

Federal Accounting Standards Advisory Board

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NEWS RELEASE

FASAB Releases Standard on the GAAP Hierarchy for Federal Entities

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), Tom Allen, announced today that the FASAB issued Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles for Federal Entities, Including the Application of Standards Issued by the Financial Accounting Standards Board*. SFFAS 34 incorporates 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. Previously, the hierarchy for selecting the principles used in the preparation of financial statements by federal reporting entities was set forth in American Institute of Certified Public Accountants' (AICPA) Statement on Auditing Standards (SAS) No. 91, *The Federal GAAP Hierarchy*, 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. Because the FASAB decided not to reconsider the guidance provided in the auditing literature, the order of priority for accounting and financial reporting guidance will remain unchanged in practice.

SFFAS 34 also provides interim guidance for those federal entities that are currently applying financial accounting and reporting standards issued by the Financial Accounting Standards Board (FASB). The Statement 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 Statement provides interim guidance for federal entities that begin preparing GAAP-based financial statements for the first time. SFFAS 34 is effective immediately.

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.

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