Government Finance Officers Association

Testimony before the

GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Concerning its exposure draft on

MEASUREMENT OF ELEMENTS OF FINANCIAL STATEMENTS

Flushing, New York
November 1, 2013

We are here today on behalf of the Government Finance Officers Association (GFOA) to offer testimony in response to the Governmental Accounting Standards Board’s (GASB) recent exposure draft (ED) on the Measurement of Elements of Financial Statements. This testimony was prepared by the GFOA’s standing Committee on Accounting, Auditing, and Financial Reporting (CAAFR), which advises the GFOA’s Executive Board on all matters related to accounting and financial reporting.

The GFOA supports the GASB’s proposed position on measurement approaches. We agree with the two broad measurement approaches, initial amounts and remeasured amounts, and that the standard setting process should determine the measurement approach to apply to different categories of assets and liabilities.

In addition, we are generally supportive of the definitions of the measurement attributes with one exception. The ED defines settlement amount as:

The amount at which an asset could be realized or a liability could be liquidated with the counterparty, other than in an active market.

We have a concern that the use of the word “could” allows the definition to be open to interpretation that may result in an inappropriately broad view of the circumstances to consider in determining the settlement amount. We suggest that the GASB revise the wording of the settlement amount definition. Perhaps, replacing the word “could” in the definition with “would,” might result in a more precise definition of this attribute.

While generally supportive, we believe that there is a significant item missing from the discussion of the evaluation of the measurement approaches and measurement attributes, which is measurement focus and basis of accounting. The discussion seems to presume that financial statements will be prepared on an economic resources measurement focus/accrual basis of accounting. That measurement focus/basis of accounting, of course, does not apply to governmental funds. This difference in measurement focus/basis of accounting for governmental funds has been a consideration in the development of previously issued standards. For example, the recognition and measurement provisions of GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, do not apply to financial statements prepared using the current financial resources measurement focus. Accordingly, as a concepts statement, we believe this guidance must specifically identify measurement focus/basis of accounting as a consideration in determining a measurement approach and a measurement attribute.

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The GFOA appreciates being afforded the opportunity to testify at this hearing.