

Federal Accounting Standards Advisory Board

FOR MORE INFORMATION:
Ross Simms
(202) 512-2512
SimmsR@fasab.gov

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Julia Ranagan
(202) 512-7377
RanaganJ@fasab.gov

NEWS RELEASE

FASAB Releases Exposure Draft on the GAAP Hierarchy for Federal Entities

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), Tom Allen, announced today that the FASAB is seeking input on the Exposure Draft (ED), *The Hierarchy of Generally Accepted Accounting Principles for Federal Entities, Including the Application of Standards Issued by the Financial Accounting Standards Board*. The ED proposes to incorporate the hierarchy of generally accepted accounting principles (GAAP) into the FASAB's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of federal reporting entities that are presented in conformity with GAAP and the framework for selecting those principles. Currently, the hierarchy for selecting the principles used in the preparation of financial statements by federal reporting entities is set forth in auditing standards, rather than in the authoritative literature of the FASAB. "Incorporating the GAAP hierarchy into the FASAB's authoritative literature would more clearly convey that financial statement preparers are responsible for selecting the sources of the principles to be used in preparing GAAP financial statements," according to Chairman Allen. The FASAB does not expect that simply incorporating the hierarchy into the accounting literature would require a change in current practice.

The ED also proposes to clarify GAAP for those federal entities that are currently applying financial accounting and reporting standards issued by the Financial Accounting Standards Board (FASB). The ED allows federal entities that have issued general purpose financial reports prior to October 19, 1999, in conformance with accounting and reporting principles issued by the FASB, to continue to do so. In addition, the ED provides interim guidance for federal entities that begin preparing GAAP-based financial statements for the first time.

The ED poses questions to respondents regarding the GAAP Hierarchy and the application of standards issued by the FASB. Also, in the future, the FASAB plans to conduct deliberations on the reporting by federal entities that primarily apply standards issued by the FASB. The ED presents questions to aid in those discussions. The exposure draft requests comments by February 2, 2009, and respondents are encouraged to provide the reasons for their positions. The exposure draft in PDF format and the specific questions raised in Word format are available at the FASAB website (<http://www.fasab.gov/exposure.html>).

ABOUT FASAB

Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to assess (1) the government's accountability and its efficiency and effectiveness, and (2) the economic, political, and social consequences of the allocation and various uses of federal resources. The FASAB issues federal accounting standards after following a due process consistent with the Memorandum of Understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

For more information on FASAB, please visit our website: www.fasab.gov.