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ACCOUNTING

GASB Requests Input on Proposal to Improve Guidance on Compensated Absences, Amend Certain Disclosures

The proposed Statement would supersede the guidance issued by the GASB in Statement No. 16, Accounting for Compensated Absences, which was issued in 1992. The proposal is in keeping with the Board's commitment to periodically reexamine its standards to...

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The Governmental Accounting Standards Board (GASB) today issued for public feedback a proposed Statement designed to enhance the recognition and measurement guidance for compensated absences and refine related disclosure requirements.

The proposed Statement would supersede the guidance issued by the GASB in Statement No. 16, *Accounting for Compensated Absences*, which was issued in 1992. The proposal is in keeping with the Board's commitment to periodically reexamine its standards to ensure they remain effective.

State and local governments often provide paid leave benefits to their employees, such as vacation leave and sick leave. Some benefits have evolved such as with the use of a paid time off (PTO) model that may have characteristics of both vacation and sick leave. The [Exposure Draft](#), *Compensated Absences*, proposes to align recognition and measurement guidance for all types of compensated absences under a unified model.

The Exposure Draft details the circumstances under which governments would be required to recognize a liability for compensated absences and proposes guidance for measuring that liability. The general approach for measurement would be accumulated leave multiplied by an employee's pay rate as of the financial reporting date.

The proposed model would result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. The Board believes the model also would lead to greater consistency in application and improved comparability across governments.

The proposal would amend certain disclosures that are required at present. For example, the proposed Statement would provide an alternative to the existing requirement to disclose the gross increases and decreases in a compensated absences liability, such that governments would have an option to disclose only the net change in the liability.

Stakeholders are asked to review the proposal and provide input to the Board by June 4, 2021. More information about commenting on the Exposure Draft can be found in the document, which is available on the GASB website, www.gasb.org.

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