

Attached is HUD's response to the FASAB exposure draft that is due by December 28. Please do not hesitate to contact me if you have any questions.

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Questions for Respondents

Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statements on Auditing

- Q1. The FASAB proposes to incorporate accounting principles regarding subsequent events that currently reside in the professional auditing literature into the FASAB's authoritative literature. Do you agree or disagree with the FASAB's proposal? Please explain the reasons for your position in as much detail as possible.

The Department of Housing and Urban Development (HUD) concurs with the FASAB Board's position that the guidance is readily adaptable to the federal government environment with only minor terminology enhancements. HUD also agrees that the requirements in this proposed Statement would improve financial reporting by incorporating FASAB's authoritative accounting and financial reporting literature into a single source and thereby better enabling entities to prepare financial statements in conformity with generally accepted accounting principles (GAAP).

- Q2. The FASAB considered accounting and financial reporting guidance discussed in AU Section 341, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*, and determined that the guidance was not readily adaptable to the federal government environment (see paragraphs A5 – A8). Do you agree or disagree with the FASAB's decision? Please explain the reasons for your position in as much detail as possible.

HUD concurs with the FASAB Board members to exclude the going concern standard from the Statement as the guidance was not readily adaptable to the federal government environment. HUD also concurs with FASAB that since the federal government is unique and has the power to tax, borrow, create money and must continue to provide public services that some federal government components units may experience fiscal challenges and may need to seek additional funding from Congress to continue their missions.

- Q3. The FASAB also considered accounting and financial reporting guidance discussed in AU Section 334, *Related Parties*, and determined that the guidance was not readily adaptable to the federal government environment. However, the FASAB plans to continue research on related parties as part of its Entity project (see paragraphs A9 – A12). Do you agree or disagree with the FASAB's decision? Please explain the reasons for your position in as much detail as possible.

HUD agrees that it is prudent to wait for the FASAB results from the research on related parties as part of the Entity project and use the research results to develop related party guidance applicable to the federal government environment.