



UNIVERSITY of
DENVER

DANIELS COLLEGE OF BUSINESS
School of Accountancy

February 25, 2021

To: Director of Research and Technical Activities Project No. 3-20

Re: Preliminary Comments and Notification of Intent to Participate in Hearings

I wish to participate via testimony in the public hearings in New York on April 8, 2021. I wish to participate as an observer in all other public hearings and user forums. I will submit additional comments pertaining to my April 8 presentation before March 25. My preliminary comments follow.

In paragraph 7 of Exposure Draft on Project No. 3-20, the GASB concedes, “under an accrual basis of accounting, items are recognized when the underlying transaction or other event occurs”. The GASB contradicts itself when it states, in paragraph 9, “elements of financial statements arising from long-term transactions and other events are recognized *when payments are due*”.

The proposed “short-term financial resources measurement focus and accrual basis of accounting” is not accrual accounting and to present it as such is misleading.

I agree with the statement in paragraph B46 that the short-term financial resources measurement focus and accrual basis of accounting neither demonstrates budgetary compliance nor provides information as to whether current year revenues were sufficient to pay for current year resources.

Citizens who rely on government for services and who provide the government with resources to provide the services need information to assess their representatives’ management of resources, compliance with rules, and the liquidity and solvency of the government. The layered statement of activities suggested in paragraphs B57 to B60 would provide users information that is useful for decision-making purposes and accountability purposes. I support this alternative view.

Another alternative would be for GASB to adopt accounting concepts, definitions, and standards already developed by FASB. Financial reports for government would mirror, as closely as possible, financial reports prepared for private enterprises. Budgetary information could be RSI as proposed by project 3-25.

Citizens most interested in the government’s ability to continue to provide services are often business owners who have some knowledge of financial accounting for private enterprises. They expect financial reports to be prepared under their understanding of accrual accounting — a long-term approach. As stated in paragraph B54, the short-term financial resources measurement focus and accrual basis of accounting fails to address the most pressing drawbacks of the presently employed GASB model: it promotes a short-term fiscal-policy perspective.

I look forward to providing additional comments before and at the public hearing.

Sincerely,

Sharon S Lassar, PhD, CPA (Florida)
John J. Gilbert Professor and Director