

Date: September 11, 1995

To: Bob Bramlett

From: Judy Yuran, Chairman
SGL Issues Resolution Committee

Subject: Issues Resolution Committee Comments on Revenue ED

Thank you for the opportunity to comment on the Revenue exposure draft. The following comments were developed by the Issues Resolution Committee of the Standard General Ledger Board.

Members of the IRC are very concerned with the cost benefit of implementation of many aspects of this and other FASAB standards. Implementation will require much reprogramming of agencies' systems to capture data in the prescribed way and for creation of new reporting modules. Costs for teaching the new accounting concepts to employees at all levels will also be incurred. Additionally, the standards continue to depart from accounting taught in the nation's schools which lengthen the learning curve of the graduates hired into Federal service. Finally, many folks are wondering if the changes which may certainly work will actually improve the data enough to warrant the effort.

Custodial Statement

What is considered material on the custodial statement? Do you intend for agencies to report interest, penalties and administrative charges collected on delinquent debts and deposited into the Treasury General Fund on this statement? Are employer contributions to Thrift Savings, Retirement and Health Benefits considered custodial activity for the employing agency?

Uncollectible Amounts

We believe that netting accrued revenue with uncollectible amounts is inappropriate. Netting the two amounts will understate the amount of revenue actually earned. Even with respect to IRS tax collections, when a tax is levied, it is earned through the government's sovereign power to tax the citizenry.

Additionally, by not recording bad debt expense, representing uncollectible amounts on the face of the statement, you lose an important performance measurement tool for debt collection activity. Finally, how can we record an allowance for doubtful accounts as a reduction to accounts receivable on the balance sheet without an offsetting bad debt expense on the Statement of

Net Cost?

Volume 1, paragraph 35. The last sentence change "recognizing the appropriation" to "reducing the appropriation."

Volume 1, paragraphs 47 & 120. These paragraphs state that the standards for exchange revenue are not applicable to direct loans and loan guarantees under credit reform. However, Volume 2, paragraph 30 states that interest on direct loans under credit reform is exchange revenue. Please, specify what credit reform revenue is exchange revenue in Volume 1 paragraphs 47 & 120.

Volume 1, paragraph 193. The matching concept as defined in GAAP matches periodic revenue earned with expenses. The federal government in many cases does not earn revenue but receives appropriated funds to cover expenses. We understand the FASAB desire to match "appropriated capital used" with "appropriated funds expended" in the same period. However, the term "net results of operations" used in the "Statement of Changes in Net Position" has a specific definition in GAAP that indicates expenses are netted against revenue to show a profit or loss. We suggest changing the line item "Net results of Operations" to "Excess/shortage of Net Costs over Financing Sources Provided in the Current Period."

Volume 2, paragraph 30. This paragraph is inconsistent with FASAB standard 2. Suggest second sentence change: Delete "two parts": and "and amortized interest...passage of time." Also, delete the complete 3rd sentence.

Thank you again for the opportunity to comment. Please feel free to call me on (202)874-6308 if you'd like to discuss these comments or need additional information.