

Life According to FASB

By Jean Price

In many ways, our lives can be compared to business entities. For example, financial accounting measures and reports the financial position of business entities. In a similar fashion, we can assess our activities develop a picture of the “personal position of our lives.” We’ve all heard it said, “Time is money.” Money is certainly an asset reported as part of financial position, so time must also be an asset, right? Time may not be listed as an asset on balance sheets reporting financial position; however, when imagining a balance sheet to reflect our personal position, time would certainly be considered one of our most valuable assets.

According to FASB Concepts Statement No. 6, all assets have three characteristics in common: “Assets are probable future benefits obtained or controlled by a particular entity as a result of past transactions or events (CON 6, par, 25).” Consider the characteristics of time. Probable future benefits? Absolutely! Each of us is a separate, particular entity obtaining, in the most cases controlling, our own time. And the past event resulting in each person’s time is birth. Time meets FASB’s definition of an asset, and is crucial when evaluating your personal position.

As with many assets, difficulties arise when we try to measure time. At any point in life, each of us has a finite amount of time available for our future. As mere mortals, we aren’t privy to how much time we actually have remaining, so we can’t even consider quantifying the asset on our personal balance sheets. In fact, even if we knew exactly

how much time we had in front of us, how would we develop a corresponding dollar figure, or any other meaningful measurement? Although we can't quantify time or measure its precise value, it is helpful to look more closely at how this asset flows through our lives, just as cash flows through a business entity,

Returning to the authoritative source, we find that money, "is valuable because of when it can buy. It can be exchanged for virtually any good or service that is available or it can be saved and exchanged for them in the future (CON 6, Par, 29). Time, too, is valuable because it can be exchanged for a variety of things. However, unlike money, time can't be set aside and saved for future use. Another significant difference must be acknowledged – spending money to acquire other things is generally the result of someone's will to complete the transaction. Now, think about time—we spend it each and every moment, most often without even being aware of the process. Even if we can't control the rate of usage, we should consider time's purchasing power. Think about the various ways you use your time. As you spend time (use up part of the asset), what can you acquire?

Now while you are a student, much of your time is spent in classes and in completing related work outside of class. What are you receiving in exchange for that time?

Continuing the analogy, time devoted to your academic endeavors compares to cash invested for a long-term return. For most people, simply becoming well-educated is not the primary goal of schooling. Rather, we invest time into our education hoping to receive in return a firm foundation upon which we can build a career. The return on time

invested now won't be fully realized for years-clearly, an example of a long-term investment.

Once you complete your formal education and accept a position as an accountant, your job will most likely absorb all the time you now devote to your academic work. At that point, your time on the job will have at least two functions. Using time in this manner will generate revenue (your paycheck); concurrently, work time will be an additional long-term investment in your career. We can all agree that investing in your future by investing in your career is generally a good use of time but what about activities at the other end of the spectrum?

Some uses of time may initially appear to have absolutely no value, Time spent on routine personal hygiene activities may not seem to be as wisely used as time invested in your career. Is that time simply wasted? No! Not unlike equipment and machinery used in businesses, our bodies require ongoing maintenance. Time spent showering and shaving may not seem to be the most important part of the day, but we can't escape the necessary upkeep.

Let's consider another type of activity that most likely consumes a portion of your time-exercise. Is the time spent exercising simply maintenance just like daily hygiene activities, or is it an investment similar to the time invested in your career? Answers vary. Think about what *you* receive in exchange for the time you spend exercising. To the extent that you exercise in order to maintain the way you look, the time spent could be

considered another component of necessary maintenance and upkeep. Some people, however, exercise primarily to relieve stress. In this case, the benefit from time spent exercising, stress reduction, might be considered an enhancement of life rather than simply basic maintenance. To the extent that the benefit is received almost immediately, use of time in this setting resembles using cash for expenses. “Stress Reduction Expense” may not be a required expense, but the benefits received for this use of time are clear.

In another sense, however, time used to exercise may be more like an investment of the asset. FASB suggests that in a business enterprise, the service potential of assets ultimately results in net cash inflows (CON 6, par, 28). In our “personal enterprise,” the service potential of time should ultimately result in net inflows of fulfillment (to be defined by each individual). If the use of exercise results in long-term good health, such inflows will be enhanced. Returns from such an investment of time are usually received over a period of years.

An additional potential benefit of the time you spend exercising is a “life extension.” Indeed, it appears that exercising regularly might prolong your life. We have all learned about the time value of money, but what about the time value of time? We may not be able to access the specific value of time now or time in our future, but the use of time operates much in the same way as the use of cash. Exchanging exercise time now for a bonus of additional time in the future sounds like a pretty wise investment.

Now, let's consider the single activity that consumes the most total time during our lives—sleeping! An initial reaction might be to quickly conclude that time we devote to sleeping is wasted time. Sleep is anything but a waste of your time. From a financial accountant's viewpoint, sleep shares several characteristics of other activities already discussed. At the very least, sleep is a factor in the requirements for basic maintenance and upkeep of our bodies. Adequate sleep is certainly necessary if we hope to maintain our health and appearance. But don't ignore the other benefits it offers.

Consider the time you spend sleeping as another component of the long-term investments you are making into your career. Being well-rested will improve your mind's ability to process and retain information, and to develop appropriate responses to the information received. Most likely, you have experienced days when you found it necessary to function with little or no sleep. Think about the impacts you experienced when you studied, attended class, and/or interacted with others while being sleep deprived. In an educational setting, it is easy to see the ramifications of such a situation. Students operating with sleep deficiencies are more likely to perform poorly on tests and to experience difficulty focusing on the information flowing during a class session.

Don't think that you have left the importance of sleep behind as you move from school to a career position. Your work each and every day contributes to the overall evaluation of your performance. Whether your tasks are particularly challenging or mundane, your performance will suffer if you don't invest a reasonable portion of your time giving your mind and body the nourishment they need to get from sleep.

Based on the examples given, time qualifies as an asset, and can be used in much the same way as the most basic asset-cash. Further, two characteristics of time make it even more valuable than cash: (1) The amount available to each of us is finite. To a limited degree, we may be able to add to our allotted time, but certainly not as directly as we can acquire more cash. (2) Our time is being used, spent, invested, and possibly wasted at a pace we cannot control. We can and *should* control how our time is used, but we have no control over the rate at which it is consumed.

Is it possible to waste time? Wasting time can be characterized as the use of the asset with no resulting benefit. Consider possibilities. Some would argue that time spent on entertainment with no education value is time wasted. If you consider enjoyment or relaxation to be a benefit, the time is not being wasted. How about the time spent in line at the grocery store? Time certainly passes as we wait, but if you make use of the time to organize your plans or “clear your head,” a benefit has been reaped.

Just as having only one use of cash would not be a good strategy for a business, devoting all of one’s life to a single purpose would not be a wise approach to life. In addition, it isn’t necessary that we identify and categorize every use of our time. Rather, what’s important is that we become more aware of the passing of time. We can invest this asset for long-term or short-term returns, spend it on maintenance or pleasure, or possibly even waste it. Let’s hope that we become more aware of how best we use our time-it’s our most valuable asset.

