



February 21, 2021

Mr. David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
Norwalk, CT

Dear Mr. Bean:

This letter is in response to the Exposure Draft on Concepts Related to *Recognition of Elements of Financial Statements*.

Implementation of this proposed Concept Statement is necessary if the GASB moves forward to implement the standard on *Financial Reporting Model Improvements*. Without this Concept Statement changes to the reporting model will be implemented without a conceptual foundation; one of the major problems with the existing fund reporting model. Thus, I strongly support moving forward with the proposed Concept Statement; however, I do have some comments concerning the current draft.

The GASB seems to have a rather unique way of defining accrual accounting to which many would, and probably will, take issue. Generally, accrual means revenue and/or expenses are recognized when they occur, without consideration to the actual flow of financial resources (such as cash). For example, under accrual accounting the flow of capital costs would not be considered as part of the operating statement since the use of the capital asset has not occurred. Similarly, the flow of debt proceeds would not be considered an activity to be reported on an operating statement due to the fact the proceeds are not related to operating activity or considered an economic event that reflects the current performance of the entity.

The definition of short-term as one year from inception to conclusion of the event/transaction doesn't seem to align particularly well with the whole idea of short-term financial reports. Focusing on the date of inception rather than the balance sheet date, means that it is difficult for the reader to determine the timeframe when resources may become available in the near term (short-term) or will be available to be used in the near term (short-term). This disconnect makes the balance sheet less useful. Defining short-term from the balance sheet date would make it easier for the reader to interpret when the events/transactions on the balance sheet will occur.

Thank you for the opportunity to comment. Please note that the views represented are my own.

Sincerely,

Jacqueline Reck

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