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Mr. David R. Bean
Director of Research and Technical Activities
Project No. 3-20
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

We appreciate the opportunity to provide our comments on the Governmental Accounting Standards Board (GASB) Preliminary Views (PV), *Recognition of Elements of Financial Statements and Measurement Approaches*. Consistent with the alternative views expressed by two Board members in the PV, we believe the proposed concepts fail to articulate a clearly stated purpose or an explanation of what the financial statements using this measurement focus are intended to communicate. Therefore, we are not able to adequately assess the appropriateness of the proposed changes.

Because of the importance of this Concepts Statement to preparers, users, and auditors, we recommend that the Board align the issuance of the next due process document for this project with the Board's due process document relating to the reexamination of the financial reporting model (Statement 34 reexamination). Such due process documents should make clear what the impact of any proposed concepts would be on the financial reporting model. This approach would greatly assist users and others in understanding the implications of the proposed concepts and provide them with a better basis to comment on the Concepts Statement.

We also recommend the Board perform additional research as to whether the near-term financial resources measurement focus will better serve the user needs. Although we acknowledge the current financial resources measurement focus may have some flaws and inconsistencies that make it difficult to articulate the underlying concepts, we have significant concerns the near-term financial resources measurement focus will not better serve the objectives of financial reporting as set forth in concepts Statement 1. In fact, we believe users may have more difficulty in assessing interperiod equity due to the limited financial information that would be included in the governmental fund financial statements. We also believe the near-term financial resources could diminish the financial accountability that is currently provided by the financial resources measurement focus and also conceal budgetary practices that are fiscally imprudent.



If you have any questions or need additional information regarding our comments, please contact Mr. Jeffrey Markert at 212-909-5306 or jmarkert@kpmg.com.

Very truly yours,

KPMG LLP