

Memorandum

GAAP Reexam

October 8, 2026

To: Members of the Board
From: Melissa Batchelor, Assistant Director
Thru: Monica R. Valentine, Executive Director
Subject: GAAP Hierarchy Reexamination (Research/Issue Paper) - **Topic A**

OBJECTIVE

The objective of this meeting is to provide the Board with a summary of the research and staff recommendations on the remaining technical areas in the federal GAAP hierarchy project.

REQUEST FOR FEEDBACK BY **OCTOBER 15**

Prior to the Board's October meeting, please review the attached staff analyses and recommendations and respond to the ensuing questions by October 15, 2026.

NEXT STEPS

Pending Board member feedback, staff will develop a draft exposure draft for the Board's review.

ATTACHMENTS

1. Staff Analysis and Recommendations
2. Project Timeline

Staff Analysis

GAAP Reexam

October 8, 2026

Attachment 1

INTRODUCTION

As part of FASAB's overall reexamination of existing standards, the Federal GAAP Hierarchy reexamines SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles for Federal Entities, Including the Application of Standards Issued by the Financial Accounting Standards Board*. Stakeholder feedback indicated the federal GAAP hierarchy is complex and suggested the Board should

- simplify the federal GAAP hierarchy so that it may be more practical,
- clarify “practices that are widely recognized and prevalent in the federal government” because it is vague and could allow for many interpretations, and
- clarify “other accounting literature” and how it fits into the federal GAAP hierarchy.

Background

At the April 2025 Board meeting, the Board approved the project plan for the federal GAAP hierarchy project. Staff coordinated and established a FASAB GAAP hierarchy working group of 12 representatives that assist with the project.¹

Much progress has been made on the GAAP Hierarchy reexamination. Board decisions to date include:

- Guidance must meet two basic criteria for inclusion in the federal GAAP hierarchy: it must be exposed for public comment along with Board consideration of comments, and it must be approved by the Board (either through formal vote or does not object approval, a negative form of consent).
- Guidance that meets the basic criteria for inclusion in the hierarchy should then be assessed against distinguishing characteristics of the highest-level GAAP and lower-level GAAP to determine placement. The distinguishing characteristics for the highest-level GAAP are represented by a position of the Board (as indicated by formal voting and issuance by the Board) and issued with the purpose of creating, amending, interpreting, or clarifying standards. The distinguishing

¹ Members may review the FASAB GAAP working group information at the [FASAB GAAP Hierarchy Working Group webpage](#).

characteristics for the lower-level GAAP are developed under the oversight and approval of the Board (as indicated by a “does not object” approval by the Board and issuance by others) and issued with the purpose of providing guidance for applying or implementing higher-level guidance.

- Based on analysis of these distinguishing characteristics, a two-level hierarchy would result. SFFASs and Interpretations would continue to be at the highest level of GAAP. TBs, TRs, and SIGs would be at the lower level in the hierarchy. AICPA Industry Audit and Accounting Guides² and practices widely recognized and prevalent would move to Other Accounting Literature (OAL). As such, the proposed revised federal GAAP hierarchy would be:
 - A. Highest Level GAAP (Statements and Interpretations)
 - B. Lower-Level GAAP (Technical Bulletins, Technical Releases, and Staff Implementation Guides³)
- The Board tentatively agreed to the discontinuation of SIGs, pending determination of how the existing SIGs would be incorporated in the revised hierarchy.
- Accordingly, administrative directives (considered a type of practice widely recognized and prevalent) would be classified as OAL. The discussion of OAL should be expanded to address the unique federal environment and elaborate on the central agencies’ role in providing agencies with statutory guidance through administrative directives that are integral to preparing financial statements.
- The OAL discussion should also be elaborated to clarify how the GAAP hierarchy is applied and the relationship of OAL. It should also include language that conveys OAL does not conflict with or contradict authoritative GAAP to clarify the understanding and use of OAL.
- The principle for evaluating the appropriateness of OAL should be improved by adding the extent of its use in practice and consideration of the Concepts Statements.
- The term or phrasing for referring to what is presently called OAL may be revisited when the Board reviews the draft exposure draft.

The staff analysis that follows provides the Board with a summary of the research, analysis and recommendations on the remaining technical areas: the incorporation of existing SIGs, FASB-based reporting entities, application to the legislative and judicial branches, and the form of the proposed guidance and effective date.

² Staff contacted the AICPA to discuss the Board’s tentative decision to move AICPA Industry Audit and Accounting Guides from the federal GAAP hierarchy to OAL. Lindsey Kennimer explained that they do not have any concerns with the Board’s decision, and they appreciated that FASAB sought their input.

³ The Board has tentatively agreed to discontinue the use of SIGs as part of the reexamination, pending determination of how the existing SIGs would be incorporated.

STAFF ANALYSIS AND RECOMMENDATIONS

1. Staff Implementation Guides (SIGs)

The Board tentatively agreed to the discontinuation of SIGs, pending determination of how the existing SIGs would be incorporated in the revised hierarchy. Staff believes the most effective and efficient manner to incorporate SIGs would be by including a reference in the proposed revised GAAP hierarchy. This approach would be consistent with the objectives of the GAAP hierarchy reexamination, preserve the integrity of the documents, prevent the need for re-exposure, and clearly demonstrate that existing SIGs remain for consideration as guidance despite being the communication method being discontinued going forward.

Staff Analysis

Background

The [December 2025 briefing materials](#) provided a comprehensive analysis of FASAB's communication vehicles that resulted in the staff recommendation that the Board consider discontinuing the use of SIGs. Staff's analysis identified overlapping purposes among certain communication vehicles that contribute to the complexity of the existing GAAP hierarchy. Confusion in practice primarily relates to understanding the different purposes and uses for the lower-level communication vehicles—TBs, TRs and SIGs. Considering the stakeholder comments that FASAB should simplify the hierarchy, the Board thoughtfully considered each communication vehicle's purpose to determine if each should continue.

TBs and SIGs share many characteristics and the same due process requirements. Both address narrow topic areas in which timely guidance is needed, including time-sensitive matters and emerging issues. Both are typically presented in a question-and-answer format and are staff documents issued under the Board's oversight. Both are exposed for public comment for at least 15 days—and often longer when time permits. Neither requires an affirmative or formal Board vote; instead, each undergoes a Board review period during which members may object and both are issued if a majority of members do not object.

Accordingly, the Board tentatively agreed to discontinue SIGs and use TBs for all time-sensitive topics going forward. The Board noted the final decision would be made after considering how the existing SIGs would be incorporated into the proposed revised hierarchy.

Research

There are four existing SIGs:

- SIG 23.1, *Guidance for Implementation of SFFAS 23, Eliminating the Category National Defense Property, Plant, and Equipment: Classification of Items Formerly Considered National Defense PP&E*
- SIG 31.1, *Guidance for Implementation of SFFAS 31, Accounting for Fiduciary Activities*
- SIG 6.1, *Clarification of Paragraphs 40-41 of SFFAS 6, Accounting for Property, Plant, and Equipment, as amended*
- SIG 64.1, *Guidance for Implementing SFFAS 64: Management's Discussion and Analysis*

Elimination of SIGs as a future communication method and thus from the GAAP hierarchy, calls into question how the authoritative status of the existing SIGs can be maintained. SIGs are currently level d in the existing GAAP hierarchy, while TBs are level b. Some may view the difference in authoritative levels as a concern when considering how to incorporate the SIGs. However, under the revised two-level hierarchy, both would be included at the lower level.⁴ Therefore, the proposed revised hierarchy would eliminate the difference in authoritative levels, and staff does not view the current difference as a complicating factor in discontinuing SIGs and ensuring that existing SIGs remain a part of the revised hierarchy.

The main issue is to determine the most practical and efficient manner to include existing SIGs in the proposed revised hierarchy while discontinuing use of future SIGs. As agreed by the Board, TBs would be used going forward for narrow, time sensitive topics.

Staff considered the following alternatives to maintain the authoritative status of existing SIGs:

- (1) incorporation of guidance from SIGs into a TB, or
- (2) incorporation by reference in the revised GAAP hierarchy.

Incorporation of guidance from SIGs into a TB

Relevant guidance presented in the SIGs could be incorporated into a new TB, thus the existing SIG guidance would reside in a new TB going forward and thus be a part of the revised hierarchy. To execute this option, guidance from the existing SIGs, which is already presented in a question-and-answer format, could be placed in a new TB

This approach may seem straightforward because it would, in essence, eliminate the existing SIGs and move their information to a TB. The proposed revised hierarchy would then include only TBs, which may appear cleaner going forward. However, staff believes this approach would present several problems. For example, the guidance incorporated into the TB would need to be re-exposed. Staff believes re-exposing the

⁴ Both meet the distinguishing characteristics for lower-level GAAP.

content would be challenging because the current Board would naturally want to review the guidance and determine whether it remains appropriate in the current environment. This would raise the question of whether the language from the existing SIGs should be incorporated without modification and re-exposed or incorporated with modifications and then re-exposed. In addition, SIGs contain background information and a basis for conclusions, so this information would also need to be incorporated, so the Board would need to determine how best to incorporate this information. Staff does not believe modifications to the original basis for conclusions would be appropriate because they convey the history and considerations that led to the issuance of the SIGs. Changes to that information could distort the original intent.

Most importantly, re-exposure may raise other issues that the Board would need to consider. The objectives of the GAAP hierarchy reexamination did not include revisiting technical topics, and this approach would appear to require such action. Staff believes this option would consume resources with little benefit.

A preferred alternative would preserve the authoritative status of existing SIGs without requiring the Board to reconsider their technical guidance or re-expose the underlying topics. One variation of the first alternative would be to incorporate the SIG guidance without modification and clarify that the purpose of the TB is to transfer existing SIG guidance to a TB and not to redeliberate the language. However, the resulting TB would still need to be exposed for public comment, and stakeholder concerns could still require Board consideration. Staff believes that many of the concerns described above would remain. The best option would avoid re-exposure while allowing the SIGs to retain their authoritative status.

Incorporation by reference in the revised GAAP hierarchy

The preferred option would incorporate existing SIGs without requiring the Board to reconsider the topics or re-expose the guidance. Staff believes this approach would be consistent with the objectives of the GAAP hierarchy reexamination. The proposed revised GAAP hierarchy would incorporate the existing SIGs by reference.

This approach would be similar to GASB's approach to incorporating a discontinued communication method. Staff notes that when GASB reassessed its hierarchy in developing GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB discontinued the use of Interpretations and noted they would be fulfilled by Statements going forward. Interpretations in effect at the time were included in level A of the GASB hierarchy by a footnote reference as shown below.⁵

⁵ When deliberating how to incorporate Interpretations, GASB considered a manner similar to the incorporation of the National Council on Governmental Accounting (NCGA) Statements and Interpretations into GASB literature in paragraph 8 of GASB Statement No. 1, *Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide*.

a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A)^{FN1}

^{FN1} All GASB Interpretations heretofore issued and currently in effect also are considered as being included within Category A and are continued in force until altered, amended, supplemented, revoked, or superseded by subsequent GASB pronouncements. Category A standards, including GASB Interpretations heretofore issued and currently in effect, are the subject of the Accounting Principles Rule of the American Institute of Certified Public Accountants' (AICPA) Code of Professional Conduct, and this Statement does not affect the application of that rule.

Using this approach would maintain the SIGs as they currently exist and eliminate the need to re-expose the guidance. Incorporation by reference would also provide an authoritative reference that would prevent any future questions about the authoritative status of SIGs, which would no longer be referenced in the GAAP hierarchy. The SIGs are presently part of the FASAB Handbook and would continue to be included as they currently exist until they are amended, rescinded or superseded by subsequent FASAB pronouncements. As noted above, staff does not view the difference in SFFAS 34's existing authority levels as being a complicating factor because all implementation guidance would be considered lower-level in the proposed revised GAAP hierarchy.

Staff notes that GASB used the language "...continued in force until *altered, amended, supplemented, revoked, or superseded* by subsequent GASB pronouncements." Staff notes that FASAB hasn't altered or revoked specific guidance in the past but instead has *amended or rescinded* guidance. Staff believes it is appropriate to include "supplemented" as this acknowledges FASAB may provide additional guidance in the future, such as implementation or application guidance, that may be directly or indirectly relate to an existing SIG topic. Staff believes it is also appropriate to include "superseded"⁶ because FASAB may have a codification (or some other improved manner of providing the authoritative portions of pronouncements) in the future. Thus, staff believes using "amended, rescinded, superseded, or supplemented" would be appropriate for the FASAB environment.

Staff does not believe any specific reference to the AICPA Code of Professional Conduct is necessary for the incorporation of SIGs because they are lower-level GAAP. GASB's reference was necessary because GASB's Interpretations were the highest-level GAAP before being discontinued and thus referenced in and subject of the AICPA's "Accounting Principles Rule" [1.320.001.]

This approach would be accomplished as follows through the proposed revised hierarchy:

A. Officially established accounting principles—FASAB Statements of Federal Financial Accounting Standards and Interpretations (Highest Level GAAP)

⁶ Superseded is also used to describe when one standard is rescinded and replaced.

B. FASAB Technical Bulletins and Technical Releases of the Accounting Standards Implementation Committee (Lower-Level GAAP)^{FN}

^{FN} All FASAB Staff Implementation Guides (SIGs) heretofore issued and currently in effect also are considered as being included within Category B (Lower-Level GAAP) and are continued in force until amended, rescinded, superseded, or supplemented by subsequent FASAB pronouncements.

Alternative suggestion

Staff believed it important to explain that when staff shared the draft options with the FASAB GAAP working group, the GAO member offered an alternative suggestion. The member believed that there may be some benefit to maintaining the SIG communication method in case there was a need in the future. The member also believed that SIGs should be classified as OAL. The member believed that even if the Board discontinues their use going forward, SIGs should be classified as OAL. While staff appreciates the view, it is difficult to conclude that SIGs should be considered OAL because they meet the basic criteria established for determining which guidance should be part of the FASAB GAAP hierarchy.

Further, given the similarities in purpose among the lower-level communication methods, staff does not believe there is a great benefit to continuing the SIGs as a communication method. As detailed in the [December 2025 briefing materials](#) and deliberated by the Board, there was a comprehensive analysis of FASAB's communication vehicles and an analysis of the continued need for all FASAB communication methods that resulted in the staff recommendation that the Board consider discontinuing the use of SIGs. TBs and SIGs are both staff documents under the oversight of the Board and both are used for time-sensitive issues. TBs and SIGs are both typically in question-and-answer format and are staff documents under the oversight of the Board. Both are exposed for a minimum fifteen-day comment period and neither document requires a formal vote of the Board, and both are issued if a majority of the members do not object.

Staff believes eliminating the use of SIGs as a communication method would contribute toward simplicity of the federal GAAP hierarchy. It would also be responsive to stakeholders ITC comments because there was noted confusion regarding the different communication methods that had similar purposes.

Staff Recommendation

Staff recommends that SIGs be incorporated by a direct reference in the proposed revised federal GAAP hierarchy. This method preserves the integrity of the documents, prevents the need for re-exposure, and clearly demonstrates that existing SIGs remain for consideration as guidance despite being discontinued going forward.

Question for the Board:

1. Does the Board agree with the staff recommendation that SIGs be incorporated through a direct reference in the proposed revised federal GAAP hierarchy? If you do not agree, please explain and provide a preferred approach.

2. FASB Based Reporting Entities

Some federal entities follow GAAP for nongovernmental entities promulgated by FASB. SFFAS 34 recognizes that general purpose financial reports prepared in conformity with FASB may be regarded as in conformity with GAAP for those entities that have issued such reports in the past. For example, most federal government corporations have historically applied FASB GAAP and continue to do so. Staff's research did not indicate significant problems, so staff does not believe that the section "Application of Standards Issued by the Financial Accounting Standards Board" (paragraphs 9–12) requires significant changes.

Staff Analysis

The existing guidance in SFFAS 34 "Application of Standards Issued by the Financial Accounting Standards Board" (paragraphs 9-12) provides for this as follows:

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 standards 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.⁸

10. Except as provided in paragraph 11, a federal entity that is preparing GAAP-based general purpose financial reports for the first time should implement FASAB standards as FASAB is the preferred method of reporting for federal entities.

11. In rare instances, a federal entity that is preparing GAAP-based general purpose financial reports for the first time may, in consultation with its auditors and bodies with oversight authority, elect to apply standards issued by the FASB if the entity 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 requirements, 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 annual federal appropriations.
- b. The entity has been delegated the financial and operational authority to carry on its activities in a manner similar to private business enterprises.
- 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 federal government reporting entity.
- e. It is desirable to compare general purpose financial reports of the federal entity that is preparing GAAP-based general purpose financial reports for the first time with an existing entity that is already following FASB GAAP.

12. 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 FASB should continue to apply the federal standards,** as FASAB is the preferred method of reporting for federal entities.

^{FN8} The FASAB has an existing project underway that will assist the Board in determining whether certain federal entities should be permitted to continue applying FASB GAAP and, if so, whether additional reporting should be required. This project will also consider whether federal entities should be permitted to convert from FASB standards to International Financial Reporting Standards published by the International Accounting Standards Board.

In essence, SFFAS 34 recognizes that general purpose financial reports prepared in conformity with FASB standards may be regarded as being in conformity with GAAP for entities that have issued such reports in the past.

Research

Other standard setters do not provide a comparison because they generally do not permit financial statements prepared on a different accounting basis to be presented as complying with their respective GAAP. For example, state and local government reporting entities subject to GASB standards cannot prepare their primary general-purpose financial statements on a FASB basis and report conformity with GAAP.⁷ Staff believes this is most likely due to FASAB's shorter history of being a recognized GAAP standard setter when compared to other standard-setters and the fact that certain

⁷ Certain government-affiliated entities—such as public hospitals, universities, or utilities—fall under the GASB even though similar private entities use FASB. Under historical rules (like old GASB Statement 20), some proprietary activities could elect to use post-1989 FASB rules, but [GASB Statement No. 62](#) eliminated that option, bringing relevant guidance directly into the GASB framework instead of permitting a separate FASB basis.

component reporting entities were required to produce FASB based statements prior to FASAB's recognition.

History of the Topic

Staff notes that FASB reporting by federal entities has been considered by the Board as part of several projects over the years. Its importance was prompted when the AICPA recognized FASAB as the standard-setting body for federal reporting entities because with the recognition, FASAB pronouncements represent GAAP for the federal government (FASAB GAAP). With FASAB's recognition as the Rule 203 standard-setter for federal reporting entities, it was important to consider that reporting entities preparing financial statements on another basis such as FASB would not be reporting in accordance with FASAB GAAP. In other words, any federal reporting entity that was not following the federal GAAP hierarchy might receive an Other Comprehensive Basis of Accounting opinion or less than unqualified GAAP opinion unless FASAB made provisions otherwise.

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 for those federal entities. This guidance was published in the FASAB News and was intended as a temporary measure in light of FASAB's Rule 203 recognition. The *FASAB News*, Issue 60, Jan.-Mar. 2000 provided the following:

FASAB Begins Changes Resulting From AICPA Rule 203 Designation On October 19, 1999, the Council of the American Institute of Certified Public Accountants (AICPA) adopted an amendment to Rule 203 of the AICPA's Code of Professional Ethics. This amendment recognized accounting standards published by the FASAB as generally accepted accounting principles (GAAP) for Federal financial reporting entities. The amendment gave FASAB exclusive jurisdiction to establish GAAP for Federal entities. As a result of this action, FASAB is making some changes to its procedures. The first several articles in this edition of FASAB News discuss some of those changes.

Use Of FASB Standards by Federal Reporting Entities Another issue raised by the AICPA's Rule 203 action is whether financial statements of Federal entities prepared in accordance with standards issued by the Financial Accounting Standards Board (FASB) may be considered prepared in accordance with GAAP. The Board has not deliberated that question and will not have time to do so before the fiscal year 1999 financial statements are issued. FASAB staff is providing this response as immediate guidance.

Question: May financial statements issued by Federal entities after October 19, 1999, and prepared in accordance with standards issued by FASB be considered prepared in accordance with generally accepted accounting principles for Federal entities, even in situations where material differences exist in amounts recognized or disclosed, or in the number, form, and content of required financial statements pursuant to FASB and FASAB standards?

Answer: *The AICPA has designated FASAB as the source of GAAP for Federal entities. In general, therefore, any Federal entity financial statements prepared in accordance with principles that conflict with FASAB standards should not be regarded as being in accordance with GAAP. However, financial statements in accordance with accounting standards published by the FASB also may be regarded as in accordance with GAAP for those Federal entities that have in the past issued such financial statements.*

Background: *Federal financial reporting concepts and standards have recognized that certain Federal entities prepare financial statements in accordance with FASB standards. This practice developed before FASAB was established and has been widely recognized and prevalent in the Federal government. In SFFAC 2, Entity and Display, paragraph 78, and SFFAS 8, Supplementary Stewardship Reporting, paragraph 40, the Board speaks to this practice.*

At its meeting on December 14, 1999, the Board did not object to the above response and expressed the view that further Board level action was not needed at this time.

Considering this guidance was in the FASAB News (and not in a standard), questions continued on the topic. The Board began a project in 2007, [FASB Reporting by Federal Entities](#).⁸ Substantive work on this project stopped in 2009; the project was officially dropped by the Board in 2011. Although the project ceased, much research work was performed that was used in developing the language that ultimately was included in SFFAS 34 “Application of Standards Issued by the Financial Accounting Standards Board” (paragraphs 9-12).

For example, research during the FASB Reporting by Federal Entities project included detailed reviews of significant reporting entities that historically prepared financial statements under FASB GAAP. Staff developed entity profiles that included excerpts from financial statements and an analysis of various characteristics that included an assessment of likely users of the financial statements and primary differences between FASAB and FASB standards.

During the FASB Reporting by Federal Entities project, staff also conducted a survey on the expected benefits and perceived costs and burdens associated with different approaches to addressing the source of GAAP issue. The sense of the comments received were generally not in favor of converting from FASB GAAP to FASAB GAAP. Considering there was little support for requiring full conversion to FASAB standards, staff coordinated a working group with the sponsor agencies (GAO, OMB, and Treasury) to address issues with the governmentwide consolidation. The workgroup’s

⁸ This project was referenced in SFFAS 34, paragraph 9, footnote 8 that stated “The FASAB has an **existing project** underway that will assist the Board in determining whether certain federal entities should be permitted to continue applying FASB GAAP and, if so, whether additional reporting should be required...” Members may find interest in reviewing the past Board deliberations from the referenced archived project page.

recommendation was to permit entities currently following FASB GAAP to continue to do so but require that they present in their individual financial statements an audited footnote reconciliation of the differences between FASB GAAP and FASAB GAAP that would support the numbers submitted to Treasury for the CFR. Research was also done to determine if additional reporting should be required of the federal entities that were applying FASB to ensure that the standalone federal financial reports prepared pursuant to FASB standards met federal financial reporting objectives. No significant areas were identified for further consideration. Staff also researched whether a newly created federal entity should be permitted to apply FASB standards and, if so, under what conditions (i.e., establish criteria for new entities.)

The results of much of this research provided the basis for SFFAS 34 formally incorporating the newsletter provision that allowed federal entities that had issued general purpose financial reports in conformance with accounting and reporting principles issued by the FASB to continue to do so. The research was also the basis for SFFAS 34 provision that a federal entity that is preparing GAAP-based general purpose financial reports for the first time should implement FASAB standards as FASAB is the preferred method of reporting for federal entities. However, SFFAS 34 also noted that in rare instances, a federal entity that is preparing GAAP-based reports for the first time may, in consultation with its auditors and bodies with oversight authority, elect to apply standards issued by the FASB if the entity clearly demonstrates that the needs of its primary users would be best met through the application of FASB standards. SFFAS 34 also provides examples of factors that the entity may consider in determining that the application of standards issued by the FASB more appropriately meets these unique user needs.

When finalizing SFFAS 34, the Board agreed that outstanding questions related to this area could be addressed in the [Federal Reporting Entity project](#). The acceptance of the SFFAS 34 provision for certain federal entities to continue FASB-based reporting raised the question of whether the information prepared under FASB standards may be consolidated with information prepared under FASAB standards in consolidated reports prepared by component reporting entities and in the consolidated government-wide reporting entity.

During the reporting entity project, staff confirmed decisions made in the development of SFFAS 34 and completed additional research to address the consolidation of FASB based information. As a result, SFFAS 47 provides guidance to address the case of a federal entity consolidating information from an entity (or entities) applying FASB standards with its own FASAB based information. Specifically, SFFAS 47, paragraph 68 provides

68. SFFAS 34 recognizes that some federal reporting entities prepare and publish financial reports pursuant to the accounting and reporting standards issued by the FASB. SFFAS 34 provides that GPFFRs prepared in conformity with accounting standards issued by the FASB also may be regarded as in conformity with GAAP. Consolidation entities (that is, the consolidated government-wide reporting entity or a consolidated component reporting entity) may consolidate component or sub-

component reporting entity financial statements prepared in accordance with SFFAS 34 without conversion for any differences in accounting policies among the organizations.

SFFAS 47, paragraph 76 provides guidance regarding including disclosure entity FASB based information

76. Any disclosure entity's financial information presented in the reporting entity's GPFFR should be based on accrual-basis standards provided in GAAP or an other comprehensive basis of accounting developed for its specific type of entity.^{FN43} This includes GAAP for the relevant domain (FASAB, Governmental Accounting Standards Board, or FASB).

^{FN43} Consolidation entities should apply the GAAP hierarchy established in SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

In addition, the basis for conclusions of SFFAS 47 contains a detailed summary of the Board's considerations in paragraphs A79-A84, *Consolidation of FASB-based and FASAB-based Information*. The Board determined that converting FASB-based information to FASAB based information for consolidated financial reports of larger organizations may not be justifiable since conversion may not aid users and would pose a burden to preparers. Although the Board recognized that there may be significant differences between FASB and FASAB standards, it noted both standards result in accrual-basis information and disclosures that aid users in understanding the information. The Board further explained that if consolidation leads to consolidation in a single line-item of amounts measured differently due to differences between FASB and FASAB principles, then one would anticipate disclosures of the different accounting policies and the related amounts to aid the reader in understanding the information provided. The Board considered adopting requirements for such disclosures but believed that existing requirements and long-standing professional practices were sufficient.⁹ The Board also recognized that certain component reporting entities reporting on a FASB basis convert their information to a FASAB basis. Recognizing this, the Board did not want SFFAS 47 to prevent those wishing to convert from doing so but it was not required.

Current practices

As discussed in the [August 2026 briefing materials](#), the significant entities following FASB standards are the Federal Deposit Insurance Corporation (FDIC), Farm Credit System Insurance Corporation (FCSIC), National Credit Union Administration (NCUA), National Railroad Retirement Investment Trust (NRRIT), Pension Benefit Guaranty

⁹ Staff notes that the exposure draft, *Reporting Entity*, required any component reporting entity that publishes financial reports pursuant to the accounting and reporting standards issued by the FASB should disclose intragovernmental amounts measured in accordance with federal financial accounting standards to facilitate elimination entries in preparation of the government-wide financial statements. However, respondents believed the disclosure requirement was not necessary, and the continuation of the current practices was sufficient to provide Treasury the information.

Corporation (PBGC), Tennessee Valley Authority (TVA), and United States Postal Service (USPS). The Smithsonian Institution also follows FASB standards but was reclassified from a significant consolidation entity to an additional consolidation entity in fiscal year 2025. Bonneville Power Administration and other entities within the Department of Energy also prepare their standalone financial statements under FASB standards but are consolidated into DOE, which reports on a FASAB basis. Accordingly, FASB-based activities in the CFR relate primarily to these significant federal entities.¹⁰

Staff also performed outreach to stakeholders, including FASB-based reporting entities, Treasury, Bureau of Fiscal Service, and auditors (GAO, IPAs, and OIG) to determine if there were any concerns with SFFAS 34's provision that allows the FASB-based reporting to continue for entities that had done so in the past. Consistent with previous research, FASB-based reporting entities explained that issuing FASB-based general purpose financial statements without conversion to FASAB is beneficial and that the current guidance should continue. Stakeholders generally support the continued application of FASB GAAP by these select reporting entities because of the nature of their operations. Since SFFAS 34's issuance, there have not been any new federal entities issuing financial statements (first time reporting entities) that used the rare instances provision of SFFAS 34 that allows the first timers to elect to apply FASB standards. Stakeholders also explained that, although SFFAS 47 allows consolidation without conversion, certain FASB-based federal entities convert information internally to provide the information needed for consolidation.¹¹

In summary, staff's research and outreach did not identify any major concerns with the FASB-based provision in SFFAS 34. Stakeholders generally agree that it should continue and the reexamination of SFFAS 34 should not change this guidance.

Areas for the Board's Consideration

ITC Response

Staff believes it important to note that there was one ITC response specific to the FASB-based reporting provision in SFFAS 34. The respondent noted that there may "*the guidance for government corporations provided in paragraphs 9 through 12 of SFFAS 34 may contradict the CFO Act and Title 31, Chapter 91 of US Code, Subsection 9106.*"

¹⁰ Although different from the FASB-based reporting entities discussion, staff believes it important to note that FASAB GAAP reporting entities (based on proper application of SFFAS 34), use FASB guidance in certain areas in which FASAB is silent on specific accounting transactions. As previously discussed in the [August 2026 briefing materials](#), investments in nonfederal securities represent the largest area in which FASAB entities report activities under FASB guidance because FASAB standards do not address those transactions. In these cases, federal reporting entities properly disclose their use of FASB guidance. As another example, NASA reports under FASAB GAAP but disclosed in its property, plant, and equipment note that it had nonmonetary barter transactions with international entities for the International Space Station in which it received assets in exchange for future services. Staff notes that the OAL discussion in the revised standard would include language regarding the fact that the FASB Codification may be used when guidance for a transaction or event is not specified within a source of FASAB GAAP.

¹¹ For example, Ginnie Mae (GNMA) is a subcomponent of HUD that prepares its audited standalone financial statements under FASB standards. However, GNMA provides FASAB based reporting data to HUD for consolidation into HUD's audited financial statements. No differences in GNMA's presentation would affect HUD's consolidated financial statements presented in conformity with FASAB.

The respondent explained that “A government corporation named in Subsection 9101 is required, as stated in Subsection 9106, to report a statement of cash flows in its Annual Management Report, as well as other statements typical of FASB reporters...This inconsistency in requirements can make it challenging to apply the accounting guidance and laws appropriately. We recommend the Board consider incorporating relevant laws and regulations into the hierarchy in SFFAS 34 and make sure there is consistency between the accounting standards and laws.”

Staff notes that the Government Corporations Control Act (GCCA), Chapter 91 of US Code, Subsection 9106 provides:

§9106. Management reports

- (a)(1) A Government corporation shall submit an annual management report to the Congress not later than 180 days after the end of the Government corporation's fiscal year.
- (2) A management report under this subsection shall include-
 - (A) a statement of financial position;
 - (B) a statement of operations;
 - (C) a statement of cash flows;
 - (D) a reconciliation to the budget report of the Government corporation, if applicable;
 - (E) a statement on internal accounting and administrative control systems by the head of the management of the corporation, consistent with the requirements for agency statements on internal accounting and administrative control systems under the amendments made by the Federal Managers' Financial Integrity Act of 1982 (Public Law 97–255);
 - (F) the report resulting from an audit of the financial statements of the corporation conducted under section 9105 of this title; and
 - (G) any other comments and information necessary to inform the Congress about the operations and financial condition of the corporation.

Staff followed up with the respondent, an IPA, and they explained that the GCCA requirement for the statement of cash flows was their main concern. Staff notes that the GCCA does not specifically say that government corporations are required to use FASB, but the law refers to the required reports by name that align with FASB-based statements – a statement of financial position, a statement of operations, and a statement of cash flows. When a government corporation follows FASAB GAAP, they would not prepare a statement of cash flows. As such, this potentially creates the potential ‘contradiction’ noted by the respondent, because government corporations following FASAB GAAP would not be fulfilling this aspect of the GCCA. The respondent did not have any direct experience with GCCA entities following FASAB GAAP, but they believed the situation would present questions for consideration.

Because the respondent cited legal requirements, staff consulted with FASAB counsel for insights. FASAB counsel explained that the statutory requirement for the government

corporation's annual management reports has been unchanged since 1990 and the issue would have existed and most likely considered when SFFAS 34 was being drafted and deliberated. Counsel explained that the language applies to all GCCA corporations, regardless of whether they're new or old, or how they've reported financial information in the past.

Staff notes there are several government corporations that follow FASAB GAAP and therefore do not present a statement of cash flows. Examples include the International Development Finance Corporation, Millennium Challenge Corporation, Commodity Credit Corporation, and Federal Crop Insurance Corporation. Based staff's review of the financial statements and audit reports for these reporting entities, staff did not identify this as an issue reported by the auditor, and it was not cited in the auditor's consideration of compliance with laws and regulations.

Staff's assumption was that FASAB GAAP requirements and related general purpose federal financial reports meet the spirit or intent of the GCCA. To confirm, staff contacted several auditors (IPAs) of government corporations that follow FASAB GAAP, to determine if this had been an issue. While there was at least one example where a government corporation's counsel had provided a legal opinion on the matter, the legal opinion concluded that reporting under FASAB GAAP substantially meets the requirements of the GCCA. Staff's outreach confirmed that this has not been an issue. Most agreed that government corporations reporting under FASAB GAAP substantially meet the requirements of the GCCA through their general purpose federal financial reports, even though the statement titles and format are slightly different. As for the statement of cash flow, most agree that the intent of the GCCA is being met through the Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation or BAR). The BAR reconciles accrual based net cost, which is analogous to net income, to net outlays, which is the cash basis, budgetary basis of operations.

Staff does not believe this matter requires any change to SFFAS 34. The Board may wish to consider if it is appropriate to include a short discussion in the basis for conclusions acknowledging the GCCA requirements and that FASAB GAAP requirements and related general purpose federal financial reports meet the intent of the GCCA. However, considering that no changes are necessary and only one respondent (that was not directly involved with such entities) raised the concern, including a discussion may potentially open this legal topic to further questions. As such, the Board may find it most practical to simply document this in the historic files (Board minutes.)

Expansion of SFFAS 34 discussion

Staff believed it important to explain that when staff shared the draft paper with the FASAB GAAP working group, the GAO member suggested that it would be helpful if SFFAS 34 was expanded to include key provisions from SFFAS 47 related to FASB-based reporting. The member believed it would provide for more prominent and visible guidance regarding FASB-based reporting. For example, the member believes it would

be helpful if SFFAS 34 also included the provision from SFFAS 47 paragraph 68¹² that provides consolidation entities may consolidate FASB-based component or sub-component reporting entity financial statements without conversion for any differences.¹³

The member also suggested that the Board should consider elevating information included in SFFAS 47 basis for conclusions par. A83 to authoritative language. SFFAS 47, par. A83 provides:

A83. However, if this leads to consolidation in a single line item of amounts measured differently due to differences between FASB and FASAB principles, then one would anticipate disclosures of the different accounting policies and the related amounts to aid the reader in understanding the information provided. The Board considered adopting requirements for such disclosures but believes that existing requirements and long-standing professional practices are sufficient.

Staff agrees that this discussion, that is currently in SFFAS 47's basis for conclusions, appears to be something that should be included in the authoritative language. Further, language in the basis for conclusions may not get the attention it deserves or stakeholders may not be aware of the language. However, the Board at the time believed that existing requirements and professional practices were sufficient.¹⁴

When performing outreach on the FASB-based provisions, staff also requested feedback on any concerns noted with the consolidation of FASB-based information to help ensure the Board was aware of any related issues. Beyond the GAO member, no other stakeholders identified issues. Staff also notes that no ITC comments were received from the broader financial management community regarding the consolidation of FASB-based information.

However, staff notes that shortly after SFFAS 47's implementation, the Bureau of Fiscal Service submitted a technical inquiry regarding criteria and considerations to determine when additional disclosures are required. FASAB staff directed them to the Board's considerations in SFFAS 47's paragraphs A79-A84 that discussed the Board's considerations and included disclosures of the different accounting policies and the related amounts to aid the reader in understanding the information should be provided.

¹² As discussed on page 13 of this memo, SFFAS 47, paragraph 68 provides "SFFAS 34 recognizes that some federal reporting entities prepare and publish financial reports pursuant to the accounting and reporting standards issued by the FASB. SFFAS 34 provides that GPFFRs prepared in conformity with accounting standards issued by the FASB also may be regarded as in conformity with GAAP. Consolidation entities (that is, the consolidated government-wide reporting entity or a consolidated component reporting entity) may consolidate component or sub-component reporting entity financial statements prepared in accordance with SFFAS 34 without conversion for any differences in accounting policies among the organizations."

¹³ As noted earlier in this paper, the acceptance of the SFFAS 34 provision for certain federal entities to continue FASB-based reporting raised the question of whether the information prepared under FASB standards may be consolidated with information prepared under FASAB standards in consolidated reports prepared by component reporting entities and in the consolidated government-wide reporting entity. This was addressed in SFFAS 47.

¹⁴ Staff notes that this language was included in the [Reporting Entity Exposure Draft](#) basis for conclusions, and thus it was exposed for public comment.

Staff also conveyed that SFFAS 47 is a principles-based standard and that those most familiar with the *Financial Report* and underlying financial information would be better equipped to develop policy.

The Bureau of Fiscal Service has since developed a position paper documenting their policy and processes to ensure proper disclosure of information about FASB-based information. Fiscal Service explained that they consider materiality by performing a data analysis of asset/liability balances, along with what supplemental information the report should include to determine if disclosures should be reported under a standard setter other than FASAB, or if complementary information in notes other than “Summary of Significant Accounting Policies” should be disclosed. Fiscal Service explained that they analyze whether integrated disclosures/conversion will still provide meaningful and concise information for users. Fiscal Service explained that it monitors FASB activities within component entity reports and assesses their quantitative and qualitative materiality to determine whether the CFR needs additional meaningful disclosures. Fiscal Service reiterated that SFFAS 47 is principles-based and allows preparers a certain degree of flexibility and professional judgement.

As described, Treasury appears to have processes in place to assess and ensure proper disclosures of material FASB-based information. Due to this issue being identified just before briefing material distribution, staff did not have time to perform a thorough and detailed analysis of the [FY 2025 Financial Report of the U.S. Government](#) disclosures. However, a quick look shows that the report describes areas that include FASB-based reporting disclosures. For example, a short excerpt from the report:

Insurance and Guarantees As discussed in Note 1.N—Insurance and Guarantee Program Liabilities, certain consolidation entities with significant insurance and guarantee programs apply FASB standards, while other insurance programs are accounted for in the consolidated financial statements pursuant to FASAB standards. Refer to Note 16—Insurance and Guarantee Program Liabilities for insurance and guarantee liabilities and Note 13—Federal Employee and Veteran Benefits Payable for insurance related to federal employee and veteran benefits.

Entities Reporting under FASB PBGC, FCSIC, and FDIC are the main contributing consolidation entities with significant insurance or guarantee programs that apply FASB standards. Insurance in-force estimates and a discussion of PBGC’s coverage are disclosed to provide an understanding of the magnitude of the programs. Current conditions indicate it is extremely unlikely that losses equal to the maximum risk exposure described below would be incurred. PBGC insures the pension benefits, within statutory limits, of participants in covered single-employer and multiemployer defined benefit pension plans. Employee Retirement Income Security Act (ERISA) requires that PBGC programs be self-financing. Accordingly, ERISA provides that the U.S. government is not liable for any obligation or liability incurred by PBGC. As of September 30, 2025, PBGC’s single-employer and multiemployer pension insurance programs had \$152.3 billion and \$4.9 billion in total assets,

respectively. In FY 2024, PBGC reported pension insurance program total assets for single-employer and multiemployer of \$146.1 billion and \$4.5 billion, respectively...

Further, it is important to note that this also impacts consolidated component reporting entities that consolidate sub-component reporting entity financial statements prepared on a FASB-basis. Staff has not had the opportunity to research and analyze these reports and practices.

Although staff sees merit in the member's suggestion, staff believes that it goes beyond the scope of the reexamination of SFFAS 34. Staff believes that additional research is needed to determine if this is an issue that needs to be addressed or if existing requirements and professional practices are adequate as envisioned by the previous Board. Staff maintains a list of reexamination issue areas that the Board will ultimately address; staff believes this issue should be placed on that list to ensure it will be considered further. Further, while staff does not believe it would require a significant amount of study and research, staff believes it would be more appropriate to address this issue through an Omnibus and amend SFFAS 47 so it is included within SFFAS 47's authoritative consolidation discussion. As such, staff does not believe the SFFAS 34 discussion should be expanded as part of this project. Staff believes including new technical guidance requirements, though minimal, may distract and delay the main objectives of the federal GAAP hierarchy reexamination.

Staff Recommendations

Based on the research and stakeholder feedback, which did not indicate significant problems, the section "Application of Standards Issued by the Financial Accounting Standards Board" (paragraphs 9–12) does not require significant changes. (There may be minor edits, such as removing footnote 8 because it is no longer necessary.) Staff recommends adding the concern raised (regarding elevating language contained in SFFAS 47 basis for conclusions par. A83) be added to the list of reexamination issue areas that the Board will ultimately address.

Question for the Board:

2. Does the Board agree that the SFFAS 34 section "Application of Standards Issued by the Financial Accounting Standards Board" (paragraphs 9-12) does not require significant changes? If you do not agree, please explain and provide a preferred approach.

3. Application to Legislative and Judicial Branches

The legislative and judicial branches, and most entities within those branches, are not required to prepare general purpose financial reports.¹⁵ SFFAS 34 notes that FASAB GAAP would be the appropriate accounting standards for federal reporting entities within the legislative and judicial branches to adopt. Staff believes the Board should continue the same approach and recognize that, although the legislative and judicial branches and most entities within them are not required to prepare general purpose financial reports, FASAB GAAP would be the appropriate accounting standards for federal reporting entities within those branches to adopt.

Staff Analysis

Although the amounts for the legislative and judicial branches are immaterial to the CFR, staff believes it is important to follow up and assess if there have been any changes that should be considered so the Board can determine if any changes are warranted as part of the reexamination of the GAAP hierarchy.

Research

SFFAS 34's scope paragraph 4 (including the footnote to the paragraph) states:

This Statement applies to the general purpose financial reports of all federal reporting entities that are presented in conformity with generally accepted accounting principles (GAAP).^{FN4}

^{FN4}The AICPA has designated the FASAB as the source of GAAP for federal reporting entities. Therefore, FASAB GAAP would be the appropriate accounting standards for federal reporting entities in the executive, legislative, and judicial branches.

SFFAS 34's basis for conclusions, paragraph A6 states:

The FASAB's sponsors do not prescribe accounting standards for the legislative and judicial branches. The legislative and judicial branches, and most entities within those branches, are not currently required to prepare general purpose financial reports and those that do prepare statements are not subject to any requirements by the FASAB's sponsors to follow FASAB GAAP or prepare a reconciliation between FASAB GAAP and FASB GAAP. However, as the source of GAAP for federal reporting entities, FASAB GAAP would be the appropriate accounting standards for these entities to adopt if they prepare GAAP-based general purpose financial reports.

¹⁵ The CFO Act and Government Management Reform Act of 1994 has required such reporting for the executive branch of the government.

SFFAS 47, *Reporting Entity*'s scope section includes a footnote that references SFFAS 34, footnote 4 (see above), and explains that FASAB GAAP would be the appropriate accounting standards for federal reporting entities within the executive, legislative, and judicial branches to adopt.

SFFAS 47 clearly indicates that legislative and judicial branch agencies are considered component reporting entities. In fact, the definition of component reporting entity as provided in SFFAS 47, paragraph 10 states:

Component Reporting Entity—“Component reporting entity” is used broadly to refer to a reporting entity within a larger reporting entity.⁷ Examples of component reporting entities include organizations such as executive departments, independent agencies, government corporations, legislative agencies, and federal courts. Component reporting entities would also include sub-components (those components included in the GPFFR of a larger component reporting entity) that may themselves prepare GPFFRs. One example is a bureau that is within a larger department that prepares its own standalone GPFFR.

SFFAS 47 basis for conclusions, paragraph A22 further explains the application to legislative and judicial branches. It explains that although the legislative and judicial branches (and most organizations within those branches) may not be required to prepare financial statements, those organizations would be reported upon in the government-wide report. FASAB GAAP would be the appropriate accounting standards for those entities within the judicial and legislative branches that prepare GAAP-based financial statements. SFFAS 47 does not require any entity to prepare and issue a GPFFR, but it enables federal reporting entities preparing and issuing GPFFRs in conformance with GAAP to determine what organizations should be included in GPFFRs.

Current practices

[The FY 2025 Financial Report of the U.S. Government, Exhibit 1](#) (on page 13) provides an overview of how the U.S. government is organized. The chart clearly shows the legislative branch and judicial branch and related agencies are included. Further, the MD&A also explains “This Financial Report includes the financial status and activities of the executive, legislative, and judicial branches of the federal government.” Note 1. Summary of Significant Accounting Policies, A. Reporting Entity also states that “The government includes the executive branch, the legislative branch, and the judicial branch. This Financial Report includes the financial status and activities related to the operations of the government.”

Appendix A lists the entities (consolidation entities, disclosure entities, or related parties) included in the U.S. government's Financial Report. Staff notes that among others, the following legislative and judicial branch agencies are consolidated entities identified in Appendix A: Architect of the Capitol, Congressional Budget Office, Government Accountability Office, Government Publishing Office, House of

Representatives, Library of Congress, Senate, U.S. Capitol Police, U.S. Capitol Preservation Commission, and U.S. Tax Court.

As noted, the amounts for the legislative and judicial branch entities are immaterial to the government-wide and not all legislative and judicial branch entities are preparing financial statements. Staff contacted the Bureau of Fiscal Service for additional information regarding the reporting of the legislative and judicial branch entities. The Judiciary does not currently have audited financial statements, but they are currently in the process of working toward audited financial statements. While the House of Representatives prepares audited financial statements, the Senate does not. Fiscal Service reviews the Monthly Treasury Statement and other data to complete a JV for consolidation of the Senate into the CFR.

In summary, staff did not identify any issues that warrant reconsidering the approach used in SFFAS 34. Staff believes the Board should continue to recognize that, although the legislative and judicial branches and most entities within them are not required to prepare general purpose financial reports, FASAB GAAP would be the appropriate accounting standards for federal reporting entities within those branches to adopt.

Staff Recommendation

Staff recommends that the Board continue the same approach as used in SFFAS 34. Specifically, the Board should recognize that, although the legislative and judicial branches and most entities within them are not required to prepare general purpose financial reports, FASAB GAAP would be the appropriate accounting standards for federal reporting entities within those branches to adopt.

Question for the Board:

3. Does the Board agree that no changes are necessary to FASAB's approach to legislative and judicial branch entities and guidance should continue to recognize that FASAB GAAP would be appropriate for them to adopt? If you do not agree, please explain and provide a preferred approach.

Staff notes that the two matters presented below will assist staff in the development of the exposure draft.

4. Amend versus Rescind and Replace

As most are aware, changes to FASAB's existing standards often result in complex changes to the FASAB Handbook because FASAB does not have a codification.¹⁶ As such, there really isn't one approach that is best for handling changes to existing standards, especially when deciding whether to amend an existing standard or rescind and replace an existing standard. When considering a prevalent standard like SFFAS 34 (that is referenced in 50 or more places within the authoritative sections of existing standards), it leads to a preference that the standard be amended so that existing references in the FASAB Handbook remain valid.

Staff Analysis

As the Board progresses through the reexamination projects, a critical question that will need to be addressed is whether the proposed changes are best handled through an amendment or through rescinding and replacing the standard. Staff believes this question will need to be decided for each reexamination project separately as the reasons for a particular approach should be determined based on the extent of the reexamination changes and the FASAB Handbook impact.

For example, SFFAS 62, *Transitional Amendment to SFFAS 54*, illustrates guidance that amends a previous statement. Under this approach, the new standard clearly identifies the amendments—that is, the changes—to the affected standard. The FASAB Handbook status page for the new standard identifies the standard it affects and summarizes the changes. Likewise, the amended standard's status page in the Handbook identifies the new standard that amended it, and its summary is updated to reflect the relevant changes. Most importantly, the specific changes are incorporated into the amended standard as part of the annual update to the FASAB Handbook. This approach is preferred for limited changes or amendments rather than a complete overhaul or rewrite. It is also often preferred because existing references to the amended standard in other standards within the FASAB Handbook remain valid. For example, because SFFAS 54 was amended by SFFAS 62, references to SFFAS 54 in other standards do not need to be updated: SFFAS 54, as amended, remains in effect.

The disadvantage with this approach is that the basis for conclusions which provides the understanding of the changes and further explanation of the Board's intent is separate from the amended standard because it is in the amending standard. In other words, the basis for conclusions for the amended standard will appear stale or outdated regarding the amendments because that resides in the amending standard's basis for conclusions. To help with understanding this, all basis for conclusions for FASAB pronouncements include the following introductory paragraph:

¹⁶ The codification issue has been brought up numerous times by staff. Staff had included the topic Codification of FASAB Standards and FASAB Handbook Improvements as a topic in the Reexamination ITC. After discussion, the Board generally agreed that additional education and outreach may be required and that it should be addressed separately when time permits. However, an overarching reason is that codification or other significant improvements would require additional FASAB resources.

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-govern the accounting for specific transactions, events, or conditions.

This Statement may be affected by later Statements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Statements that amend this Statement. The authoritative sections of the Statements are updated for changes. However, this appendix will not be updated to reflect subsequent changes. The reader can review the basis for conclusions of the amending Statement for the rationale for each amendment.

On the other hand, SFFAS 64, *Management's Discussion and Analysis: Rescinding and Replacing SFFAS 15* is an example of a rescind and replace. SFFAS 64 rescinded SFFAS 15 and replaced it with SFFAS 64. As such, SFFAS 15's status page is still included in the handbook as a historical marker/place holder for SFFAS 15, but the summary reads that SFFAS 15 was rescinded and replaced by SFFAS 64. No other language or information from SFFAS 15 remains in FASAB's Handbook.

This approach is the preferred approach for projects that lead to a complete overhaul or rewrite of a particular standard. Just as SFFAS 64 was a complete rewrite of the MD&A standards, with the rescind and replace approach, there was no need to make changes to SFFAS 15 through detailed amendments. Because the previous standard is rescinded, there is no issue with outdated or stale basis for conclusions as everything is rescinded and it is no longer part of the FASAB Handbook. The biggest advantage is that this approach results in a new, clean standard (and Handbook) going forward.

However, some may perceive the removal of the previous standard as deleting relevant history on the topic because it is no longer in the FASAB Handbook.¹⁷ Further, disadvantage with this approach is the consideration of references to the rescinded standard within the authoritative sections of existing pronouncements because the rescinded standard no longer exists. As such, references to the rescinded standard within the authoritative portions of other standards are typically amended in conjunction with the new standard. If not, the stale references would be cleaned up through an Omnibus. Therefore, consideration of the number of references in the authoritative portions is important for determining the best approach.¹⁸

¹⁷ Staff notes that the history of standards can always be researched and reviewed because FASAB maintains a history of [Archived FASAB Handbooks](#) and [Original Pronouncements \(Unamended\)](#).

¹⁸ Although FASAB's approach to dealing with references within the authoritative portions of standards is to correct them in conjunction with the new standard or through an Omnibus, some may believe correcting the stale references is not a significant deficiency because users would note when referring to the pronouncement status page that it has been rescinded and replaced; thereby being directed users to the new standard. To illustrate this point using the SFFAS 64 example, if there are references to SFFAS 15 within the existing standards that were not amended, the status page for SFFAS 15 explains that SFFAS 15 was rescinded and replaced by SFFAS 64.

Analysis of Approach for SFFAS 34

Although the number of times SFFAS 34 is referenced in the authoritative sections of the FASAB Handbook is not the only factor in deciding the best approach, staff believes it is a critical factor because SFFAS 34 has been referenced in many authoritative sections of existing standards. For example, since SFFAS 34's issuance, most pronouncements reference it within the scope section, and it has been referenced in other places. When considering a prevalent standard like SFFAS 34 (that is referenced in 50 or more places within the authoritative sections of existing standards), it leads to a preference that the existing standard be maintained and amended (and not rescinded and replaced) so the existing references remain valid within FASAB's Handbook.

While some may view the reexamination as a complete overhaul or rewrite of SFFAS 34, SFFAS 34 is only 13 paragraphs. Staff believes it could just as easily be amended by rescinding and replacing paragraphs. Further, stakeholder feedback indicates that the changes to "Application of Standards Issued by the Financial Accounting Standards Board" (paragraphs 9-12) are minimal, so this section is not anticipated to change significantly. Staff believes the benefit of not needing to clean up the references to SFFAS 34 within the existing standards far outweighs the tedious work of amending SFFAS 34. While this approach does result in a basis for conclusions that may be stale or outdated accompanying SFFAS 34, staff notes that the basis for conclusions has the introductory paragraph that explains that this does occur and stakeholders are accustomed to this practice and know that the basis for conclusions in the amending standard contains the relevant explanations.

Staff believes it is also important to include an appropriate reference within the exposure draft, such as an appendix or paragraphs in the basis for conclusions, that show a marked SFFAS 34 to show how the amended SFFAS 34 would appear with the proposed changes. FASAB has done this with other amending standards and stakeholders found it beneficial in their understanding of the amendments.

Staff Recommendation

Staff recommends that the changes to SFFAS 34 should be accomplished by an amendment to SFFAS 34 so existing references to SFFAS 34 remain valid.

Question for the Board:

4. Does the Board agree that SFFAS 34's revisions should be accomplished by an amendment to SFFAS 34? If you do not agree, please explain and provide a preferred approach.

5. Effective date

An important consideration with every new standard is determining the most appropriate effective date. The reexamination of the federal GAAP hierarchy does not establish new accounting guidance.¹⁹ Because the literature within the GAAP hierarchy is already applicable, staff believes it would be appropriate for the proposed revised standard to become effective upon issuance.

Staff Analysis

FASAB pronouncements include an effective date of application and method of transition. The effective date section should indicate whether early implementation is permitted or not. Determining the effective date of new guidance is treated on a case-by-case basis analysis because the factors or conditions that exist are innumerable and vary with each new pronouncement. For example, most new pronouncements consider the following in determining the most appropriate effective date and whether early implementation may be allowed: origin of issue, audit implications, external pressures, technical accounting and reporting complexity, training gaps, user needs, need for implementation guidance, preparer IT issues and such.

The purpose of the GAAP hierarchy reexamination is not to establish new accounting guidance, but rather to reexamine the existing hierarchy of generally accepted accounting principles for the federal government (GAAP hierarchy). Because all the literature within the GAAP hierarchy is already applicable, an extended period to implement the proposed revised GAAP hierarchy would not be needed.

Based on Board decisions, the highest level of GAAP would remain the same (SFFASs and Interpretations) in the proposed revised hierarchy. All other FASAB guidance (TBs, TRs, and SIGs²⁰) would collapse to the lower level. Staff considers moving practices that are widely recognized and prevalent to OAL to be the most substantial change resulting from the reexamination of hierarchy, but this does not change the application

¹⁹ Staff notes if the Board decides to expand the SFFAS 34 FASB-based entity discussion to include language from SFFAS 47, new technical requirements may be included, and staff's analysis may change.

²⁰ The Board has tentatively agreed to discontinue the use of SIGs as part of the reexamination, pending determination of how the existing SIGs would be incorporated.

of FASAB literature. Staff also believes that the expanded discussion regarding the unique federal environment and the central agencies' role in providing agencies with statutory guidance through administrative directives will be a significant improvement that would provide the proper context and use of the guidance, but it is difficult to see how this clarity would change reporting practices. Likewise, other improvements and clarifications, such as including language that conveys OAL does not conflict with or contradict authoritative GAAP and the improvements to the principle for evaluating the appropriateness of OAL, should improve the understanding and use of OAL, but may not necessarily have a significant impact on practices.

Staff does not foresee that reporting entities would need to determine the need for and implement any significant changes to their accounting practices. As such, staff does not believe reporting entities would not need an extended period to implement this guidance.

While recognizing that SFFAS 34 generally carried forward the hierarchy as set forth in SAS 91, SFFAS 34 was *effective upon its issuance*. Because the literature within the GAAP hierarchy is already applicable, staff believes it would be appropriate for the proposed revised standard to become *effective upon issuance*.

Having said that, staff believes the best way to confirm this expectation would be to include a question for respondents in the ED. However, if the Board prefers to allow reporting entities additional time to assess whether the revisions—particularly the removal of prevalent practices from the hierarchy—would result in significant changes, the Board would also need to decide whether to permit early application. Staff also notes that the timing of final issuance may have an impact on the Board's preference.²¹ Although staff does not anticipate substantial changes in practice, staff believes early application should not be permitted. Because the proposal restructures the GAAP hierarchy, differing application dates could create or at least appear to create inconsistency.

Staff Recommendation

Staff recommends that the proposed revised standard for the federal GAAP hierarchy be effective upon issuance because the literature within the GAAP hierarchy is already applicable. A question for respondents should be included to assess whether reporting entities would need additional time to assess if the revisions would result in significant changes.

²¹ For example, issuance late in a fiscal year may lead some to prefer an effective date in the following fiscal year, but the decision regarding early implementation would still need to be addressed. Based on staff's tentative [Project Timeline](#), staff believes the estimated approximate date of the final issuance would be the first quarter of FY28.

Question for the Board:

5. Does the Board agree that the proposed revised standard for the federal GAAP hierarchy be effective upon issuance and that a question for respondents should be included to assess whether reporting entities would need additional time? If you do not agree, please explain and provide a preferred approach.

Next Steps

Unless major issues are identified, staff will develop a draft exposure draft for the Board's review at the next meeting. Please see the updated [Project Timeline](#) which provides the estimated timeline for completion and issuance.

Project Timeline

GAAP Reexam

Attachment 2

Phase	Description	Activities and Key Decisions by Board Meeting
Initiate Project	Develop project plan and initial research necessary for development of the plan.	April 2025 Board Meeting: Key decision – Board approves project plan and use of a working group
Research Phase	Perform research and work with the GAAP hierarchy working group.	May 2025 - Staff coordinated and established a FASAB GAAP hierarchy working group. June 2025: - First working group meeting was held. The meeting primarily focused on background information and objectives of the project. July 2025- August 2025: - Exchanged information and drafts electronically with working group to develop characteristics for the highest-level GAAP. September 2025: - Working group meeting to discuss characteristics and consideration of the accounting sources against characteristics. December 2025 Board Meeting: - Key Decisions – Board agreed on the two basic criteria for inclusion in the federal GAAP hierarchy. Guidance that meets the basic criteria for inclusion in the hierarchy should then be assessed against the distinguishing characteristics of the highest-level GAAP and lower-level GAAP to determine placement. The distinguishing characteristics focus on the intended purpose of the guidance and whether a document is formally voted on and issued by the Board versus under the oversight of the Board. Based on analysis of these distinguishing characteristics, SFFASs and Interpretations would continue to be the highest level of GAAP. TBs, TRs, and SIGs would tentatively be a lower level in the hierarchy. The Board also tentatively agreed to the discontinuation of SIGs, pending determination of how the existing SIGs would be incorporated in the revised hierarchy. May 2026: - Working group meeting to discuss OAL

Phase	Description	Activities and Key Decisions by Board Meeting
		June 2026-July 2026 - Held meetings and collaborated with members of the working group, performed additional outreach to stakeholders to address concerns raised in OAL area. Exchanged information and drafts electronically with working group to develop materials for August 2026 meeting. August 2026 Board Meeting - Key Decisions--The discussion of OAL should be expanded to address the unique federal environment and elaborate on the central agencies' role in providing agencies with statutory guidance through administrative directives that are integral to preparing financial statements. The OAL discussion should be elaborated to clarify how the GAAP hierarchy is applied and the relationship of OAL. It should also include language that conveys OAL does not conflict with or contradict authoritative GAAP to clarify the understanding and use of OAL. The principle for evaluating the appropriateness of OAL should be improved by adding the extent of its use in practice and consideration of the Concepts Statements. September 2026 - Exchanged information and drafts electronically with working group to address remaining technical areas in SFFAS 34-- the incorporation of existing SIGs, FASB-based reporting entities, application to the legislative and judicial branches, and the effective date and form of the proposed guidance. October 2026 - Staff presents remaining technical areas for the Board's consideration.
Development Phase	Draft Exposure Draft	TENTATIVE DATES: November 2026-December 2026 - Staff drafts exposure draft and shares with working group members for comment. December 2026 Board Meeting - Board considers draft ED February 2027 Board Meeting - Pre-ballot/Ballot ED March 2027- May 2027 - ED released & 90-day Comment period

Phase	Description	Activities and Key Decisions by Board Meeting
Resolution Phase	Consider comment letters and if any changes are necessary to the exposure draft.	TENTATIVE DATES: June 2027-August 2027 • Staff analysis and Board consideration of comments • Board Ballot & Approval of SFFAS
Finalization Phase	Document submitted to sponsors for 90-day review	TENTATIVE DATES: September 2027- November 2027 • Sponsor 90-day review Anticipated Issuance approximately November 2027-December 2027