

Director of Research and Technical Activities,

Project No. 3-23

Comments – Reporting Items Previously Recognized as Assets and Liabilities

In general, I disagree with the use of deferred inflows and deferred outflows. It is very confusing for users of financial statements.

Exposure Draft, Paragraph 13 Intra-Entity Transfers of Future Revenues

Intra-entity transfers are not arm's length transactions. Placing these balances in deferred inflows and deferred outflows could be very misleading. Please consider the substance of the transaction. An intra-entity transfer of future revenues could really just be a loan.

Exposure Draft, paragraph 10 Government-Mandated Nonexchange Transactions and Voluntary Nonexchange Transactions

The following sentence in paragraph 10 should not mention a receivable because it doesn't meet the definition of an asset:

Resources received or recognized as receivable before time requirements are met, but after all other eligibility requirements have been met, should be reported as a deferred outflow of resources by the provider and a deferred inflow of resources by the recipient.

The recipient would not have a receivable until the time requirements are met. See GASB Concept Statement 4, paragraph 8 below:

Assets are resources with present service capacity that the government presently controls.

Also, the provider would not have a liability until the time requirements are met. See GASB Concept Statement 4, paragraph 17 below:

Liabilities are present obligations to sacrifice resources that the government has little or no discretion to avoid.

Exposure Draft, paragraphs 49 and 74

The arguments for or against deferred outflows are not consistent. There is a big difference between “can be used for the future” and “directly relates to the future.”

Sentence from paragraph 49:

Therefore, an excess of pension plan net position represents present service capacity on the part of the employer that can be used to pay future pension benefits to employees for services that they will provide in the future.

Sentence from paragraph 74:

The Board recognizes that the incurred costs represent a consumption of net assets; however, the Board does not believe the costs incurred to originate the lease directly relate to future periods.

Thank you for the opportunity to comment.

Sincerely,
Serena McMurtrey, CPA