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United States Government Accountability Office
Washington, DC 20548

September 9, 2011

The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto Ontario Canada M5V 3H2

Subject: International Public Sector Accounting Standards Board (IPSASB)
Conceptual Framework For General Purpose Financial Reporting By Public Sector Entities: Measurement Of Assets And Liabilities In Financial Statements Exposure Draft

This letter provides the U.S. Government Accountability Office's (GAO) comments on the IPSASB Consultation Paper entitled *Conceptual Framework for General Purpose Financial Reporting By Public Sector Entities: Measurement Of Assets And Liabilities In Financial Statements (Phase 3)*. The Conceptual Framework relating to the measurement of assets and liabilities is an important component of The *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* that will establish and make explicit the concepts applied by the Board in developing International Public Sector Accounting Standards (IPSASs) and other non-authoritative guidance. Overall, we are supportive of the framework in that it explores the measurement bases that may be adopted for elements that are recognized in the public sector general purpose financial statements. Such a framework can provide valuable guidance to current and successor Boards when establishing financial reporting standards.

Currently, the Federal Accounting Standards Advisory Board (FASAB) is in the final stage of issuing Statement of Federal Financial Accounting Concepts (SFFAC) 7 which is the *Measurement of the Elements of Accrual-Basis Financial Statements in Periods after Initial Recording*. Through SFFAC 7, consistency, understandability, and usefulness of reported information to decision-makers, including preparers and users of financial information will be enhanced.

We support the Board's efforts to identify factors that may be relevant to selecting a measurement basis for particular assets and liabilities. Further, it is our view that conclusions as to which measurement approach or attribute may be selected for reporting an element in the financial statements under different circumstances

should be considered in the standard-setting process rather than in a conceptual framework. Under this approach, standard setters in their deliberations in developing accounting standards would appropriately consider cost-benefit implications and other practical reporting concerns for specified elements. This may result in differing bases of accounting for particular assets and liabilities. Consequently, we do not believe that the IPSASB Conceptual Framework should indicate a preference of one measurement basis or combination of bases. A discussion of the advantages and disadvantages of different alternatives for measurement in specified circumstances, as included in the Exposure Draft, provides standard setters' with important information on how to develop specific accounting standards dealing with the entities financial reporting objectives.

In addition, it is our view that the board should modify Section 2 of the framework that discusses historical cost by providing additional information on the advantages of historical cost to include that using historical cost as a measurement bases for assets used to provide goods and services also has merit. Specifically, reporting historical amounts without adjustment for holding gains and losses (and excluding amortization, depreciation, and depletion) may help users compare the resources consumed for goods and services with the resources provided for those purposes.

Overall, we are supportive of the Conceptual Framework and appreciate the opportunity to provide comments on this important work. Please contact me at (202) 512 – 9471, franzelj@gao.gov or Robert Dacey, Chief Accountant, at (202) 512-7439, dacey@gao.gov if you have questions on GAO's perspectives.

Sincerely yours,

A handwritten signature in black ink that reads "Jeanette M. Franzel". The signature is written in a cursive style with a large, looping initial "J".

Jeanette M. Franzel
Managing Director,
Financial Management and Assurance