

# Federal Accounting Standards Advisory Board

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## NEWS RELEASE

### **FASAB Issues an Exposure Draft of a Concepts Statement on Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording**

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), Tom Allen, announced today that the FASAB is seeking input on an Exposure Draft (ED) of a Statement of Federal Financial Accounting Concepts, *Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording*. The ED identifies and elucidates conceptual issues for the Board to consider when deliberating measurement standards in the future. It does not propose changes to existing standards. A statement resulting from the ED would be the seventh in the FASAB's series of concepts statements setting forth objectives and fundamentals on which financial accounting and reporting standards will be based.

"How amounts should be measured after initial recording is a significant financial reporting issue under study by national and international standard setters setting standards for both private-sector and government organizations," according to Chairman Allen. "A series of joint meetings between the FASAB and the Governmental Accounting Standards Board provided an opportunity to discuss measurement issues of mutual interest and to promote the use of similar terms for concepts applicable to both the federal and the state and local government sectors. I anticipate that the identification and discussion of different measurement possibilities will enhance the understanding of users and preparers as well as the FASAB's deliberations of future standards."

The principal question addressed in the ED is whether and under what circumstances it might be more useful for users' decision making to report an asset or liability in periods after its acquisition or incurrence (a) at the amount initially recorded, subject to appropriate adjustments for amortization, depreciation, or depletion ("initial amount"—e.g., historical cost) or (b) at an amount measured at each financial statement date ("remeasured amount"—e.g., fair value). The advantages and disadvantages of each approach and of different measurement attributes, such as fair value, settlement amount, and replacement cost, are discussed in relation to the financial reporting objectives and qualitative characteristics identified in Statement of Federal Financial

Accounting Concepts 1, *Objectives of Federal Financial Reporting*. The analysis suggests that different measurement approaches, attributes, and methods may be needed to convey useful information about different transactions and underlying events.

Respondents are encouraged to provide the reasons for their positions. The exposure draft requests comments by November 30, 2010. The exposure draft in PDF format and the specific questions raised in Word format are available at the FASAB website (<http://www.fasab.gov/exposure.html>).

## **ABOUT FASAB**

Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to assess (1) the government's accountability and its efficiency and effectiveness, and (2) the economic, political, and social consequences of the allocation and various uses of federal resources. The FASAB issues federal accounting concepts and standards after following a due process consistent with the Memorandum of Understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

For more information on FASAB, please visit our website: [www.fasab.gov](http://www.fasab.gov).