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GASB Issues Concepts Statement on Measurement of Assets and Liabilities.

Norwalk, CT, April 14, 2014—The Governmental Accounting Standards Board (GASB) today issued Concepts Statement No. 6, [Measurement of Elements of Financial Statements](#), which will guide the GASB in establishing accounting and financial reporting standards for U.S. state and local governments regarding the measurement of assets and liabilities.

Concepts Statement 6 augments the framework the Board employs in order to promote consistency in setting accounting and financial reporting standards and is primarily intended for the Board's use. The new concepts also may benefit preparers and auditors of financial statements when evaluating transactions for which there are no existing standards.

"Measurement is an integral component of a fully developed GASB conceptual framework," said GASB Chairman David A. Vaudt. "Our stakeholders should be able to count on the GASB's standards consistently addressing financial transactions and other events in a similar manner. The conceptual framework helps to promote that consistency."

Measurement Approaches

Concepts Statement 6 establishes concepts that will inform the GASB's decisions when setting future standards for how state and local governments determine the dollar amount at which to report assets and liabilities.

It establishes two approaches to measuring assets and liabilities—initial amounts and remeasured amounts. Initial amounts are determined at the time an asset is acquired or a liability is incurred. Remeasured amounts are determined as of the date of each year's financial statements.

Measurement Attributes

Concepts Statement 6 also establishes four measurement attributes—the characteristics of an asset or liability that is being measured:

- **Historical cost** is the price paid to acquire an asset or the amount received pursuant to the incurrence of a liability in an actual exchange transaction.
- **Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- **Replacement cost** is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the measurement date.
- **Settlement amount** is the amount at which an asset could be realized or a liability could be liquidated with the counterparty, other than in an active market.

The full text of [Concepts Statement 6](#) is available on the GASB website.

About the Governmental Accounting Standards Board

The GASB is the independent, not-for-profit organization formed in 1984 that establishes and improves financial accounting and reporting standards for state and local governments. Its seven members are drawn from the Board's diverse constituency, including preparers and auditors of government financial statements, users of those statements, and members of the academic community. More information about the GASB can be found at its website, www.gasb.org.

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