the task force.

[Issue Paper for February 2008](#)

December 4-5, 2007 Board Meeting

At the December 2007 meeting, the Board discussed an updated outline paper on the boundaries of the federal reporting entity. The paper highlighted that all organizations within the three branches of the federal government are part of the federal reporting entity. In addition, the federal reporting entity includes all organizations that:

- the federal government is directly financially accountable for or owns;
- the federal government exercises control over; or

- the nature and significance of their relationships with the federal government are such that the exclusion would cause the government's financial statements to be misleading or incomplete.

The outline paper included specific, detailed criteria for each of the broad areas identified as well as an expanded introduction that included a discussion of component reporting entities. The Board members provided general comments on the paper. The comments are detailed in the December Board Minutes.

FASAB staff plans to form a task force to share the outline paper for comment. The task force will include members from the CFO, OIG, and IPA as well as specific representatives from quasi government / hybrid organizations (such as FFRDCs), and intelligence agencies because of their unique nature. The task force will assist in developing the proposed standard on the boundaries of the reporting entity and consolidation. The task force will develop case studies testing the proposed criteria. Staff (and the task force) will concentrate on the areas identified by Board members for consideration. Staff will report back to the Board after meeting with the task force.

[Issue Paper for December 2007](#)

September 19-20, 2007 Board Meeting

Staff presented an issue paper at the September meeting that discussed general principles that will be relied upon in establishing the boundaries of the Federal Reporting Entity. Staff recommended the Federal Reporting Entity include entities, organizations, transactions, and activities for which:

- the federal government is financially accountable;
- the federal government exercises control over; and
- the nature and significance of their relationship with the federal government are such that the exclusion would cause the government's financial statements to be misleading or incomplete.

Staff also presented an outline of a proposed standard to assist with understanding how the general principles would be conveyed in a proposed standard. The general principles are consistent with the framework established in SFFAC 2 but will allow for an expansion of the detailed criteria that may go beyond what is in SFFAC 2 and resolve some of the outstanding issues.

The Board agreed with the general principles that will be relied upon in establishing the boundaries of the Federal Reporting Entity. Staff will move forward on developing detailed criteria for each. Staff will also

form a task force to assist in developing the new standards related to the federal entity and consolidation. The task force will consist of representatives from the financial management community. The task force will be helpful when considering the consolidation of unique relationships and activities.

[Issue Paper for September 2007](#)

July 25-26, 2007

The Federal Entity project plan anticipated the project would result in both a proposed Concepts Statement and a Standards Statement and it would be important to delineate between what would be included in a Concepts versus Standards as we move forward. Staff prepared outline papers for each—a Proposed Concepts Statement on the Reporting Entity and a Proposed Standards Statement on the Reporting Entity and Consolidation which were included in the July briefing materials.

Originally, staff anticipated obtaining feedback on the outline paper for the proposed concepts paper at the July meeting. However, there was mixed feedback from Board members regarding the approach moving forward on the project. Specifically, some members were in favor of developing a proposed concept statement, while others believe the approach should be to go directly to developing a standard to address shortcomings in the entity area. Therefore, the July Board meeting was used to get the consensus of the Board on the direction for moving forward on the project. Staff presented three options to the Board and explained the options differ in how much conceptual work would be addressed in the project as follows:

OPTION 1

- *No Concepts Statement
- Focus on Developing Proposed Standards relating to Boundaries of the Federal Reporting Entity

* NO FOCUS ON REVISING SFFAC 2--SFFAC 2 would remain unless it is determined the proposed standards are not consistent with the concepts developed over 10 years ago. If so, portions of SFFAC 2 relating to entity would be amended accordingly.

OPTION 2

- *Brief Proposed Concepts Statement Communicating the Federal Reporting Entity is Broader than the U.S. Government Legal Entity (No discussion of organizational structure, defining levels, etc.)
- Focus on Developing Proposed Standards relating to Boundaries

of the Federal Reporting Entity

* SOME FOCUS ON REVISING SFFAC 2. Focus on potential revisions to SFFAC 2 would be concurrent with developing proposed standards.

OPTION 3

- *Proposed Concepts Statement Communicating the Federal Reporting Entity is Broader than the U.S. Government Legal Entity and Communicating Organizational Structure of the U.S. Government, Definitions of Terms and Relationships, etc. (as presented in Outline Paper in July Board Materials)
- Develop Proposed Standards relating to Boundaries of the Federal Reporting Entity

* SFFAC 2 entity portion (par. 1-53) would be rescinded and replaced with the new Proposed Concepts on the Federal Reporting Entity.

Based on input from the Board, staff summarized that the best approach for moving forward on the Entity Project would be option 2 while including certain aspects of option 3. Specifically, staff will focus on developing proposed standards relating to the boundaries of the reporting entity and specific criteria for each. In addition, staff will concurrently work on amendments to SFFAC 2. Staff will also determine ways to include a discussion of key terms, organizational structure, etc. in the proposed amendments to SFFAC 2 and proposed standards. Staff will also form a task force to assist with efforts in the project.

[Issue Paper for July 2007](#)

May 23-24, 2007

The Entity Project was not an agenda item at the May 2007 meeting. However, staff continues to research topics and draft proposals for consideration by the Board. Staff will present an update at the July 2007 Board meeting.

March 21-22, 2007

The March 2007 briefing paper discussed the issue area—Definition of entity / reporting entity. In assessing how entity / reporting entity should be defined for federal financial reporting purposes, staff considered the following questions:

- Does FASAB already define entity / reporting entity?
- Should there be a distinction between Entity and Reporting Entity?
- Is there a relationship between the reporting entity concept and the objectives of federal financial reporting? If so, should this be

articulated?

- How do U.S. standard-setters and National and International standard-setters define Entity /Reporting Entity?
- Would a definition be best articulated in Concepts or Standards?

The issue paper is a first in a series of papers to consider several different aspects of the federal entity concept. Staff plans to devote the next several Board meetings to issue papers that will address the following:

- Characteristics of a Reporting Entity
- Boundaries of a Reporting Entity
- Kinds of “things” that could be included in an entity—the types of transactions, events and entities that may be encompassed within a reporting entity, e.g., other entities, activities, guarantees, functions, etc.
- Overall scope of the Federal Government Reporting Entity

The intent of assessing the definition of entity / reporting entity at the beginning of the project was to finalize terms and definitions to avoid future misunderstandings and misconceptions. Current FASAB standards and concepts utilize several different terms—such as entity, reporting entity, federal reporting entity, component entity, component reporting entity, Federal Government entity when referring to entity.

Currently, there has been a diverse approach to defining the term entity and reporting entity among other standard setters. For example, FASB and IASB do not define the terms, whereas GASB defines different levels for entity depending on the context, such as reporting unit, governmental unit, reporting entity and Financial Reporting entity.

Staff did not believe it was feasible to make a recommendation regarding a proposed definition for entity and reporting entity at this point because staff believed it would be helpful to assess the scope of the federal government as well as the characteristics of entities. Staff believes there is the potential of overlap between the definition of entity and the characteristics of an entity.

[Issue Paper for March 2007](#) (PDF)

January 17-18, 2007

Staff presented the Federal Entity Project Plan to the Board. Staff explained the project is part of the overall Conceptual Framework Project and is expected to last approximately three years. The project plan identifies issue areas that will be addressed in the project as well as milestone dates and included several appendices that contain pertinent excerpts from existing concepts, standards, and other reports

that relate to the entity and consolidation issue from U.S., national and international standard setters that will be analyzed in greater detail throughout the project.

Staff obtained the Board's feedback on the scope of the project, overall approach of the project, and issue areas identified. Overall, the Board members agreed with the Federal Entity Project Plan. Board members agreed that there are a number of entity issues, including a lot of unique government relationships that will need to be considered. Board members suggested that staff consider the following:

- reporting financial activities for which an entity may be responsible
- "unit of analysis" issue as it relates to the kinds of "things" that would be included in an entity-other entities, activities, guarantees, functions, etc
- often by law or regulation, a certain activity is required to publish a financial statement
- federally funded research development centers
- public-private partnerships in other countries
- situations where the government is contracting out things that used to be a government function
- Boards, councils, etc. that are not considered part of the federal government because they are not in the Budget, yet the President appoints the members
- consider what type of "related party disclosures" should be to disclose information about unique relationships (not be part of the federal entity)
- implication of the language in the Accountability for Tax Dollars Act

Staff will move forward on the Federal Entity Project. Staff plans to focus on the "unit of analysis" issue as it relates to the kinds of "things" that would be included in an entity-other entities, activities, guarantees, functions, etc. Staff will also begin research on Issue 1: Definition of Entity / Reporting Entity.

[Issue Paper for January 2007 \(PDF\)](#)

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