

**SUMMARY OF MAJOR CHANGES TO
DOD 7000.14-R, VOLUME 1, CHAPTER 2
“FEDERAL ACCOUNTING STANDARDS HIERARCHY”**

All changes are denoted by blue font

Substantive revisions are denoted by a ★ preceding the section,
paragraph, table, or figure that includes the revision

Hyperlinks are denoted by *underlined, bold, italic blue font*

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter was previously Volume 1, Chapter 8, <i>Hierarchy of Accounting Standards</i> , of this Regulation. The previous Volume 1, Chapter 2, <i>Conceptual Framework</i> , is archived.	Update
Title	Changed title of chapter to <i>Federal Accounting Standards Hierarchy</i> .	Update
020101	Clarified the purpose of the chapter, applicability, and location of interim policies and guidance.	Update
020102.B	Added overview of American Institute of Certified Public Accountants Statement on Auditing Standards No. 91, <i>Federal Generally Accepted Accounting Principles Hierarchy</i> .	Add
020102.C	Added overview of Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 34, <i>The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board</i> .	Add
020102.E	Clarified SFFASs related to generally accepted accounting principles.	Add
020102.F	Updated links to SFFASs and other FASAB publications.	Update
020103	Updated hierarchy based on SFFAS 34.	Update
020104	Added other SFFAS 34 pronouncements and practices.	Add
0202	Required SFFAS concerns and FASAB requests to the Directorate for Financial Reporting and Analysis, Office of the Secretary of Defense (Comptroller) (OUSD(C)) as well as Directorate for Accounting and Finance Policy, OUSD(C).	Update

TABLE OF CONTENTS

FEDERAL ACCOUNTING STANDARDS HIERARCHY

★ 0201 General

★ 0202 Accounting Policy

CHAPTER 2

FEDERAL ACCOUNTING STANDARDS HIERARCHY0201 GENERAL020101. Purpose

A. This chapter includes the Federal Accounting Standards Advisory Board (FASAB) hierarchy of accounting principles and standards used to promulgate DoD accounting and financial reporting policy within this Regulation (DoD Financial Management Regulation (FMR)). The purpose of these principles and standards is to improve the usefulness of federal financial reports.

B. The provisions of this chapter apply to all DoD Components, including the Defense Working Capital Fund activities. However, this chapter does not apply to Nonappropriated Fund (NAF) accounting. NAF accounting policies are in Volume 13 of this Regulation.

C. Interim policies and guidance issued by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) through various memoranda can be found on the OUSD(C) DoD FMR website above each related volume. Such interim guidance subsequently will be incorporated into the DoD FMR once it is finalized.

020102. Overview

A. To comply with the Chief Financial Officers (CFO) Act of 1990, as amended, federal financial managers, accountants and auditors need to apply appropriate accounting principles and standards. These concepts and standards result from the due process of the FASAB. The FASAB was established in October 1990 by the Director of the Office of Management and Budget (OMB); the Secretary of the Treasury; and the Comptroller General, Government Accountability Office (GAO) to consider and recommend accounting principles for the federal government.

B. In 1999, the American Institute of Certified Public Accountants' (AICPA) Council designated the FASAB as the accounting standards-setting body for federal government entities under Rule 203 of the AICPA's Code of Professional Conduct, paragraph 203-2. The AICPA Council had previously designated the FASB as the standards-setter for the private sector in 1973 and the Governmental Accounting Standards Board (GASB) as the standards-setter for states and local governments in 1986. Until the AICPA action, the federal government did not have a Rule 203 designated accounting standards setter. With this designation, federal government reporting entities are able to obtain audit opinions that indicate that the financial statements are presented in conformity with GAAP rather than an "other comprehensive basis of accounting." The hierarchy for selecting the principles used in the preparation of general

purpose financial reports by federal reporting entities was set forth in the AICPA [Statement on Auditing Standards No. 91 \(SAS 91\), Federal GAAP Hierarchy](#).

C. In July 2009, FASAB joined with GASB and published the [Statement of Federal Financial Accounting Standard \(SFFAS\) 34, The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board](#), that identifies the GAAP hierarchy for federal reporting entities.

D. The FASAB develops accounting standards taking into consideration the financial and budgetary information needs of the Congress, executive agencies, other users of federal financial information and comments from the public. The FASAB then exposes the proposed standard for public comment. The Board considers comments and then decides whether to adopt the standard with or without modification. After the Board concludes its deliberations on a proposed statement, they submit it to the sponsors who have 90 days to review the statement. If neither the Director of the Office of Management and Budget nor the Comptroller General object, the statement is published by FASAB and becomes GAAP for federal financial reporting entities.

E. When the FASAB adopts recommended statements, they are published as [SFFASs](#). These SFFASs are the body of standards that are the GAAP for federal government entities.

F. A codification of SFFASs and other FASAB authoritative publications including FASAB Standards, Interpretations, Technical Bulletins, and Technical Releases can be found at <http://fasab.gov/standards.html>. Documents recently issued and not yet codified are located at <http://www.fasab.gov/codifica.html>.

020103. [Accounting Standards Hierarchy](#)

A. The SFFASs are GAAP applicable to the federal government and shall be followed by all federal agencies, in reporting under the [Government Management Reform Act of 1994](#). DoD Components shall adhere to the GAAP hierarchy prescribed in [SFFAS 34](#). The sources of accounting principles that are generally accepted are categorized in descending order of authority as follows:

1. FASAB SFFAS and Interpretations.
2. FASAB Technical Bulletins and, if specifically made applicable to federal reporting entities by the AICPA and cleared by the FASAB, AICPA Industry Audit and Accounting Guides. Such pronouncements specifically made applicable to federal reporting entities are presumed to have been cleared by the FASAB, unless the pronouncement indicates otherwise.
3. Technical Releases of the Accounting and Auditing Policy Committee of the FASAB.

4. Implementation guides published by the FASAB staff, as well as practices that are widely recognized and prevalent in the federal government.

B. If the accounting treatment for a transaction or event is not specified by a pronouncement in subparagraph 020103.A.1, a federal reporting entity should consider whether the accounting treatment is specified by an accounting principle from a source in another category. In such cases, if categories in subparagraphs 020103.A.2-A.4 contain accounting principles that specify accounting treatments for a transaction or event, the federal reporting entity should follow the accounting treatment specified by the accounting principle from the source in the highest category—for example, follow category treatment in subparagraph 020103.A.2 over category treatment in subparagraph 020103.A.3.

020104. Other Pronouncements and Practices

A. If the accounting treatment for a transaction or event is not specified by a pronouncement or established in practice as described in subparagraphs 020103.A.1-A.4, a federal reporting entity should then consider accounting principles for similar transactions or events within categories in subparagraphs 020103.A.1-A.4 before considering Other Accounting Literature discussed in subparagraph 020104.C. For example, it might be appropriate to report the event or transaction by applying, in a similar manner, an accounting principle established within categories in subparagraphs 020103.A.1-A.4 for an analogous transaction or event on the basis of its substance.

B. A federal reporting entity should not follow the accounting treatment specified in accounting principles for similar transactions or events in cases in which those accounting principles either (a) specifically prohibit the application of the accounting treatment to the particular transaction or event or (b) indicate that the accounting treatment should not be applied to other transactions or events by analogy.

C. Other Accounting Literature includes, for example, FASAB Concepts Statements; the pronouncements referred to in category (2) of subparagraph 020103.A when not specifically made applicable to federal reporting entities by the FASAB; pronouncements of other accounting and financial reporting standards-setting bodies, such as the FASB, GASB, International Accounting Standards Board, and International Public Sector Accounting Standards Board; professional associations or regulatory agencies; and accounting textbooks, handbooks, and articles. The appropriateness of other accounting literature depends on its relevance to particular circumstances, the specificity of the guidance, and the general recognition of the issuer or author as an authority. For example, FASAB Concepts Statements would normally be more influential than other sources in this category.

0202 ACCOUNTING POLICY

020201. To ensure the consistent application of SFFASs throughout the DoD, the Directorate for Accounting and Finance Policy, OUSD(C) and Directorate for Financial Reporting and Analysis, OUSD(C) shall be contacted when clarification, technical guidance, implementation guidance or other information regarding SFFASs is needed.

020202. Informal or formal requests addressed to the FASAB or the Accounting and Auditing Policy Committee for an interpretation, clarification, technical guidance, implementation guidance or other information regarding SFASs shall be submitted through the Directorate for Accounting and Finance Policy, OUSD(C) and Directorate for Financial Reporting and Analysis, OUSD(C).