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- Requiring materially different recognition guidance for transactions based on the length of time between the inception and the final due date of each transaction is conceptually unsupported. This short-term versus long-term transaction distinction was adopted to achieve a specific result, not for conceptual reasons. It should not be included in the concepts statement.
- Independent recognition criteria for deferred outflows of resources and deferred inflows of resources are of equal importance and impact as those for assets and liabilities and must be developed and articulated in the recognition concepts statement.
- The availability criterion is essential for ensuring that fund balance reflects spendable financial resources and to enhance budgetary accountability. Availability should be an integral part of the concepts statement, most likely associated with recognition guidance for deferred inflows of resources.
- Interperiod equity has no logical role in determining the period to which an inflow or outflow of resources applies. It has no place in a concepts statement on recognition of financial statement elements of governmental funds.
- The short-term financial resources measurement focus should be dropped. As discussed, it is fraught with conceptual and practical problems, handicapped by balance sheet symmetry, useless and potentially misleading in terms of both budgetary accountability and decision making, and, in the words of one Board member, “indefensible.”
- A measurement focus much like the flow of current financial resources measurement focus should be articulated and adopted. It should be termed the flow or near-term financial resources measurement focus so that it is not associated with the “one-year” connotation of “current financial resources” or “short-term financial resources.” Balance sheet symmetry must not be a constraint.

I hope that my analyses and recommendations are constructive and helpful, as intended. I genuinely appreciate the opportunity to provide input to this essential and fundamental project. I am happy to respond to any questions that may arise.

Sincerely,



Craig D. Shoulders, Ph.D.