



FASAB News

Federal Accounting Standards Advisory Board

June/July 2011

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Website Update and Twitter

The updated FASAB.gov site was released on June 17th. It provides improved access to information about FASAB. Highlights include:

- A history of FASAB is available at <http://www.fasab.gov/about/our-history/the-history-of-fasab/>
- The accounting handbook is available in either a single PDF including all authoritative issuances as of a certain date or by individual chapter within the larger document see <http://www.fasab.gov/accounting-standards/authoritative-source-of-gaap/accounting-standards/>
- The briefing materials for past meetings are now available for each meeting at <http://www.fasab.gov/board-activities/meeting/meetings/>
- There is online registration to observe a FASAB meeting at <http://www.fasab.gov/board-activities/meeting/information-for-observers/pre-registration/>

In addition, all your old favorites are still available on the website. If you have difficulty finding what you need, please contact the office at 202.512.7350 or fasab@fasab.gov

We also added a Twitter account. Twitter followers will receive more frequent notices regarding issuances, public speaking by members and staff, and upcoming meetings. Check us out at <http://twitter.com/#!/usfasab>

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.)

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.

Federal Entity

The Board reviewed options for identifying related parties in the context of the federal government. Staff's recommendation that greater parameters on related parties would be needed given the federal government's role and its potential 'related party relationships' could be vast. Without parameters the cost of meeting this type of requirement and related disclosure would be high and users might be overwhelmed with information.

The Board did not come to a full agreement at the June meeting on this issue because some questioned whether the category was needed. Staff will incorporate the revisions and suggestions agreed to by the Board into the related party language. The Board will determine at a later date if the related party issue will be addressed in the entity project.

The Board also considered issues regarding consolidation of information from entities having different fiscal year ends, consolidation of FASB based information for core entities, and disclosure of information relating to non-core entities. The Board agreed to the following regarding the consolidation issues:

- remain silent regarding the consolidation of core entities with different fiscal year-ends.
- consolidation of FASB and FASAB based information is acceptable in the government-wide statements with disclosure of material differences in methods used or policies for specified amounts. However, no

reconciliation of the differences between the two GAAP based amounts would be required.

- approved the wording for the basis of accounting for non-core entities, however the Board requested staff revisit the wording of the required disclosures for non-core entities. (See action item related to this issue.)

The Board also considered a staff developed draft illustration guide with example entities. The draft guide was intended to demonstrate how the proposed standard would be applied and, for two of the example entities, the draft guide included different scenarios to illustrate how a change in circumstances can lead to a different outcome. Board members agreed with the decisions illustrated in the draft guide and offered suggestion.

For the next meeting, Staff will

- develop revised language for the consolidation of FASB statements
- revisit the required disclosure for non-core entities, specifically craft language that incorporates a reference to the financial information as an example of an option
- continue illustration examples.

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

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

The financial reporting model was not discussed during the July 6, 2011, FASAB meeting.

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

Natural Resources

On July 6, 2011, FASAB issued [Statement of Federal Financial Accounting Standards \(SFFAS\) 41, Deferral of the Effective Date of SFFAS 38, Accounting for Federal Oil and Gas Resources](#). SFFAS 41 defers the effective date of SFFAS 38, which requires the federal government to report its royalty share of estimated oil and gas production from federal proved reserves and the portion of that share to be distributed to others as required supplementary information (RSI), for one year to reporting periods beginning after September 30, 2012 (i.e., fiscal year 2013). Earlier implementation is encouraged.

In addition, also on July 6, 2011, FASAB staff issued [Technical Bulletin 2011-1, Accounting for Federal Natural Resources Other than Oil and Gas](#), clarifying that federal entities should report the value of the federal government's estimated royalties and other revenue from federal natural resources that are (1) under lease, contract or other long-term agreement and (2) reasonably estimable as of the reporting date in RSI, consistent with the guidance contained in SFFAS 38.

Further research on the Natural Resources project will be suspended until the board revisits reporting under SFFAS 41 and Technical Bulletin 2011-1 after three years' of reporting experience to determine if the information required by these two pronouncements should move to basic information as recognition in the financial statements or disclosure in the notes, or remain as RSI.

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

FASB Reporting by Federal Entities (Appropriate Source of GAAP)

At the June 22, 2011, meeting, after discussing a draft project plan and approach, the majority view of the board members was that the project should be dropped. As a result of this decision, staff will close the project and move it from the Active Projects to the Archived Projects. At the board's request, no further research or outreach will be conducted with respect to this project. If there are outstanding questions or issues remaining at the end of the Federal Entity project and the board agrees at a future agenda-setting session that the issues are a priority, the project can always be reopened.

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

Deferred Maintenance & Asset Impairment

At the June 22, 2011 meeting the Board unanimously approved the issuance of an Exposure Draft on measurement and reporting issues related to Deferred Maintenance and Repairs. The ED was issued and comments are requested by September 16th. See <http://www.fasab.gov/board-activities/documents-for-comment/exposure-drafts-and-documents-for-comment/> for the full exposure draft.

The balance of the Board's discussion dealt with the preliminary draft Exposure Draft document entitled, *Accounting and Financial Reporting for Impairment of Capitalized Property, Plant, and Equipment Remaining in Use*.

Members seemed to agree that (1) impairment loss recognition should be limited to very rare instances and (2) impairment loss reversals should not be allowed. The Board made clear that entities are not expected to "survey" their asset portfolios to search for potential impairments. The Board's intent is for the community to adopt the proposed standard only for significant events that are material to the financial statements. Concerning impairment loss reversals, some of the members appeared to agree that reversals seem to be overly complex and unnecessary noting that if events later change and the asset is placed back into service, the costs incurred to place it back into service will become the asset's new basis.

In addition, the Board provided the following advice and counsel regarding other aspects of the preliminary document:

- Whether or not an impairment event can be expected does not seem to drive an impairment decision,
- Management's intention not to restore lost service utility as a test for permanence appears reasonable,
- Service utility losses can be both gradual and sudden,
- Impairment loss calculations should not include improvements or betterments,

- Distinguishing between Replacement and Restoration cost approaches appears to be both reasonable and consistent with expert advice,
- Illustrations should be included for each proposed measurement method,
- Certain proposed methods may need to be carefully considered before adopting into a proposed standard,
- Additional measurement methods may need to be incorporated into a proposed standard, and lastly
- Given a choice among methods, entities should adopt the most efficient method available given the circumstances.

Staff invites interested parties to feel free to share input or observations at any time. Board briefing materials are located on the [June 2011 Briefing Materials](#) page; select Tabs G and H. Should you have any questions, input or observations that you would like to share, please contact Mr. Domenic N. Savini at the information below.

Point of Contact: Domenic Savini, 202-512-6841, SaviniD@fasab.gov

Review of Existing Standards: Earmarked Funds

The exposure draft (ED) entitled *Revisions to Identifying and Reporting Earmarked Funds: Amending Statement of Federal Financial Accounting Standards 27* was issued on June 22, 2011. Comments are requested by August 22, 2011. A copy of the ED and a Word file of the Questions for Respondents are available on the FASAB website at: <http://www.fasab.gov/board-activities/documents-for-comment/exposure-drafts-and-documents-for-comment/>.

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

Asbestos-Related Liabilities

On June 14, 2011, FASAB staff hosted a roundtable on implementation of [Technical Bulletin 2006-1](#) (2006-1) to provide an opportunity for the federal community to learn about others' experiences and methodology for estimating asbestos cleanup costs and discuss best practices and issues surrounding implementation of 2006-1. Once approved, minutes from the roundtable will be available on the [project page](#).

At the June 22, 2011, meeting, board members directed staff to develop a technical bulletin that proposes to extend the deferral of 2006-1 by one year. Staff will provide board members with a draft to review via email, and expects the ED to be released for public comment in mid-July if a majority of members do not object. Once it is released, the ED will be available on our Web site under [Exposure Drafts](#).

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

FASAB Current Technical Agenda and Status of Projects

Project	Key Milestones	Quarter 3 CY2011	Quarter 4 CY2011	Quarter 1 CY2012	Quarter 2 CY2012	Staff Contact
Natural Resources	Final SFFAS 38 April 2010	Final SFFAS 41 Final Technical Bulletin				Julia Ranagan (202-512-7377)
The Federal Entity		Research	Research	ED	DP	Melissa Loughan (202-512-5976)
Deferred Maintenance & Asset Impairment	SFFAS: Definition ED: Measurement	DP: Measurement / Research: Impairment	UR: Measurement/ ED: Impairment	DP: Impairment	UR: Impairment	Domenic N. Savini (202-512-6841)
Earmarked Funds	ED	DP	UR			Eileen Parlow (202-512-7356)
Risk Assumed		Research	Research	Research	Research	Julia Ranagan (202-512-7377), Ross Simms (202-512-2512)
Conceptual Framework Project:						
Measurement Attributes			Final SFFAC			Penny Wardlow (202-512-7350)
Financial Reporting Model		Research	Research	Research	Research	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 meeting the AAPC reviewed the comments on the “Implementation Guide on the Accounting for the Disposal of G-PP&E” exposure draft. Eighteen (18) comment letters were received on the Disposal ED. There were a few respondents that suggested including a “time limit” on how long an asset could be considered “temporarily removed from service.” The Committee agreed that time limits would not be an appropriate restriction due to the vast nature of G-PP&E and related activities throughout the federal community. Additionally, a few respondents requested that a more descriptive account title be designated to G-PP&E when the asset has been permanently removed from service, but awaiting final disposition. The account title was changed to “G-PP&E Permanently Removed but not yet Disposed.”

A comment letter received from the Treasury USSGL Board suggested that gains/losses on G-PP&E disposal be distinguished between “realized” and “unrealized.” This distinction could not be made in the TR because SFFAS 6 does not require the distinction between “realized” and “unrealized.”

In addition, a comment letter was received that questioned the ED’s introduction of the terms “temporary” and “permanent.” The respondent questioned whether the introduction of these terms would cause the technical release’s Level C guidance to override the Level A guidance outlined in SFFAS 6. This issue was brought to the FASAB for consideration at its June meeting. After some discussion, the Board agreed to change the term “temporary” to “other than permanent.” Proposed Technical Release 14 was balloted by the AAPC at its July meeting. Once the TR is approved by the AAPC it will be sent back to the FASAB for a 45-day review period to gain negative assurance from a majority of the Board.

On May 19, 2011 the AAPC issued a *Management’s Discussion and Analysis Best Practices Report*. The AAPC report is intended as a reference for those seeking to improve practices and does not establish authoritative guidance regarding generally accepted accounting principles. The committee’s hope is this guide will be useful to those striving to raise the bar each year. An AAPC task group reviewed fiscal year 2009 MD&A’s and identify best practices aligning with existing standards, concepts, and OMB Circular A-136. Since the MD&A best practices are identified in a report from the AAPC rather than a technical release, public comment was not sought on the report. Therefore, the report does not establish GAAP and does not provide implementation guidance.

The report is available at <http://www.fasab.gov/accounting-standards/other-sources-of-information/other-reports-documents/>

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

FASAB Meeting Schedule

Schedule for 2011 Meetings:

Wednesday, August, 24th and Thursday, August 25th
Wednesday, October 26th and Thursday, October 27th
Monday, December 19th and Tuesday, December 20th

Unless otherwise noted, FASAB meetings begin at 9 AM and conclude before 5 PM. Meetings are held at 441 G Street NW in room 7C13. Agendas and briefing materials are available at <http://www.fasab.gov/board-activities/meeting/briefing-materials/> approximately one week before the meetings.

AAPC Meeting Schedule

Schedule for 2011 Meetings:

Thursday, September 15th
Thursday, November 17th

Unless otherwise noted, AAPC 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://www.fasab.gov/about/aapc/meetings/> approximately one week before the meetings.

Security Notice

If you wish to attend a FASAB or an AAPC meeting, please [pre-register](#) on our Web site **no later than 8 a.m. the Tuesday before the meeting to be observed**. The Government Accountability Office (GAO), which provides space for our meetings, has increased its security procedures and your name must be provided in advance to the GAO security force before you can enter the building. Thank you.