Letter of Comment No. 7
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Director of Research and Technical Activities
director@gasb.org
Project No. 25-19

Re: Exposure Draft on Proposed Statement of the Governmental Accounting Standards Board: Technical Corrections an amendment of GASB Statements No. 10 and No. 62.

Comments submitted by: Accounting and Auditing Standards Committee—Society of Louisiana Certified Public Accountants

We would like to offer some specific comments on the proposed standard which is listed in the following section.

Specific Comments

1. I agree with the proposed revision in Para. 3 that deletes Para. 63 of GASB Statement No.10, *Accounting and Financial Reporting for Risk Financing and Related InsuranceIssues.* This paragraph limits fund based reporting of risk financing activities to thegeneral fund and internal service fund type. This amendment will allow governments toaccount for risk financing activities either in the general fund, internal service fund or aspecial revenue fund which meets the GASB No. 54 criteria. This will allow reportingof risk financing activities in the fund type that most accurately reflects the nature of theactivity.

2. I agree with the proposed amendments in Para.4 that deletes the specific guidance in GASB No. 62, Para' s. 222 and 227(b) that does not allow the use of the fair value methodto determine the amount of an operating lease's payments. The fair value method may beappropriate in cases where the value of services provided by a leased asset varies over thelease term. Under the fair value method, the periodic lease payment is based on theestimated fair value of the services provided. This approach is consistent with theconcept of inter-period equity since it attempts to match the cost of services to the valueof the services provided.

3. I agree with the proposed amendments to GASB Statement No. 62, Para. 442 in Para. 5,that removes the guidance on accounting for differences between the loan(s) acquisitioncost and principle amount of the loan acquired. It is appropriate to record a purchase of a loan at its acquisition price since that amount is a more accurate measure of the asset's (the loan's) fair value on the purchase date. This approach is preferable to the guidancein the extant Para. 442 that requires, 1) purchased loans be recorded at their principalbalance amount, and 2) that the difference between the loan principal amount and theacquisition cost be recorded as an adjustment of the loan's yield. This revision isconsistent with GASB No. 48, Para. 13, which requires purchased receivables to berecorded at their purchase price.

Sincerely,

Barbara A. Watts, Chairman

Society of Louisiana CPAs Accounting and Auditing Standards Committee