

OREGON ACCOUNTING MANUAL		Number 15.05.00.PO
Oregon Department of Administrative Services State Controller's Division	Policy	Effective Date July 1, 2001
Chapter	Accounting and Financial Reporting	.1 OF .2
Part	GAAP Hierarchy	
Section		Approval Signature on file at SCD

Authority [ORS 293.590](#)
 GASB Statement No. 20
 GASB Statement No. 34

GAAP Hierarchy

- .101 The Council of the American Institute of CPAs (AICPA) generally accepted accounting principles (GAAP) "hierarchy" indicates the relative authoritativeness of the various standards, pronouncements, and other literature on financial accounting and reporting principles and procedures.
- .102 With regard to state and local governments, the hierarchy is as follows:
 - a. Level 1: Governmental Accounting Standards Board (GASB) Statements and Interpretations, plus AICPA and Financial Accounting Standards Board (FASB) pronouncements if made applicable to state and local governments by a GASB Statement or Interpretation.
 - b. Level 2: GASB Technical Bulletins, and the following pronouncements if specifically made applicable to state and local governments by the AICPA: AICPA Industry Audit and Accounting Guides and AICPA Statements of Position.
 - c. Level 3: AICPA Accounting Standards Executive Committee Practice Bulletins if specifically made applicable to state and local governmental entities and cleared by the GASB. Also, consensus positions of a group of accountants organized by the GASB that attempts to reach consensus positions on accounting issues applicable to state and local governmental entities.
 - d. Level 4: Implementation Guides (Q&As) published by the GASB, as well as industry practices widely recognized and prevalent.
 - e. Other Sources: Other accounting literature, including GASB Concepts Statements and AICPA and FASB pronouncements when not specifically made applicable to state and local governmental entities.
- .103 In cases of potential conflict, higher level sources (e.g., level 1) take automatic preference over lower level sources (e.g., level 4).

Proprietary Funds

- .104 Activities accounted for in **proprietary funds** should apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins. Unless the GASB specifically adopts FASB Statements or Interpretations that amend a pronouncement issued on or before November 30, 1989, these amendments should not be applied.

Government-Wide Reporting

- .105 **Governmental activities** and **business-type activities** reported in the government-wide financial statements should apply the same pronouncements as activities accounted for in proprietary funds per .104 above.
- .106 Certain pronouncements should be applied only prospectively to governmental activities reported in the government-wide financial statements. The retroactive effect of applying those standards is not required to be considered in determining beginning net assets for governmental activities as of July 1, 2001.
- a. The requirements of APB Opinions No. 12, *Omnibus Opinion—1967*, and No. 21, *Interest on Receivables and Payables*, as amended, require deferral and amortization of debt issue premium and discount. These opinions may be applied prospectively to governmental activities in the statement of net assets and the statement of activities, except for governmental activity debt that is deep-discount or zero-coupon debt.
 - b. FASB Statement 23, which requires deferral and amortization of the difference between the reacquisition price and the net carrying amount of old debt in debt-refunding transactions, may be applied prospectively by governmental activities.
 - c. The provisions of APB Opinion 20, as amended, apply to proprietary funds as well as business-type and governmental activities in the government-wide statements. Although Opinion 20 requires the cumulative effect of an accounting change to be included in net income for the period, in practice, proprietary funds report that effect as an adjustment to beginning net assets (equity) on the face of the operating statement. All activities should report the cumulative effect of an accounting change as an adjustment to beginning net assets in the government-wide statement of activities. The exception to Opinion 20 is appropriate because it was intended to avoid manipulation of “earnings per share” by commercial enterprises, which does not apply to governmental entities.