



Statewide Accounting Policy & Procedure

Accounting Manual Reference:

Section: Introduction
Sub-section: GAAP Hierarchy

Effective Date: 06/30/2016**Revision Date:** 06/30/2016**Index:**[Policy Summary](#)[Accounting Policy Requirements](#)[Accounting Treatment](#)[Authority](#)[Applicability](#)[Definitions of Acronyms](#)**Policy Summary:**

The Governmental Accounting Standards Board (GASB) issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in June 2015. This statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. It is intended to make it easier for preparers of state and local government financial statements to identify and apply the GAAP hierarchy, which consists of sources of accounting principles used in the preparation of financial statements so that they are presented in conformity with GAAP. The hierarchy also provides a framework for selecting those principles.

Prior to Statement No. 76, the GAAP hierarchy was defined by Statement No. 55, which moved relevant portions of the American Institute of Certified Public Accountants' (AICPA) Statement on Auditing Standards (SAS) No. 69, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*, to the GASB literature without substantive changes. GASB Statement No. 76 significantly changes the GAAP hierarchy by simplifying the structure and reducing the number of categories of authority.

Accounting Policy Requirements:

The GAAP hierarchy governs what constitutes generally accepted accounting principles for all state and local governmental entities. It lists the order of priority of pronouncements that a reporting organization should look to for accounting and financial reporting guidance. Those State reporting organizations that do not use GAAP in recording day-to-day transactions must be familiar with the selection of generally accepted accounting principles in the GAAP hierarchy to facilitate preparation of GAAP reporting at fiscal year-end.

Accounting Treatment:

The table below summarizes the sources of accounting principles that are generally accepted, with Category-A and Category-B reflecting the strongest category of authority followed by other nonauthoritative sources.

If the accounting treatment for a transaction or event is not specified by a pronouncement in Category-A, the reporting organization should consider whether the accounting treatment is specified by an accounting principle from a source in Category-B.

If the accounting treatment for a transaction or event is not addressed by an authoritative source, then a reporting organization should consider accounting principles for similar transactions or events within those authority categories, unless the accounting principles either prohibit the application of the accounting treatment to the particular transaction/event or indicate that the accounting treatment should not be applied by analogy. A reporting organization may also consider other accounting literature if a transaction or event is not addressed in authoritative GAAP. Examples of other literature appear in the “Other Sources” row of the hierarchy summary below.

AUTHORITY CATEGORY	GASB	OTHER
A	Statements and Previously Issued Interpretations	
B	Technical Bulletins Implementation Guides	AICPA literature cleared by the GASB
Nonauthoritative Other Sources	Concepts Statements	Pronouncements and other literature of the Financial Accounting Standards Board, Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, International Accounting Standards Board and AICPA literature not cleared by the GASB Practices that are widely recognized and prevalent in state and local government Literature of other professional associations or regulatory agencies Accounting textbooks, handbooks and articles

Summaries of GASB Statements, previously issued Interpretations, Technical Bulletins, Implementation Guides and Concepts Statements, including instructions for obtaining the full text, can be found on the GASB website: <http://www.gasb.org>.

Authority:

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- OCGA 50-5B-3, Duties of State Accounting Officer
- OCGA 50-5B-4, Duties of State Agencies with Respect to SAO

Applicability:

This accounting policy applies to all organizations included in the State of Georgia reporting entity. Refer to the *Management Responsibilities* policy for a summary of general financial reporting responsibilities.

Definitions of Acronyms:

AICPA	American Institute of Certified Public Accountants
APB	Accounting Principles Board
ARB	Accounting Research Bulletins
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GAAFR	Governmental Accounting, Auditing, and Financial Reporting (“Blue Book”)
GASB	Governmental Accounting Standards Board
IASB	International Accounting Standards Board
IPSASB	International Public Sector Accounting Standards Board
NCGA	National Council on Governmental Accounting
SAS	Statement on Auditing Standards