October 10, 2013

David R. Bean, CPA
Director of Research and Technical Activities
GASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: June 3, 2013 Exposure Draft (ED) of a Proposed Statement of the Governmental Accounting Standards Board on concepts related to Measurement of Elements of Financial Statements [Project No. 3-20E]

Dear Mr. Bean:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to represent the views of local and regional firms on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC appreciated the opportunity to discuss its comments on this ED with the GASB Chair and staff at the GASB/TIC Liaison Meeting on September 26, 2013. TIC has re-examined the ED and is providing the following comments for your consideration.

GENERAL COMMENTS

TIC supports the two measurement approaches and the four measurement attributes proposed in the ED. The specific comments below also discuss the members' disagreement with the Alternative View in the ED and their recommendation for finalizing this ED and the related GASB Preliminary Views (PV) on major issues related to Fair Value Measurement and Application.

SPECIFIC COMMENTS

Measurement Approaches and Attributes

TIC agrees with the proposed measurement approaches which would require assets and liabilities to be measured at either initial amounts or remeasured amounts, as appropriate, and with the four proposed measurement attributes (historical cost, fair value, replacement cost, and settlement amount). TIC believes these amounts and attributes will provide the most relevant information to meet the objectives of external
financial reporting. TIC also agrees that the requirements for the selection of a specific measurement approach or attribute should be addressed in GASB accounting standards, not the Concepts Statements.

The Alternative View

TIC strongly disagrees with the Alternative View (paragraphs 57-62), which basically opposes the key concepts in the ED. The opposing Board member believes that remeasured amounts more accurately depict the costs of services and therefore provide the necessary information to assess interperiod equity. The member's argument is that the cost should be indicative of the economic sacrifice that the entity made by using an asset in the chosen way rather than by either selling it or using it in an alternative manner. Further, this member believes that Initial Amounts provide no indication of the economic sacrifice either incurred by current taxpayers or to be demanded from taxpayers in the future.

The examples presented to justify the Alternative View revolve mainly around capital assets. The opposing Board member believes that the government should be making ongoing assessments about the need to sell or otherwise dispose of assets used in providing services. TIC concedes that there are instances where this information could be useful, but not as part of the historical financial statements.

For the majority of capital assets (especially infrastructure), a government isn’t really in a position to exit those assets. Bridges and roads don’t normally get sold; therefore, having a remeasured value on those assets does not meet the objectives of external financial reporting and will not be a meaningful measure. As a general rule, government officials do not base their decisions on the fair value concept of highest and best use. In many cases, political considerations are often a factor. Finally, the cost of complying with such continuous remeasurement would be overly burdensome and impractical. Therefore, TIC believes the Alternative View is neither operational nor relevant within the governmental financial reporting arena.

Finalizing the Concepts Statement

Generally, TIC would recommend that a proposed Concepts Statement be finalized prior to a proposed Statement of Governmental Accounting Standards on the same topic. However, since these documents were developed concurrently, TIC is recommending that the Board consider delaying the issuance of the final Concepts Statement until the project on developing a fair value measurement and application standard has been re-exposed as an ED and re-deliberated for final issuance. TIC believes the Board’s deliberations leading to the final fair value and measurement standard could identify something that might warrant revision of the Concepts Statement.

Issuing the Statements simultaneously may have additional benefits. Reading the standards together may assist preparers and practitioners in better understanding the concepts and application of the principles underlying fair value measurement. There is
also nothing to be gained by issuing the Concepts Statement separately from the Standard.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

Karen Kerber, Chair
PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committees