

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

Prepared by: Wendy Calvin
Wendy.calvin@dot.gov
202-366-0336

Agency: US Department of Transportation (DOT)

Questions for Respondents

Please see the instructions presented in the body of the exposure draft at page 8.

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.

Response: DOT agrees, however we feel the hierarchy in the ED should be further defined.

FASAB standards provide general policy guidance to agencies. OMB and Treasury may provide further clarification to the general guidance based on either requests from agencies or needed crosswalks to financial reporting. However, sometimes these clarifications are either inconsistent with FASAB standards; each other or; with the auditor community.

Inconsistencies in the lower levels of the hierarchy need to be addressed in the ED either by further detailing the hierarchy with regards to OMB, Treasury and GAO or mandating that the agencies need to ensure their guidance is complementary.

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*.

Response: DOT believes that if an agency receives material amounts of federal appropriations that are recurring in nature, it must follow FASAB standards. In those cases where federal appropriations are not provided or deemed immaterial to the entity, it is allowable to follow FASB.

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.

Response: DOT agrees, the primary purpose reports must be prepared is based on agencies customers' needs.

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.

Response: DOT n/a.

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.

Response: DOT agrees. For Treasury an external customer to all agencies, to prepare the consolidated FR, all reports must be prepared and submitted using the same guidance whether it be FASB or FASAB.

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.

Response: The sole reason to prepare reports is to communicate accurate and timely data to all customers, both internal and external. These reports should be meaningful and provide information for users to make assessments and decisions.

In the government community (which is unlike the private sector), our current reporting criteria does not provide such information. When looking at the principal financial statements, there is too much detail, including multiple lines and columns; line items that are government specific and; segregations of 'earmarked funds' that make the statements difficult at best to read for a seasoned federal employee.

DOT is not sure if the mandate to convert to IFRS would be beneficial.