



Governmental Accounting Standards Board
of the Financial Accounting Foundation

March 2011

GASB Statement Codifies FASB and AICPA Pronouncements Applicable to State and Local Governments

For many years, preparers, auditors, and users of state and local government financial statements have had to refer to the literature of multiple organizations to locate the relevant accounting and financial reporting standards. They have to look not just to the Governmental Accounting Standards Board (GASB)—the recognized setter of generally accepted accounting principles (GAAP) for state and local governments—but also to the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which was issued by the GASB on December 30, 2010, significantly reduces the need to rely on sources outside of the GASB’s literature to locate the necessary accounting guidance for the governmental environment.

This Statement allows those who prepare or audit financial statements, or reference standards for state and local governments, to access the applicable guidance with greater ease and certainty. The guidance contained in Statement 62 brings the top category of authoritative governmental accounting and financial reporting literature—“category (a)” GAAP—together in a single publication. The guidance generally has been taken “as-is” from the original FASB and AICPA pronouncements, though a few provisions have been modified where necessary to relate specifically to the governmental environment.

What Does Statement 62 Do?

Statement 62 specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. Prior to the issuance of Statement 62, GASB Statements No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, and No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, had required that governments apply pre-November 30, 1989, FASB and AICPA pronouncements to accrual-based financial statements that do not conflict with or contradict GASB standards. However, the applicable pronouncements were not specifically identified and practitioners had to use professional judgment in applying them.

The November 30, 1989 date is significant because that is the date of the Jurisdiction Determination, in which the trustees of the Financial Accounting Foundation reaffirmed the 1984 jurisdiction agreement which established the GASB’s status as the standards setter for all state and local governmental entities. The jurisdiction agreement distinguished those entities that would follow GASB standards from those that would follow FASB standards.

Why Was Statement 62 Issued?

As previously noted, prior to the issuance of Statement 62, financial statement preparers had to identify which provisions within the FASB and AICPA pronouncements were applicable to them, generally without authoritative guidance telling them how to do so. The application of this process varied because it depended on individual professional judgment regarding what provisions are considered conflicting and contradictory. The task was further complicated by the fact that applicable provisions could be entire FASB or AICPA pronouncements or just a handful of paragraphs within a pronouncement.

Over the years, the GASB staff has answered many technical inquiries regarding the application of FASB pronouncements. The staff responses, however, are fact- and circumstances-specific and, therefore, have not been broadly distributed to the GASB's constituents as part of an authoritative document.

The need for Statement 62 became more pressing with the July 1, 2009, launch of the *FASB Accounting Standards Codification*. The FASB codification supersedes all previous FASB pronouncements as the official authoritative literature—in fact, individual FASB and AICPA pronouncements became nonauthoritative literature for the private sector when the new FASB Codification took effect.

The practical effect has been that the pre-November 30, 1989, authoritative standards are no longer readily available in some cases to many GASB constituents. The project that culminated in Statement 62 was designed not only to provide clear guidance for those needing to apply these provisions, but to make that guidance easily accessible at the same time. By identifying the provisions applicable to governments within the FASB and AICPA authoritative literature, the issuance of the guidance contained in Statement 62 is expected to be of significant value.

By consolidating this GAAP for state and local governments into a single codification, the GASB is making the process of identifying relevant “category (a)” literature much less complex and time-consuming, while simultaneously improving the consistency of applying the literature. Identifying the applicable guidance will no longer be a daunting task for preparers and auditors. Because financial statement preparers and auditors would no longer have to search through various sources to determine which pronouncements apply to state and local governments, more consistent application of the relevant guidance is expected to result. Users of financial statements would benefit from this enhanced consistency.

What Topics Does the Statement Address?

Statement 62 addresses more than 120 FASB and AICPA pronouncements that date back several decades and covers 30 accounting and financial reporting topic areas. A number of key areas are highlighted below—specifically, those that are most commonly applied by governments and that have the greatest impact on general purpose governmental accounting and financial reporting for the widest range of governmental entities. Topics addressed include:

- *Accounting changes and error corrections*—This guidance defines various types of accounting changes, such as changes in accounting principle or estimate, and provides

guidance for determining the manner of reporting each type. It also covers reporting a correction of an error in previously issued financial statements.

- *Capitalization of interest costs*—This section includes guidance for capitalizing interest as part of the historical cost of constructing certain business-type activity assets.
- *Contingencies*—This guidance addresses circumstances in which a loss contingency should be recognized as a liability or disclosed in the notes to the financial statements.
- *Extinguishments of debt*—This section provides guidance for when certain types of governmental debt is considered to be extinguished.
- *Imputation of interest costs*—This section includes guidance on when and how to impute interest costs relating to the difference between the face amount and the present value of certain receivables or payables.
- *Investments in common stock*—This section explains how to apply the equity method to valuing these investments.
- *Leases*—This section incorporates standards for capital and operating lease agreements that previously were only referenced in the GASB's literature.
- *Regulated operations*—This section provides guidance for preparing general purpose financial statements for many public utilities.
- *Special and extraordinary items*—This section defines *unusual in nature* and *infrequent in occurrence* as they are used in the definitions of special and extraordinary items.
- *Statement of net assets classification*—This guidance defines and provides examples of what may be included in or excluded from current assets and current liabilities in a classified format.

When Does the Statement Take Effect?

Governments are required to implement the requirements of Statement 62 for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

- Order [Statement 62](#)
- Read the [news release](#)
- Read more about the [GASB codification efforts](#)