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Please see the attachment for comments on GAAP Hierarchy Exposure Draft.
Thank you.

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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.

Agree with the hierarchy presented in the Exposure Draft's paragraphs 5 -8. This hierarchy seems to agree with the FASB's GAAP hierarchy which is in the following order: FASB Standards, Interpretations, and Staff Positions; APB Opinions; and AICPA Accounting Research Bulletins.

The old GAAP hierarchy incorporated governmental guidance and regulations proposed by OMB, Treasury and other government entities. We do not see those governmental guidance and regulations anymore in the new hierarchy. So, in the absence of those guidance and regulations in the hierarchy, where would the guidance such as OMB Circular A-136 fall?

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 **Error! Reference source not found..**

General purpose financial reports issued in the past and prepared in conformity with accounting standards issued by the Financial Accounting Standards Board (FASB) should be regarded as being in conformity with GAAP. However, in preparing an agency's *consolidated* financial statements that will be issued in the future, FASB-based financial statements prepared by a sub-agency, or sub-agencies, should be converted to FASAB-based financial reports (using crosswalk) before consolidating. Where there are major differences between the two standards, they should be properly disclosed in the note disclosure to the parent agency's consolidated financial statements.

- 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.

A federal entity that is preparing GAAP-based financial statements for the first time should 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. Examples of factors in the paragraph 11 seem to be good reasons why the FASB standards are more appropriate.

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.

See Q2 response.

- 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.

In preparing an agency's consolidated financial statements, FASB-based financial reports should conform to accounting and reporting principles issued by the FASAB (where there are material differences between the two). This conformity would enhance understandability, decision usefulness, comparability, etc. for the agency's financial reporting as a whole, especially if the agency has multiple sub-agencies.

- 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.

Federal entities that report in conformance with FASB standards should be permitted to convert to International Financial Reporting Standards (IFRS) at some point in the future. However, this should not be allowed until convergence of the two standards is completed and approved by the appropriate regulatory bodies. To allow it now would create confusion for everyone (preparers, users, government regulators, etc.), and would not result in the kind of benefits that the conversion is trying to accomplish.