AICPA

March 30, 2009

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

Dear Ms. Payne:

The American Institute of Certified Public Accountants (AICPA) has reviewed the Federal Accounting Standards Advisory Board (FASAB) Exposure Draft (ED), *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board,* and is pleased to offer its comments. Our comments are limited to the provisions of the ED relating to the hierarchy of generally accepted accounting principles (GAAP).

We fully support the FASAB's efforts to incorporate the GAAP hierarchy, originally covered in the AICPA's auditing literature, into the FASAB's authoritative literature. Our response to the specific question raised in the ED regarding the GAAP hierarchy is included below, as well as several other comments for the Board's consideration.

SPECIFIC ED QUESTION

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 presenting in the ED (see paragraphs 5-8)? Please explain the reasons for your position in as much detail as possible.*

As noted above, we fully support the FASAB's efforts to incorporate the GAAP hierarchy into the FASAB's authoritative literature. We agree with the Board's conclusion that 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.

OTHER COMMENTS

Paragraphs 5(b) and 5(c). These paragraphs refer to AICPA Statements of Position (SOP) and Practice Bulletins that are specifically made applicable to federal reporting entities and cleared by the FASAB as category (b) and (c) GAAP, respectively. At this time, we are not aware of any accounting related SOPs or Practice Bulletins that meet this criteria. Further, when the Financial Accounting Standards Board (FASB) releases it new Accounting Standards Codification (ASC), which is expected to be effective July 1, 2009, AICPA SOPs and Practice Bulletins will generally be incorporated into the FASB Codification and have no continued authority. While the AICPA may continue to make SOPs and Practice Bulletins available for some period of time for historical background purposes, the FASB's ASC will be the sole source

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of nongovernmental GAAP. The FASAB should consider removing the reference to SOPs and Practice Bulletins in these paragraphs.

Paragraph 7. This paragraph states that 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) that a federal reporting entity should then consider accounting principles for similar transactions or events with categories (a) – (d) *before considering Other Accounting Literature*. The Governmental Accounting Standards Board (GASB), in its GAAP hierarchy project, included a similar concept but instead of requiring state and local governments to first consider accounting principles for similar transactions or events in categories (a) – (d) before considering Other Accounting Literature, they stated that in addition to principles for similar transactions in categories (a) – (d) that governments *may also consider Other Accounting Literature.* We question why a federal reporting entity would not be permitted to consider both categories (a) – (d) for similar transactions *and* Other Accounting Literature in making a determination on the most appropriate accounting to follow for transactions that FASAB literature does not specifically address. The proposed two-step process may make it difficult for preparers and auditors, especially when Other Accounting Literature addresses an accounting matter directly, but categories (a) – (d) do not. If the Board moves forward with this proposed language, it should be aware that the federal hierarchy will differ from the state and local hierarchy on this point. Further, the Board should discuss its reasoning for its position in the Basis for Conclusions and provide additional specific examples of actual situations where categories (a) – (d) would be more appropriate when *Other Accounting Literature* addresses an accounting matter directly.

Paragraph 8. The references to FASB guidance in this paragraph will be become obsolete when the FASB releases the ASC. The Board should consider the affect of the issuance of the FASB ASC in terms of describing the FASB guidance that would fall in the Other Accounting Literature category. Further, this paragraph addresses Other Accounting Literature and refers to GASB Standards. We recommend changing this to GASB Statements as this is how the GASB generally refers to its pronouncements.

Consideration of Going Concern and Subsequent Events Guidance. Recently, at the request of the AICPA, both the FASB and the GASB, initiated projects to incorporate into their standards going concern and subsequent events accounting guidance that is currently included in the AICPA's auditing literature. We recommend that the FASAB adopt a similar project to ensure that GAAP for federal entities addresses these important areas.

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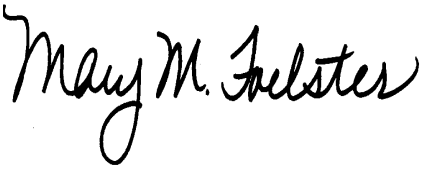
The AICPA appreciates the opportunity to comment on the ED. This comment letter was reviewed by representatives of the Accounting Standards Executive Committee (AcSEC) who did not object to its issuance. Representatives of the AICPA would be pleased to discuss these comments with you at your convenience.

Sincerely,



Mary M. Foelster
Director
AICPA Governmental Auditing and Accounting

cc: Daniel J. Noll
Charles E. Landes