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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.

Apr. 16, 2014

The Governmental Accounting Standards Board (GASB) has released Concepts Statement No. 6, Measurement of Elements of Financial Statements, which will guide GASB in establishing accounting and financial reporting standards for U.S. state and local governments regarding the measurement of assets and liabilities.

GASB is an independent, not-for-profit organization formed in 1984 that establishes and improves financial accounting and reporting standards for state and local governments.

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 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 GASB's decisions when setting future standards for how state and local governments determine the dollar

amount at which to report assets and liabilities.

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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 counter-party, other than in an active market.

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

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