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GASB Adds Pre-Agenda Research on Going Concern, Debt; Removes Project on Financial Projections.

Norwalk, CT, April 24, 2015—The Governmental Accounting Standards Board (GASB) yesterday voted to initiate pre-agenda research on improvements to going concern and debt disclosure guidance. In a related action, the Board also decided to remove the project on Economic Condition Reporting from the current technical agenda.

The Board decided to initiate research on going concern disclosures based on feedback from stakeholders, who suggested that the GASB should examine the relevance of the "going concern" concept as it applies to governments and government organizations. Stakeholders noted that governments rarely go out of business.

The going concern research will focus on whether existing GAAP standards provide state and local government financial statement preparers with sufficient guidance about management's responsibilities for evaluating and disclosing uncertainties associated with severe financial stress.

The economic condition project—which contemplated financial reporting requirements related to financial projections—was put on hold in 2012 and has not been subject to deliberations since that time.

"The input and feedback we received from stakeholders on the Preliminary Views on economic condition reporting was highly valuable and will likely serve to inform our work in the future—including the research the Board has called for regarding going concern disclosures," said GASB Chair David A. Vaudt.

The GASB also approved research on potential improvements to debt disclosure guidance. With state and local governments diversifying their debt-issuance practices—increasingly seeking direct bank loans rather than issuing municipal bonds—disclosures in this area have been inconsistent. The research will focus on whether notes to the financial statements currently provide sufficient debt information to financial statement users for decision making and assessments of accountability.

Both going concern and debt disclosure guidance were identified as high priorities by the members of the Governmental Accounting Standards Advisory Council (GASAC) at their March 2015 meeting. Based on the outcomes of the research and feedback from stakeholders, including the GASAC, the Board will decide whether to add projects to the current technical agenda to consider amending the existing standards.

More information about the new pre-agenda research activities will available in the coming weeks at www.gasb.org.

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