



October 3, 2008

Memorandum

To: Members of the Board

From: Julia Ranagan, Assistant Director

Ross Simms, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: Hierarchy of Generally Accepted Accounting Principles, Including the Use of Standards Issued by the Financial Accounting Standards Board – TAB D<sup>1</sup>

**MEETING OBJECTIVE**

The objective for the meeting is to review the draft exposure draft (ED) entitled, *Hierarchy of Generally Accepted Accounting Principles, Including the Use of Standards Issued by the Financial Accounting Standards Board*. Attachments 1 and 2 provide “tracked changes” and clean versions of the draft ED, respectively.

**BRIEFING MATERIALS**

The following materials are attached to this memorandum.

1. Tracked changes version of the draft ED.
2. Clean version of the draft ED.
3. Governmental Accounting Standards Board (GASB) ED, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

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<sup>1</sup> The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

4. Research paper on characteristics of government business enterprises (GBEs) developed by other standards-setters (**will be provided in the second distribution on October 10th**)

## BACKGROUND

At the August 2008 meeting, staff presented a working draft ED that (1) incorporated the hierarchy of generally accepted accounting principles (GAAP) into the FASAB's authoritative literature and (2) provided two options for an interim measure to clarify the source of GAAP for those federal entities that continue to apply financial accounting and reporting principles issued by the Financial Accounting Standards Board (FASB).<sup>2</sup> The GAAP hierarchy presented 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. The GAAP hierarchy component was largely based on the work of the Governmental Accounting Standards Board (GASB) which, on August 28, 2008, issued an ED regarding the GAAP hierarchy for state and local governments. The GASB ED, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is provided in Attachment 3.

Regarding the source of GAAP component, the working draft ED discussed two options – Option A and Option B. A summary of the two options is as follows:

1. Option A would allow the current practice to continue with the understanding that a full blown project would be initiated to identify major differences between FASB and FASAB GAAP and develop standards to address them. This option would be an interim measure that would address the issue for purposes of issuing the GAAP Hierarchy ED.
2. Option B would (1) allow the current practice to continue, (2) provide criteria for newly created entities to follow based on the needs of the primary financial statement users, (3) require entities following FASB to provide FASAB information for consolidation, and (4) prevent agencies from switching from FASAB to FASB by requiring that once a particular source of GAAP is selected, it be followed from year to year for consistency purposes. This option would not be followed up by a full-blown project but issues could be addressed as questions arise.

Members agreed that both the GAAP hierarchy and an interim provision to address the source of GAAP issue would be issued in a single document.

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<sup>2</sup> The provision that allows federal entities that have issued general purpose financial reports in conformance with accounting and reporting principles issued by the FASB prior to October 19, 1999 to continue to do so is contained in a FASAB newsletter, rather than in the authoritative literature of the FASAB.

## ISSUE

### 1. Do members agree with the staff proposed changes?

As presented in the tracked changes version of the ED, staff has incorporated the following changes since the August 2008 meeting:

- a. Given that the ED includes guidance on the application of standards issued by the FASB, staff changed the title of the ED from “The Hierarchy of Generally Accepted Accounting Principles” to “The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board.”
- b. Revised the Executive Summary, beginning on page 4, to reflect staff’s proposal for addressing the issue of entities following FASB GAAP.
- c. Developed questions for respondents regarding the FASB GAAP issue. See pp. 7-8
- d. Paragraph 7. Edited the paragraph to clarify when entities may consider other accounting literature. If the accounting treatment for a transaction or event is not specified by a pronouncement or established in practice as described in categories (a)–(d) of the hierarchy, a federal reporting entity should first consider accounting principles for similar transactions or events within categories (a)–(d) and may then consider other accounting literature.
- e. Section entitled, “Application of Standards Issued by the Financial Accounting Standards Board” presents proposed language for addressing the FASB GAAP issue. Beginning on page 12, the proposals include the following:
  - a. Entities that have previously prepared financial reports in conformity with FASB GAAP be allowed to continue to do so.
  - b. Newly created entities should follow FASAB standards, given that FASAB GAAP is preferred for federal reporting.
  - c. In rare instances, newly created entities may elect to follow FASB GAAP if criteria, which are discussed in the ED, are met.
  - d. Entities following FASB GAAP should provide FASAB information for consolidation.
  - e. Once an accounting and reporting model has been applied, it should be followed consistently from year to year.
- f. Paragraph 15. Modified the language for the Effective Date of the proposed standard. It notes that except for paragraph 12, the proposed standards would be effective upon issuance. Paragraph 12 calls for entities following FASB GAAP to provide FASAB information for the consolidated financial report of the U.S. Government. This requirement would be effective for reporting periods beginning after September 30, 2012.
- g. Added Appendix C: Examples of Federal Entities that Apply FASB Standards. Appendix C: Examples of Federal Entities that Apply FASB Standards provides (1) a brief description and characteristics of federal

- entities that apply FASB standards and (2) a list of areas where differences have been noted between FASAB and FASB accounting and reporting.
- h. Staff also incorporated several edits to clarify the standards.

If you have questions or need additional information, please contact us (Ross at 202-512-2512 or by email at [simmsr@fasab.gov](mailto:simmsr@fasab.gov) and Julia at 202-512-7377 or by email at [ranaganj@fasab.gov](mailto:ranaganj@fasab.gov)) as soon as possible.

#### Attachments

Draft Exposure Draft – Tracked Changes Version

Draft Exposure Draft – Clean Version

GASB Exposure Draft, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued for comment August 28, 2008

Research paper on characteristics of government business enterprises (GBEs) developed by other standards-setters (**will be provided in the second distribution on October 10th**)



Federal Accounting Standards Advisory Board

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The Hierarchy of **Generally Accepted Accounting Principles**,  
Including the Application of Standards Issued by the Financial  
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**Statement of Federal Financial Accounting Standards**

**Exposure Draft**

Written comments are requested by 90 days after issuance

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**October XX, 2008**

Working Draft – Comments Are Not Requested on This Draft

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## **THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD**

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General, established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the Federal Government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, Federal executives, Federal program managers, and other users of Federal financial information. The proposed standards are published in an Exposure Draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for Federal accounting and reporting.

Additional background information is available from the FASAB or its website:

- "Memorandum of Understanding among the General Accounting Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board."
- "Mission Statement: Federal Accounting Standards Advisory Board", Exposure drafts, Statements of Federal Financial Accounting Standards and Concepts, FASAB newsletters, and other items of interest are posted on FASAB's website at: [www.fasab.gov](http://www.fasab.gov).

Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 6814  
Mail stop 6K17V  
Washington, DC 20548  
Telephone 202-512-7350  
FAX – 202-512-7366  
[www.fasab.gov](http://www.fasab.gov)

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Federal Accounting Standards Advisory Board

October 2008

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

The Federal Accounting Standards Advisory Board (FASAB or the Board) is requesting comments on the exposure draft of a proposed Statement of Federal Financial Accounting Standards entitled, *Generally Accepted Accounting Principles for Federal Entities, Including the Application of Standards Issued by the Financial Accounting Standards Board*. Specific questions for your consideration appear on page 7 but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by **90 days after issuance**.

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All comments received by the FASAB are considered public information. Those comments may be posted to the FASAB's website and will be included in the project's public record.

We have experienced delays in mail delivery due to increased screening procedures. Therefore, please provide your comments in electronic form. Responses in electronic form should be sent by e-mail to [fasab@fasab.gov](mailto:fasab@fasab.gov). If you are unable to provide electronic delivery, we urge you to fax the comments to (202) 512-7366. Please follow up by mailing your comments to:

Wendy M. Payne, Executive Director  
Federal Accounting Standards Advisory Board  
Mailstop 6K17V  
441 G Street, NW, Suite 6814  
Washington, DC 20548

The Board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. **No hearing has yet been scheduled for this exposure draft.** Notice of the date and location of any public hearing on this document will be published in the *Federal Register* and in the FASAB's newsletter.

Tom L. Allen  
Chairman

## 1 Executive Summary

## 2 What is the Board proposing?

3

4 This statement proposes to incorporate the hierarchy of generally accepted  
5 accounting principles (GAAP) into the FASAB's authoritative literature. The  
6 "GAAP hierarchy" consists of the sources of accounting principles used in the  
7 preparation of financial statements of federal reporting entities that are presented  
8 in conformity with GAAP and the framework for selecting those principles. This  
9 proposed statement would also clarify GAAP for those federal entities that  
10 continue to apply financial accounting and reporting principles issued by the  
11 Financial Accounting Standards Board (FASB).

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12 How would this proposal improve federal financial reporting and contribute to  
13 meeting the federal financial reporting objectives?  
14

15 The FASAB is the body designated by the American Institute of Certified Public  
16 Accountants (AICPA) as the source of GAAP for federal reporting entities. As  
17 such, the FASAB is responsible for identifying the sources of accounting  
18 principles and providing federal reporting entities with a framework for selecting  
19 the principles used in the preparation of financial statements that are presented  
20 in conformity with GAAP. However, the current GAAP hierarchy is set forth in the  
21 AICPA Statement on Auditing Standards (SAS) No. 91, *Federal GAAP Hierarchy*,  
22 rather than in the authoritative literature of the FASAB. The Board believes that  
23 the structure for the selection of principles used in the *preparation* of financial  
24 statements should be directed to federal reporting entities because it is the  
25 preparer of financial statements that is responsible for identifying accounting  
26 principles for financial statements that are presented in conformity with GAAP.  
27 Accordingly, the Board concluded that the GAAP hierarchy should reside in the  
28 accounting literature established by the FASAB and is issuing this Statement to  
29 accomplish that objective. The Board does not expect that incorporating the  
30 hierarchy into the accounting literature will result in a change in current practice.

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31 In addition, the provision that allows federal entities that have issued general  
32 purpose financial reports in conformance with accounting and reporting principles  
33 issued by the FASB prior to October 19, 1999 to continue to do so is contained in

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Federal Accounting Standards Advisory Board

The Hierarchy of Generally Accepted Accounting Principles, Including the Application of  
Standards Issued by the Financial Accounting Standards Board

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a FASAB newsletter, rather than in the authoritative literature of the FASAB.<sup>1</sup> This proposed Statement would incorporate the newsletter provision into the standards. The Board has decided that no federal entities will be required to convert to FASAB standards for their standalone general purpose financial reports at this time. However, the Board believes that the consolidated financial report of the U.S. Government (CFR) and consolidated financial reports of entities that also consolidate FASB-based reporting entities should conform with accounting and reporting principles issued by the FASAB in all material respects. Therefore, paragraph 12 provides that where material differences would arise due to differences between the standards issued by the two boards federal entities should provide any additional reporting or supplementary information when financial information is submitted for consolidation into another federal reporting entity.

This requirement may result in a change in practice for those entities that have not been providing such information in the past.<sup>2</sup> However, the Board expects the effect on the community to be minimal since it relates only to areas where material differences arise. The Board has initiated a separate project, Appropriate Source of GAAP, to assist the Board in determining whether additional reporting should be required in standalone financial reports of federal entities that are currently applying FASB accounting standards.

<sup>1</sup> FASAB News, Jan.-March 2000, p. 2. See Appendix C for a listing of entities that apply standards issued by the FASB and the areas where differences arise.

<sup>2</sup> Note that OMB Circular A-136, Section V.1 currently requires submission of information regarding material differences. In addition, previous FASAB standards established this general principle through guidance regarding applicability of the standards. This proposal would establish that provision in level a GAAP.

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## Questions for Respondents

The FASAB encourages you to become familiar with all proposals in the Statement before responding to the questions in this section. In addition to the questions below, the Board also would welcome your comments on other aspects of the proposed Statement.

The Board believes that this proposal would improve federal financial reporting and contribute to meeting the federal financial reporting objectives. The Board has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have in regard to implementing this proposal.

Because the proposals may be modified before a final Statement is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views will be especially appreciated.

The questions in this section are available in a Word file for your use at [www.fasab.gov/exposure.html](http://www.fasab.gov/exposure.html). Your responses should be sent by e-mail to [fasab@fasab.gov](mailto:fasab@fasab.gov). If you are unable to respond electronically, please fax your responses to (202) 512-7366 and follow up by mailing your responses to:

Wendy M. Payne, Executive Director  
Federal Accounting Standards Advisory Board  
Mailstop 6K17V  
441 G Street, NW, Suite 6814  
Washington, DC 20548

All responses are requested by 90 days after issuance.

Q1. This Exposure Draft (ED) proposes to incorporate the hierarchy of generally accepted accounting principles (GAAP) that currently resides in the professional auditing literature into the FASAB's authoritative literature. Do you agree with the hierarchy presented in the Exposure Draft (see paragraphs 5 - 8)? If not, please explain why.

Q2. This ED also proposes to regard general purpose financial reports prepared in conformity with accounting standards issued by the Financial Accounting Standards Board (FASB) as in conformity with GAAP for those entities that have in the past issued such reports. Do you agree with the Board's position (see paragraph 9)? If not, please explain why.

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Q3. The Board has tentatively decided that no federal entities will be required to convert to FASAB standards for their standalone general purpose financial reports at this time; however, the Board believes that information provided to the U.S. Department of the Treasury for the consolidated financial report of the U.S. Government (CFR) should conform with accounting and reporting principles issued by the FASAB where there are material differences between the two sources. Do you agree with the Board's position (see paragraph 12)? If not, please explain why.

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## 1 Introduction

### 2 Purpose

1. The objective of this Statement is to identify the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of federal reporting entities that are presented in conformity with generally accepted accounting principles (the GAAP hierarchy).

### 9 Materiality

2. The provisions of this Statement need not be applied to immaterial items. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

### 16 Effective Date

3. The requirements in this standard are effective upon its issuance with the exception of the specific paragraph listed below. This exception allows time to plan and budget for the provision of additional information for the consolidated financial report of the U.S. Government (CFR) that is not currently readily available.

- a. Par. 12 is effective for reporting periods beginning after September 30, 2012. Earlier implementation is encouraged.

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## Proposed Standard

### Scope

4. This Statement applies to the financial statements of all federal reporting entities that are presented in conformity with generally accepted accounting principles (GAAP).

### The Hierarchy of Generally Accepted Accounting Principles

5. The hierarchy of generally accepted accounting principles, hereafter referred to as the GAAP Hierarchy, governs what constitutes GAAP for federal reporting entities. It lists the priority sequence of pronouncements that a federal reporting entity should look to for accounting and financial reporting guidance. The sources of accounting principles that are generally accepted are categorized in descending order of authority as follows:

- a. Officially established accounting principles consist of FASAB Statements of Federal Financial Accounting Standards (Standards) and Interpretations. FASAB Standards and Interpretations will be periodically incorporated in a publication by the FASAB.
- b. FASAB Technical Bulletins and, if specifically made applicable to federal reporting entities by the AICPA and cleared by the FASAB, AICPA Industry Audit and Accounting Guides and AICPA Statements of Position.<sup>3</sup>
- c. AICPA Practice Bulletins if specifically made applicable to federal reporting entities and cleared by the FASAB, as well as Technical Releases of the Accounting and Auditing Policy Committee of the FASAB.

<sup>3</sup> Such pronouncements specifically made applicable to federal reporting entities are presumed to have been cleared by the FASAB, unless the pronouncement indicates otherwise.

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d. Implementation guides published by the FASAB staff, as well as practices that are widely recognized and prevalent in the federal government.

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6. If the accounting treatment for a transaction or event is not specified by a pronouncement in category (a), a federal reporting entity should consider whether the accounting treatment is specified by an accounting principle from a source in another category. In such cases, if categories (b)–(d) contain accounting principles that specify accounting treatments for a transaction or event, the federal reporting entity should follow the accounting treatment specified by the accounting principle from the source in the highest category—for example, follow category (b) treatment over category (c) treatment.

7. If the accounting treatment for a transaction or event is not specified by a pronouncement or established in practice as described in categories (a)–(d), a federal reporting entity should first consider accounting principles for similar transactions or events within categories (a)–(d) and may then consider other accounting literature. A federal reporting entity should not follow the accounting treatment specified in accounting principles for similar transactions or events in cases in which those accounting principles either prohibit the application of the accounting treatment to the particular transaction or event or indicate that the accounting treatment should not be applied by analogy.

8. Other accounting literature includes, for example, FASAB Concepts Statements; the pronouncements referred to in categories (a) through (d) of paragraph 5 when not specifically made applicable to federal reporting entities by the FASAB; FASB Standards, Interpretations, Technical Bulletins, Staff Positions, and Concepts Statements; GASB Standards, Interpretations, Technical Bulletins, and Concepts Statements; AICPA Issues Papers; International Public Sector Accounting Standards of the International Public Sector Accounting Standards Board, (IPSASB), or International Accounting Standards of the International Accounting Standards Board (IASB); pronouncements of other professional associations or regulatory agencies; Technical Information Service Inquiries and Replies included in AICPA Technical Practice Aids; and accounting textbooks, handbooks, and articles. The appropriateness of other accounting literature depends on its relevance to particular circumstances, the specificity of the guidance, and the general recognition of the issuer or author as an authority. For example, FASAB Concepts Statements would normally be more influential than other sources in this category.

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## Application of Standards Issued by the Financial Accounting Standards Board

9. Some federal entities, including government corporations listed in the Government Corporation Control Act and certain others, such as the United States Postal Service, continue to publish financial reports pursuant to the accounting and reporting principles issued by the FASB. Some entities also may be required to prepare statements pursuant to standards set by a regulatory agency (e.g., the Federal Energy Regulatory Commission (FERC)). General purpose financial reports prepared in conformity with accounting standards issued by the FASB also may be regarded as in conformity with GAAP for those entities that have in the past issued such reports.<sup>4</sup>

10. A newly created federal entity should implement FASAB standards as FASAB is the preferred method of reporting for federal entities.

11. In rare instances, a newly created federal entity may elect to apply standards issued by the FASB if the entity meets the characteristics below and clearly demonstrates that the needs of its primary users would be best met through the application of FASB standards. Unique user needs can arise from various sources that include, but are not limited to, investors, SEC filers, bondholders, and customers. Entities may determine that the application of standards issued by the FASB more appropriately meets these unique user needs. This determination should involve a number of considerations. Examples of factors to consider include but are not limited to:

- a. The entity's primary funding is derived from a source other than through appropriations.
- b. The entity has been delegated the financial and operational authority to carry on a business in a manner similar to private business enterprises.

<sup>4</sup> See Appendix C for a listing of entities that apply standards issued by the FASB and the areas where differences arise. The FASAB has an existing project underway that will assist the Board in determining if additional reporting should be required of federal entities that are currently applying FASB accounting standards. This project will also consider whether certain federal entities should be permitted to continue following FASB GAAP after the planned conversion of FASB to International Financial Reporting Standards published by the International Accounting Standards Board in the next several years.

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c. The entity sells goods and/or services to individuals outside of the government reporting entity as its principal activity.

d. The entity is intended to, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity.

e. It is desirable to compare general purpose financial reports of the newly created federal entity with an existing federal entity that is already following FASB GAAP.

12. When financial information of entities that prepare separately issued (stand-alone) general purpose financial reports through the application of standards issued by the FASB is included in general purpose financial reports of another federal reporting entity (e.g., the CFR), any standards issued by the FASAB that call for additional reporting or supplementary information are applicable.

13. Once a particular accounting and reporting model has been applied, it should be consistently followed from year to year in order to maintain consistency and comparability. While the application of standards issued by the FASB may be acceptable for a limited number of federal entities as noted above, entities that have already implemented standards issued by the FASAB should continue to apply the federal standards, as FASAB is the preferred method of reporting for federal entities.

#### Application to Legislative and Judicial Branches

14. The accounting standards in FASAB statements are intended for the general purpose financial reports of federal reporting entities. Although FASAB's sponsors do not set accounting standards for the legislative or judicial branches, the Board believes FASAB standards, including the guidance in paragraphs 9 through 13 above, would be appropriate for them.

#### Effective Date

15. These standards are effective upon issuance with the exception of the specific paragraph listed below. This exception allows time to plan and

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It is desirable to compare general purpose financial reports of the newly created federal entity with an existing federal entity that is already following FASB GAAP.

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budget for the provision of additional information for the CFR that is not currently readily available.

a. Par. 12 is effective for reporting periods beginning after September 30, 2012. Earlier implementation is encouraged.

The provisions of this Statement need not be applied to immaterial items.

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## Appendix A: Basis for Conclusions

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

### Project History

A1. Representatives of the American Institute of Certified Public Accountants (AICPA) requested that the U.S. accounting standards-setters consider adopting certain guidance for accounting and financial reporting issues that now reside in the professional auditing literature. In July 2008, the FASAB joined the Governmental Accounting Standards Board in responding to this request.

A2. The Board believes that incorporation of 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 the preparation of financial statements that are presented in conformity with GAAP. The structure presented in this Statement generally carries forward the hierarchy as set forth in SAS 91 and the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements.

### Application of Standards Issued by the Financial Accounting Standards Board

A3. Since October 1999, the AICPA has recognized the FASAB as the standards-setting body for federal governmental entities; therefore, the pronouncements resulting from the FASAB process represent GAAP for the entire federal government (FASAB GAAP). Nevertheless, some federal entities follow GAAP for nongovernmental entities promulgated by the private sector Financial Accounting Standards Board (FASB GAAP). For example, federal government corporations, the U.S. Postal Service, certain component entities of the Department of Treasury, and some smaller entities in the executive and legislative branches have historically applied FASB GAAP and continue to do so.

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A4. In early 2000, the FASAB recognized this practice as acceptable for those entities that had been following FASB GAAP to avoid an immediate and unanticipated requirement that these federal entities follow federal GAAP after the FASAB was recognized as the Rule 203 standards-setting body for the federal government. This guidance was published in the January – March 2000 issue of *FASAB News*<sup>5</sup> and was intended as a temporary measure in light of the unanticipated consequences of Rule 203 recognition. The existence of the issue has also been acknowledged in Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display* (par. 78); Statement of Federal Financial Accounting Standards (SFFAS) 5, *Accounting for Liabilities of the Federal Government* (inside front cover and Appendix A, par. 142); SFFAS 8, *Supplementary Stewardship Reporting* (Introduction par. 40); and, SFFAS 24, *Selected Standards for the Consolidated Financial Report of the United States Government* (Appendix A, par. 20).

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A5. A project on this issue was initiated in January 2006 after the topic was considered a top priority as a result of (1) the Board's October 2004 agenda-setting session, and (2) subsequent consideration of comments on the July 2005 invitation to comment (ITC) on the four projects selected by the Board for consideration.

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A6. From January 2006 through February 2008, the FASAB staff ("staff") presented various options to the Board with accompanying research and analyses. This research included preparing detailed profiles of ten federal entities that have historically followed FASB GAAP: Community Development Financial Institution, Corporation for National and Community Service, Federal Deposit Insurance Corporation, Federal Prison Industries (Unicor), Government National Mortgage Association (Ginnie Mae), Millennium Challenge Corporation, Office of Thrift Supervision, Pension Benefit Guaranty Corporation, Tennessee Valley Authority, and U.S. Mint (the Mint switched to FASAB GAAP beginning with its fiscal year 2005 financial statements).

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A7. At the February 2008 meeting, the Board tentatively decided that no federal entities will be required to convert to FASAB standards for their standalone general purpose financial reports at this time. The

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<sup>5</sup> FASAB News, Jan.-March 2000, p. 2.

Board is also comfortable with including two sources of GAAP in the CFR; however, the Board believes that information provided to the U.S. Department of the Treasury for inclusion in a consolidated financial report presented in accordance with FASAB GAAP should conform with accounting and reporting principles issued by the FASAB if material differences would exist as a result of application of standards issued by the two boards. The Board has initiated a separate project, Appropriate Source of GAAP, to assist the Board in determining whether additional reporting should be required in standalone general purpose financial reports of federal entities that are currently applying FASB accounting standards.

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A8. Including standards on the application of standards issued by the FASB in this statement serves four purposes:

- a. To proactively address entity concerns that moving the hierarchy of generally accepted accounting principles into the accounting literature without addressing the use of FASB GAAP will result in a sudden and dramatic change in practice;
- b. To ensure that general purpose financial reports issued by federal entities are meeting the objectives of its primary users;
- c. To respond to the AICPA's recommendation that the FASB clarify its policy with regard to entities that have been following FASB standards;<sup>6</sup> and,
- d. To address compilation issues that are occurring during the consolidation of the financial report of the U.S. Government as a result of federal entities applying standards issued by the FASB.

<sup>6</sup> Letter dated July 17, 2002, from Patrick L. McNamee, Chair of the AICPA FASAB Liaison Task Force, commenting on the exposure draft of SFFAS 24, *Selected Standards for the Consolidated Financial Report of the United States Government*, Comment 1.

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## Application to Legislative and Judicial Branches

A9. Neither the FASAB nor any of its sponsors have legal jurisdiction over the legislative and judicial branches. The legislative and judicial branches, and most entities within those branches, are not currently required to prepare financial statements and those that do prepare statements cannot be legally required by any of the FASAB's sponsors to follow FASAB GAAP or prepare a reconciliation between FASAB GAAP and FASB GAAP. However, the AICPA has designated the FASAB as the source of GAAP for federal reporting entities. Therefore, application of professional standards may lead to adoption of FASAB GAAP.

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1 **Appendix B: Abbreviations**

2	AICPA	American Institute of Certified Public Accountants
3	<u>CFR</u>	<u>Consolidated Financial Report of the U.S. Government</u>
4	FASAB	Federal Accounting Standards Advisory Board
5	FASB	Financial Accounting Standards Board
6	GAAP	Generally Accepted Accounting Principles
7	GASB	Governmental Accounting Standards Board
8	IPSASB	International Public Sector Accounting Standards Board
9	<u>OMB</u>	<u>Office of Management and Budget</u>
10	SAS	Statement on Auditing Standards

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## Appendix C: Examples of Federal Entities that Apply FASB Standards

The following table contains examples of federal entities that apply FASB standards with a brief description of the entity and some of its characteristics. This list is not all-inclusive but attempts to capture all of the significant entities as well as other known examples. A list of areas where differences arise is included beneath the table.

<b>Name of Entity<sup>7</sup></b>	<b>Description/Characteristics</b>
<ul style="list-style-type: none"> <li><b>Farm Credit System Insurance Corporation (FCSIC)</b> <ul style="list-style-type: none"> <li>Insure the timely payment of principal and interest on System notes, bonds, and other obligations issued to investors.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Operates a business similar to a private business enterprise</li> <li>Engages primarily in business-type activities with parties outside of the government</li> <li>Is intended to be self-sustaining</li> <li>Does not receive appropriations</li> <li>Is required to handle FASB-based receiverships</li> <li>Primary stakeholders are fluent in FASB reporting (e.g., financial institutions)</li> <li>Primary business function is the provision of insurance</li> </ul>
<ul style="list-style-type: none"> <li><b>Federal Deposit Insurance Corporation (FDIC)</b> <ul style="list-style-type: none"> <li>Preserve and promote public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$100,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Exempt from the Federal Credit Reform Act (P.L. 101-508 § 506, 2 U.S.C. § 661e)</li> <li>Operates a business similar to a private business enterprise</li> <li>Engages primarily in business-type activities with parties outside of the government</li> <li>Is intended to be self-sustaining</li> <li>Does not receive appropriations</li> <li>Is required to handle FASB-based receiverships</li> <li>Primary stakeholders are fluent in FASB reporting</li> <li>Primary business function is the provision of insurance</li> </ul>
<ul style="list-style-type: none"> <li><b>National Credit Union Administration (NCUA)</b> <ul style="list-style-type: none"> <li>Charter and supervise federal credit unions throughout the United States and its territories.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Exempt from the Federal Credit Reform Act (P.L. 101-508 § 506, 2 U.S.C. § 661e)</li> <li>Operates a business similar to a private business enterprise</li> <li>Engages primarily in business-type activities with parties outside of the government</li> <li>Is intended to be self-sustaining</li> </ul>

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<sup>7</sup> Names appearing in **bold** are considered significant entities for the consolidated financial report of the U.S. Government.

Name of Entity <sup>7</sup>	Description/Characteristics
	<ul style="list-style-type: none"> <li>Does not receive appropriations with one immaterial exception</li> <li>Primary stakeholders are fluent in FASB reporting</li> <li>Primary business function is the provision of insurance to and oversight of national credit unions</li> </ul>
<ul style="list-style-type: none"> <li><b>Pension Benefit Guaranty Corporation (PBGC)</b> <ul style="list-style-type: none"> <li>Insure the pension benefits, within statutory limits, of workers and retirees in private defined benefit pension plans.</li> <li>Safeguard the federal pension insurance system for the benefit of participants, plan sponsors, and other stakeholders.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Exempt from the Federal Credit Reform Act (P.L. 101-508 § 506, 2 U.S.C. § 661e)</li> <li>Operates a business similar to a private business enterprise</li> <li>Engages primarily in business-type activities with parties outside of the government</li> <li>Is intended to be self-sustaining</li> <li>Does not receive appropriations</li> <li>Primary stakeholders are fluent in FASB reporting</li> <li>Primary business function is the provision of insurance</li> </ul>
<ul style="list-style-type: none"> <li><b>Smithsonian Institution (SI)</b> <ul style="list-style-type: none"> <li>Operate as a museum and an education and research complex consisting of 17 museums and galleries, the National Zoological Park, and other research facilities.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Primary source of revenue is federal appropriations</li> <li>Operates similar to a non-profit organization</li> <li>Some of the stakeholders are fluent in FASB reporting (e.g., bondholders and donors)</li> <li>Primary business function is the operation of a museum and an education and research complex</li> </ul>
<ul style="list-style-type: none"> <li><b>Tennessee Valley Authority (TVA)</b> <ul style="list-style-type: none"> <li>Develop and operate the Tennessee River system to improve navigation, minimize flood damage, and provide energy and related products and services safely, reliably, and at the lowest feasible cost to residents and businesses in the multi-state Tennessee Valley region.</li> <li>Operate one of the largest electric power systems in the U.S.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Mandated to follow the Federal Energy Regulatory Commission's Uniform System of Accounts</li> <li>Required to file with the Securities and Exchange Commission</li> <li>Exempt from the Federal Credit Reform Act (P.L. 101-508 § 506, 2 U.S.C. § 661e)</li> <li>Operates a business similar to a private business enterprise</li> <li>Engages primarily in business-type activities with parties outside of the government</li> <li>Intended to be self-sustaining</li> <li>Does not receive appropriations</li> <li>Issues a variety of debt securities</li> <li>Primary stakeholders are more familiar with FASB reporting (e.g., bondholders and customers)</li> <li>Primary business function is the provision of wholesale electric power</li> </ul>

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Name of Entity <sup>7</sup>	Description/Characteristics
<ul style="list-style-type: none"> <li>• <b>United States Postal Service (USPS)</b> <ul style="list-style-type: none"> <li>– Provide mail processing and delivery services to individuals and businesses within the United States</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Operates a business similar to a private business enterprise</li> <li>• Engages primarily in business-type activities with parties outside of the government</li> <li>• Is intended to be self-sustaining</li> <li>• Does not receive appropriations with one immaterial exception</li> <li>• Primary stakeholders are more familiar with FASB reporting (e.g., customers)</li> <li>• Primary business function is mail processing and delivery services</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Appalachian Regional Commission (ARC)</b> <ul style="list-style-type: none"> <li>– Be a strategic partner and advocate for sustainable community and economic development in Appalachia.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Primary source of revenue is federal appropriations</li> <li>• Is not intended to be self-sustaining</li> <li>• Primary business function is the provision of area development grants</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Corporation for National and Community Service (CNCS)</b> <ul style="list-style-type: none"> <li>– Improve lives, strengthen communities, and foster civic engagement through service and volunteering.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Primary source of revenue is federal appropriations</li> <li>• Is not intended to be self-sustaining</li> <li>• Primary business function is the provision of grants and member service awards</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Department of the Treasury Exchange Stabilization Fund</b> <ul style="list-style-type: none"> <li>– Stabilize the exchange value of the dollar.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Operates a business similar to a private business enterprise</li> <li>• Engages primarily in business-type activities with parties outside of the government</li> <li>• Intended to be self-sustaining</li> <li>• Does not receive appropriations</li> <li>• Primary stakeholders are more familiar with FASB reporting (e.g., bondholders and customers)</li> <li>• Primary business function is to use its capital to deal in gold and foreign exchange in order to stabilize the exchange value of the dollar</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Department of the Treasury Community Development Financial Institutions Fund (CDFI)</b> <ul style="list-style-type: none"> <li>– Expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities in the U.S.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Primary source of revenue is federal appropriations</li> <li>• Is not intended to be self-sustaining</li> <li>• Primary business function is the provision of grants and loans</li> </ul>

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Name of Entity <sup>7</sup>	Description/Characteristics
<ul style="list-style-type: none"> <li>Department of the Treasury Federal Financing Bank <ul style="list-style-type: none"> <li>Reduce the costs of federal and federally assisted borrowing, coordinate such borrowings with the Government's overall fiscal policy, and ensure that such borrowings are done in ways that least disrupt private markets.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Operates a business similar to a private business enterprise</li> <li>Engages primarily in business-type activities with parties inside of the government</li> <li>Intended to be self-sustaining</li> <li>Does not receive appropriations</li> <li>Primary business function is the administration of loans</li> </ul>
<ul style="list-style-type: none"> <li>Department of the Treasury Bureau of Engraving and Printing <ul style="list-style-type: none"> <li>Design and manufacture high quality security documents that deter counterfeiting and meet customer requirements for quality, quantity and performance. The BEP designs, prints, and furnishes a large variety of security documents, including Federal Reserve Notes, identification cards, naturalization certificates, and other special security documents.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Operates a business similar to a private business enterprise</li> <li>Engages primarily in business-type activities with parties outside of the government</li> <li>Intended to be self-sustaining</li> <li>Does not receive appropriations</li> <li>Primary business function is the design and production of U.S. currency</li> </ul>
<ul style="list-style-type: none"> <li>Department of the Treasury Office of Thrift Supervision <ul style="list-style-type: none"> <li>Supervise savings associations and their holding companies in order to maintain their safety and soundness and compliance with consumer laws, and to encourage a competitive industry that meets America's financial services needs.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Operates a business similar to a private business enterprise</li> <li>Engages primarily in business-type activities with parties outside of the government</li> <li>Intended to be self-sustaining</li> <li>Does not receive appropriations</li> <li>Primary business function is to regulate all federal and many state-chartered thrift institutions, which include savings banks and savings and loan associations</li> </ul>
<ul style="list-style-type: none"> <li>Department of Housing and Urban Development Government National Mortgage Association (Ginnie Mae) <ul style="list-style-type: none"> <li>Help to expand the supply of affordable housing in the U.S. by providing a government-guaranteed vehicle—the mortgage-backed security (MBS)—to link capital markets to housing markets. The Ginnie Mae guarantee of the MBS</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Operates a business similar to a private business enterprise</li> <li>Engages primarily in business-type activities with parties outside of the government</li> <li>Intended to be self-sustaining</li> <li>Does not receive appropriations</li> <li>Primary business function is to guarantee investors the timely payment of principal and interest on securities backed by federally insured or guaranteed loans</li> </ul>

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Federal Accounting Standards Advisory Board

The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board

Date of Document (same as on cover)

Working Draft - October 2, 2008



Name of Entity <sup>7</sup>	Description/Characteristics
enables mortgage lenders to obtain a better price for their mortgage loans in the secondary market. The lenders can then use the proceeds to make new mortgage loans.	
<ul style="list-style-type: none"> <li>• <u>Federal Financial Institutions Examination Council</u> <ul style="list-style-type: none"> <li>– Prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS), and to make recommendations to promote uniformity in the supervision of financial institutions.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <u>Operates a business similar to a private business enterprise</u></li> <li>• <u>Engages primarily in business-type activities with parties inside of the government</u></li> <li>• <u>Intended to be self-sustaining</u></li> <li>• <u>Does not receive appropriations</u></li> <li>• <u>Primary business function is to prescribe uniform principles and standards for the federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of these financial institutions</u></li> </ul>
<ul style="list-style-type: none"> <li>• <u>Federal Financial Institutions Examination Council Appraisal Subcommittee</u> <ul style="list-style-type: none"> <li>– Ensure that real estate appraisers, who perform appraisals in real estate transactions that could expose the United States government to financial loss, are sufficiently trained and tested to assure competency and independent judgment according to uniform high professional standards and ethics.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <u>Operates a business similar to a private business enterprise</u></li> <li>• <u>Engages primarily in business-type activities with parties inside of the government</u></li> <li>• <u>Intended to be self-sustaining</u></li> <li>• <u>Does not receive appropriations</u></li> <li>• <u>Primary business function is to monitor the appraiser certification and licensing programs of the States</u></li> </ul>
<ul style="list-style-type: none"> <li>• <u>Federal Prison Industries, Inc. (Unicor)</u> <ul style="list-style-type: none"> <li>– Employ and provide job skills training to the greatest practical number of inmates confined within the Federal Bureau of Prisons; contribute to the safety and security of the nation's federal correctional facilities by keeping inmates constructively occupied; produce market-quality goods for sale to the federal government; operate in a self-sustaining manner; and minimize FPI's</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <u>Operates a business similar to a private business enterprise</u></li> <li>• <u>Engages primarily in business-type activities with parties inside of the government</u></li> <li>• <u>Intended to be self-sustaining</u></li> <li>• <u>Does not receive appropriations</u></li> <li>• <u>Primary business function is to sell products and services to other federal departments, agencies and bureaus</u></li> </ul>

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Federal Accounting Standards Advisory Board

The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board

Date of Document (same as on cover)

Working Draft - October 2, 2008

Name of Entity <sup>7</sup>	Description/Characteristics
impact on private business and labor.	
<ul style="list-style-type: none"> <li>National Credit Union Administration Central Liquidity Facility <ul style="list-style-type: none"> <li>Improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Operates a business similar to a private business enterprise</li> <li>Engages primarily in business-type activities with parties outside of the government</li> <li>Intended to be self-sustaining</li> <li>Does not receive appropriations</li> <li>Primary business function is the provision of loans</li> </ul>
<ul style="list-style-type: none"> <li>Overseas Private Investment Corporation (OPIC) <ul style="list-style-type: none"> <li>Mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from nonmarket to market economies.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Operates a business similar to a private business enterprise</li> <li>Engages primarily in business-type activities with parties outside of the government</li> <li>Intended to be self-sustaining</li> <li>Does not receive appropriations</li> <li>Primary business function is the provision of political risk insurance, investment guaranties, and direct loans</li> </ul>
<ul style="list-style-type: none"> <li>Saint Lawrence Seaway Development Corporation (DOT) <ul style="list-style-type: none"> <li>Serve the marine transportation industries by providing a safe, secure, reliable, efficient and competitive deep draft international waterway, in cooperation with the Canadian St. Lawrence Seaway Management Corporation.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Primary source of revenue is federal appropriations</li> <li>Is not intended to be self-sustaining</li> <li>Primary business function is the development, seasonal operation, and maintenance of the portion of the St. Lawrence Seaway between Montreal and Lake Erie, and within the territorial limits of the U.S.</li> </ul>
<ul style="list-style-type: none"> <li>U.S. Holocaust Memorial Museum <ul style="list-style-type: none"> <li>Advance and disseminate knowledge about the Holocaust; preserve the memory of those who suffered; and encourage its visitors to reflect upon the moral and spiritual questions raised by the events of the Holocaust as well as their own responsibilities as citizens of a democracy.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Primary source of revenue is federal appropriations, but the museum receives nearly as much in contributions, membership, and other revenue</li> <li>Is not intended to be self-sustaining</li> <li>Primary business function is the operation of a museum</li> </ul>
<ul style="list-style-type: none"> <li>U.S. Government Printing Office (GPO)</li> </ul>	<ul style="list-style-type: none"> <li>Operates a business similar to a private business enterprise</li> </ul>

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Federal Accounting Standards Advisory Board

The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board

Date of Document (same as on cover)

Working Draft - **October 2, 2008**

Name of Entity <sup>7</sup>	Description/Characteristics	<p>Deleted: B</p> <p>Deleted: Abbreviations</p> <p>Deleted: .</p> <p>Formatted: Font: Bold</p> <p>Formatted: Centered, Space Before: 6 pt</p> <p>Formatted Table</p> <p>Formatted: Font: Bold</p> <p>Formatted: Font: Bold</p> <p>Formatted: Bullets and Numbering</p> <p>Formatted: No bullets or numbering</p>
<ul style="list-style-type: none"> <li>– <u>Make government information available to the public.</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>Engages primarily in business-type activities with parties inside of the government</u></li> <li>• <u>GPO's revolving fund is Intended to be self-sustaining; its general fund is not self-sustaining</u></li> <li>• <u>GPO's revolving fund does not receive appropriations; it is supported by user fees</u></li> <li>• <u>GPO's general fund is financed by two annual Congressional appropriations to the agency. These appropriated funds finance the cost of GPO's support of the Congress and the government information dissemination services provided to the public without charge to the recipients</u></li> <li>• <u>Primary business function is the provision of printing and reproduction services</u></li> </ul>	<p>Formatted: No bullets or numbering</p> <p>Formatted: Bullets and Numbering</p> <p>Formatted: Bullets and Numbering</p> <p>Formatted: Space After: 0 pt</p> <p>Formatted: Bullets and Numbering</p> <p>Formatted: Bulleted + Level: 1 + Aligned at: 0" + Tab after: 0.2" + Indent at: 0.2"</p> <p>Formatted: No bullets or numbering</p>
<ul style="list-style-type: none"> <li>• <u>U.S. House of Representatives</u></li> <li>– <u>Carry out the lawmaking powers granted to it by the U.S. Constitution as one of two separate legislative chambers that comprise the Congress of the United States.</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>Primary source of revenue is federal appropriations</u></li> <li>• <u>Is not intended to be self-sustaining</u></li> <li>• <u>Primary business function is the passage of laws</u></li> </ul>	<p>Formatted: Space After: 0 pt</p> <p>Formatted: Bullets and Numbering</p> <p>Formatted: Space After: 0 pt</p> <p>Formatted: Bulleted + Level: 1 + Aligned at: 0.25" + Tab after: 0.5" + Indent at: 0.5"</p>
<ul style="list-style-type: none"> <li>• <u>U.S. Senate Restaurants Revolving Fund</u></li> <li>– <u>Operate restaurants for senators, employees of the Senate, and (in certain locations) the general public.</u></li> </ul>	<p><b>NOTE: Congress voted to privatize Senate Restaurants per public law 110-279</b></p> <ul style="list-style-type: none"> <li>• <u>Operates a business similar to a private business enterprise</u></li> <li>• <u>Engages primarily in business-type activities with parties inside of the government</u></li> <li>• <u>Intended to be self-sustaining but has only turned a profit in 7 of 44 years</u></li> <li>• <u>Receives appropriation transfers from the Architect of the Capitol and U.S. Senate</u></li> <li>• <u>Primary business function is the operation of restaurants for senators, employees of the Senate, and (in certain locations) the general public</u></li> </ul>	<p>Formatted: Space After: 0 pt</p> <p>Formatted: Bullets and Numbering</p> <p>Formatted: Space After: 0 pt</p> <p>Formatted: Bulleted + Level: 1 + Aligned at: 0.25" + Tab after: 0.5" + Indent at: 0.5"</p> <p>Formatted: Bullets and Numbering</p> <p>Formatted: Bullets and Numbering</p> <p>Formatted: Space After: 0 pt</p> <p>Formatted: Highlight</p> <p>Formatted: Bullets and Numbering</p>
<ul style="list-style-type: none"> <li>• <u>Capitol Preservation Fund</u></li> <li>– <u>Provide for improvements in, preservation of, and acquisitions (including works of fine art and other property for display) for the United</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>Operates a business similar to a private business enterprise</u></li> <li>• <u>Does not receive appropriations; the fund's operations are financed by proceeds from commemorative coin surcharges</u></li> <li>• <u>Primary business function is the oversight of</u></li> </ul>	<p>Deleted: October 2, 2008</p> <p>Inserted: October 2, 2008</p> <p>Deleted: October 2, 2008</p> <p>Inserted: October 2, 2008</p> <p>Deleted: September 12, 2008 September 10, 2008</p> <p>Inserted: September 12, 2008</p>

Federal Accounting Standards Advisory Board

The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board

Date of Document (same as on cover)

Working Draft - **October 2, 2008**

Name of Entity <sup>7</sup>	Description/Characteristics
<u>States Capitol and other locations under the control of the Congress.</u>	<u>improvements to the U.S. Capitol and other locations under the control of Congress</u>

Accounting and reporting is not always consistent between federal entities that apply accounting principles and standards promulgated by FASB. However, the following list includes some of the areas where differences have been noted between FASAB and FASB accounting and reporting:

- SFFAS 1, Accounting for Selected Assets and Liabilities:
  - Valuation of Investments in Treasury Securities, pars. 68-70;
- SFFAS 2, Accounting for Direct Loans and Loan Guarantees, as amended by SFFAS 18 and 19:
  - Valuation of liability for guarantees of principal and interest payments on loans between a non-federal lender and a non-federal borrower;
- SFFAS 3, Accounting for Inventory and Related Property:
  - Inventory Valuation, par. 20;
- SFFAS 4, Managerial Cost Accounting Standards and Concepts:
  - General Requirement for Cost Accounting, pars. 67-76;
  - Inter-entity Costs, pars. 108 and 109;
- SFFAS 5, Accounting for Liabilities of the Federal Government:
  - Recognition of Nonexchange Transactions, par. 24;
  - Accounting and Reporting for Pensions, Other Retirement Benefits, And Other Postemployment Benefits, pars. 56-96;
- SFFAS 6, Accounting for Property, Plant, and Equipment (PP&E):
  - Valuation of Transferred PP&E, par. 31;
- SFFAS 7, Accounting for Revenue and Other Financing Sources:
  - Financing Imputed for Cost Subsidies, par. 73;
  - Budgetary Reporting, pars. 77-82;
- SFFAS 15, Management's Discussions and Analysis; and
- SFFAC 2, Entity and Display.

The following are some of the areas that are reported by federal entities applying FASB standards but are not addressed by FASAB standards. Since these areas are not currently addressed by FASAB, the hierarchy of accounting principles for federal entities would most likely permit the application of accounting and reporting principles issued by FASB in these areas:

- FASB SFAS 71, Accounting for the Effects of Certain Types of Regulation;

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- FASB SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities* (regarding available-for-sale securities);
- FASB SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*;
- FASB SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FASAB has recently initiated a joint project on asset impairment and deferred maintenance); and,
- FASB SFAS 143, *Accounting for Asset Retirement Obligations*.

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This list is not exhaustive and will be further researched as part of the board's separate project on Appropriate Source of GAAP.

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Appendix ~~D~~: Glossary

**GAAP Hierarchy:** the sources of accounting principles used in the preparation of financial statements of federal reporting entities that are presented in conformity with generally accepted accounting principles and the framework for selecting the principles.

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Federal Accounting Standards Advisory Board

The Hierarchy of Generally Accepted Accounting Principles, Including the Application of  
Standards Issued by the Financial Accounting Standards Board

Date of Document (same as on cover)

Working Draft - October 2, 2008

**FASAB Board Members**

Tom L. Allen, Chair

Robert F. Dacey

John A. Farrell

Norwood J. Jackson, Jr.

Robert P. Murphy (through July 2008)

James M. Patton

Robert N. Reid

Alan H. Schumacher

Harold I. Steinberg

Danny Werfel

**FASAB Staff**

Wendy M. Payne, Executive Director

**Project Staff**

Julia Ranagan

Ross Simms

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Name

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Name

Federal Accounting Standards Advisory Board  
441 G Street NW, Suite 6814  
Mail Stop 6K17V  
Washington, DC 20548  
Telephone 202-512-7350  
FAX 202-512-7366  
www.fasab.gov



Federal Accounting Standards Advisory Board

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**The Hierarchy of Generally Accepted Accounting Principles,  
Including the Application of Standards Issued by the Financial  
Accounting Standards Board**

**Statement of Federal Financial Accounting Standards**

**Exposure Draft**

Written comments are requested by [90 days after issuance]

**October XX, 2008**

Working Draft – Comments Are Not Requested on This Draft

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## **THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD**

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General, established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the Federal Government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, Federal executives, Federal program managers, and other users of Federal financial information. The proposed standards are published in an Exposure Draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for Federal accounting and reporting.

Additional background information is available from the FASAB or its website:

- "Memorandum of Understanding among the General Accounting Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board."
- "Mission Statement: Federal Accounting Standards Advisory Board", Exposure drafts, Statements of Federal Financial Accounting Standards and Concepts, FASAB newsletters, and other items of interest are posted on FASAB's website at: [www.fasab.gov](http://www.fasab.gov).

Federal Accounting Standards Advisory Board  
441 G Street, NW, Suite 6814  
Mail stop 6K17V  
Washington, DC 20548  
Telephone 202-512-7350  
FAX – 202-512-7366  
[www.fasab.gov](http://www.fasab.gov)

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1    **October 2008**

2    TO:    ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

3    The Federal Accounting Standards Advisory Board (FASAB or the Board) is requesting  
4    comments on the exposure draft of a proposed Statement of Federal Financial  
5    Accounting Standards entitled, *Generally Accepted Accounting Principles for Federal*  
6    *Entities, Including the Application of Standards Issued by the Financial Accounting*  
7    *Standards Board*. Specific questions for your consideration appear on page 7 but you  
8    are welcome to comment on any aspect of this proposal. If you do not agree with the  
9    proposed approach, your response would be more helpful to the Board if you explain  
10   the reasons for your position and any alternative you propose. Responses are  
11   requested by **[90 days after issuance]**.

12   All comments received by the FASAB are considered public information. Those  
13   comments may be posted to the FASAB's website and will be included in the project's  
14   public record.

15   We have experienced delays in mail delivery due to increased screening procedures.  
16   Therefore, please provide your comments in electronic form. Responses in electronic  
17   form should be sent by e-mail to [fasab@fasab.gov](mailto:fasab@fasab.gov). If you are unable to provide  
18   electronic delivery, we urge you to fax the comments to (202) 512-7366. Please follow  
19   up by mailing your comments to:

20        Wendy M. Payne, Executive Director  
21        Federal Accounting Standards Advisory Board  
22        Mailstop 6K17V  
23        441 G Street, NW, Suite 6814  
24        Washington, DC 20548  
25

26   The Board's rules of procedure provide that it may hold one or more public hearings on  
27   any exposure draft. **No hearing has yet been scheduled for this exposure draft.** Notice  
28   of the date and location of any public hearing on this document will be published in the  
29   *Federal Register* and in the FASAB's newsletter.

30  
31   Tom L. Allen  
32   Chairman

---

## 1 Executive Summary

### 2 What is the Board proposing?

3  
4 This statement proposes to incorporate the hierarchy of generally accepted  
5 accounting principles (GAAP) into the FASAB's authoritative literature. The  
6 "GAAP hierarchy" consists of the sources of accounting principles used in the  
7 preparation of financial statements of federal reporting entities that are presented  
8 in conformity with GAAP and the framework for selecting those principles. This  
9 proposed statement would also clarify GAAP for those federal entities that  
10 continue to apply financial accounting and reporting principles issued by the  
11 Financial Accounting Standards Board (FASB).

### 12 How would this proposal improve federal financial reporting and contribute to 13 meeting the federal financial reporting objectives?

14  
15 The FASAB is the body designated by the American Institute of Certified Public  
16 Accountants (AICPA) as the source of GAAP for federal reporting entities. As  
17 such, the FASAB is responsible for identifying the sources of accounting  
18 principles and providing federal reporting entities with a framework for selecting  
19 the principles used in the preparation of financial statements that are presented  
20 in conformity with GAAP. However, the current GAAP hierarchy is set forth in the  
21 AICPA Statement on Auditing Standards (SAS) No. 91, *Federal GAAP Hierarchy*,  
22 rather than in the authoritative literature of the FASAB. The Board believes that  
23 the structure for the selection of principles used in the *preparation* of financial  
24 statements should be directed to federal reporting entities because it is the  
25 preparer of financial statements that is responsible for identifying accounting  
26 principles for financial statements that are presented in conformity with GAAP.  
27 Accordingly, the Board concluded that the GAAP hierarchy should reside in the  
28 accounting literature established by the FASAB and is issuing this Statement to  
29 accomplish that objective. The Board does not expect that incorporating the  
30 hierarchy into the accounting literature will result in a change in current practice.  
31  
32 In addition, the provision that allows federal entities that have issued general  
33 purpose financial reports in conformance with accounting and reporting principles  
issued by the FASB prior to October 19, 1999 to continue to do so is contained in

1 a FASAB newsletter, rather than in the authoritative literature of the FASAB.<sup>1</sup>

2 This proposed Statement would incorporate the newsletter provision into the  
3 standards. The Board has decided that no federal entities will be required to  
4 convert to FASAB standards for their standalone general purpose financial  
5 reports at this time. However, the Board believes that the consolidated financial  
6 report of the U.S. Government (CFR) and consolidated financial reports of  
7 entities that also consolidate FASB-based reporting entities should conform with  
8 accounting and reporting principles issued by the FASAB in all material respects.  
9 Therefore, paragraph 12 provides that where material differences would arise  
10 due to differences between the standards issued by the two boards federal  
11 entities should provide any additional reporting or supplementary information  
12 when financial information is submitted for consolidation into another federal  
13 reporting entity.

14 This requirement may result in a change in practice for those entities that have  
15 not been providing such information in the past.<sup>2</sup> However, the Board expects the  
16 effect on the community to be minimal since it relates only to areas where  
17 material differences arise. The Board has initiated a separate project,  
18 Appropriate Source of GAAP, to assist the Board in determining whether  
19 additional reporting should be required in standalone financial reports of federal  
20 entities that are currently applying FASB accounting standards.

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<sup>1</sup> FASAB News, Jan.-March 2000, p. 2. See Appendix C for a listing of entities that apply standards issued by the FASB and the areas where differences arise.

<sup>2</sup> Note that OMB Circular A-136, Section V.1 currently requires submission of information regarding material differences. In addition, previous FASAB standards established this general principle through guidance regarding applicability of the standards. This proposal would establish that provision in level a GAAP.



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**1 Questions for Respondents**

2 The FASAB encourages you to become familiar with all proposals in the Statement  
3 before responding to the questions in this section. In addition to the questions below,  
4 the Board also would welcome your comments on other aspects of the proposed  
5 Statement.

6 The Board believes that this proposal would improve federal financial reporting and  
7 contribute to meeting the federal financial reporting objectives. The Board has  
8 considered the perceived costs associated with this proposal. In responding, please  
9 consider the expected benefits and perceived costs and communicate any concerns  
10 that you may have in regard to implementing this proposal.

11 Because the proposals may be modified before a final Statement is issued, it is  
12 important that you comment on proposals that you favor as well as any that you do not  
13 favor. Comments that include the reasons for your views will be especially appreciated.

14 The questions in this section are available in a Word file for your use at  
15 [www.fasab.gov/exposure.html](http://www.fasab.gov/exposure.html). Your responses should be sent by e-mail to  
16 [fasab@fasab.gov](mailto:fasab@fasab.gov). If you are unable to respond electronically, please fax your  
17 responses to (202) 512-7366 and follow up by mailing your responses to:

18 Wendy M. Payne, Executive Director  
19 Federal Accounting Standards Advisory Board  
20 Mailstop 6K17V  
21 441 G Street, NW, Suite 6814  
22 Washington, DC 20548

23 All responses are requested by **[90 days after issuance]**.

24 Q1. This Exposure Draft (ED) proposes to incorporate the hierarchy of generally  
25 accepted accounting principles (GAAP) that currently resides in the professional  
26 auditing literature into the FASAB's authoritative literature. Do you agree with the  
27 hierarchy presented in the Exposure Draft (see paragraphs 5 - 8)? If not, please  
28 explain why.

29 Q2. This ED also proposes to regard general purpose financial reports prepared in  
30 conformity with accounting standards issued by the Financial Accounting  
31 Standards Board (FASB) as in conformity with GAAP for those entities that have in  
32 the past issued such reports. Do you agree with the Board's position (see  
33 paragraph 9)? If not, please explain why.

- 
- 1 Q3. The Board has tentatively decided that no federal entities will be required to  
2 convert to FASAB standards for their standalone general purpose financial reports  
3 at this time; however, the Board believes that information provided to the U.S.  
4 Department of the Treasury for the consolidated financial report of the U.S.  
5 Government (CFR) should conform with accounting and reporting principles issued  
6 by the FASAB where there are material differences between the two sources. Do  
7 you agree with the Board's position (see paragraph 12)? If not, please explain  
8 why.

---

## 1 Introduction

### 2 Purpose

- 3
- 4 1. The objective of this Statement is to identify the sources of accounting  
5 principles and the framework for selecting the principles used in the  
6 preparation of financial statements of federal reporting entities that are  
7 presented in conformity with generally accepted accounting principles (the  
8 GAAP hierarchy).

### 9 Materiality

- 10
- 11 2. The provisions of this Statement need not be applied to immaterial items. The  
12 determination of whether an item is material depends on the degree to which  
13 omitting or misstating information about the item makes it probable that the  
14 judgment of a reasonable person relying on the information would have been  
15 changed or influenced by the omission or the misstatement.

### 16 Effective Date

- 17
- 18 3. The requirements in this standard are effective upon its issuance with the  
19 exception of the specific paragraph listed below. This exception allows time  
20 to plan and budget for the provision of additional information for the  
21 consolidated financial report of the U.S. Government (CFR) that is not  
22 currently readily available.
- 23 a. Par. 12 is effective for reporting periods beginning after September 30,  
24 2012. Earlier implementation is encouraged.

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## Proposed Standard

### Scope

4. This Statement applies to the financial statements of all federal reporting entities that are presented in conformity with generally accepted accounting principles (GAAP).

### The Hierarchy of Generally Accepted Accounting Principles

5. The hierarchy of generally accepted accounting principles, hereafter referred to as the GAAP Hierarchy, governs what constitutes GAAP for federal reporting entities. It lists the priority sequence of pronouncements that a federal reporting entity should look to for accounting and financial reporting guidance. The sources of accounting principles that are generally accepted are categorized in descending order of authority as follows:
- a. Officially established accounting principles consist of FASAB Statements of Federal Financial Accounting Standards (Standards) and Interpretations. FASAB Standards and Interpretations will be periodically incorporated in a publication by the FASAB.
  - b. FASAB Technical Bulletins and, if specifically made applicable to federal reporting entities by the AICPA and cleared by the FASAB, AICPA Industry Audit and Accounting Guides and AICPA Statements of Position.<sup>3</sup>
  - c. AICPA Practice Bulletins if specifically made applicable to federal reporting entities and cleared by the FASAB, as well as Technical Releases of the Accounting and Auditing Policy Committee of the FASAB.

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<sup>3</sup> Such pronouncements specifically made applicable to federal reporting entities are presumed to have been cleared by the FASAB, unless the pronouncement indicates otherwise.

d. Implementation guides published by the FASAB staff, as well as practices that are widely recognized and prevalent in the federal government.

6. If the accounting treatment for a transaction or event is not specified by a pronouncement in category (a), a federal reporting entity should consider whether the accounting treatment is specified by an accounting principle from a source in another category. In such cases, if categories (b)–(d) contain accounting principles that specify accounting treatments for a transaction or event, the federal reporting entity should follow the accounting treatment specified by the accounting principle from the source in the highest category—for example, follow category (b) treatment over category (c) treatment.

7. If the accounting treatment for a transaction or event is not specified by a pronouncement or established in practice as described in categories (a)–(d), a federal reporting entity should first consider accounting principles for similar transactions or events within categories (a)–(d) and may then consider other accounting literature. A federal reporting entity should not follow the accounting treatment specified in accounting principles for similar transactions or events in cases in which those accounting principles either prohibit the application of the accounting treatment to the particular transaction or event or indicate that the accounting treatment should not be applied by analogy.

8. Other accounting literature includes, for example, FASAB Concepts Statements; the pronouncements referred to in categories (a) through (d) of paragraph 5 when not specifically made applicable to federal reporting entities by the FASAB; FASB Standards, Interpretations, Technical Bulletins, Staff Positions, and Concepts Statements; GASB Standards, Interpretations, Technical Bulletins, and Concepts Statements; AICPA Issues Papers; International Public Sector Accounting Standards of the International Public Sector Accounting Standards Board, (IPSASB), or International Accounting Standards of the International Accounting Standards Board (IASB); pronouncements of other professional associations or regulatory agencies; Technical Information Service Inquiries and Replies included in AICPA Technical Practice Aids; and accounting textbooks, handbooks, and articles. The appropriateness of other accounting literature depends on its relevance to particular circumstances, the specificity of the guidance, and the general recognition of the issuer or author as an authority. For example, FASAB Concepts Statements would normally be more influential than other sources in this category.



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**Application of Standards Issued by the Financial Accounting Standards Board**

9. Some federal entities, including government corporations listed in the Government Corporation Control Act and certain others, such as the United States Postal Service, continue to publish financial reports pursuant to the accounting and reporting principles issued by the FASB. Some entities also may be required to prepare statements pursuant to standards set by a regulatory agency (e.g., the Federal Energy Regulatory Commission (FERC)). General purpose financial reports prepared in conformity with accounting standards issued by the FASB also may be regarded as in conformity with GAAP for those entities that have in the past issued such reports.<sup>4</sup>
10. A newly created federal entity should implement FASAB standards as FASAB is the preferred method of reporting for federal entities.
11. In rare instances, a newly created federal entity may elect to apply standards issued by the FASB if the entity meets the characteristics below and clearly demonstrates that the needs of its primary users would be best met through the application of FASB standards. Unique user needs can arise from various sources that include, but are not limited to, investors, SEC filers, bondholders, and customers. Entities may determine that the application of standards issued by the FASB more appropriately meets these unique user needs. This determination should involve a number of considerations. Examples of factors to consider include but are not limited to:
- a. The entity's primary funding is derived from a source other than through appropriations.
  - b. The entity has been delegated the financial and operational authority to carry on a business in a manner similar to private business enterprises.

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<sup>4</sup> See Appendix C for a listing of entities that apply standards issued by the FASB and the areas where differences arise. The FASAB has an existing project underway that will assist the Board in determining if additional reporting should be required of federal entities that are currently applying FASB accounting standards. This project will also consider whether certain federal entities should be permitted to continue following FASB GAAP after the planned conversion of FASB to International Financial Reporting Standards published by the International Accounting Standards Board in the next several years.

- 1 c. The entity sells goods and/or services to individuals outside of the  
2 government reporting entity as its principal activity.
- 3 d. The entity is intended to, in the normal course of its operations, maintain  
4 its operations and meet its liabilities from revenues received from  
5 sources outside of the government reporting entity.
- 6 e. It is desirable to compare general purpose financial reports of the newly  
7 created federal entity with an existing federal entity that is already  
8 following FASB GAAP.
- 9 12. When financial information of entities that prepare separately issued (stand-  
10 alone) general purpose financial reports through the application of standards  
11 issued by the FASB is included in general purpose financial reports of  
12 another federal reporting entity (e.g., the CFR), any standards issued by the  
13 FASAB that call for additional reporting or supplementary information are  
14 applicable.
- 15 13. Once a particular accounting and reporting model has been applied, it should  
16 be consistently followed from year to year in order to maintain consistency  
17 and comparability. While the application of standards issued by the FASB  
18 may be acceptable for a limited number of federal entities as noted above,  
19 entities that have already implemented standards issued by the FASAB  
20 should continue to apply the federal standards, as FASAB is the preferred  
21 method of reporting for federal entities.

## 23 Application to Legislative and Judicial Branches

- 25 14. The accounting standards in FASAB statements are intended for the general  
26 purpose financial reports of federal reporting entities. Although FASAB's  
27 sponsors do not set accounting standards for the legislative or judicial  
28 branches, the Board believes FASAB standards, including the guidance in  
29 paragraphs 9 through 13 above, would be appropriate for them.

## 30 Effective Date

- 31 15. These standards are effective upon issuance with the exception of the  
32 specific paragraph listed below. This exception allows time to plan and

- 1 budget for the provision of additional information for the CFR that is not  
2 currently readily available.
- 3 a. Par. 12 is effective for reporting periods beginning after September  
4 30, 2012. Earlier implementation is encouraged.
- 5

The provisions of this Statement need not be applied to immaterial items.

## Appendix A: Basis for Conclusions

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

### Project History

A1. Representatives of the American Institute of Certified Public Accountants (AICPA) requested that the U.S. accounting standards-setters consider adopting certain guidance for accounting and financial reporting issues that now reside in the professional auditing literature. In July 2008, the FASAB joined the Governmental Accounting Standards Board in responding to this request.

A2. The Board believes that incorporation of 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 the preparation of financial statements that are presented in conformity with GAAP. The structure presented in this Statement generally carries forward the hierarchy as set forth in SAS 91 and the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements.

### Application of Standards Issued by the Financial Accounting Standards Board

A3. Since October 1999, the AICPA has recognized the FASAB as the standards-setting body for federal governmental entities; therefore, the pronouncements resulting from the FASAB process represent GAAP for the entire federal government (FASAB GAAP). Nevertheless, some federal entities follow GAAP for nongovernmental entities promulgated by the private sector Financial Accounting Standards Board (FASB GAAP). For example, federal government corporations, the U.S. Postal Service, certain component entities of the Department of Treasury, and some smaller entities in the executive and legislative branches have historically applied FASB GAAP and continue to do so.

- 1 A4. In early 2000, the FASAB recognized this practice as acceptable for  
2 those entities that had been following FASB GAAP to avoid an  
3 immediate and unanticipated requirement that these federal entities  
4 follow federal GAAP after the FASAB was recognized as the Rule  
5 203 standards-setting body for the federal government. This  
6 guidance was published in the January – March 2000 issue of  
7 *FASAB News*<sup>5</sup> and was intended as a temporary measure in light of  
8 the unanticipated consequences of Rule 203 recognition. The  
9 existence of the issue has also been acknowledged in Statement of  
10 Federal Financial Accounting Concepts (SFFAC) 2, *Entity and*  
11 *Display* (par. 78); Statement of Federal Financial Accounting  
12 Standards (SFFAS) 5, *Accounting for Liabilities of the Federal*  
13 *Government* (inside front cover and Appendix A, par. 142); SFFAS 8,  
14 *Supplementary Stewardship Reporting* (Introduction par. 40); and,  
15 SFFAS 24, *Selected Standards for the Consolidated Financial Report*  
16 *of the United States Government* (Appendix A, par. 20).
- 17 A5. A project on this issue was initiated in January 2006 after the topic  
18 was considered a top priority as a result of (1) the Board's October  
19 2004 agenda-setting session, and (2) subsequent consideration of  
20 comments on the July 2005 invitation to comment (ITC) on the four  
21 projects selected by the Board for consideration.
- 22 A6. From January 2006 through February 2008, the FASAB staff ("staff")  
23 presented various options to the Board with accompanying research  
24 and analyses. This research included preparing detailed profiles of  
25 ten federal entities that have historically followed FASB GAAP:  
26 Community Development Financial Institution, Corporation for  
27 National and Community Service, Federal Deposit Insurance  
28 Corporation, Federal Prison Industries (Unicor), Government National  
29 Mortgage Association (Ginnie Mae), Millennium Challenge  
30 Corporation, Office of Thrift Supervision, Pension Benefit Guaranty  
31 Corporation, Tennessee Valley Authority, and U.S. Mint (the Mint  
32 switched to FASAB GAAP beginning with its fiscal year 2005  
33 financial statements).
- 34 A7. At the February 2008 meeting, the Board tentatively decided that no  
35 federal entities will be required to convert to FASAB standards for  
36 their standalone general purpose financial reports at this time. The

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<sup>5</sup> FASAB News, Jan.-March 2000, p. 2.

Board is also comfortable with including two sources of GAAP in the CFR; however, the Board believes that information provided to the U.S. Department of the Treasury for inclusion in a consolidated financial report presented in accordance with FASAB GAAP should conform with accounting and reporting principles issued by the FASAB if material differences would exist as a result of application of standards issued by the two boards. The Board has initiated a separate project, Appropriate Source of GAAP, to assist the Board in determining whether additional reporting should be required in standalone general purpose financial reports of federal entities that are currently applying FASB accounting standards.

A8. Including standards on the application of standards issued by the FASB in this statement serves four purposes:

- a. To proactively address entity concerns that moving the hierarchy of generally accepted accounting principles into the accounting literature without addressing the use of FASB GAAP will result in a sudden and dramatic change in practice;
- b. To ensure that general purpose financial reports issued by federal entities are meeting the objectives of its primary users;
- c. To respond to the AICPA's recommendation that the FASAB clarify its policy with regard to entities that have been following FASB standards;<sup>6</sup> and,
- d. To address compilation issues that are occurring during the consolidation of the financial report of the U.S. Government as a result of federal entities applying standards issued by the FASB.

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<sup>6</sup> Letter dated July 17, 2002, from Patrick L. McNamee, Chair of the AICPA FASAB Liaison Task Force, commenting on the exposure draft of SFFAS 24, *Selected Standards for the Consolidated Financial Report of the United States Government*, Comment 1.

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**Application to Legislative and Judicial Branches**

A9. Neither the FASAB nor any of its sponsors have legal jurisdiction over the legislative and judicial branches. The legislative and judicial branches, and most entities within those branches, are not currently required to prepare financial statements and those that do prepare statements cannot be legally required by any of the FASAB's sponsors to follow FASAB GAAP or prepare a reconciliation between FASAB GAAP and FASB GAAP. However, the AICPA has designated the FASAB as the source of GAAP for federal reporting entities. Therefore, application of professional standards may lead to adoption of FASAB GAAP.



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**1 Appendix B: Abbreviations**

2	AICPA	American Institute of Certified Public Accountants
3	CFR	Consolidated Financial Report of the U.S. Government
4	FASAB	Federal Accounting Standards Advisory Board
5	FASB	Financial Accounting Standards Board
6	GAAP	Generally Accepted Accounting Principles
7	GASB	Governmental Accounting Standards Board
8	IPSASB	International Public Sector Accounting Standards Board
9	OMB	Office of Management and Budget
10	SAS	Statement on Auditing Standards

11

# Appendix C: Examples of Federal Entities that Apply FASB Standards

The following table contains examples of federal entities that apply FASB standards with a brief description of the entity and some of its characteristics. This list is not all-inclusive but attempts to capture all of the significant entities as well as other known examples. A list of areas where differences arise is included beneath the table.

Name of Entity <sup>7</sup>	Description/Characteristics
<ul style="list-style-type: none"> <li><b>Farm Credit System Insurance Corporation (FCSIC)</b> <ul style="list-style-type: none"> <li>Insure the timely payment of principal and interest on System notes, bonds, and other obligations issued to investors.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><i>Operates a business similar to a private business enterprise</i></li> <li><i>Engages primarily in business-type activities with parties outside of the government</i></li> <li><i>Is intended to be self-sustaining</i></li> <li><i>Does not receive appropriations</i></li> <li><i>Is required to handle FASB-based receiverships</i></li> <li><i>Primary stakeholders are fluent in FASB reporting (e.g., financial institutions)</i></li> <li><i>Primary business function is the provision of insurance</i></li> </ul>
<ul style="list-style-type: none"> <li><b>Federal Deposit Insurance Corporation (FDIC)</b> <ul style="list-style-type: none"> <li>Preserve and promote public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$100,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><i>Exempt from the Federal Credit Reform Act (P.L. 101-508 § 506, 2 U.S.C. § 661e)</i></li> <li><i>Operates a business similar to a private business enterprise</i></li> <li><i>Engages primarily in business-type activities with parties outside of the government</i></li> <li><i>Is intended to be self-sustaining</i></li> <li><i>Does not receive appropriations</i></li> <li><i>Is required to handle FASB-based receiverships</i></li> <li><i>Primary stakeholders are fluent in FASB reporting</i></li> <li><i>Primary business function is the provision of insurance</i></li> </ul>
<ul style="list-style-type: none"> <li><b>National Credit Union Administration (NCUA)</b> <ul style="list-style-type: none"> <li>Charter and supervise federal credit unions throughout the United States and its territories.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><i>Exempt from the Federal Credit Reform Act (P.L. 101-508 § 506, 2 U.S.C. § 661e)</i></li> <li><i>Operates a business similar to a private business enterprise</i></li> <li><i>Engages primarily in business-type activities with parties outside of the government</i></li> <li><i>Is intended to be self-sustaining</i></li> </ul>

<sup>7</sup> Names appearing in **bold** are considered significant entities for the consolidated financial report of the U.S. Government.

Name of Entity <sup>7</sup>	Description/Characteristics
	<ul style="list-style-type: none"> <li>• Does not receive appropriations with one immaterial exception</li> <li>• Primary stakeholders are fluent in FASB reporting</li> <li>• Primary business function is the provision of insurance to and oversight of national credit unions</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Pension Benefit Guaranty Corporation (PBGC)</b> <ul style="list-style-type: none"> <li>– Insure the pension benefits, within statutory limits, of workers and retirees in private defined benefit pension plans.</li> <li>– Safeguard the federal pension insurance system for the benefit of participants, plan sponsors, and other stakeholders.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Exempt from the Federal Credit Reform Act (P.L. 101-508 § 506, 2 U.S.C. § 661e)</li> <li>• Operates a business similar to a private business enterprise</li> <li>• Engages primarily in business-type activities with parties outside of the government</li> <li>• Is intended to be self-sustaining</li> <li>• Does not receive appropriations</li> <li>• Primary stakeholders are fluent in FASB reporting</li> <li>• Primary business function is the provision of insurance</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Smithsonian Institution (SI)</b> <ul style="list-style-type: none"> <li>– Operate as a museum and an education and research complex consisting of 17 museums and galleries, the National Zoological Park, and other research facilities.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Primary source of revenue is federal appropriations</li> <li>• Operates similar to a non-profit organization</li> <li>• Some of the stakeholders are fluent in FASB reporting (e.g., bondholders and donors)</li> <li>• Primary business function is the operation of a museum and an education and research complex</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Tennessee Valley Authority (TVA)</b> <ul style="list-style-type: none"> <li>– Develop and operate the Tennessee River system to improve navigation, minimize flood damage, and provide energy and related products and services safely, reliably, and at the lowest feasible cost to residents and businesses in the multi-state Tennessee Valley region.</li> <li>– Operate one of the largest electric power systems in the U.S.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Mandated to follow the Federal Energy Regulatory Commission's Uniform System of Accounts</li> <li>• Required to file with the Securities and Exchange Commission</li> <li>• Exempt from the Federal Credit Reform Act (P.L. 101-508 § 506, 2 U.S.C. § 661e)</li> <li>• Operates a business similar to a private business enterprise</li> <li>• Engages primarily in business-type activities with parties outside of the government</li> <li>• Intended to be self-sustaining</li> <li>• Does not receive appropriations</li> <li>• Issues a variety of debt securities</li> <li>• Primary stakeholders are more familiar with FASB reporting (e.g., bondholders and customers)</li> <li>• Primary business function is the provision of wholesale electric power</li> </ul>

Name of Entity <sup>7</sup>	Description/Characteristics
<ul style="list-style-type: none"> <li>• <b>United States Postal Service (USPS)</b> <ul style="list-style-type: none"> <li>– Provide mail processing and delivery services to individuals and businesses within the United States</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <i>Operates a business similar to a private business enterprise</i></li> <li>• <i>Engages primarily in business-type activities with parties outside of the government</i></li> <li>• <i>Is intended to be self-sustaining</i></li> <li>• <i>Does not receive appropriations with one immaterial exception</i></li> <li>• <i>Primary stakeholders are more familiar with FASB reporting (e.g., customers)</i></li> <li>• <i>Primary business function is mail processing and delivery services</i></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Appalachian Regional Commission (ARC)</b> <ul style="list-style-type: none"> <li>– Be a strategic partner and advocate for sustainable community and economic development in Appalachia.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <i>Primary source of revenue is federal appropriations</i></li> <li>• <i>Is not intended to be self-sustaining</i></li> <li>• <i>Primary business function is the provision of area development grants</i></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Corporation for National and Community Service (CNCS)</b> <ul style="list-style-type: none"> <li>– Improve lives, strengthen communities, and foster civic engagement through service and volunteering.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <i>Primary source of revenue is federal appropriations</i></li> <li>• <i>Is not intended to be self-sustaining</i></li> <li>• <i>Primary business function is the provision of grants and member service awards</i></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Department of the Treasury Exchange Stabilization Fund</b> <ul style="list-style-type: none"> <li>– Stabilize the exchange value of the dollar.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <i>Operates a business similar to a private business enterprise</i></li> <li>• <i>Engages primarily in business-type activities with parties outside of the government</i></li> <li>• <i>Intended to be self-sustaining</i></li> <li>• <i>Does not receive appropriations</i></li> <li>• <i>Primary stakeholders are more familiar with FASB reporting (e.g., bondholders and customers)</i></li> <li>• <i>Primary business function is to use its capital to deal in gold and foreign exchange in order to stabilize the exchange value of the dollar</i></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Department of the Treasury Community Development Financial Institutions Fund (CDFI)</b> <ul style="list-style-type: none"> <li>– Expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities in the U.S.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <i>Primary source of revenue is federal appropriations</i></li> <li>• <i>Is not intended to be self-sustaining</i></li> <li>• <i>Primary business function is the provision of grants and loans</i></li> </ul>

Name of Entity <sup>7</sup>	Description/Characteristics
<ul style="list-style-type: none"> <li>Department of the Treasury Federal Financing Bank <ul style="list-style-type: none"> <li>Reduce the costs of federal and federally assisted borrowing, coordinate such borrowings with the Government's overall fiscal policy, and ensure that such borrowings are done in ways that least disrupt private markets.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><i>Operates a business similar to a private business enterprise</i></li> <li><i>Engages primarily in business-type activities with parties inside of the government</i></li> <li><i>Intended to be self-sustaining</i></li> <li><i>Does not receive appropriations</i></li> <li><i>Primary business function is the administration of loans</i></li> </ul>
<ul style="list-style-type: none"> <li>Department of the Treasury Bureau of Engraving and Printing <ul style="list-style-type: none"> <li>Design and manufacture high quality security documents that deter counterfeiting and meet customer requirements for quality, quantity and performance. The BEP designs, prints, and furnishes a large variety of security documents, including Federal Reserve Notes, identification cards, naturalization certificates, and other special security documents.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><i>Operates a business similar to a private business enterprise</i></li> <li><i>Engages primarily in business-type activities with parties outside of the government</i></li> <li><i>Intended to be self-sustaining</i></li> <li><i>Does not receive appropriations</i></li> <li><i>Primary business function is the design and production of U.S. currency</i></li> </ul>
<ul style="list-style-type: none"> <li>Department of the Treasury Office of Thrift Supervision <ul style="list-style-type: none"> <li>Supervise savings associations and their holding companies in order to maintain their safety and soundness and compliance with consumer laws, and to encourage a competitive industry that meets America's financial services needs.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><i>Operates a business similar to a private business enterprise</i></li> <li><i>Engages primarily in business-type activities with parties outside of the government</i></li> <li><i>Intended to be self-sustaining</i></li> <li><i>Does not receive appropriations</i></li> <li><i>Primary business function is to regulate all federal and many state-chartered thrift institutions, which include savings banks and savings and loan associations</i></li> </ul>
<ul style="list-style-type: none"> <li>Department of Housing and Urban Development Government National Mortgage Association (Ginnie Mae) <ul style="list-style-type: none"> <li>Help to expand the supply of affordable housing in the U.S. by providing a government-guaranteed vehicle—the mortgage-backed security (MBS)—to link capital markets to housing markets. The Ginnie Mae guarantee of the MBS</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><i>Operates a business similar to a private business enterprise</i></li> <li><i>Engages primarily in business-type activities with parties outside of the government</i></li> <li><i>Intended to be self-sustaining</i></li> <li><i>Does not receive appropriations</i></li> <li><i>Primary business function is to guarantee investors the timely payment of principal and interest on securities backed by federally insured or guaranteed loans</i></li> </ul>

Name of Entity <sup>7</sup>	Description/Characteristics
<p>enables mortgage lenders to obtain a better price for their mortgage loans in the secondary market. The lenders can then use the proceeds to make new mortgage loans.</p>	
<ul style="list-style-type: none"> <li>• Federal Financial Institutions Examination Council <ul style="list-style-type: none"> <li>– Prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS), and to make recommendations to promote uniformity in the supervision of financial institutions.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <i>Operates a business similar to a private business enterprise</i></li> <li>• <i>Engages primarily in business-type activities with parties inside of the government</i></li> <li>• <i>Intended to be self-sustaining</i></li> <li>• <i>Does not receive appropriations</i></li> <li>• <i>Primary business function is to prescribe uniform principles and standards for the federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of these financial institutions</i></li> </ul>
<ul style="list-style-type: none"> <li>• Federal Financial Institutions Examination Council Appraisal Subcommittee <ul style="list-style-type: none"> <li>– Ensure that real estate appraisers, who perform appraisals in real estate transactions that could expose the United States government to financial loss, are sufficiently trained and tested to assure competency and independent judgment according to uniform high professional standards and ethics.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <i>Operates a business similar to a private business enterprise</i></li> <li>• <i>Engages primarily in business-type activities with parties inside of the government</i></li> <li>• <i>Intended to be self-sustaining</i></li> <li>• <i>Does not receive appropriations</i></li> <li>• <i>Primary business function is to monitor the appraiser certification and licensing programs of the States</i></li> </ul>
<ul style="list-style-type: none"> <li>• Federal Prison Industries, Inc. (Unicor) <ul style="list-style-type: none"> <li>– Employ and provide job skills training to the greatest practical number of inmates confined within the Federal Bureau of Prisons; contribute to the safety and security of the nation's federal correctional facilities by keeping inmates constructively occupied; produce market-quality goods for sale to the federal government; operate in a self-sustaining matter; and minimize FPI's</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <i>Operates a business similar to a private business enterprise</i></li> <li>• <i>Engages primarily in business-type activities with parties inside of the government</i></li> <li>• <i>Intended to be self-sustaining</i></li> <li>• <i>Does not receive appropriations</i></li> <li>• <i>Primary business function is to sell products and services to other federal departments, agencies and bureaus</i></li> </ul>



Name of Entity <sup>7</sup>	Description/Characteristics
impact on private business and labor.	
<ul style="list-style-type: none"> <li>National Credit Union Administration Central Liquidity Facility <ul style="list-style-type: none"> <li>Improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><i>Operates a business similar to a private business enterprise</i></li> <li><i>Engages primarily in business-type activities with parties outside of the government</i></li> <li><i>Intended to be self-sustaining</i></li> <li><i>Does not receive appropriations</i></li> <li><i>Primary business function is the provision of loans</i></li> </ul>
<ul style="list-style-type: none"> <li>Overseas Private Investment Corporation (OPIC) <ul style="list-style-type: none"> <li>Mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from nonmarket to market economies.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><i>Operates a business similar to a private business enterprise</i></li> <li><i>Engages primarily in business-type activities with parties outside of the government</i></li> <li><i>Intended to be self-sustaining</i></li> <li><i>Does not receive appropriations</i></li> <li><i>Primary business function is the provision of political risk insurance, investment guaranties, and direct loans</i></li> </ul>
<ul style="list-style-type: none"> <li>Saint Lawrence Seaway Development Corporation (DOT) <ul style="list-style-type: none"> <li>Serve the marine transportation industries by providing a safe, secure, reliable, efficient and competitive deep draft international waterway, in cooperation with the Canadian St. Lawrence Seaway Management Corporation.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><i>Primary source of revenue is federal appropriations</i></li> <li><i>Is not intended to be self-sustaining</i></li> <li><i>Primary business function is the development, seasonal operation, and maintenance of the portion of the St. Lawrence Seaway between Montreal and Lake Erie, and within the territorial limits of the U.S.</i></li> </ul>
<ul style="list-style-type: none"> <li>U.S. Holocaust Memorial Museum <ul style="list-style-type: none"> <li>Advance and disseminate knowledge about the Holocaust; preserve the memory of those who suffered; and encourage its visitors to reflect upon the moral and spiritual questions raised by the events of the Holocaust as well as their own responsibilities as citizens of a democracy.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><i>Primary source of revenue is federal appropriations, but the museum receives nearly as much in contributions, membership, and other revenue</i></li> <li><i>Is not intended to be self-sustaining</i></li> <li><i>Primary business function is the operation of a museum</i></li> </ul>
<ul style="list-style-type: none"> <li>U.S. Government Printing Office (GPO)</li> </ul>	<ul style="list-style-type: none"> <li><i>Operates a business similar to a private business enterprise</i></li> </ul>



Name of Entity <sup>7</sup>	Description/Characteristics
<ul style="list-style-type: none"> <li>– Make government information available to the public.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Engages primarily in business-type activities with parties inside of the government</i></li> <li>• <i>GPO's revolving fund is Intended to be self-sustaining; its general fund is not self-sustaining</i></li> <li>• <i>GPO's revolving fund does not receive appropriations; it is supported by user fees</i></li> <li>• <i>GPO's general fund is financed by two annual Congressional appropriations to the agency. These appropriated funds finance the cost of GPO's support of the Congress and the government information dissemination services provided to the public without charge to the recipients</i></li> <li>• <i>Primary business function is the provision of printing and reproduction services</i></li> </ul>
<ul style="list-style-type: none"> <li>• U.S. House of Representatives <ul style="list-style-type: none"> <li>– Carry out the lawmaking powers granted to it by the U.S. Constitution as one of two separate legislative chambers that comprise the Congress of the United States.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <i>Primary source of revenue is federal appropriations</i></li> <li>• <i>Is not intended to be self-sustaining</i></li> <li>• <i>Primary business function is the passage of laws</i></li> </ul>
<ul style="list-style-type: none"> <li>• U.S. Senate Restaurants Revolving Fund <ul style="list-style-type: none"> <li>– Operate restaurants for senators, employees of the Senate, and (in certain locations) the general public.</li> </ul> </li> </ul>	<p><b>NOTE: Congress voted to privatize Senate Restaurants per public law 110-279</b></p> <ul style="list-style-type: none"> <li>• <i>Operates a business similar to a private business enterprise</i></li> <li>• <i>Engages primarily in business-type activities with parties inside of the government</i></li> <li>• <i>Intended to be self-sustaining but has only turned a profit in 7 of 44 years</i></li> <li>• <i>Receives appropriation transfers from the Architect of the Capitol and U.S. Senate</i></li> <li>• <i>Primary business function is the operation of restaurants for senators, employees of the Senate, and (in certain locations) the general public</i></li> </ul>
<ul style="list-style-type: none"> <li>• Capitol Preservation Fund <ul style="list-style-type: none"> <li>– Provide for improvements in, preservation of, and acquisitions (including works of fine art and other property for display) for the United</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <i>Operates a business similar to a private business enterprise</i></li> <li>• <i>Does not receive appropriations; the fund's operations are financed by proceeds from commemorative coin surcharges</i></li> <li>• <i>Primary business function is the oversight of</i></li> </ul>

Name of Entity <sup>7</sup>	Description/Characteristics
States Capitol and other locations under the control of the Congress.	<i>improvements to the U.S. Capitol and other locations under the control of Congress</i>

Accounting and reporting is not always consistent between federal entities that apply accounting principles and standards promulgated by FASB. However, the following list includes some of the areas where differences have been noted between FASAB and FASB accounting and reporting:

- SFFAS 1, *Accounting for Selected Assets and Liabilities*:
  - Valuation of Investments in Treasury Securities, pars. 68-70;
- SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*, as amended by SFFAS 18 and 19:
  - Valuation of liability for guarantees of principal and interest payments on loans between a non-federal lender and a non-federal borrower;
- SFFAS 3, *Accounting for Inventory and Related Property*:
  - Inventory Valuation, par. 20;
- SFFAS 4, *Managerial Cost Accounting Standards and Concepts*:
  - General Requirement for Cost Accounting, pars. 67-76;
  - Inter-entity Costs, pars. 108 and 109;
- SFFAS 5, *Accounting for Liabilities of the Federal Government*:
  - Recognition of Nonexchange Transactions, par. 24;
  - Accounting and Reporting for Pensions, Other Retirement Benefits, And Other Postemployment Benefits, pars. 56-96;
- SFFAS 6, *Accounting for Property, Plant, and Equipment (PP&E)*:
  - Valuation of Transferred PP&E, par. 31;
- SFFAS 7, *Accounting for Revenue and Other Financing Sources*:
  - Financing Imputed for Cost Subsidies, par. 73;
  - Budgetary Reporting, pars. 77-82;
- SFFAS 15, *Management's Discussions and Analysis*; and
- SFFAC 2, *Entity and Display*.

The following are some of the areas that are reported by federal entities applying FASB standards but are not addressed by FASAB standards. Since these areas are not currently addressed by FASAB, the hierarchy of accounting principles for federal entities would most likely permit the application of accounting and reporting principles issued by FASB in these areas:

- FASB SFAS 71, *Accounting for the Effects of Certain Types of Regulation*;

- FASB SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities* (regarding available-for-sale securities);
- FASB SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*;
- FASB SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FASAB has recently initiated a joint project on asset impairment and deferred maintenance); and,
- FASB SFAS 143, *Accounting for Asset Retirement Obligations*.

This list is not exhaustive and will be further researched as part of the board's separate project on Appropriate Source of GAAP.

1 **Appendix D: Glossary**

2 **GAAP Hierarchy:** the sources of accounting principles used in the preparation of  
3 financial statements of federal reporting entities that are presented in conformity with  
4 generally accepted accounting principles and the framework for selecting the principles.

5

**FASAB Board Members**

Tom L. Allen, Chair

Robert F. Dacey

John A. Farrell

Norwood J. Jackson, Jr.

Robert P. Murphy (through July 2008)

James M. Patton

Robert N. Reid

Alan H. Schumacher

Harold I. Steinberg

Danny Werfel

**FASAB Staff**

Wendy M. Payne, Executive Director

**Project Staff**

Julia Ranagan

Ross Simms

Federal Accounting Standards Advisory Board

441 G Street NW, Suite 6814

Mail Stop 6K17V

Washington, DC 20548

Telephone 202-512-7350

FAX 202-512-7366

[www.fasab.gov](http://www.fasab.gov)