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Attached are comments from the Department of Education's Office of the Chief Financial Officer on the Exposure Draft, "The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board."

Questions for Respondents

Please see the instructions presented in the body of the exposure draft at page 8. All responses are requested by February 2, 2009.

Hierarchy of Generally Accepted Accounting Principles

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 or disagree with the hierarchy presented in the Exposure Draft (see paragraphs 5 -8)? Please explain the reasons for your position in as much detail as possible.

Overall, the Department of Education (the Department) agrees with the hierarchy presented in the ED and also believes the hierarchy for selecting the principles used in the preparation of financial statements by federal reporting entities should be set forth in the authoritative literature of the FASAB. The Department believes the Board should also consider incorporating federal agency guidance and oversight, such as that prescribed by OMB and Treasury, into the hierarchy. Application of Standards Issued by the Financial Accounting Standards Board

Q2. This ED proposes to regard general purpose financial reports prepared in conformity with accounting standards issued by the Financial Accounting Standards Board (FASB) as being in conformity with GAAP for those federal entities that have in the past issued such reports (see paragraph 9). Do you agree or disagree with the Board's position? Please explain the reasons for your position in as much detail as possible. To help you in preparing your response, a listing of some of the entities that apply FASB standards as well as some of the areas where differences occur is included in Appendix C: Examples of Federal Entities that Apply FASB Standards.

The Department agrees with the proposal to regard general purpose financial reports prepared in conformity with accounting standards issued by the FASB as being in conformity with GAAP. This proposal is consistent with FASAB newsletter that is being proposed for formal incorporation into the standards under this ED.

Q3. This ED proposes to clarify that a federal entity that is preparing GAAP-based financial statements for the first time is required to implement FASAB standards unless the entity clearly demonstrates that the needs of its primary users would be best met through the application of FASB standards (see paragraphs 10 and 11). Do you agree or disagree with the Board's position? Please explain the reasons for your position in as much detail as possible.

The Department agrees with the Board's position to clarify that a federal entity that is preparing GAAP-based financial statements for the first time be required to implement FASAB standards unless the entity clearly demonstrates that the

needs of its primary users would be best met through the application of FASB standards.

Separate Project on Reporting By Federal Entities That Primarily Apply Standards Issued By The FASB

The Board would greatly appreciate your responses to the following questions to aid in the Board's future deliberations on its companion project on reporting by federal entities that primarily apply standards issued by the FASB. Further information on this project may be found in paragraphs A7 through A16 of Appendix A: Basis for Conclusions and on the FASAB website at <http://www.fasab.gov/projectsgaap.html>.

Q4. The Board has tentatively decided that no federal entities will be required to convert to FASAB standards for their stand-alone general purpose financial reports at this time; however, the Board is considering whether additional reporting may be required in order to meet the objectives of federal financial reporting (e.g., budgetary reporting, cost accounting, management's discussion and analysis). What FASAB reporting requirements are you aware of that would complement or enhance current reporting by federal entities following FASB standards (see paragraphs A8 through A12 of Appendix A: Basis for Conclusions)? Please explain the reasons for your position in as much detail as possible.

The Department offers no comments at this time regarding the companion project on reporting by federal entities that primarily apply standards issued by the FASB.

Q5. As noted in the previous question, the Board has tentatively decided that no federal entities will be required to convert to FASAB standards for their stand-alone general purpose financial reports at this time; however, the Board is considering whether information provided by these entities to a parent agency or 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 (see paragraphs A13 through A15 of Appendix A: Basis for Conclusions). Do you agree or disagree that the information provided for consolidated financial reports should conform to FASAB accounting and reporting standards? Please explain the reasons for your position in as much detail as possible.

The Department offers no comments at this time regarding the companion project on reporting by federal entities that primarily apply standards issued by the FASB. The Department does believe, however, that information provided for consolidated financial reports should conform to FASAB accounting and reporting standards, where appropriate, to further ensure consistency in reporting.

Q6. Do you have a current opinion on whether federal entities that report in conformance with FASB standards should be permitted to convert to International Financial Reporting Standards (IFRS), given the discussions regarding whether public companies should use IFRS (see paragraph A16 of Appendix A: Basis for Conclusions)? Please explain the reasons for your position in as much detail as possible.

The Department offers no comments at this time regarding the companion project on reporting by federal entities that primarily apply standards issued by the FASB.